

## **A Booming Economy**

**Timothy W. Scales  
Indiana University East**

*The world's first Baby Boomer experienced her 60<sup>th</sup> birthday. Seventy-six million Americans are following as the United States prepares for what was identified as the society-changing cohort born between 1946 and 1964 heading for the Golden Years. The Baby Boomers generation (1946 – 1964) and the generation identified as the Echo Boomers (1977 – 1994). Reviewing the social, financial, and economical impact of each of the generations and how they can interact for a challenging and rewarding future. The Baby Boomers brought the world to the people through television; the Echo Boomers are bringing the people to the world through the Internet.*

### **ENTREPRENEURSHIP BACKGROUND**

The foundations of entrepreneurship laid, the Baby Boomer generation was poised to come of age with the growth of entrepreneurship and enter the business world with the new “American Dream.” This new entrepreneurial dream embraced the growing sense of self-reliance and personal control through entrepreneurship’s key components of risk taking, assertiveness and economic reward. Reflections of these concepts throughout the Baby Boom generation by Davis McClelland, Albert Shapero, and Robert Hisrich support entrepreneurship’s role in this new society of self-realization. In 1961, Davis McClelland noted that an entrepreneur is an energetic, moderate risk taker. Peter Drucker states that entrepreneurs maximize opportunities. Albert Shapero said that an entrepreneur takes initiative, organizes some social and economic mechanisms, and accepts risk of failure. In 1985, Robert Hisrich identified entrepreneurship as the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychological, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence.

In almost all of the definitions of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes initiative taking, organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account, and the acceptance of risk or failure.

The process for which an entrepreneur creates a new venture includes recognizing and evaluating opportunities, developing a business and marketing plan, determining the resources required and managing the opportunity. Following through with every step is very important for future success. Too often entrepreneurs fail to follow the process and missed action results in failure.

One of the fundamental concepts of entrepreneurship is the encouragement of innovation (Schumpeter, 1936). Intuitively, we all know that entrepreneurship has played an important role in industry growth and innovation throughout its history. Common usage of the term entrepreneurship tends to lump new venture creation together with small business, whether it’s new or not.

The narrowing of the distance between science and the marketplace could be identified as entrepreneurship. Entrepreneurship is one of the most effective ways to eliminate the distance. It does not matter if an idea is large or small, only if the idea is acted upon can it become entrepreneurial.

The entrepreneur may have the advantage of better knowledge or at least experience with specific products and services before bringing them to the market. It is the entrepreneur, motivated by self-interest, who takes the risk to bring opportunities to the next level. The entrepreneur can take what appears to be wrong for others, create change, and make it correct; then it becomes marketable. The entire focus of the entrepreneur is to be different. In the same way, the entrepreneur brings a difference to the product or service and delivers it to the marketplace. The entrepreneur's gains from the risk are offset by reward.

The formula for innovation and growth is entrepreneurship. Many are aware that new and small business growth starting from the 1970's has become the source of economic growth and innovation toward the entrepreneurship and small business sector (Audretsch, 2002, Baumol, 1993, Carree & Thurik, 2003; Cooper, 2003). In fact, new firms have been shown as the main source of net job growth (Acs, Armington & Robb, 1999).

Among more recent works is the seminal work by McClelland (1961) who made an attempt to explain entrepreneurship, and thus economic development, by the need for achievement. Other studies have subsequently found psychological key characteristics of successful entrepreneurs to include internal locus of control, low aversion to risk taking, aggressiveness, ambition, over optimism, desire for autonomy, marginality, personal values, and need for power (Aldrich & Zimmer, 1986; Brockhaus, 1982; Carson, Cromie, McGowan & Hill, 1995; Delmar, 1996, Gartner, 1989). "We believe there is an underlying process in entrepreneurship that starts with the identification of opportunity and ends with harvesting the fruits of one's labors" (Stevenson & Sahlman, 1987, p.17-18).

Stevenson and Sahlman (1987) also discuss what characterizes an individual entrepreneur. "The individual entrepreneur is a person who perceives opportunity, finds the pursuit of opportunity desirable in the context of his or her life situation and believes that success is possible. These three elements are those that distinguish the individual entrepreneur from the vast majority of the populace; which seems to be a driving force behind the Baby Boomer interest". (p. 33)

Entrepreneurship is thus a behavior which is tied to the creation of new organizations, organization formation or how organizations come into existence. Gartner, Bird & Star (1992) attempt to differentiate entrepreneurial behavior from organizational behavior by borrowing two questions from organizational theory: "What do persons in organizations do?" and "why do they do what they do?" (Gartner, Bird & Star, 1992, p.13). The idea is to borrow some of the concepts from organizational theory and use them to develop an understanding of entrepreneurship.

## **BABY BOOM AND ENTREPRENEURSHIP**

Entrepreneurship is one of the oldest concepts in business history which has evolved and in turn become a centric part of the Baby Boomer generation. It appears the first course in entrepreneurship was offered at the Harvard Business School in 1947 by Myles Mace. Peter Drucker started a course in entrepreneurship and innovation at New York University in 1953, setting the stage for the concept's growth and progression with the Baby Boomers. Early courses often dealt with small business management. However, it was many years before most business schools began to offer courses focusing upon entrepreneurship as an independent field of study. The first conference on small businesses was held at St. Gallen University in Switzerland in 1948 resulting in many national and international conferences to follow.

The first academic conference on entrepreneurship research was held at Purdue University in the fall of 1970. The conference brought together 12 researchers to report upon their studies of technical entrepreneurship in various parts of the country. Today Purdue University hosts the conference and distributes over \$100,000 in prize money for entrepreneurial business plans and ventures according to Richard Cosier, Director of Entrepreneurship Center at Purdue University. Many other organizations and

universities have followed Purdue's example and developed an array of business plan competitions, conferences and other strong development opportunities for aspiring entrepreneurs.

The Entrepreneurship Division of the Academy of Management is another organization that set the foundation for entrepreneurship activities. At the annual meeting of the Academy in 1974, Karl Vesper held an organizational meeting for those interested in forming an Interest Group on Entrepreneurship. Vesper was uncertain what to expect and if anyone would show up, but he had a full house. The Interest Group was formed as part of the Division of Business Policy and Planning. The group remained small throughout the 1970's. In 1977 only 12 papers were submitted for the program on entrepreneurship. The entrepreneurs of the Baby Boom generation helped the Entrepreneurship Interest Group achieve full status as the Entrepreneurship Division of the Academy of Management in 1987. It was the start of this group that has built the foundation for Baby Boomers to interact and share ideas and gain the confidence to become such a large influence on today's economy.

The Academy of Distinguished Entrepreneurs was established in 1978. This academy would become the pilot for other programs that recognized entrepreneurs, including the Ernst & Young "Entrepreneur of the Year Awards," the National Federation of Independent Business (NFIB) "Best in America!" contest, and a number of local and regional programs intended to celebrate entrepreneurs and their achievements.(internet)

Beginning in 1972 at Texas Tech University, the Small Business Administration (SBA), provided support to universities that developed courses in which students consulted with small businesses. The Small Business Administration (SBA) program started off great. By 1976, 398 universities were active. The professional organization, Small Business Institute Directors' Association (SBIDA), was organized to engage faculty in sharing and understanding best practices. The SBA no longer funds this program, variations of it can be found on many campuses, and SBIDA continues as an organization, bringing together faculty members who share interest in students learning through being involved with business and entrepreneurship. (internet)

## **THE BABY BOOM LEGACY**

Today public interest in entrepreneurship is at an all time high. Magazines including *INC*, started in 1979, *Entrepreneur*, started in 1977, and *In Business*, started in 1979 soliciting subscribers and advertisers, saturating the business community filled with emerging Baby Boom entrepreneurs. Articles in the general business press attract a diverse audience. There are articles about how to be an entrepreneur and there are articles "about" entrepreneurs. Entrepreneurship is of interest to the general public and business sector.

The transformation of entrepreneurs to the role of human business heroes is an honorable development for business leaders. The extent that entrepreneurship has captured the public attention is evident in the publication *USA Today*. It surveyed young people, asking if they could devote one year to any occupation, what they would choose. For the women, 47% chose entrepreneur, more than tour guide or novelist. For the young men, 38% chose entrepreneur, even more than professional athlete. Increasingly, in many countries entrepreneurs are becoming heroic. A Gallup poll reported that more than 90% of Americans would approve if either a daughter or son attempted to start a small business (Dennis, 1997a), which indicates strong support for the Echo Boomer generation.

The interest in entrepreneurship reflects what is happening in society as we become more aware of our need for self dependence. A few years ago *Fortune* magazine estimated that the average young person entering the job market would have ten different jobs with five different organizations before retirement. Old industries decline and well-known corporate names disappear. Many young people recognize they must take responsibility for their own careers. Even if they expect to start with larger firms and hope to stay there for their entire career, conditions can change. Those who have developed entrepreneurial skills will be better prepared for a constantly changing world. These individuals may have more interesting options in the future. It is clear that many of the careers offering the greatest rewards and excitement are in entrepreneurial environment.

In 1969, only 274,000 new corporations were started per year; in 1998, the annual number had reached 761,000. Data suggest that when all organizational forms, including part-time and home-based businesses are counted, the total number of start-ups seems to be on the order of 4.5 million per year, far higher than anyone had suspected (Dennis, 1997b). In the early 1970's, the Fortune 500 seemed increasingly likely to dominate the economy. In 1972, those firms accounted for 19.9% of the non-farm employment and the trend had been upward. Since then the share of employment accounted for by the Fortune 500 has declined; in 1991, it was down to 10.9%. In the United States, the Fortune 1000 lost 3.5 million jobs during the decade of the 1980's. During that same period, firms with fewer than 500 employees added 10 million jobs. Today, in both universities and the larger society, it is increasingly recognized that new and small firms are a vital part of our economy. (internet)

The wealth and job creation associated with new firms in recent years is likely to continue. High rates of change create opportunities for new firms, and it is the entrepreneurial thinking that will have the opportunity to flourish with reality. This time in history may become the decade of the entrepreneur if the opportunities are executed in a timely manner.

We live in a world characterized by enormous change, and much of that change is driven by innovative small firms. The concept of the virtual corporation, in which firms increasingly outsource not only support functions but also basic activities, such as producing and selling, also creates opportunities for entrepreneurs. Virtual corporations can make it possible for new firms to get established without large investments while relying upon others to make, sell, and finance their products.

Attitudes toward small business have never been better. A survey sponsored by NFIB indicated that 85% of the American public believes that small business is primarily a positive influence on the way things are going in this country. Seventy percent of the people think that owning a small business is one of the best ways to "get ahead". (Dennis, 1997a).

Within the United States tremendous numbers of jobs and great amounts of wealth have been created through entrepreneurship. Psychological, some sociological, and some environmental changes will increase opportunities for minorities and women. Minorities and women have entered the workforce and taken leadership roles seriously. They have proven that leadership comes from understanding, knowledge and respect. Part of becoming an entrepreneur is the willingness to take a chance, and it is the minorities and women in the workforce who are willing to take that chance; therefore, they will lead in the growth of entrepreneurship. There will be additional opportunities for American entrepreneurs to do business overseas. These opportunities will increase our understanding of these markets and will assist us in exploring exporting potential.

## **ECHO BOOM AND ENTREPRENEURSHIP**

As entrepreneurship becomes more popular and is viewed as making solid contributions to society, then it is more likely that growth in entrepreneurship academia, centers, networks, and support groups will continue. It is also necessary to have the support of colleagues and established entrepreneurs to recognize potential opportunities which exist in other unrealized aspects of business and study.

The role of entrepreneurship teaching, research, and practices as a contributor to economic development will be an important driver to the entrepreneurs of the future. If it can be shown that entrepreneurial efforts contribute to new firm formation, technology transfer, and the strengthening of existing small firms then resources will continue to become available from economic development entities, universities, and previously established entrepreneurs.

The future of entrepreneurship is exciting. Many students at universities see themselves as entrepreneurs and they prepare themselves for a career following the many hours of college preparation. It has been discussed that successful alumni get excited are programs related to entrepreneurship. The Coleman Foundation, the Price Foundation, the NFIB Foundation, and the Kauffman Foundation have all sponsored an impressive number of initiatives to encourage and support entrepreneurship research and education. There is probably no other field of management that has been so widely supported and influenced by foundations.

As we consider the future development of entrepreneurship, it is important to keep in mind that entrepreneurship as a field of study is really quite young. Its progress depends upon a continuing development of the field's intellectual base and the ongoing creation of effective materials. Many of these contributions will come from newer faculty members entering the field who are well educated and motivated to "make a career" in entrepreneurship. The wide variety of individuals in the field may mean that it will continue to be diverse and open to a variety of theoretical frameworks and research methodologies. It will continue to speak to a variety of audiences.

## CONCLUSION

Research for this project primarily revolves around reviewing statistical information and news or other articles pertaining to any anathema or otherwise between the two generations in question. As these sources of information are accumulated, Scales will search for trends in behaviors and attitudes to develop the overall picture of the generation gap, any issues, and their contributing factors. Overall the author believes there are many contributing factors that indicate the Baby Boomer generation will leave the economy with their capital and allow it to stagnate. The goal is to identify if this is the case, the reasons for that attitude and propose several solutions to the reasons for stagnation.

Based on the current introductory research, it is believed that differences in beliefs and overall lifestyles have caused the Baby Boomer generation to shy away from ceding companies or capital, which would otherwise leave the business market as they retire to the younger Echo Boomer generation.

### Baby Boomers (1946 – 1964)

30.4% of the U.S. population

76 million boomers in the U.S

Advancement of Television

Life expectancy 70 years

Minimum of High School 50%

Active Duty Military 3.4 million

### Echo Boomers (1977 – 1994)

26.2% of the U.S. population

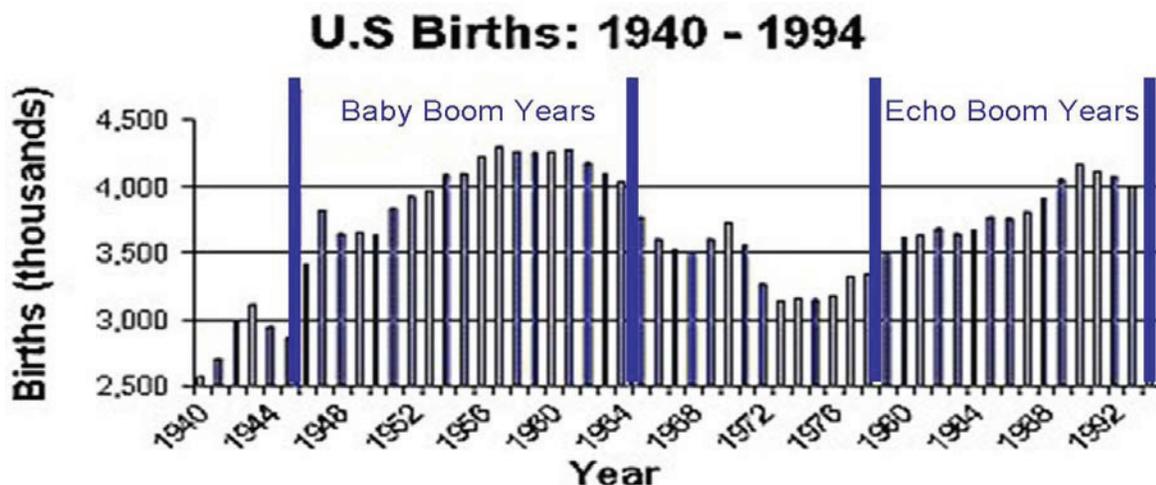
72 million boomers in the U.S

Advancement of Internet

Life expectancy 78 years

Minimum of High School 85%

Active Duty Military 1.4 million



## REFERENCES

- Acs, S., Armington, C., & Robb, A. (1999). Measures of job flow dynamics in the U.S. economy. Discussion Paper. U.S. Bureau of the Census, Center for Economics Studies.
- Aldrich, H., & Zimmer, C. (1986). Entrepreneurship through social networks. In Sexton, D., & Smilor, R., eds. *The Art and Science of Entrepreneurship*, New York: Ballinger.
- America's workforce: Ready for the 21<sup>st</sup> century. (2004). FDCH Regulatory Intelligence Database. August 05, 2004.
- Audretsch, D. B. (2002). The dynamic role of small firms: Evidence from the U.S. *Small Business Economics*. 18, pp. 13-40.
- Brockhaus, R. (1982) The psychology of the entrepreneur. In Kent, A., Sexton, D., & Vesper K. Eds., (1982). *Encyclopedia of Entrepreneurship*. Englewood Cliffs, New Jersey: Prentice-Hall.
- Cantillon, R.(1931) [1775]. *Essai sur la nature du commerce en général*, edited and translated by H. Higgs, London: Macmillan.
- Carree, M. A. & Thurik, A. R. (2003). The impact of entrepreneurship on economic growth, In Acs, Z. J. & Audretsch, D. B., eds. *Handbook of Entrepreneurship Research*. London: Kluwer Academic Publishers.
- Carson, D., Cromie, S., McGowan, P., & Hill, J. (1995). *Marketing and entrepreneurship. An innovative approach*. London: Prentice Hall.
- Cooper, A. (2003). Entrepreneurship: The past, the present, the future. In Acs, Z. J. & Audretsch, D. B. eds *Handbook of Entrepreneurship Research*. London: Kluwer Academic Publishers.
- Delmar, F. (1996). Entrepreneurial behavior & business performance.
- Dennis, W. J., Jr. (1997a). The public reviews small business. Washington, DC: NFIB Education Foundation.
- Dennis, W. J., Jr. (1997b). More than you think: An inclusive estimate of business entries. *Journal of Business Venturing*. 12, p. 3.
- Dowd, A. R. (1997). You swear that your time is worth more than money. *Money*, 26 (5).
- Drucker, P. F. (1995). *Innovation and entrepreneurship*. London: Butterworth Heinemann.
- Gartner, B., Bird, B. J., & Starr, J.A., (1992). Acting as if: Differentiating entrepreneurial from organizational behavior. *Entrepreneurship theory and practice*. Spring, pp. 13-31.
- McClelland, D. C., (1961). *The achieving society*. Princeton, New Jersey: Van Nostrand.
- Schumpeter, J. A. (1911, English translation, 1936). *The theory of economic development*. Cambridge, MA: Harvard University Press.

Schumpeter, Joseph A. (1934/1996) *The theory of economic development*. London. Transaction Publishers.

Shah, D., (2005). Entrepreneurial Careers. Retrieved June 11, 2005 from <http://www.zeromillion.com/entrepreneurship/entrepreneurship-a-career.html>.

Stevenson, H. H. & Sahlman, W. A. (1987). *Entrepreneurship: A process, not a person*.

Vesper, K.H. (1993). *Entrepreneurship education 1993*. Los Angeles. Entrepreneurial studies center, University of California at Los Angeles.