# Chapter Readings, Lecture Notes Outline & Videos  -2

Chapter Readings, Lecture Notes Outline, Videos and Podcasts

1.  Read Ch 1 – The Foundation of Entrepreneurship

2.

****Section I. The Challenge of Entrepreneurship****

Chapter 1. The Foundations of Entrepreneurship

****Part 1: Learning Objectives****

1. Define the role of the entrepreneur in business in the United States and around the world.
2. Describe the entrepreneurial profile and evaluate your potential as an entrepreneur.

3A. Describe the benefits of entrepreneurship.

3B. Describe the drawbacks of entrepreneurship.

1. Explain the forces that are driving the growth of entrepreneurship.
2. Explain the cultural diversity of entrepreneurship.
3. Describe the important role small businesses play in our nation’s economy.
4. Put failure into the proper perspective.
5. Explain how an entrepreneur can avoid becoming another failure statistic.

****Part 2: Class Instruction****

****The World of the Entrepreneur                                   LO 1****

Around the world growing numbers of people are realizing their dreams of owning and operating their own business. Entrepreneurship is thriving and is essential to a strong global economy. Downsizing by large companies has resulted in a new population of entrepreneurs.  Today small companies have the competitive advantage as they can move faster to exploit market opportunities and use modern technology to quickly create products and service that once took years.

A study by the Global Entrepreneurship Monitor (GEM) found that 12.7 percent, or one in eight people, of the adult population in the United States is working to start a business. Eastern European countries, China, Vietnam, and other nations whose economies were state–controlled and centrally planned now hold potential for entrepreneurs. (Refer to Figure 1.1 and Table 1.1)

****What Is an Entrepreneur?                                 LO 2****

An ***entrepreneur*** is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them.  Although many people come up with great business ideas, most never act on their ideas.

One reason the U.S. economy has been so successful over time is the constant churn that results from the rapid pace at which entrepreneurs create new businesses, destroy old ones, and upend entire industries with their creativity and ingenuity. (Refer to Figure 1.2)

Studies have identified several characteristics entrepreneurs tend to exhibit, but none of them has isolated a set of traits required for success.  A brief summary of the entrepreneurial profile includes:

1. Desire for responsibility
2. Preference for moderate risk *(risk eliminators)*
3. Self-reliance
4. Confidence in their ability to succeed
5. Determination
6. Desire for immediate feedback
7. High level of energy
8. Future orientation. ***Opportunity entrepreneurs***start businesses because they spot an opportunity in the marketplace.  ***Necessity entrepreneurs*** start businesses because they cannot find work any other way.  ***Serial entrepreneurs***repeatedly start businesses and grow them to a sustainable size before striking out again.
9. Skill at organizing
10. Value of achievement over money

Other characteristics of entrepreneurs include:

***High degree of commitment***

***Tolerance for ambiguity***

***Creativity***

***Flexibility***

***Resourceful.  Bootstrapping*** is a strategy that involves conserving money and cutting costs during start-up so that entrepreneurs can pour every available dollar into their businesses.

***Willingness to work hard***

***Tenacity***

Entrepreneurs are not of one mold; no one set of characteristics can predict who will become entrepreneurs and whether they will succeed.  Diversity seems to be a central characteristic of entrepreneurs. Anyone can become an entrepreneur.  It is a practical discipline; it is a skill that most people can learn.  (Refer to Figure 1.3)

****Consider using You Be the Consultant: “Decoding the DNA of the Entrepreneur” at this point.****

****The Benefits of Entrepreneurship      LO 3A****

The primary ***benefits*** entrepreneurs enjoy include the:

****Opportunity to Create Your Own Destiny****

****Opportunity to Make a Difference.***Social entrepreneurs***use their skills not only to create profitable businesses, but also to achieve economic, social and environmental goals for the common good.****

****Opportunity to Reach Your Full Potential****

****Opportunity to Reap Impressive Profits****

****Opportunity to Contribute to Society and Be Recognized for Your Efforts****

****Opportunity to Do What You Enjoy and Have Fun at It****

****The Potential Drawbacks of Entrepreneurship****

****LO 3B****

With these potential rewards, entrepreneurship also presents risk and uncertainty. Individuals who prefer the security of a steady paycheck, a comprehensive benefits package, a two-week paid vacation, and the support of a corporate staff probably should not go into business for themselves.  Entrepreneurs may experience:

****Uncertainty of Income: The entrepreneur is the last one to be paid, as employees must be paid first.  While it is possible for an entrepreneur to earn more working for themselves, their may end up earning less.****

****Risk of Losing Your Entire Investment****

****Long Hours and Hard Work****

****Lower Quality of Life Until the Business Gets Established****

****High Levels of Stress.**** Refer to Figure 1.4 for Sources of Stress for Small Business Owners

****Complete Responsibility****

****Discouragement****

****Behind the Boom: What’s Feeding the Entrepreneurial Fire                                        LO 4****

Some of the most significant factors that have led to this age of entrepreneurship include:

* ***Entrepreneurs as heroes***
* ***Entrepreneurial education***
* ***Demographic and economic factors***
* ***Shift to a service economy***
* ***Technological advancements***
* ***Independent lifestyles***
* ***The Internet, cloud computing, and mobile marketing***. ***Cloud computing:***Internet-based subscription or pay-per-use software services that allow business owners to use a variety of business applications, from database management and inventory control to customer relationship management and accounting.  (Refer to Figure 1.5)
* ***International opportunities***. ***Micromultinationals*** are small companies that operate globally from their inception.

****Consider using You Be the Consultant: “College: The Ideal Place to Launch a Business” at this point.****

****The Cultural Diversity in Entrepreneurship            LO 5****

Entrepreneurs are found virtually every walk of life and include:

****Young Entrepreneurs****

****Women Entrepreneurs. (Refer to Figure 1.6.)****

****Minority Enterprises. (Refer to Figure 1.7.)****

****Immigrant Entrepreneurs****

****Part–time Entrepreneurs****

****Home–Based Businesses****

****Family Businesses.***Family-owned business*** includes two or more members of a family with financial control of the company.

****Copreneurs.***Copreneurs***are entrepreneurial couples who work together as co-owners of their businesses.****

****Corporate Castoffs****

****Corporate Dropouts****

****Retiring Baby Boomers****.  (Refer to Figure 1.8)

****The Power of “Small” Business                                    LO 6****

Because big business is more visible than small business, most people underestimate the role of the small firm in the U.S. economy.  Approximately 99.7% of all businesses in the United States are considered small.  While there is no universal definition of what constitutes a small business, a common delineation of a ***small business*** is one that employs fewer than 100 people.

The majority of small companies are concentrated in the service, construction and retail industries. (Refer to Figure 1.9)

Small companies account for 43 percent of total private payroll in the United States.  Small businesses actually create more jobs than do big businesses.  Between 1993 and 2011 small companies created 64 percent of the net new jobs in the U.S. economy.

***Gazelles***are small companies that are growing at 20 percent or more per year with at least $100,000 in annual sales; they create 70 percent of net new jobs in the economy.

****Putting Failure into Perspective                     LO 7****

Because of their limited resources, inexperienced management, and lack of financial stability, small businesses suffer relatively high mortality rates.  Two years after start-up, 21 percent of small companies have failed, and after five years, 51 percent have failed.  (Refer to Figure 1.10)

Entrepreneurs recognize that failure is likely to be part of their lives, but they are not paralyzed by that fear.  Failure is an inevitable part of being an entrepreneur, and true entrepreneurs don’t quit when they fail.  One hallmark of successful entrepreneurs is the ability to fail intelligently, learning why they failed so that they can avoid making the same mistake again.  Success requires both persistence and resilience, the ability to bounce back from failure.

*The following material in this section is in addition to the text.*

The Ten Deadly Mistakes of Entrepreneurship

Studies have indicated that there are common reasons for new business ventures to fail. These causes of small business failure may include:

1. Management mistakes
2. Lack of experience
3. Poor financial control
4. Weak marketing efforts
5. Failure to develop a strategic plan
6. Uncontrolled growth
7. Poor location
8. Improper inventory control
9. Incorrect pricing
10. Inability to make the “entrepreneurial transition”

****How to Avoid the Pitfalls                                   LO 8****

Ways to avoid becoming another failure statistic and gain insight into what makes a successful business include:

****Know Your Business in Depth****

****Build a Viable Business Model – and Test It****

****Develop a Solid Business Plan****

****Understand Financial Statements****

****Manage Financial Resources****

****Learn to Manage People Effectively****

****Set Your Business Apart from the Competition****

****Maintain a Positive Attitude****

****Conclusion****

Entrepreneurs are a key part of America’s free enterprise system, and as we will discover, are changing the business of the world as well. Their contributions are as many and as diverse as the businesses themselves. There are steps that entrepreneurs can take to enhance the probability of their success.

The remainder of this book will explore the steps to launch a successful business. This course emphasizes establishing a clear understanding of the entrepreneurial environment and using that information to build a sound business plan.

****Part 5: Case Studies****

The following text cases complement lecture and assignments for the topics presented in this chapter.

* Case 1: Panda Sunglasses
* Case 3: Source Outdoor
* Case 9: CoolPeopleCare