# **Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

# **Introduction to Business - Ch. 5 - Entrepreneurship & Small Business**

# Entrepreneurship

## A business started by someone who notices a need for a product or a service.

### Soared in late 1990’s with Online Businesses.

## **Entrepreneur** – A person who recognizes a business opportunity & organizes, manages & assumes the risks of a business enterprise with the intent of increasing the market value of the business.

# Characteristics of an Entrepreneur

## Take charge.

## Self-directed.

## Wants to work for themselves.

## Risk takers.

## 1000’s of entrepreneurs start businesses each year. Some succeed, but others don’t

## **Are You an Original?**

### Read each statement below.

### Rate yourself by choosing a number that best describes you.

### -1 being the lowest, 5 being the highest.

1 2 3 4 5 I have a need for achievement.

1 2 3 4 5 My energy level.

1 2 3 4 5 My willingness to take risks.

1 2 3 4 5 My level of determination.

1 2 3 4 5 Self-confidence is important to me.

1 2 3 4 5 I am willing to work hard.

1 2 3 4 5 I want to be able to “control your own destiny”

1 2 3 4 5 I have enthusiasm for projects you undertake.

 Total

# Advantages of an Entrepreneurship

# *(Examples on pgs. 71 – 72)*

## Satisfaction from Taking a Risk

### Miranda (no boredom on the job)

## Showing Expertise & Skills

### Raphael (use experiences to create your own successful business)

## Working from Home

### Briana (work at home with a flexible schedule)

## Gaining Profit

### Joseph (gets to keep all profits)

### **profit**– $ left over after a business has paid all costs of producing its goods or services.

# Disadvantages of an Entrepreneurship *(Examples on pg. 72 of textbook)*

## *Total* Responsibility for the Business

### Business success depends on your managerial skills.

### You are responsible for employees, customer service, vendor relations, finances, facility, etc.

## Long Hours

### Time & effort are very important.

### You may have to work 80 to 100 hours a week at times.

## Financial Risks

### $ can be a major concern and is the main reason many entrepreneurships fail.

# Fast Review, pg. 72

## Characteristics of an entrepreneur?

## Advantages of an entrepreneurship?

## Disadvantages of an entrepreneurship?

## Main reasons entrepreneurships fail?

# Small Businesses as defined by the SBA (Small Business Administration)

## An independently owned business that usually has the owner as its manager.

## Serves a limited geographic area.

## Employs fewer than 500 people.

## Not dominant in its industry.

# Facts About Small Businesses

## Most U.S. businesses are small businesses.

## Approximately 25 million small businesses make up a vital part of the US Economy.

## Employ more than 50% of the total workforce.

## Generate more than ½ the nations income.

## Principal source of new jobs.

## 38% of jobs are in high technology.

## Real World Application 2-4, pg. 73.

# Advantages of Small Businesses

## Being a Boss

### Michelle (She is in-charge.)

## Opportunity to Offer Services Large Companies Cannot Offer

### Paco (Can take the time to get to know his customers personally.)

## Ease of Formation

### Zach (Minimal requirements must be met and don’t take very long. ie. license for operation, meet local zoning requirements.)

# Most Successful Small Businesses

## Businesses that require advanced training

### Doctor or Dentist Offices

## The manufacturing field has the highest odds of monetary growth.

# Disadvantages of Small Business

## Difficulties that arise:

### Much loneliness

### Many long hours

### It can be hard to make financial decisions

### You must accept all responsibilities

# Reasons that 4 out of 5 Small Businesses fail in the first 5 years

## Too much freedom to work whenever you choose or choose not to.

## Under-pricing or over-pricing of goods & services.

## Starting with little or no experience or business know-how.

# Causes for Business Failures

## Effect of Change

### Styles, trends, and tastes change.

### Economic systems go through ups & downs.

## Managerial Skills Needed

### Owner must have multiple skills such as handling finances, employee relations, etc.

## Inadequate Financial Planning

### Careful $ management is crucial.

### Remember not to: start with too little $, spend carelessly, borrow $ without planning how to use it, forget about taxes, etc.

# Fast Review, pg. 75

## SBA definition of a Small Business?

## Example of a service a small business may offer that large companies cannot offer.

## Which is more difficult to form: large or small business?

## Give examples of special skills that a small business owner needs.

## List 2 financial reasons that small businesses fail.

# Preparing for Your Own Business

## Analyze what you want to do and why you want to do it.

## *Careful planning* from the beginning is one way to ensure the success of starting a new business.

## Have a Business Plan!

# A Business Plan

## A written description of a new business venture that describes all aspects of a business.

## Focuses on:

### What you want to do?

### How you’ll do it?

### What you expect to accomplish?

## The Business Plan is *essential* for potential investors & financing agencies you’ll go to for start-up funds.

# Checklist for Starting a Venture-*to organize your thinking*

## What will I produce?

## Who are my main competitors?

## Why is my product needed?

## How much will my product cost to produce?

## How many people will I need to run the business?

## What other facilities will I need?

## What licenses, permits, etc. do I need?

## How much $ will I need to get started?

# The Business Plan

## The Center for Entrepreneurship Management in New York reports that most Business Plans take more than 5 months to prepare.

## Unfortunately, it takes most readers (bank officials) fewer than 5 minutes to decide if they will read the entire document.

## Therefore, a Business Plan must be well-organized, easy to read and follow a logical format.

# Parts of a Business Plan

## Summary

## Company Description

### Products & Services Section

## Marketing Plan

## Legal Plan

## Management Plan & Operating Plan

## Financial Plan

# Summary

## 1 to 3 page overview of the Plan.

## Place it at the beginning of the proposal

### but write it after you complete the rest of the sections.

## It should intrigue the reader so they want to read more.

# Company Description

## Explains the type of company you plan to start:

### Manufacturing

### Retail

### Service

## Products & Services Section

### Describe the kinds of products you will sell or the services you will provide.

# Marketing Plan

## Describes your likely customers.

## Details your competition.

## Planned Marketing Strategies.

## Types & Location of advertising.

# Legal Plan

## Points out how you will organize your company:

### Sole-proprietorship

### Partnership

### Corporation

# Management & Operating Plan

## Detail the companies key personnel & their expertise and experience.

## Specify the companies daily operations, facilities, overall personnel, materials & processing requirements, etc.

# Financial Plan

## Define the companies financial needs.

## Projections for revenues, costs and profits.

# Fast Review, pg. 77

## What is a Business Plan?

## Name the Essential Elements of a Business Plan.