Chapter Objectives

1. What Is An Entrepreneur?
2. Importance Of Small Business To The U.S. Economy
3. What Industries Are Small Businesses in?
4. Should You Start a Business?
5. Starting A Business
6. The Business Plan
7. How To Succeed In Managing A Business

Entrepreneur

• “...someone who identifies a business opportunity and assumes the risk of creating and running a business to take advantage of it.”

Why Be An Entrepreneur?

✓ Be Own Boss
✓ Financial Independence
✓ Creative Freedom
✓ Use Own Skills & Knowledge

Entrepreneurs Vs. Owners

Entrepreneurs
✓ Innovators
✓ New/Improved Products
✓ Grow & Expand

Owners
✓ Provide Income
✓ Not Innovative
✓ No Plan For Expansion

Small Business

• SBA Classification
  ▪ Independent Ownership
  ▪ Little Influence In Industry
  ▪ Less Than 500 Employees

Economic Impact

▪ 20M+ Businesses
▪ 50% Of GDP
Small Business Importance

- Job Creation
- Innovative
- Opportunities For Women & Minorities
- Helps Big Business

Net New Jobs By Firm Size

Women & Minority Owned Business

Small Business Industries

- 80% = Intangible Services
  - Retailing = 25%
  - Wholesaling = 10%
  - Professional/Business Services = 35%
- 20% = Tangible Goods

Small Business By Industry

Small Business Ownership

- Advantages
  - Independence
  - Financial Rewards
  - Lifestyle
  - Learning Opps.
  - Creative Freedom & Personal Satisfaction
- Disadvantages
  - Financial Risk
  - Stress
  - Time Commitment
  - Undesirable Duties
Entrepreneur’s Work Week

Business Plan

...a document that identifies the goals of your proposed company and explains how they will be achieved...

Blueprint for Company

• How Business Will be Built
• How Intend To Make It Sturdy
• Get Financing

Sources For Business Idea

Hobbies Industry Experience

Ownership Options

• Start From Scratch
• Buy Existing
• Buy A Franchise

Growth Of Franchising

In 1985, franchising had gross total revenues of $172 billion; now it’s near $1 trillion a year.
Franchise

- **Advantages**
  - Recognized Name/Product
  - Help In Start-up
  - Advertising
  - Ongoing Support

- **Disadvantages**
  - Expensive
    - Franchise Fee
    - Royalty Fee
  - Franchiser's Rules
  - Franchiser May Not Follow Through

Benefits Of Business Plan

- Forces You To Think Critically
- Reduces Risk
- Analyze Concept/Industry

Audiences of Plan

- Investors
  - Quality of Concept
  - Ability to Manage
- Bankers- Ability Loan

Business Plan:

1) Executive Summary
2) Description of Business
3) Industry Analysis
4) Mission Statement/Core Values
5) Management Plan
6) Goods/Services
7) Development & Production
8) Marketing
9) Global Issues
10) Financial Plan
11) Appendices

Executive Summary

- 1-3 Page Overview
- Most Important Part
- Written After Plan Completed

Description Of Business

- What Will Do?
- Goods/Services Provided?
- Unique?
- Customers?
- How Sold?
- Location?
Industry Analysis

- Players?
- Outlook?
- Total Projected Sales?
- Factors of Expansion/Contraction?
- Future Economic Conditions?

Mission Statement & Core Values

- Mission Statement - Purpose or mission of company
- Core Values - Fundamental beliefs...what is/is not appropriate in business activities, ideals

Management Plan

- Member Qualifications
  - Education
  - Experience
  - Expertise
- Legal Form
  - Sole Proprietorship
  - Partnership
  - Corporation

Goods & Services

- Description
- Better Than Competitors
- Market Needs
- Competitive Advantage

Development & Production

- Product Design
- Technology
- Own or Contract for Facilities
- Where?
- Equipment
- Design/Layout of Facilities
- Number of Employees
- Units Produced
- Ensure High Quality?

Marketing

- Target Market
- Pricing
- Distribution
- Promotion
Global Issues

- Buying/Selling In Other Countries
- Identify Cross Border Challenges
- How Overcome Challenges
- Strategies For Future

Financial Plan

- Cash Needs
  - Start-up
  - Operations
  - Funding Sources
- Repay Debt
- Projections
  - Expected Sales
  - Costs
  - Profits (Losses)

Appendices

1. Resumes
2. Financial Statements

Succeeding In Business

- Know Business
- Know Management
- Proper Attitude
- Get Adequate Funding
- Manage Money
- Manage Time
- Know People
- Satisfy Customer
- Know How To Compete

SBA Assistance

- Assistance In:
  - Business Plan
  - Starting
  - Financing
  - Managing
  - Financing
  - Management/Technical Services/Training

SBA Loan Guarantees

- Between 2001 and 2005, SBA guaranteed loans to Minority Women Increased 8%, loans to Hispanics Increased 36%, loans to Women Increased by 27%.
SBA Programs

♦ SBDCs Assist with
  ♦ Business Problems
  ♦ Free Training & Technical Info.
♦ Service Corps of Retired Executives

Why Businesses Fail

◊ Bad Business Idea
◊ Cash Problems
◊ Inexperience or Incompetence
◊ Lack Of Customer Focus
◊ Inability To Handle Growth