

The background of the slide is a spiral-bound notebook with a light beige, textured cover. The spiral binding is visible on the left side, with the metal wire looping through a series of holes. The text is centered on the page in a bold, black, serif font.

Entrepreneurship and Small Business Management

Planning Ahead —Study Questions

- What is entrepreneurship?
- What is special about small businesses?
- How does one start a new venture?
- What resources support entrepreneurship and business development?

Study Question 1: What is entrepreneurship?

➤ Entrepreneurship

- Strategic thinking and risk-taking behavior that results in the creation of new opportunities for individuals and/or organizations.

➤ Entrepreneurs

- Risk-taking individuals who take actions to pursue opportunities and situations others may fail to recognize or may view as problems or threats.

Study Question 1: What is entrepreneurship?

➤ Entrepreneurs are ...

- Founders of businesses that become large-scale enterprises.
- People who:
 - Buy a local franchise outlet
 - Open a small retail shop
 - Operate a self-employed service business
- People who introduce a new product or operational change in an existing organization.

Study Question 1: What is entrepreneurship?

➤ Typical characteristics of entrepreneurs:

- Internal locus of control
- High energy level
- High need for achievement
- Tolerance for ambiguity
- Self-confidence
- Passion and action-orientation
- Self-reliance and desire for independence
- Flexibility

Personal traits and characteristics of entrepreneurs.



Study Question 1: What is entrepreneurship?

- Typical entrepreneurial backgrounds and experiences:
 - Parents were entrepreneurs or self-employed.
 - Families encouraged responsibility, initiative, and independence.
 - Have tried more than one business venture.
 - Have relevant personal or career experience.
 - Become entrepreneurs between 22 and 45 years of age.
 - Have strong interests in creative production and enterprise control.
 - Seek independence and sense of mastery.

Study Question 1: What is entrepreneurship?

- Reasons for women becoming entrepreneurs:
 - Being motivated by a new idea.
 - Doing for themselves what they were already doing for other employers.
 - Seeking a pathway to opportunity.

Study Question 1: What is entrepreneurship?

- Common myths about entrepreneurs:
 - Entrepreneurs are born, not made.
 - Entrepreneurs are gamblers.
 - Money is the key to entrepreneurial success.
 - You have to be young to be an entrepreneur.
 - You must have a degree in business to be an entrepreneur.

Study Question 2: What is special about small businesses?

➤ Small businesses ...

- Ones with 100 or fewer employees.
- Independently owned and operated.
- 50 percent of the private labour force works in small businesses.
- Are established by:
 - Starting a new business.
 - Buying an existing business.
 - Buying and running a franchise.

Study Question 2: What is special about small businesses?

- Entrepreneurship and the Internet ...
 - The Internet offers numerous entrepreneurial opportunities.
 - Online buying and selling
 - Dot-com businesses
 - Businesses are limited only by personal creativity.
 - Business-to-Business (B2B) ventures are possible.

Study Question 2: What is special about small businesses?

- International business entrepreneurship ...
 - Provides strategic opportunities for small businesses.
 - Creates exporting and importing opportunities.
 - Supported through appropriate governmental and non-governmental organizations.

Study Question 2: What is special about small businesses?

➤ Family businesses ...

- Owned and financially controlled by family members.
- Largest percentage of businesses worldwide.
- Can provide an ideal business situation.
- Problems unique to family businesses:
 - Family business feud
 - Succession problem

Study Question 2: What is special about small businesses?

- Reasons for small business failures:
 - Lack of experience
 - Lack of expertise
 - Lack of strategy and strategic leadership
 - Poor financial control
 - Growing too fast
 - Insufficient commitment
 - Ethical failure

Eight reasons why many small businesses fail.



Study Question 3: How does one start a new venture?

- Important issues in new venture creation:
 - Does the entrepreneur have good ideas and the courage to give them a chance?
 - Is the entrepreneur prepared to meet and master the test of strategy and competitive advantage?
 - Can the entrepreneur identify a market niche that is being missed by other established firms?
 - Can the entrepreneur identify a new market that has not yet been discovered by existing firms?
 - Can the entrepreneur generate first-mover advantage by exploiting a niche or entering a market before competitors?

Study Question 3: How does one start a new venture?

- Questions that keep a new venture focused on its customers ...
 - Who is your customer?
 - How will you reach key customer market segments?
 - What determines customer choices to buy or not buy your product/service?
 - Why is your product/service a compelling choice for the customer?
 - How will you price your product/service for the customer?
 - How much does it cost to make and deliver your product/service?
 - How much does it cost to attract a customer?
 - How much does it cost to support and retain a customer?

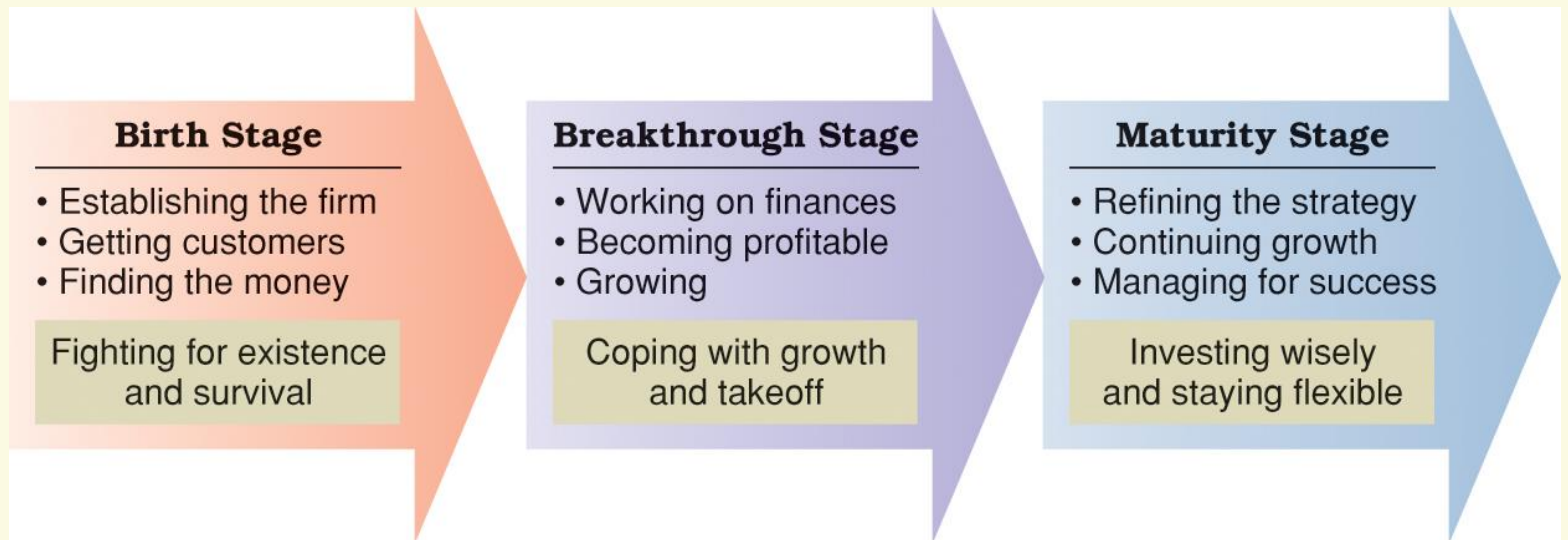
Study Question 3: How does one start a new venture?

➤ Life cycle of entrepreneurial firms

- Birth stage
- Breakthrough stage
- Maturity stage

➤ Each stage poses different managerial challenges and requires different managerial competencies.

Stages in the life cycle of an entrepreneurial firm.



Study Question 3: How does one start a new venture?

- Basic items that should be included in a business plan:
 - Executive summary
 - Industry analysis
 - Company description
 - Product and services description
 - Market description
 - Marketing strategy
 - Operations description
 - Staffing description
 - Financial projection
 - Capital needs
 - Milestones

Study Question 3: How does one start a new venture?

➤ Forms of legal ownership

- Sole proprietorship
- Partnership
 - General partnership
 - Limited partnership
 - Limited liability partnership
- Corporation
- Limited liability corporation (LLC)

Study Question 3: How does one start a new venture?

- Financing the new venture
 - Sources of outside financing
 - Debt financing
 - Equity financing
 - Equity financing alternatives
 - Venture capitalists
 - Initial public offerings
 - Angel investors

Study Question 4: What resources support entrepreneurship and business development?

- Promoting entrepreneurship in large enterprises
 - Intrapreneurship
 - Skunkworks
- Business incubators
- Small Business Development Centers