Entrepreneurship

Ch. 2 - [Idea Generation](https://www.acceptmission.com/blog/idea-generation-techniques/)

Chapter Discussion Questions

* How do you usually brainstorm ideas?
* What ideas do you have that could evolve into a business?
* What steps do you think you would need to take to turn an idea into a successful product or service?
* What was the last product that you purchased? What do you think went into making that product?
* What subscription services do you subscribe to? How is this business model unique?

Consider the day you have had so far.

* Where are you sitting right now?
* What are you having for lunch?
	+ Did you make lunch or order?
* How did you get here?
	+ Ride in a bus or car, ride your bike or walk?
* No matter what your answers are, you have been impacted by entrepreneurship some way today…

What is a **Business**?

The concept of **business** refers to the aspects of **making**, **selling**, and **providing** products in exchange for **money**.

* **Product**: anything that can be bought or sold.
* **Good**: a **tangible** item that is produced and sold to consumers.
* **Service**: the **performance** of a particular **task** in exchange for money.

The US **Small Business Administration (SBA)** defines a business as small based on either the **number of employees** over the past 12 months or the **average annual receipts** over the past 3 years.

Daily **spending** decisions are **influenced** by business and economics.

When you **earn** money, you make **choices** about how to spend it.

* Do you spend your earnings at restaurants or purchase food from a grocery store?
* Do you spend money at a local retail store or on an international website?

Operational activities contribute to the net **worth** of a company.

* **Net worth** – the total value of a business determined by assets minutes liabilities.
* **Assets** – what a business owns
	+ Bank accounts, land, equipment
* **Liabilities** – what a business owes
	+ Loans and debts
	+ Operational Activities Include

**Production** of Products

* Research into **Improving** Products
* **Hiring** Employees
* Business Functions

**Operational** Activities

* **Investing** Activities
* **Financial** Activities

4 Forms of Operational Activities

1. **Production**

2. **Marketing**

3. **Management**

4. **Finance**

1. Production

* All activities concerning the **creation** of a product.
* Example
	+ Microsoft developing new software, hiring new software engineers, fixing software bugs.

2. Marketing

* Ensures the business is **meeting the demand** of customers and is a strong **competitor**.
* Example
	+ Research into competitors, analyzing trends, social media marketing.

3. Management

* Daily **choices** on the direction of business activities.
* Example
	+ leading employees, supervising work and planning for the future.

4. Finance

* Financial **functions**, financial **activities**, daily activities that involve **money**.
* Example
	+ paying employees, collecting money from sales of products and programs or performing accounting procedures.

**Microsoft Corp.**

* Started as a **small** company that interpreted codes.
	+ They had few employees and limited technology, minimal assets and many liabilities.
* It **grew** into a household name of computer software.
	+ Gained many more assets, funds to pay off its debts and thousands of employees.

Investing Activities

* Using money to **create wealth** over **time**.
* It is achieved through investment **tools** such as
	+ stocks, bonds, mutual and real estate.
* Also done by **updating premises** or materials, technology updates.

Financial Activities

* Input and output of **money** into a business.
* **Paying** suppliers and employees, **collecting** money from sales and investments.

Business Models

* Plan for making a **profit** in order to operate indefinitely.
* A precise course of action for how a company will secure **customers** and generate **income**.

**Direct** **Sales** Model

* Employees of a business sell a product **directly to a consumer.**
* Rely on **customer service** and **relationships** to ensure customers return.
* **Social media** and **online sales** post live videos and host virtual parties.
	+ Young Living Essential Oils
	+ Discovery Toys

**Franchise** Model

* Owner of a company grants another business owner the **right** to use the owner **company’s name** and **proven products and services.**
* **Saves** franchisors time and money.
* Chain stores and restaurants
	+ Hilton or Holiday Inn
	+ McDonalds, Subway

**Freemium** Model

* Company provides goods or services for free, but **later charges** for extra features.
* Access **limited** levels or “lite” versions of apps.
* Customers can sample goods or services, if they like it, then they will **pay for the full version**.
* Games, tablet applications
	+ Spotify – anyone can access songs, but you must purchase the app to download songs, listen ad free or skip songs indefinitely.

**Subscription** Model

* Customers pay an up-front **subscription fee**.
* Magazines and websites
	+ Netflix, Amazon Prime
	+ Box subscriptions:
		- Ipsy, makeup
		- Blue Apron, gourmet food
		- Dollar Shave Club, personal grooming supplies
		- Business Organization

Business **success** depends on how well the business is **organized**.

* [Strategyzer.com](https://www.strategyzer.com/) – online resource for entrepreneurs developed by Alex Osterwalder in 2008.
	+ Provides free, online templates for niche specific business
* Internal **auditors** are hired to review a company’s **revenue** and **spending.**
	+ They ensure all funds are allocated for and being used appropriately.

2 Types of Businesses

* **For Profit** Businesses vs. **Not-for-Profit** Business.
* The difference between each is the way the organization handles its **income**.

**For Profit** Organizations

* Goal – to **generate income** for its owners.
* Make **more** money than they **spend** of producing products.

Examples

* + Walmart
	+ Amazon
	+ Instagram
	+ McDonalds
	+ H&M

**Not-for-Profit** Organizations

* Goal – businesses created to **benefit public interest**.
* Money made goes toward **accomplishing goals** and remaining in business.

Examples

* + American Red Cross
	+ Make-A-Wish Foundation
	+ Teach for America
	+ National Public Radio
	+ The Humane Society

Entrepreneurs must **analyze individual goals** and interests by asking:

* What am I **passionate** about?
* What **skills** do I have that would make me a good business owner?
* **Why** do I want to start my own business?
* How does my business **idea** **align** with my **goals**?
* What do I hope to **accomplish** by starting a business?

5 **Entrepreneurial Concepts**

1. Passion

2. Problem

3. Perseverance

4. People

5. Profit

1. **Passion**

* **Purpose** and **passion** for their field of business.
* Find a way to **make money** doing activities you **care** about
	+ For example; pet sitting or a book exchange program.

2. **Problem**

* Identify a **problem** consumers have.
* Find a clever **solution** to that problem.
* For example:
	+ Smart web cam that helps people check in with their pets.
	+ App that helps teachers send live updates to parents on their children’s progress in class.

3. **Perseverance**

* Starting a business is full of **highs** and **lows** that an entrepreneurship must **endure**.
* Ability to **persevere** and continue when challenged with **obstacles**.

4. **People**

* An entrepreneur cannot start and manage a business **alone**.
* They must have the ability to **work with others.**
* To be successful they must be able to
	+ Make **connections**
	+ Convince **investors**
	+ Manage a **team**

5. **Profit**

* A business must make a profit to remain **operational**.
* No matter how much they **love** what they are doing they must **think ahead** about how to sustain their business in the **future**.

Entrepreneurs must understand **economic concepts.**

* Supply & Demand
	+ **Supply** - amount of goods **available** to consumers.
	+ **Demand** – the amount of goods consumers **want**.
* Market **research** must be done to pay close attention to consumer demand.
	+ Know consumer preferences and prices people will pay.

Entrepreneurial discovery must be done to find ways to enter and become **competitive** in the marketplace.

Entrepreneurial Discovery Process

* Figuring out how to **successfully** deliver new products.

Steps to the Discovery Process

**1. Research**

**2. Discovery**

**3. Innovation**

**4. Implementation**

Example:

* A person who wants to start a gym will analyze gyms in the area to see what is currently offered to consumers.
* If the entrepreneur doesn’t examine the market, he or she misses out on a chance to stand out among competitors.

1. Research

* Entrepreneurs collect data through
	+ **Observations**
	+ **Internet Searches**
	+ **Market Analysis** of their interests

Example:

* + The entrepreneur searches for information related to light exercising.

2. Discovery

* Identify a **problem** or area where a consumer’s wants or needs are not being met.

Example:

* + The entrepreneur discovers that people would like to walk more each day, but they are too busy to remember to commit to exercise.

3. Innovation

* Entrepreneurs devise a way to meet the **want** or **need** in the market.

Example:

* + The entrepreneur designs an app that treats exercise like social media and allows friends to remind one another to get up and take walks.

4. Implementation

* Review their **competitive advantage**, determine what sets them apart from their competition.
	+ lower prices
	+ better products than competitors.

Example:

* + The entrepreneur determines that their competitive advantages are the social media aspect and their business model because other competitors in the niche were not yet using a freemium model.
	+ The entrepreneur uses a freemium model to let people try the app for free first and then pay for premium features.

Small Business Administration (SBA)

* Federal agency to **assist** small businesses.
* The SBA supports new business ventures by offering **resources** to entrepreneurs.
	+ Assistance with start-up capital, networking opportunities, small business counseling, advice in technology and budgeting, support for women and minority entrepreneurs.
	+ [www.sba.gov](http://www.sba.gov)

**Starting** a Business Venture

* Takes considerable **time**, **talent**, and **capital**, but entrepreneurs who are **driven** and **motivated** will find a way to make their business happen.
* Starting a venture requires **self-examination** and **research** to find the business and market that is right for the entrepreneur.

Within the **discovery process**, an entrepreneur should apply the following steps:

1. Assess global **trends**.
2. **Determine opportunities** for venture.
3. **Assess opportunities** for venture creation.
4. Generate venture **ideas**.
5. Determine **feasibility** of venture ideas.

1. Assess global **trends.**

* **Emerging** Technologies
	+ Identifying and utilizing **new technologies** that can enhance product development.
* **Social** Entrepreneurship
	+ Business development with a social cause, such as **solving** social or cultural **problems**.
* **Green** Entrepreneurship
	+ Business development with an **environmental** cause.

2. Determine **Opportunities** for Venture

* **Solve** a problem for consumers
	+ **Where** is the problem?
	+ **What** is the problem?
	+ How can I **solve** the problem?

Example

* + Joy Mangano invented the Miracle Mop when she was frustrated by the lack of durable and functional cleaning products available on the market.
	+ Her product ended up on QVC and she is now a self-made millionaire.

3. **Assessing** Opportunities for Venture Creation

* Ask yourself **if** your product idea will **work**.
* If the problem is **relevant** enough that people will purchase it to alleviate the **problem**.

4. Generate Venture **Ideas**

* Be **creative**.
	+ Spend **time**, **research** and **energy** to create and optimize a product that **solves** a problem.
* Many **ideas** are developed, but only a few will last long enough to **grow** into a **business**.
* A **prototype** is developed and presented to the marketplace.

5. Determine **Feasibility** of Ideas

* Now that a problem to be solved has been **identified** and a realistic **solution** is determined, entrepreneurs weigh the **risks** of starting the business.

Questions they ask themselves:

* Do I have the **resources** to start the venture?
* Can I make a **profit** selling my product?
* Is it **worth** the **investment**?

The **Role** of Entrepreneurship in **Society**

* **Profiting** is essential to a business.
* Companies **don’t only exist** to benefit the entrepreneurs who launch them.

They play **3 crucial roles** in the advancement and progression of our world.

* Providing products to **consumers**.
* Creating **markets**.
* Increasing **economic** benefits.

1. Providing **Products**

* Anything that can be **bought** or **sold** to meet the needs and wants of consumers.
	+ Need – **essential** for survival.
	+ Want - something we **desire** but can live without.
* Products are either goods or services.
	+ Good - **tangible items** produced and sold to consumer; clothing or groceries.
	+ Services –performance of a **task** for money; hiring someone to paint your walls.

2. Creating **Markets**

* New businesses provide people with the **opportunity** to get what they need or want.

Different types of marketplace types

* **Physical** Marketplace – grocery store
	+ Specialty – butcher shop
	+ Broader – grocery store
* **Virtual** Marketplace– website or phone app

3. Increasing **Economic Benefits**

* Entrepreneurships impact **local**, **state** and **national** economies by offering **employment**.
	+ People use their wages to purchase goods from other businesses and the economy thrives.
* Businesses pay **taxes**.
	+ Business profits are taxed; mandatory payments to local, state and national government.
	+ Taxes provide funds for public services and support welfare programs.
* High employment allows people more money to **spend** on goods and services.
* Thriving businesses **contribute** to an elevated standard of living for the community.

**Ethics** in Entrepreneurship

* Trevor is launching a **new mobile app** that easily **uploads** the **photos** of users from their phones and social media accounts and prints them in small albums.
* He advertises that the first photo book is free.
* What he doesn’t advertise, is that they will automatically enrolled into a monthly subscription that requires 30 days notice to cancel.
* Think about it..
	+ Do you agree or disagree with Trevor’s business model? Why?
	+ What other business model concepts might Trevor consider?
	+ If you were Trevor how would you structure your business?