

Chapter 1

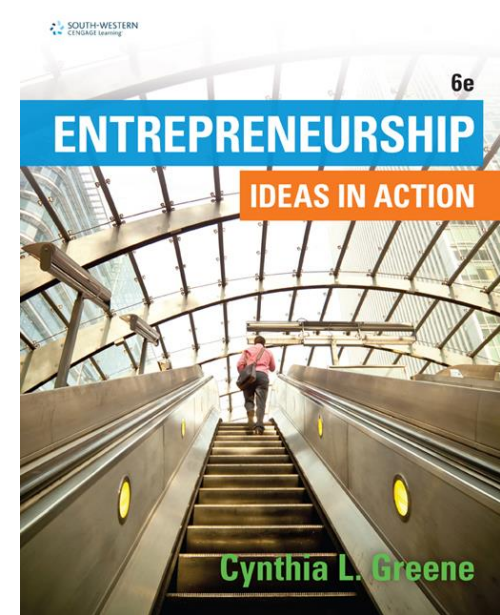
Should You Become an Entrepreneur?

1.1 All About Entrepreneurship

1.2 Entrepreneurship and You

1.3 Explore Ideas and Opportunities

1.4 Problem Solving for Entrepreneurs



Entrepreneurship: Ideas in Action 6e

Lesson 1.1

All About Entrepreneurship

Learning Objectives

- 1.1-1 Define entrepreneurship.
- 1.1-2 Recognize the role entrepreneurs play in the U.S. economy.
- 1.1-3 Determine the reasons that businesses succeed or fail.

Entrepreneurship

- What Is an Entrepreneur?
 - **Entrepreneurs:** People who own, operate, and take the risk of a business venture
 - **Entrepreneurship:** Running a business of one's own
 - Employees vs. Entrepreneurs
 - **Employees:** People hired to work for someone else

Example

- Sara manages a record store owned by Felipe. Sara decides to keep the store open later during the week. If the additional hours increase profits, Sara may be praised or even get a raise. However, Sara will not directly receive any of the profits because she is an employee. Additional earnings will flow to Felipe, the owner.

Entrepreneurship *(continued)*

- What Is an Entrepreneur?
- Why do people become entrepreneurs?
 - Integrity and ethical behavior
- Types of Entrepreneurial Businesses

Types of Entrepreneurial Businesses

- Manufacturing-produce the products they sell
- Wholesaling-sell products to other businesses rather than the final consumer
- Retailing- sell products directly to the people who use or consume them
- Service- sell services rather than products

Types of Entrepreneurial Businesses

- Other business areas
 - Agricultural- fresh produce, livestock, other farm products
 - Mining and extracting- take resources like coal and oil out of the ground
- Green Entrepreneurship- focus on being organic and environmentally friendly
- Social Entrepreneurship- innovative solutions to society's most pressing social problems.

Recognizing Opportunity

- Many successful companies started with one person who recognized an opportunity and came up with an idea.
- Small business— businesses with fewer than 500 employees
- Entrepreneurs who changed America:
 - Howard Schultz, Starbucks®
 - Bill Gates, Microsoft®
 - Oprah Winfrey, HARPO Productions, Inc.

Recognizing Opportunity

(continued)

- Entrepreneurial Opportunities in Our Economy
 - Small businesses make up 99.9% of the 22 million companies in the US. (*SBA Office of Advocacy 2012)
 - Small businesses drive innovation and job creation.
 - The SBA (Small Business Administration) provides support to entrepreneurs.

Business Success or Failure

- About half of new businesses survive at least 5 years, and one-third survive about 10 years.
- Major factors include:
 - Motivation to start a business.
 - Owner's experience
 - Having adequate capital.
 - Being large enough to have employees.
- Many businesses fail because of the owner's lack of business knowledge.

Lesson 1.2

Entrepreneurship and You

Learning Objectives

- 1.2-1 Identify the characteristics of successful entrepreneurs.
- 1.2-2 Identify the characteristics of good team members.
- 1.2-3 Assess whether you have what it takes to succeed in your own business.

Characteristics of Successful Entrepreneurs

- Successful entrepreneurs:
 - Are independent.
 - Are self-confident.
 - Have determination and perseverance.
 - Are goal-oriented.
 - Are creative.

Characteristics of Successful Entrepreneurs

- Successful entrepreneurs (*continued*)
 - Have a strong work ethic.
 - Are master networkers.
 - Keep up to date with technology.

Sports to Entrepreneur

- Ryan has many entrepreneurial characteristics. Since he was 14, he has played for his high school basketball team. Other boys of his height – just 5'8" – would not have enjoyed competing with much taller boys. Ryan accepted that he would have to work harder to win. He needed to be creative in handling the ball. Most of all, he had to believe in himself. He did and became one of the top players on his team. If Ryan opened his own business, the characteristics he displayed as a ball player could help him succeed.

Characteristics of Good Team Members

- Good team members display the following traits:
 1. Commitment
 2. Competency- right set of skills needed
 3. Communication- verbal and written
 4. Cooperation- work well together
 5. Creativity

Are You Right for Entrepreneurship?

- Assess Your Interests
- Assess Your Aptitude- ability to learn a particular type of job
- Assess the Advantages of Entrepreneurship
 - Be your own boss
 - Choose a business that interests you
 - Be creative
 - Make large sums of money if successful

JOB ATTRIBUTES CHECKLIST

- ☐ 1. I enjoy working with numbers.
- ☐ 2. I enjoy working outdoors.
- ☐ 3. I enjoy working with my hands.
- ☐ 4. I enjoy selling.
- ☐ 5. I like working with people.
- ☐ 6. I prefer to work alone.
- ☐ 7. I like supervising other people.
- ☐ 8. I like knowing exactly what I am supposed to do.

Are You Right for Entrepreneurship? *(continued)*

- Assess the Disadvantages of Entrepreneurship
 - Risk- lose money
 - Uncertain and irregular incomes
 - Long hours
 - All decisions made independently

Lesson 1.3

Explore Ideas and Opportunities

Learning Objectives

- 1.3-1 Identify sources for new business ideas.
- 1.3-2 Recognize different business opportunities.
- 1.3-3 Identify your own personal goals.

Look for Ideas

■ Opportunities

- Possibilities that arise from existing conditions

■ Ideas

- Thoughts or concepts that come from creative thinking

Look for Ideas *(continued)*

- Ideas come from a variety of sources
 - Hobbies and interests- make a list to help decide
 - Past experiences- gain knowledge, customers, and contacts
 - Discovery or invention- get a patent, find out competition, manufacturing process, and target market

- Bill had always enjoyed working with his grandfather on the farm and had helped to build and maintain many farm structures. He built a garage and added a sunroom to his own home. He also was able to make plumbing, electrical, and carpentry repairs around the house. He started doing this for others in his spare time. Soon he had so many people calling on him for these services that he decided to start a general contracting business.

- Samantha worked as a computer networks administrator for a large company. Recognizing that she could use her experience to perform the same computer services for other companies, Samantha started her own computer consulting service. She currently earns less money than she did working for a large company, but she enjoys working flexible hours and meeting new people.

- Chandra enjoyed working in her garden, but she did not like any of the tools she had for removing weeds from around the plants. She made modifications to one of her garden tools and found that it worked perfectly. After several friends tried out the garden tool and liked it, Chandra decided to investigate how to market and sell her invention.

Investigate Opportunities

■ Sources of Information

- Internet
- Library
 - *Books, magazines, trade magazines, government publications, County Business Patterns (provides economic profiles)*
- Small Business Administration
- Trade Shows: special meetings where companies of the same or related industries display their products

- Lisa wanted to use her love of sports and dancing to create her own company. She found many magazine articles on the Internet that gave her information on various businesses. She also talked to owners of gymnastic centers, health clubs, and dance studios. She discovered that there were not enough children's fitness programs to meet the demand in her area. Her research revealed the many opportunities available in the children's fitness industry.

Investigate Opportunities *(continued)*

■ Compare Different Opportunities

1. Is there a market in my community for this kind of business?
2. How much money is required to start the business?
3. How many hours per week will it take to run the business?

Investigate Opportunities *(continued)*

■ Compare Different Opportunities *(continued)*

4. What is the risk associated with this business?
5. Does my background prepare me to run this kind of business?
6. How much money could I make running this business?

Set Goals

SMART GOALS	
S pecific	Goals should be specific and answer “What?” “Why?” and “How?”
M easurable	Goals should establish ways to measure your progress.
A ttainable	Goals should not be too far out of reach.
R ealistic	Goals should represent things to which you are willing to commit.
T imely	Goals should have a time frame for achievement.
Goal	I will learn more about starting my own business.
SMART Goal	I will learn more about starting my own catering business by obtaining information from the Small Business Administration and talking with the owners of three local catering businesses by the end of the month.

Set Goals *(continued)*

- Financial goals should be:
 - Realistic
 - Measurable
 - Easily attainable in the time allotted
- Nonfinancial goals may include:
 - Personal satisfaction
 - Serving a community need

Lesson 1.4

Problem Solving for Entrepreneurs

Learning Objectives

- 1.4-1 List the six steps of the problem-solving model.
- 1.4-2 Describe ways to improve your problem-solving skills.

Use the Problem-Solving Model

- A formal problem-solving model helps people solve problems in a logical manner.
 1. Define the problem.
 2. Gather information.
 3. Identify various solutions.
 4. Evaluate alternatives and select best option.
 5. Take action.
 6. Evaluate the action.

1. Define the Problem

- Why is it a problem?
- How much is the problem worth?
Quantify it

2. Gather Information

- Find relevant information
- Company records, industry data, trade magazines, interviews

3. ID Various Solutions

- Most problems have more than one solution
- Consider all solutions

4. Evaluate Alternatives and Select the Best Option

- Quantify costs and benefits of each solutions
- Pros and Cons of each solution
- Rank alternatives

5. Take Action

- Implement solution

6. Evaluate the Action

- The best plans may not work
- Always reflect and adapt (pivot)

Problem-Solving Skills

■ Communicate

- Communicate clearly and confidently.
- Be a good listener.

■ Brainstorm

- **Brainstorming:** A creative problem-solving technique
- Generates a large number of fresh ideas.

■ Learn from Mistakes

- Mistakes are a learning experience.