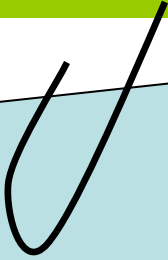


> > > > > > > > **Chapter 6**

**Starting Your Own Business:
The Entrepreneurship
Alternative**

Learning Goals

- 1 Define the term *entrepreneur* and distinguish among entrepreneurs, small-business owners, and managers.
- 2 Identify the different types of entrepreneurs.
- 3 Explain why people choose to become entrepreneurs.
- 4 Discuss factors that support and expand opportunities for entrepreneurs.
- 5 Identify personality traits that typically characterize successful entrepreneurs.
- 6 Summarize the process of starting a new venture.
- 7 Explain how organizations promote intrapreneurship.



What is Entrepreneurship?

- An **entrepreneur** is a person who seeks a profitable opportunity and takes the necessary risks to set up and operate a business.
- Differ from many small-business owners in their strong desire to **make their business grow**.
- Differ from managers through their **overriding responsibility** to use the resources of the organization to accomplish their goals.
- **Willing to take risks.**

Categories of Entrepreneurs

- Classic Entrepreneurs
- Serial Entrepreneurs
- Social Entrepreneurs

“They Said It”

“Ignore the stock market, ignore the economy, and buy a business you understand.”

—Warren Buffett (b. 1930)
CEO, Berkshire Hathaway,
and one of America’s richest entrepreneurs



Entrepreneurship as a Career

- More than 11% of Americans run their own business.
- In an average month, Americans start approximately 465,000 new businesses.
- The past two decades have shown a heightened interest in entrepreneurial careers.
- People choose entrepreneurship for many reasons
 - Dissatisfaction with traditional work
 - Their ideas fulfill customer needs

Why People Become Entrepreneurs

Figure 6.1

Why People Become Entrepreneurs



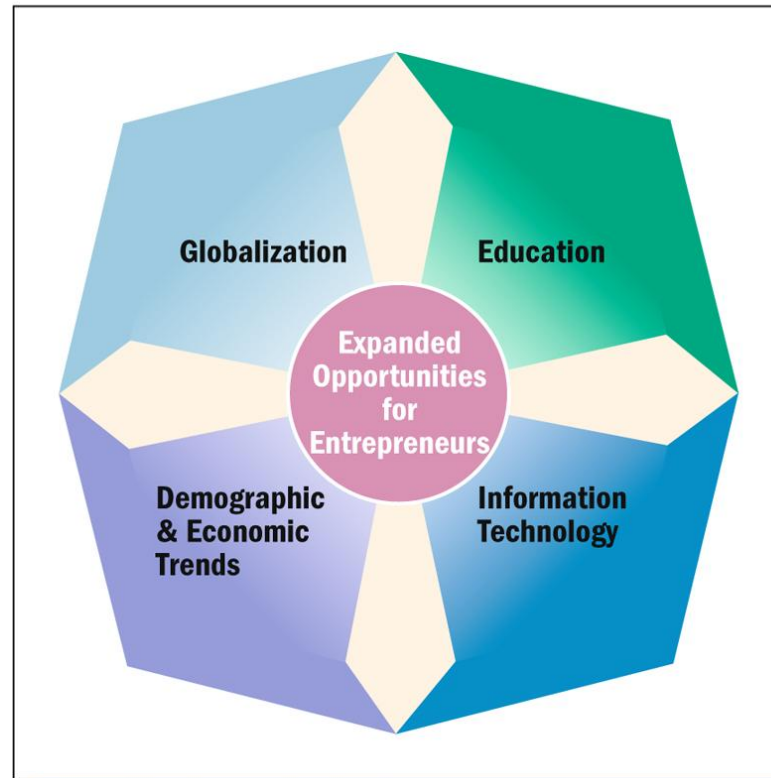
Why Entrepreneurship?

- **Being your Own Boss**
 - Self-management is the motivation that drives many entrepreneurs.
- **Financial Success**
 - Entrepreneurs are wealth creators.
- **Job Security**
 - Over the past ten years, large companies have eliminated more jobs than they have created.
- **Quality of Life**
 - Starting a business gives the founder some choice over when, where, and how to work.

The Environment for Entrepreneurship

Figure 6.2

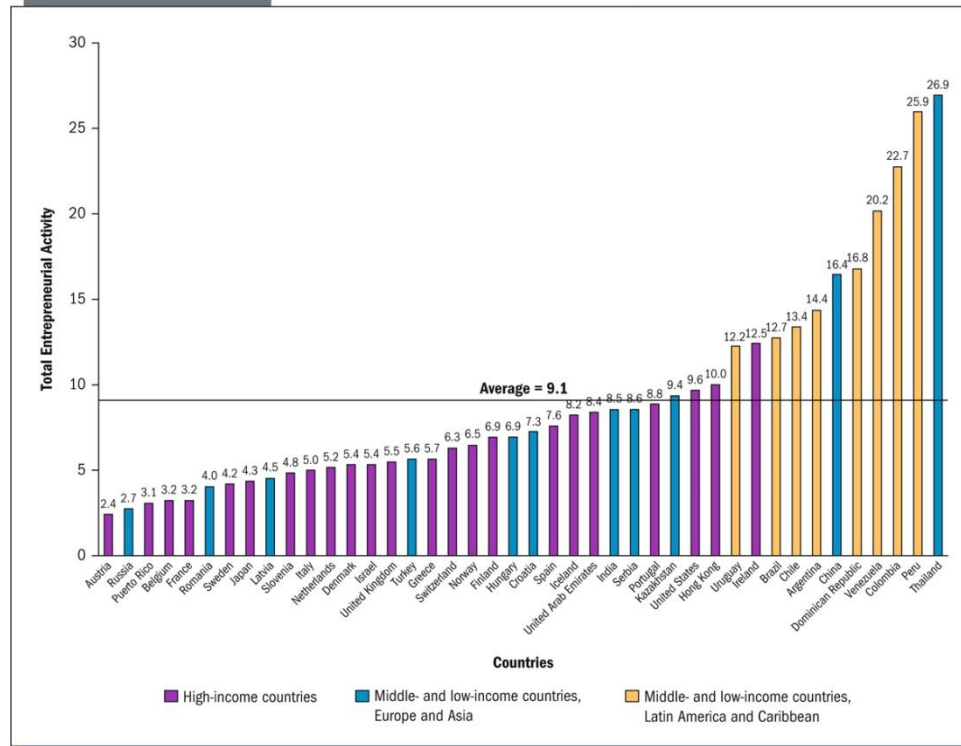
Factors Supporting and Expanding Opportunities for Entrepreneurs



Globalization

Figure 6.3

Levels of Entrepreneurial Activity in Various Countries



The rapid globalization of business has created many opportunities for entrepreneurs

Education/IT/Demographic & Economic Trends

Education

- One hundred U.S. colleges and universities offer entrepreneurship majors.
- Universities are helping students launch businesses.
- Many programs teach entrepreneurship to young people.

Information Technology

- Technology has given entrepreneurs tools that help them compete.
- Entrepreneurs have used information technology to revolutionize industries.

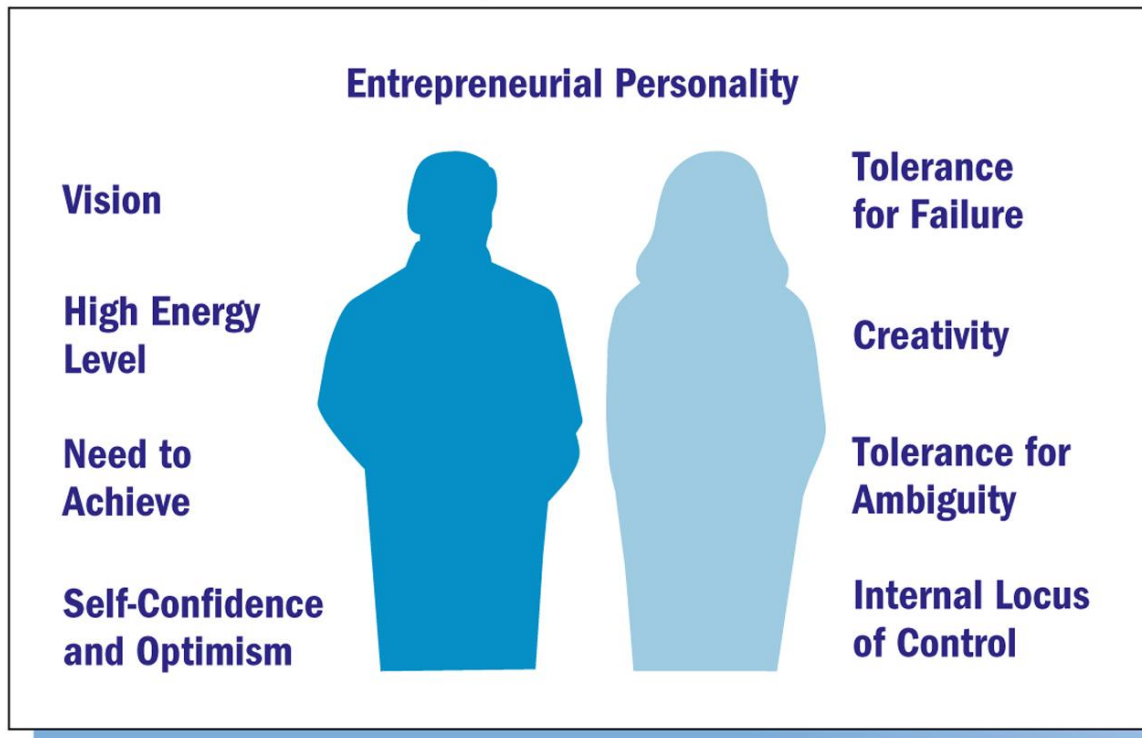
Demographic and Economic Trends

- Aging of U.S. population.
- Emergence of Hispanics as nation's largest ethnic group.
- Growth of two-income families.

Characteristics of Entrepreneurs

Figure 6.4

Characteristics of Entrepreneurs



Entrepreneurial Characteristics

- ***Vision*** - entrepreneurs begin with an overall idea for how to make their business idea a success
- ***High Energy Level*** - a willingness to work hard
- ***Need to Achieve*** - entrepreneurs work hard because they want to excel
- ***Self-Confidence*** - fearlessness in the face of difficult odds
- ***Tolerance for Failure*** - entrepreneurs are not easily discouraged
- ***Creativity*** - entrepreneurs devise innovative ways to overcome difficult problems and situations
- ***Tolerance for Ambiguity*** - entrepreneurs take in stride uncertainties.
- ***Internal Locus of Control*** - entrepreneurs believe they can control their own fate

Entrepreneurial Quiz

Figure 6.5

Quiz for Small Business Success

Choose the answer you think is best for each question. There are no "wrong" answers. See page 211 for the scoring key.

- What is the key to business success:
 - business knowledge
 - market awareness
 - hands on management
 - sufficient capital
 - hard work
- If a relative ever asks me for advice about starting a business I will tell them to:
 - work for someone else in the field first
 - write a business plan
 - study marketing
 - give up the idea
 - learn about budgeting
- Which is the largest potential trouble spot:
 - too much growth
 - too little growth
 - too fast growth
 - too slow growth
 - sporadic growth
- I trust: (select as many as apply)
 - nobody
 - myself
 - my partner
 - a few key employees
 - my customers
- I am unhappy when my employees are:
 - late
 - unhappy
 - abrupt with customers
 - resigning
 - less dedicated than me
- My customers are: (select as many as apply)
 - always right
 - too fussy
 - demanding
 - worth listening to
 - dumb
- Rank these in order of importance for small-business marketing success:
 - word-of-mouth
 - advertising
 - signs
 - location
 - community events
- When it comes to money I am:
 - careful
 - too carefree
 - emotional
 - shrewd
 - hardnosed
- Financially my firm:
 - has trouble with cash-flow
 - has a good line of credit
 - is financed totally by receipt—no credit
 - is making better profits this year than last
 - knows exactly where it is all the time
- In hiring people:
 - I take far too long
 - I look for the cheapest person
 - personality is more important than experience
 - I look for the best person, and am willing to pay
 - I only hire at the trainee level
- With my employees:
 - I treat everybody the same
 - I try to talk privately to everybody once a week
 - To whatever extent possible I tailor assignments to personalities
 - I encourage them to talk to me about the business
 - I try to work alongside them whenever possible
- The real key to business success is:
 - hard work and perseverance
 - fine products and service
 - advertising
 - knowing the fundamentals of business
 - employees
- Competition is:
 - dumb
 - smart
 - cunning
 - everywhere
 - a constant threat
- The best competitive advantage is:
 - experience
 - understanding what the market wants
 - confidence
 - conducting a business ethically
 - a detailed plan
- I keep:
 - careful financial records
 - in touch with my customers
 - in touch with my employees
 - trying new techniques
 - wanting to retire
- My dream is:
 - to grow the business until someone else can run it
 - to work until I drop
 - to give up these headaches and have more fun at work
 - to try another business
 - to take a vacation
- I think business plans are:
 - for the birds
 - nice but not necessary
 - something I can do with my accountant
 - useful and informative
 - essential—wouldn't do business without them
- What makes a terrific entrepreneur?
 - creativity
 - discipline
 - consumer orientation
 - technical proficiency
 - flexibility
- What does a business need most?
 - money
 - market research
 - help
 - time
 - a solid business plan
- What is essential to marketing?
 - "a sixth sense"
 - market research
 - customer awareness
 - experience
 - testing

Figure 6.5

Scoring Key—Quiz for Small Business Success (page 197)

Scoring

- | | |
|-----------------------------|-----------------------------|
| 1. a=5, b=4, c=3, d=2, e=1 | 11. c=5, d=4, e=3, b=2, a=1 |
| 2. a=5, e=4, b=3, c=2, d=1 | 12. e=5, d=4, a=3, b=2, c=1 |
| 3. c=5, a=4, b=3, d=2, e=1 | 13. a=5, d=4, c=3, b=2, a=1 |
| 4. b=5, e=4, d=3, c=2, a=1 | 14. a=5, b=4, c=3, e=2, d=1 |
| 5. b=5, d=4, c=3, a=2, e=1 | 15. b=5, a=4, c=3, d=2, e=1 |
| 6. d=5, c=4, a=3, b=2, e=1 | 16. e=5, a=4, b=3, c=2, d=1 |
| 7. a=5, d=4, c=3, b=2, e=1 | 17. e=5, d=4, c=3, b=2, a=1 |
| 8. a=5, d=4, e=3, b=2, c=1 | 18. c=5, a=4, b=3, e=2, d=1 |
| 9. e=5, d=4, b=3, a=2, c=1 | 19. b=5, e=4, a=3, d=2, c=1 |
| 10. d=5, a=4, c=3, b=2, e=1 | 20. c=5, b=4, e=3, d=2, a=1 |

Score	Your Business Success Quotient
75-100	You are a successful entrepreneur whose operations reflect tried and true business practices.
50-74	Your business is probably headed for long-term success. But success will come sooner if you sharpen your awareness of solid management skills and marketing techniques.
25-49	While you may be enjoying customer loyalty and repeat business, never forget that savvy competition is always looking for ways to take the lead. Don't let comfort lull you into false security. Be creatively assertive!
0-24	You may well have the right product. But to sell it successfully, you need to increase your market awareness and improve your operating philosophy. Reach out for practical classes, seminars, and advice from people who have good business track records. And—keep persevering. It's the key ingredient to winning!

Starting A New Venture

- Selecting a Business Idea
 - *Find something you love to do and are good at doing*
 - *Can your idea satisfy a need in the marketplace?*
- Entrepreneurs must be sure that the idea they choose has interest in the marketplace

Business Plan

Creating a Business Plan

- 58% of the most recent *Inc.* CEOs did not create a formal written plan.
- But business plans do help entrepreneurs prepare enough resources and stay focused on key objectives.

Table 6.1

Online Resources for Preparing a Business Plan

AllBusiness.com
<http://www.allbusiness.com>

The "Business Advice" page provides links to examples, templates, and tips for writing a plan.

Inc.
<http://www.inc.com>

Under "Departments," click "How-To-Guides" and then "Writing a Business Plan," which links to 150+ articles about how to write a business plan.

Kauffman eVenturing
<http://www.kauffman.org/eventuring>

The "Explore Topics" section has links to information and resources for researching and writing a plan, as well as presenting it to lenders or investors.

MoreBusiness.com
<http://www.morebusiness.com>

To see a sample plan, select "Business & Marketing Plans" from the list of templates.



Finding Financing

- Debt Financing
 - Credit Cards
 - Family and Friends
 - Bank Loans (SBA backed)
- Equity Financing
 - Venture Capitalists
 - Angel Investors