 6.1 Highlight the contributions small businesses make to the U.S. economy.

 6.2 List the most common reasons people start their own companies and identify the common traits of successful entrepreneurs.

 6.3 Explain the importance of planning a new business and outline the key elements in a business plan.

 6.4 Identify the major causes of business failures and identify sources of advice and support for struggling business owners.

 6.5 Discuss the principal sources of small.business private financing.

 6.6 Explain the advantages and disadvantages of franchising.

 6.7 Define machine learning and deep learning'

The Big World of Small Business

- **Small business**
  - A company that is independently owned and operated' is not dominant in its field' and employs fewer than 500 people .although this number varies by industry.

Economic Roles of Small Business

They provide jobs

They introduce new products

They meet the needs of larger organizations

They inject a considerable amount of money into the economy

They take risks that larger companies sometimes avoid
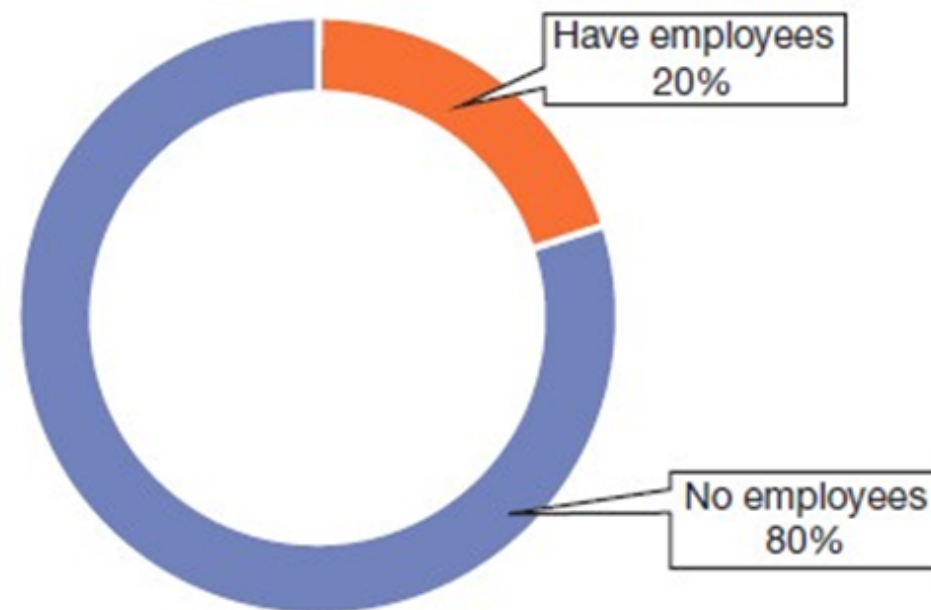
They provide specialized goods and services

48.0% of private-sector employment

97.7% of firms that export goods

Small Businesses by Employment Status

Have employees
20%

No employees
80%

Net Job Creation, 1993–2013
(millions of new jobs)

Characteristics of Small Businesses

Most small firms have a narrow focus

Small businesses have to get by with limited resources

Small businesses often have more freedom to innovate

Entrepreneurial firms find it easier to make decisions quickly and react to changes in the marketplace

The Entrepreneurial Spirit

- **Entrepreneurial spirit**
  - The positive' forward.thinking desire to create profitable' sustainable business enterprises
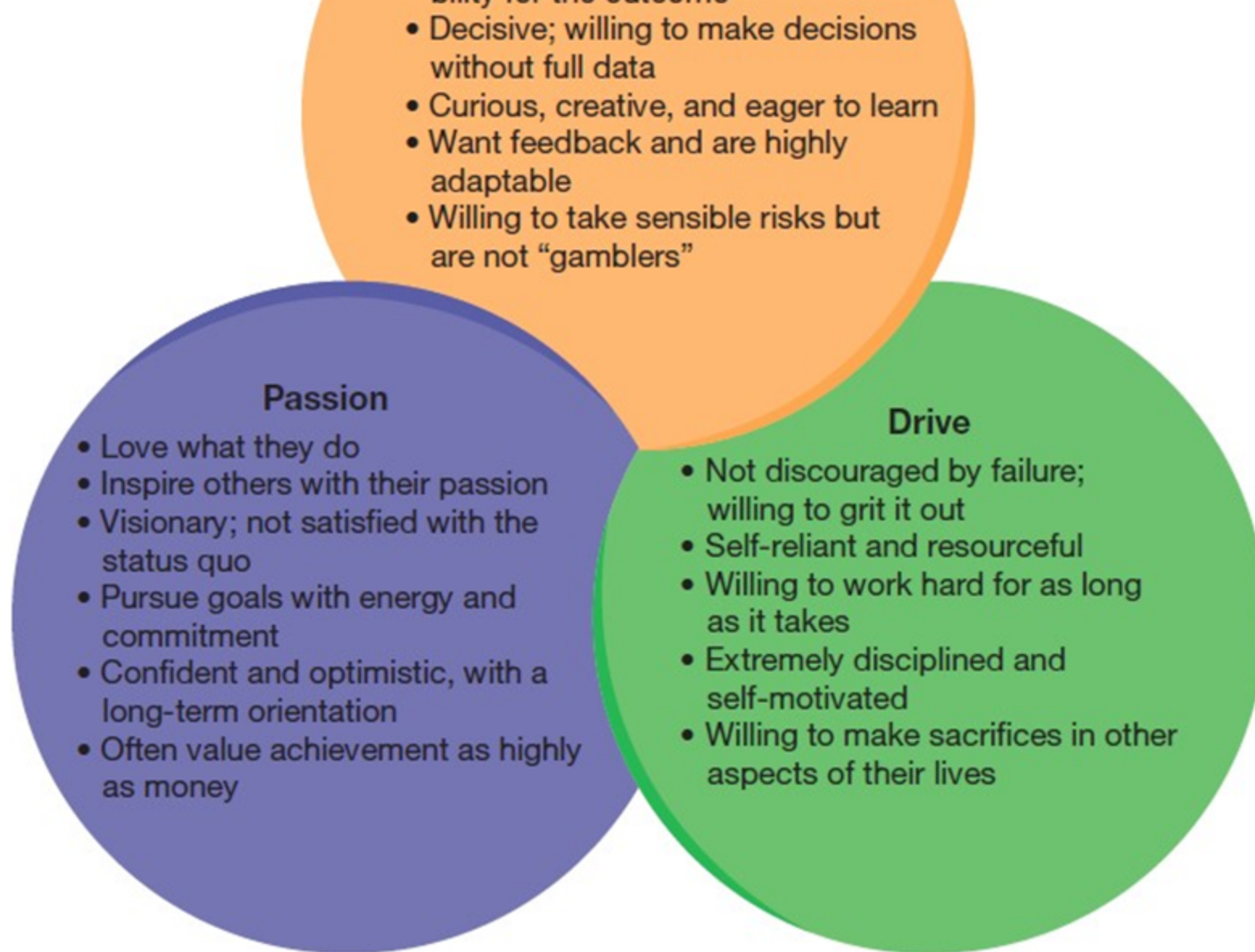
Why People Start Their Own Companies

More control over their futures

Tired of working for someone else

Passion for new product ideas

Pursue business goals that are important to them on a personal level

Inability to find attractive employment anywhere else

- billy for the outcome
- Decisive; willing to make decisions without full data
- Curious, creative, and eager to learn
- Want feedback and are highly adaptable
- Willing to take sensible risks but are not "gamblers"

Passion
- Love what they do
- Inspire others with their passion
- Visionary; not satisfied with the status quo
- Pursue goals with energy and commitment
- Confident and optimistic, with a long-term orientation
- Often value achievement as highly as money

Drive
- Not discouraged by failure; willing to grit it out
- Self-reliant and resourceful
- Willing to work hard for as long as it takes
- Extremely disciplined and self-motivated
- Willing to make sacrifices in other aspects of their lives

Sources: Norman M. Scarborough and Jeffrey R. Cornwall, *Essentials of Entrepreneurship and Small Business Management*, 8th ed. (New York: Pearson, 2016), 5—12; Sujan Patel, "10 Essential Characteristics of Highly Successful Entrepreneurs," *Inc.*, 2 September 2017, www.inc.com; Nina Zipkin, "Barbara Corcoran on the 5 Traits All Successful Entrepreneurs Share," *Entrepreneur*, 12 April 2017, www.entrepreneur.com.

Exhibit 6.3 Business Start-Up Options (1 of 3)

- A document that summarizes a proposed business venture' goals' and plans for achieving those goals

Summary

Mission and objectives

Company overview

Products and services

Management and key personnel

Target market

Marketing strategy

Design and development plans

Operations plan

Start.up schedule

Major risk factors

Exhibit 6.4 Why New Businesses Fail

Government Agencies and Not-For-Profit Organizations

Small Business Administration

Minority Business Development Agency

Score

U.S. Chamber of Commerce

Mentors and Advisory Boards

- **Advisory board**
  - A team of people with subject.area expertise or vital contacts who help a business owner review plans and decisions
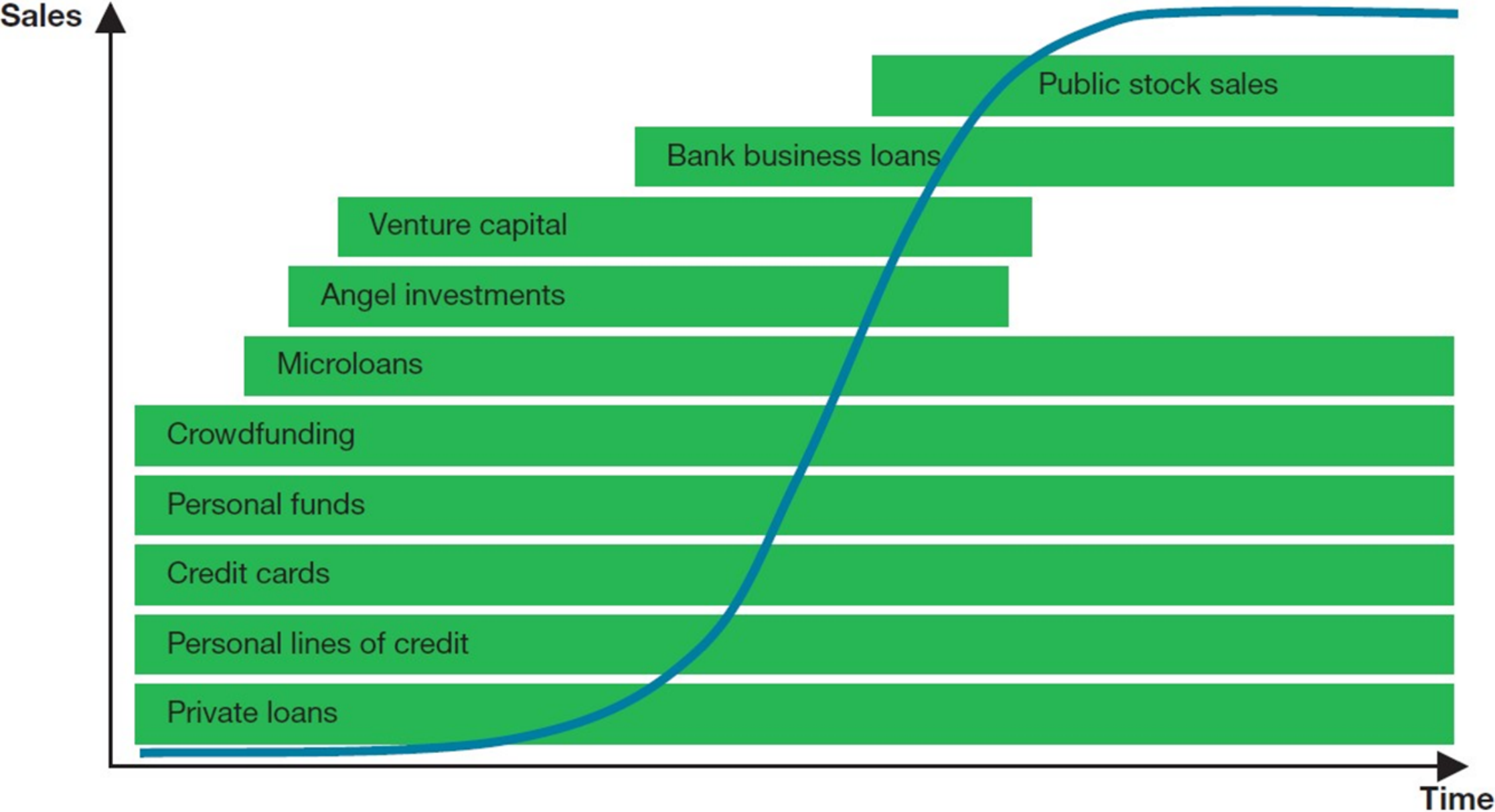
Business Incubators

- **Business incubators**
  - Facilities that house small businesses and provide support services during the company's early growth phases

Financing Options for Small Businesses (1 of 4)

- **Seed money**
  - The first infusion of capital used to get a business started
- **Micro lenders**
  - Organizations' often not.for.profit' that lend smaller amounts of money to business owners who might not qualify for conventional bank loans

Exhibit 6.5 Financing Possibilities over the Life of a Small Business

- **Venture capitalists .V Cs.**

  - Investors who provide money to finance new businesses or turnarounds in exchange for a portion of ownership' with the objective of reselling the business at a profit

- **Angel investors**

  - Private individuals who invest money in start.ups' usually earlier in a business's life and in smaller amounts than VCs are willing to invest or banks are willing to lend

- **Initial public offering .I P O.**

  - A corporation's first offering of shares to the public

- **Crowd funding**

  - Soliciting project funds' business investment' or business loans from members of the public

The Franchise Alternative (1 of 2)

- **Franchise**
  - A business arrangement in which one company .the franchisee. obtains the rights to sell the products and use various elements of a business system of another company .the franchisor.

- **Franchisee**
  - A business owner who pays for the rights to sell the products and use the business system of a franchisor

- **Franchisor**
  - A company that licenses elements of its business system to other companies .franchisees.

Advantages of Franchising

Combines at least some of the freedom of working for yourself with many of the advantages of being part of a larger' established organization

Name recognition' national advertising programs' standardized quality of goods and services' and a proven formula for success

Disadvantages of Franchising

Typically agree to follow the business format

Little control over decisions the franchisor makes that affect the entire system

Don't have the option of independently changing your business in response to market changes

Who pays for employee training?

How are the periodic royalties calculated and when must they be paid?

Who provides and pays for advertising and promotional items? Do you have to contribute to an advertising fund?

Are all trademarks and names legally protected?

Who selects or approves the location of the business?

Are you restricted to selling certain goods and services?

Are you allowed to sell online?

How much control will you have over the daily operation of the business?

Is the franchise assigned an exclusive territory?

If the territory is not exclusive' does the franchisee have the right of first refusal on additional franchises established in nearby locations?

Is the franchisee required to purchase equipment and supplies from the franchisor or other

Thriving in the Digital Enterprise: Machine Learning and Deep Learning

- **Machine learning**
  - The general capability of computers to learn

- **Deep learning**
  - A type of machine learning that uses layers of neural networks to attack problems at multiple levels

Exhibit 6.7 Deep Learning

1. System is first trained on millions of images, words, or other objects, with the neural layers adjusted for increased accuracy.
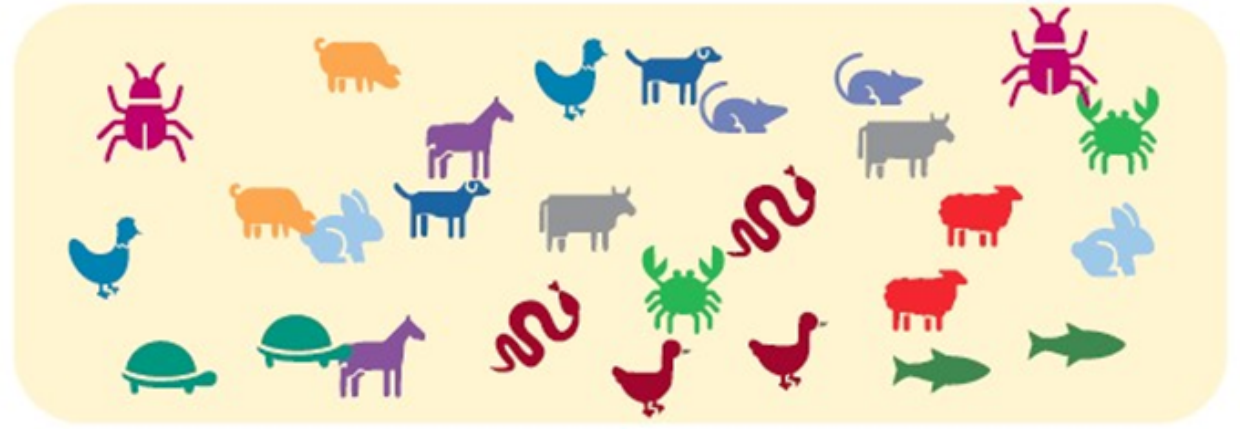
2. An object (such as an image for an image-recognition system) is presented to the system.

Layer 1: High-level identification, such as edges

Layer 2: Next layer of precision, such as textures

Layer 3: Next layer of precision, such as patterns

Layer N: Final layer of detail, such as parts of objects

3. Each layer analyzes a particular aspect of the object, starting from high-level identification down through increasing degrees of detail and precision.

4. The system outputs its image identification, text translation, or whatever it is designed to produce.

Applying What You've Learned (1 of 2)

Highlight the contributions small businesses make to the U.S. economy.

List the most common reasons people start their own companies and identify the common traits of successful entrepreneurs.

Explain the importance of planning a new business and outline the key elements in a business plan.

Identify the major causes of business failures and identify sources of advice and support for struggling business owners.

Discuss the principal sources of small.business private financing.

Explain the advantages and disadvantages of franchising.

Define machine learning and deep learning' and describe their importance to contemporary business.