

CHAPTER 5 Entrepreneurship and Small Business

Key Words: Unscramble and Match

DIRECTIONS: Unscramble the key words and write them on the lines at the right.

- | | |
|---------------------|----------|
| a. sirk ratkes | a. _____ |
| b. utirvla subsenis | b. _____ |
| c. retnernueep | c. _____ |
| d. torpif | d. _____ |
| e. amlsl inbusess | e. _____ |
| f. hitnespureprnere | f. _____ |

DIRECTIONS: Match the key words to the definitions below.

1. A business started by someone who accepts the risk of starting and running a business. _____
2. An independently owned business that usually has the owner as its manager, serves a limited geographic area, employs fewer than 500 people, and is not dominant in its industry. _____
3. People who take chances. _____
4. A person who recognizes a business opportunity and organizes, manages, and assumes the risks of a business enterprise. _____
5. A business that operates on the Internet. _____
6. The money left over after a business has paid all costs of producing its goods or services. _____

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Key Concepts: Multiple Choice

DIRECTIONS: Circle the letter for the word or phrase that best completes each sentence.

1. The *main* reason small business owners fail is because _____.
 - a. they extend credit too freely
 - b. they don't work hard enough
 - c. they don't have adequate managerial skills
 - d. they spend too much money
2. Dot-com companies do business using _____.
 - a. the Internet
 - b. cell phones
 - c. bulk mail
 - d. fax machines
3. Starting a business does not require _____.
 - a. hard work
 - b. money
 - c. in-depth knowledge of the market
 - d. a dream
4. Entrepreneurs generally do not _____.
 - a. take risks
 - b. seek work within an existing company
 - c. start new businesses
 - d. seek to make a profit
5. Small businesses do not _____.
 - a. employ more than half the nation's workforce
 - b. dominate their industries
 - c. serve a limited geographic area
 - d. sometimes develop into major corporations

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Analytical Skills: Small Business

DIRECTIONS: The table below identifies the majority of small businesses in the United States by industry, employees, and annual payroll. Study the table and answer the questions that follow.

SMALL ESTABLISHMENTS, EMPLOYEES AND PAYROLL BY INDUSTRY			
Industry	Total Establishments	Employees (in thousands)	Annual Payroll (in millions)
Agricultural	116,590	730	\$15,060
Manufacturing	393,090	18,630	\$688,630
Transportation	300,640	6,250	\$226,030
Wholesale Trade	529,990	6,810	\$255,870
Retail Trade	1,588,720	22,000	\$330,330
Finance & Insurance	676,800	7,370	\$313,260
Services	2,543,680	37,380	\$1,013,970

Source: Statistical Abstracts of the United States

- What is the total number of small establishments in the United States?

- Which industry attracts the largest number of small business owners?

- What is the percentage of small businesses in this industry?

- What is the total number of workers employed by small businesses?

- What is the difference in number of employees between the industries with the greatest and least number of employees?

- Which industry has the largest payroll?

- What is its percentage of the total payroll?

- In which industry did the average employee make the most money?

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Reading Skills: George Lucas

DIRECTIONS: Read the article below on George Lucas, director, producer, and entrepreneur, and then answer the questions that follow.

George Lucas is perhaps the prominent prophet of the digital age in movie distribution. That means making movies using newfangled digital cameras that turn images into bits and bytes. These images can then be shipped over the Internet or by satellite directly into special digital projectors that theater owners would have waiting. How long before someone like Lucas, with a ton of money, lots of ideas, and a franchise of his own, decides, "I don't need Hollywood to get my pictures to the folks in Des Moines?"

Lucas has operated largely as a force outside Hollywood ever since he made the second *Star Wars* installment, *The Empire Strikes Back*, in 1980. In a groundbreaking deal, Lucas took virtually no money to make the sequel and instead hung onto the merchandising and other rights to the characters he created. Since then, he has set himself up in grand style at his Skywalker Ranch in the hills of San Raphael, on more than 3,000 acres just north of San Francisco. From there he runs his empire, which includes his very popular special-effects house, Industrial Light & Magic. It's also where he keeps his *Star Wars* franchise alive and where he does his own deals, like the \$2 billion that Pepsi dropped on him to help promote his films, to the \$184.5 million in stock holdings he holds in the toy company Hasbro. Last year Hasbro also paid \$3.9 million to make *Star Wars* toys. All told, his empire of video games, special effects, and merchandise generates an estimated \$1 billion a year.

The next step for Lucas, logically, would be to distribute his own films directly to theaters. As it stands now, Fox has the rights to Lucas's next two *Star Wars* pictures, although he retains the rights to dictate marketing, distribution, and just about everything else about how they'll be seen in theaters. Back in 1999, he restricted Fox from opening his *Star Wars: Episode 1—The Phantom Menace* in 3,000 theaters to stretch out its run for months. That kept the movie in people's consciousness longer, helping to sell more *Star Wars* lunch boxes and t-shirts.

Adapted from Ron Grover, "As Lucas Goes Digital, Will He Ditch Hollywood?" *BusinessWeek*, 27 April 2001.

1. What risk did Lucas take to break from Hollywood and begin truly building his empire?

2. What is Lucas's "franchise?"

3. What are the three cornerstones of his business, aside from movies?

4. What is the estimated income of Lucas's empire?

5. Why did Lucas restrict the number of screens allowed to show *The Phantom Menace*?

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Writing Skills: Entrepreneurship

DIRECTIONS: Explain the difference between an artist, an inventor, and an entrepreneur. Keep in mind that an artist or inventor can also be an entrepreneur, but they involve different kinds of activities. Use examples of people who have been successful at one or more of these activities, such as Thomas Edison, Oprah Winfrey, or someone you know personally.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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Computer Skills: Business Card and Letterhead

DIRECTIONS: Assume you're starting your own business. To make a good impression on potential clients, you want to present yourself as professionally as possible. Design a letterhead and a business card for your business by using a word processing program.

1. Start your word processing program.
2. Letterhead: Center the text. Type your business name on the first line using a bold font. The business name should be about two sizes larger than your regular font. A 16-point font is recommended. Be as creative as you like, as long as the result is still easy to read.
3. Type your business address beneath the name. You may type it all on one line, or on multiple lines, as you would when addressing a letter. On the line beneath this, write a phone and FAX number.
4. After completing your letterhead, save your work to a new file.
5. Business card: Create a new document. To approximate the size of a business card, adjust your margins in this way: Top—1", Bottom—8.5", Left—1.25", Right—5".
6. Copy the information from your letterhead onto the new document. (You will probably need to make your font smaller.) Rather than centering your text, you might want to use a right or left justification for a different effect.
7. Be sure to add your name and title beneath the company name.
8. Save your business card to a new file.
9. Print out a copy of your work if your teacher has instructed you to do so.

A sample of each is provided below.

Letterhead:

GENERIC PARTNERSHIP, LP
333 Partnership Ave., City, State, Zip Code
Phone: (555) 555-5555
Fax: (555) 555-5556

Business card:

GENERIC PARTNERSHIP, LP
John Smith, President
333 Partnership Ave., City, State, Zip Code
Phone: (555) 555-5555
Fax: (555) 555-5556