CHAPTER SEVEN

Entrepreneurship

# 7.1 Why do people become entrepreneurs, and what are the different types of entrepreneurs?

**Small businesses reign**: Most U.S. businesses are small businesses.

* Give evidence to back this up.

**Entrepreneurs** take steps to turn an original idea into a business, often with the goal of becoming a major corporation.

* How can you gauge if you are ready to be an entrepreneur? What questions should you ask yourself?

**Distinction:** Small business owners can be entrepreneurs but don’t have to be.

* What is the difference between a small business owner and an entrepreneur?

**Vocabulary:** A person could be a classic entrepreneur, a multipreneur, or even an intrapreneur as a result of his or her ideas.

* How do multipreneurs and intrapreneurs differ from classic entrepreneurs?

# 7.2 What characteristics do successful entrepreneurs share?

**Personality traits:** In addition to having an innovative idea, entrepreneurs need to also have the drive and dedication to seeing their idea through to becoming a final product.

* What personality traits are common in entrepreneurs, and how do those traits apply to the running of a business?

**Acquired knowledge**: Entrepreneurs also need business skills such as managerial ability.

* What other skills and knowledge are essential to running a business?

# 7.3 How do small businesses contribute to the U.S. economy?

**Defining *small***: The majority of businesses—representing half of the economic output—in the United States are termed *small*, but the definition of *small* varies by industry, as defined by the Small Business Administration, an entity specifically focused on assisting small companies.

* What are some of the metrics that define a business as *small*?

**The Ewing Marion Kauffman Foundation** analyzes data about U.S. entrepreneurship, working with the U.S. Census Bureau and the Minority Business Development Agency, to release annual reports.

* How can the Kaufmann Index help you to understand the small business environment in the United States, your state, or your regional major metropolitan area?

# 7.4 What are the first steps to take if you are starting your own business?

**Don’t skip the prep work:** Before anyone can start a business, there’s prep work and research to be done first.

* What work do you need to do first to take an idea and turn it into a business?

**A business plan may take months to write**: After you decide what good idea can turn into a marketable product, you need to determine what form your business will take and develop a plan, because going into business comes with potentially large financial risks. Your business plan works not only to obtain financing but also can help you identify strengths and weaknesses and refine your goals as the business develops. This is true even if you purchase a small business rather than start one from scratch.

* What are the functions of and information in the different parts of a business plan?
  + Executive summary
  + Vision and mission statement
  + Company overview
  + Product and/or service plan
  + Marketing plan
  + Management plan
  + Operating plan
  + Financial plan
  + Appendix of supporting documents

**Financing**: Capital to start a business can come from a number of sources: debt, equity, angel investors, and venture capital.

* What are the differences in the types of financing?

**Buy-in:** Not all businesses are started from scratch by every owner. Some are purchased from owners wanting to sell.

* What are some challenges in buying an existing business that differ from starting one from scratch?

**Risk:** Running a business comes with a lot of risk. About half of businesses don’t make it more than five years. But not all closings are failures.

* Why might a business close?

# 7.5 Why does managing a small business present special challenges for the owner?

**Don’t go it alone**: When you own a small business, you have to wear a lot of hats, especially at the beginning. Knowing your strengths and weaknesses and hiring qualified people to fill the latter can help your business grow.

* What are some types of outside consultants you can hire to help run your business? How can they help?
* What are some challenges to finding and keeping good employees?

**Exports**: Finding foreign markets for your products can help your business grow but requires careful planning.

* What is some key information you need when looking into exporting?

# 7.6 What are the advantages and disadvantages facing owners of small businesses?

**Why small businesses thrive**: The U.S. business climate is not the same today as when people worked for the same corporation for decades; mergers and purchases of big companies invariably produce restructuring and layoffs. Small business ownership offers individuals independence and satisfaction.

* How does owning your own business differ from working as an employee? What does entrepreneurship offer?

**Opportunities and challenges**: Being small offers flexibility and nimbleness but can also present hindrances to growth.

* What are some advantages and disadvantages of staying small?

# 7.7 How does the Small Business Administration help small businesses?

**SBA:** The Small Business Administration (SBA) serves to nurture U.S. businesses through a variety of means, including financial backing and a large resource base.

* How can the SBA help businesses financially?
* What are some resources available through the SBA?

**Supporting diversity:** The SBA has specific programs to help women, veteran, and minority business owners.

* What are the benefits of having special programs to help certain demographic segments?

# 7.8 What trends are shaping entrepreneurship and small business ownership?

**Small business growth** drives the U.S. economy, and enterprises by women, minorities, and older adults are increasing, with technology sectors helping fuel that growth.

* How do small businesses drive the economy?
* What are advantages to having diversity in entrepreneurship?

**Show me the money**: Companies often follow the money and start up where venture capital is readily available.

* What are advantages and disadvantages to starting a company in a major metro area where venture capital is readily available?