

Essentials of Entrepreneurship

Lisa Mulka



IDEAS!

Analyzing

Prototype

Find Co-Founder

Pre

START UP



Launch!

Follow Up

Grow 5%
A Week

Su



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Essentials of Entrepreneurship

First Edition

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Essentials of Entrepreneurship

First Edition

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Introduction

Welcome to Essentials of Entrepreneurship

Innovation, invention, ingenuity—these concepts all converge in entrepreneurship. Entrepreneurs who charge forward and turn an idea into a booming enterprise conduct business with passion and can even change the world for the better. Possessing a basic understanding of how entrepreneurs function can help you make informed choices about starting your own business venture, as well as planning for your future business career prospects.

This text will lead you to an understanding of how to start, operate, and maintain a business, as well as why an entrepreneurial mindset is important to society. You will learn how an entrepreneur structures a start-up, from sourcing funding to bringing a new product to market, and you will gain an understanding of the broader business environment. This text challenges you to think like an entrepreneur as you consider financial, marketing, and structural components of a start-up to compile a business plan for an entrepreneurial venture.

Essentials of Entrepreneurship is part of the **Skills for Life CTE Series**, helping connect classroom learning to a lifetime of real-world success. In this text, you will build core business skills, understand the characteristics of successful entrepreneurs, and grow in critical thinking and creative intellect. Whether you are exploring options for a future career in entrepreneurship or beginning a journey into a deeper understanding of how businesses start and grow, this book will guide you in mastering the essentials of entrepreneurship in all forms.

Skills for Life
CTE SERIES

Features

This text contains features to enhance your understanding of business concepts. As new information is introduced, making connections to practical, real-world examples of entrepreneurial practices reinforces prior learning. In the spirit of innovative entrepreneurship that drives a successful business, this book guides you in the creation of a personal business plan. Creative learning assessments are also provided in each chapter.

Real-World Examples

Each chapter is written with real-world examples embedded throughout to bring theoretical concepts and key ideas to life. The text includes references to popular companies to guide readers in connecting theory to real-life entrepreneurial practices. Chapters also contain information about the skills and responsibilities associated with a specific career path and business organization related to entrepreneurship, helping you set professional and career goals.

Build It

At the close of each chapter, creative entrepreneurship is explored with a challenging assignment to create individual components of a business plan for an entrepreneurial venture that will then be compiled at the completion of the book. The Build It assignments consist of an entrepreneurial simulation in which you will follow a real-world example student to help create each component of your own business plan. The real-life example provides direction, formatting, and organization tips for you as you create your business plan.

Application and Evaluation

Key vocabulary terms are bolded throughout the text and clear definitions provide deeper understanding of entrepreneurial concepts. Each chapter ends with a series of questions that enable you to evaluate and apply your knowledge. Short answer questions challenge you to evaluate what you have learned after reviewing the chapters. Reading, writing, speaking, and listening prompts ask you to review and expand your knowledge of entrepreneurial activities.

Get Inspired

To help entrepreneurial concepts come to life, each chapter features the compelling story of a real-life entrepreneur who turned a business idea into a reality. These entrepreneurs represent a variety of backgrounds and industries, share their successes and failures, and offer advice on taking your own entrepreneurial journey.

Business Ties to Technology

Entrepreneurs operating in the twenty-first century utilize technology to efficiently and effectively manage operations. Chapters contain ongoing references to the multitude of technologies used in business and entrepreneurship—from accounting applications to social media platforms—and each chapter features a special callout on using technology to manage business functions.



This book correlates to the **Precision Exams Certification** for **Entrepreneurship**. Content from this book aligns to the Standards, Objectives, and Indicators from Precision Exams, enabling you to earn certification demonstrating your proficiency in business concepts. The Precision Exams and the Career Skills™ Certification, Exams, and Standards are the property of Precision Exams, LLC. For more information on certification, visit **precisionexams.com**.

To view the standards correlations for this text, visit **bepublishing.com**.

Understanding the Format of this Book

Essentials of Entrepreneurship is organized into six units and 19 chapters. The following is a brief explanation of the individual sections that make up each chapter in this book. It is recommended that you read this section to become familiar with the format of this book.

Key Terms
Highlighted key terms provide a deeper understanding of entrepreneurial concepts.

Figures
Vital information is illustrated for easy understanding and reference.

Get Involved
Chapters include useful information about a range of relevant business associations and organizations.

Images
Each chapter contains a variety of images that help illustrate the role and functions of entrepreneurs.

Business Ties to Technology
Chapters contain reference to the multitude of technologies in entrepreneurship.

Career Connections
Chapters explore various business-related career opportunities.

Covering a Loss

When entrepreneurs suffer a loss, they file a claim with their insurance company. A claim is a request for payment for a loss based on the terms of the policy. When a claim is filed, a claims adjuster will investigate the claim.

Claims are reviewed by the insurance company and paid to the insured after approval. The claim is based on the principle of indemnity, **indemnity**, with regard to insurance, means to return the insured to the condition he or she was before the loss. For example, if a four-year-old company car is in an accident resulting in a total loss, the insured will not be compensated for a brand-new car. Payment on the claim will be based on the value of the car at the time of the accident.

Did You Know?

33 states spent more than half of their workers' compensation benefits on medical care for injured workers.

Source: meaning.

Career Connections

Accountant

Financial records are important to every business. For this reason, business regularly employ people who review financial records, including revenue and expenses, to calculate whether they have earned a profit. This is where an accountant fits into a business. An accountant examines financial statements, tax records, and most ensure businesses are not spending more than they earn. Some responsibilities of accountants include:

- Reviewing detailed financial documents for accuracy
- Creating financial statements
- Working in a team to manage a business's finances
- Presenting financial information to a company
- Recommending changes to company spending habits
- Assessing company tax deductions

Risk Management Recommendations

Entrepreneurs choose different amounts of insurance coverage based on their willingness to accept risk. When formulating a risk management plan, it is helpful to evaluate what it is that requires protection. A risk management plan should identify, assess, prioritize, and manage the risks of potential loss to assets.

1. Identify

Entrepreneurs should identify the potential risks of loss, such as damage to an automobile, a property fire, or medical costs from illness or injury.

2. Assess

Once potential risks are identified, the next step is to decide how serious they are by reviewing normal behavior and estimating whether it is possible or unlikely that a loss might occur.

Essentials of Entrepreneurship Unit 4 Chapter 15

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Did You Know?
Chapters include a variety of interesting facts and statistics about entrepreneurship.

4 Market Research Process

Social platforms are also an important form of secondary data and should not be overlooked because they help to identify consumer behavior and trends. For instance, Twitter tracks the top 10 trends in every major metropolitan area on a daily basis. Entrepreneurs can follow trends by monitoring hashtags on social platforms. Social networks also provide insight into customer satisfaction ratings by monitoring what people are saying about a company on business social pages.

Technology

Entrepreneurs use appropriate technology to obtain information about industries, customers, and competitors. Technology for gathering information about industries can include websites, printed industry publications, or industry information databases, such as the US SBA, the US Census, IBISWorld, ReferenceUSA, and Bimble. These databases can give insight into historical data on each industry, as well as forecasts on market demand.

To obtain information about customers, entrepreneurs may utilize technology such as customer relationship management (CRM) tools. CRM is a software platform that includes a broad set of applications designed to help businesses manage customer data. Tools can enable technology such as live chat, feedback forms, and follow-up surveys, recommendation and ratings tools, email surveys for new customers, and monitoring of social channels.

To obtain information about competition, entrepreneurs can utilize a variety of appropriate technology. While many business owners rely on basic internet searches to acquire competitor information, more advanced technology can simplify data collection. For example, entrepreneurs can set Google Alerts on their competitors to receive up-to-date notifications on competitor business activities. Monitoring competitor social media activity can help entrepreneurs gauge customer sentiment, brand loyalty, and customer needs, wants, and satisfaction.

Business Ties to Technology

Marketers collect data about people who visit their websites. Using web analytic tools, marketers measure web traffic by the number and time of clicks and geographic data. All of this is done automatically as soon as a visitor clicks a link to a site. Entrepreneurs use this information as a form of market research and to tailor messages to target audiences. Tools such as Google Analytics and Microsoft Power BI give marketers information about which elements of a site people are most responsive to.



Unit 2 Chapter 4 Essentials of Entrepreneurship

Ethics in Entrepreneurship

Li has always held a passion for climbing, hiking, and spending time in nature. He decides to use his job as an engineer to sell hiking packs of his own design made of earth-friendly materials. Li takes the necessary steps to start his business: he develops a plan, identifies suppliers, and even manages to secure an investor for his product. To showcase his product, Li creates a website that includes videos of Li climbing and discussing his commitment to being a friend of the environment and steward of the Earth.

As Li announces his launch date on his social media channels, he notices a Tweet about one of the material manufacturers he uses. The manufacturer was responsible for a recent oil spill. When Li investigates the matter, he discovers that the manufacturing company's carbon footprint is massive and chooses not to participate in environmentally and socially sustainable practices. Discouraged, Li looks back at his list of alternative manufacturers and sees that he cannot afford to use any other company to make his product.

What should Li do? How can Li balance his commitment to social, environmental, and financial sustainability? What is more important—Li's commitment to sustainability or releasing his product?

Essentials of Entrepreneurship Unit 6 Chapter 18

369

Ethics in Entrepreneurship
Practical case studies showcase ethical situations in entrepreneurship.

Get Inspired

Real-world business owners share their stories and inspiration in each chapter.

Sounds of Success with Digital Records

Jorge Brea was born in Santo Domingo, Dominican Republic, in 1984 and moved to the United States in 1992. Like many others growing up, Jorge became captivated by music of all types and at the age of 12 started dabbling with using computer software to create music. Three years later, his music sounded so good that he started releasing it on independent record labels based in Florida and eventually in the United Kingdom.

"After releasing 45 vinyl records, I wanted my own record label but had a problem—I didn't have the funds to press my music on vinyl or CD," he said. Around the same time, music was going through a digital shift. Napster had taken its toll on the industry and spaces like iTunes and Beatport had launched. That's when Jorge decided to create a digital record label and—to his surprise—people bought his music.

In fact, people were buying consistently enough that he started to earn \$100 a day off his own music. To make more money, Jorge officially launched his company, **Symphonic Distribution**, and started working with other artists to release their music through his label.

Symphonic Distribution now services more than 10,000 record labels and artists and has experienced tremendous growth. The company has been on the Inc. 5000 list, is one of the fastest growing companies in the Tampa Bay area, and continues to win multiple awards.

While the awards and growth are great accomplishments, Jorge takes more pride in the purpose of the company and stays focused on ensuring that it can truly be independent and service artists and record labels with a personal approach.

To future entrepreneurs, Jorge says to work hard, be humble, and never give up. He adds that he wishes he would have known how important planning is to effectively build a business. "Many bootstrapped companies or new businesses just start creating and working hard to achieve results, but planning goes a long way." That said, Jorge also acknowledges there is something fun about taking a risk and failing—you only get better by failing and learning from it.



Name
Jorge Brea

Company
Symphonic Distribution

Location
Tampa Bay, Florida

"Admit that you aren't the best at something if you truly feel you aren't. Showing vulnerability helps and it's okay that you aren't the smartest in the room. Just hire people that are the smarter ones!"

Essentials of Entrepreneurship Unit 2 Chapter 4

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Businesses identify components of the marketing mix carefully to align each element with their target market. Companies research and record the 4 P's of marketing in the marketing plan section of a business plan. The marketing plan details how a business will make sales to customers and profit.

Marketing Plan

When entrepreneurs analyze the marketing mix, they ask themselves the following questions:

Product
What products or services should we sell? What are other businesses in the market selling? What is the product mix for this business? What is the product life cycle?

Place
Where will we produce the product? What channels of distribution are involved in getting the product where the target market can see it?

Price
What do we expect to charge for the good or service? How do prices compare to competitors? What factors influence prices?

Promotion
How will we advertise the product? Which marketing strategies will be used? What is the best advertising media to reach the target market?

What is the cost of advertising and marketing strategies?
What are the costs of creating business documents and high-quality print/multimedia advertisements? Business owners typically include advertising and printing costs in their financial budget.

Creating a Marketing Plan

Identifying and articulating the marketing mix is critical to a business plan. Consider the following questions before writing your marketing plan.

- ☐ What am I selling and who will be buying it?
- ☐ How will I get my product or service to my customers?
- ☐ What will my customers pay for my product or service?
- ☐ How can I reach my target market?
- ☐ What is the product mix for my business?

Build It

Each chapter highlights information on one component of a business plan with a prompt to guide readers in developing their own plan.

Essentials of Entrepreneurship Unit 3 Chapter 11

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Chapter Review

Foundations of Management

In this chapter, you learned about business organization and how it impacts management. Entrepreneurs may interact with their employees in different ways, but management skills are critical for workplace productivity.

Instructions

Demonstrate your knowledge of this chapter by completing the following review activities.

Note: If you do not have access to the effect of this book, Chapter Review worksheets will be provided by your instructor.

Define Key Terms

Apply your knowledge of the chapter reading by defining key vocabulary terms.

Test Your Knowledge

Test your knowledge of the chapter reading by answering short answer questions.

Read and Write

Review Ethics in Entrepreneurship about a business lacking a contingency plan. Apply what you have learned by writing an essay about why it is dangerous to have certain tasks done only by one employee.

Listen and Speak

Apply your knowledge of the chapter to create standard operating procedures.

Create and Design

Use what you have learned in this chapter to create an organizational chart that defines the structure of a company.

Build It

Review the Build It section from this chapter about the elements of a management plan. Apply what you have learned to create a management plan for your entrepreneurial venture in the Build It activity.

Chapter Review

Each chapter concludes with a series of hands-on activities that test students' knowledge of key terms, abilities to respond to a writing prompt, the application of problem solving and critical thinking skills, and capabilities to demonstrate creativity and innovation. Each Chapter Review includes the following activities:

Define Key Terms
Students define the key terms presented in each chapter, helping them to prepare for the Chapter Assessment.

Test Your Knowledge
Students demonstrate their comprehension of chapter topics by completing a series of short answer questions.

Read and Write
Students apply their understanding of the concepts presented in the chapter by responding to a writing prompt.

Listen and Speak
Students practice their application of the chapter's content by planning and giving an informal presentation.

Create and Design
Students utilize creative thinking skills and develop innovative ideas in designing and creating a variety of projects related to entrepreneurship.

Build It
Students create components of a business plan that will be assembled and reviewed in a portfolio at the end of the book.

Chapter 12 Review

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Unit 1

Preparing

Chapter 1
Characteristics of
Entrepreneurship

Chapter 2
Idea Generation

Chapter 3
Business Plan

ability
apprenticeship
aptitude
business plan
career plan
employee
entrepreneur
entrepreneurship
interest inventory
intrapreneur
risk
SMART goal

Chapter 1

Characteristics of Entrepreneurship

Have you ever dreamed of starting your own business? The first step to entrepreneurship is conducting a self-assessment by identifying individual strengths and weaknesses. Preparing a career plan also helps people define the best job suited for their interests, aptitudes, and abilities.

Objectives

After reading this chapter, you will be able to:

- ☑ Define characteristics of an entrepreneur
- ☑ Distinguish risks and rewards of entrepreneurship
- ☑ Analyze individual strengths and weaknesses

Career Choices

To identify a path of employment, people must decide if they are looking for a job or a career. A job is a specific duty, role, or function. A career is a profession for which one trains and is undertaken as a permanent calling. A job can be short-term employment for financial gain, while a career involves a long-term position performing tasks in which one has an interest.



The National Career Clusters Framework divides job opportunities into 16 different career clusters, shown in *Figure 1.1*. In 1996, the clusters began as part of the Building Linkages project created collaboratively between the National Skills Standards Board, National School to Work Office, and the Office of Vocational and Adult Education.

FIGURE 1.1

Career Cluster	Description
Agriculture, Food, and Natural Resources	Agribusiness, animal, environmental, food products and processing, natural resources, plant, and power and technical systems
Architecture and Construction	Design, pre-construction, construction, maintenance, and operations
Arts, A/V Technology, and Communications	A/V technology, film, printing, visual arts, performing arts, journalism, broadcasting, and telecommunications
Business Management and Administration	General management, business information, human resources, operations, and administrative support
Education and Training	Administration, administrative support, professional support, and teacher training
Finance	Securities, investments, business finance, accounting, insurance, and banking services

FIGURE 1.1 • Continued

Career Cluster	Description
Government and Public Administration	Government, national security, foreign service, planning, revenue and taxation, regulation, and public management and administration
Health Science	Therapeutic services, diagnostic services, health informatics, support services, and biotechnology research and development
Hospitality and Tourism	Restaurants and food beverage services, lodging, travel and tourism, recreation, and amusements and attractions
Human Services	Early childhood development, counseling, mental health services, family and community services, personal care, and consumer services
Information Technology	Network systems, information support, web and digital communications, programming, and software development
Law, Public Safety, Corrections, and Security	Correction services, emergency and fire management services, law enforcement, legal services, and security and protective services
Manufacturing	Production, manufacturing production process development, maintenance and installation, quality assurance, logistics and inventory control, and health, safety, and environmental assurance
Marketing	Marketing management, professional sales, merchandising, marketing communications, and marketing research
Science, Technology, Engineering, and Mathematics	Engineering, technology, science, and mathematics
Transportation, Distribution, and Logistics	Transportation operations, logistics planning and management, warehousing and distribution center operation, facility and mobile equipment maintenance, transportation systems, infrastructure planning, sales and service, health, safety, and environmental management

Source: web.archive.org



Choosing the right career begins with the pursuit of individual interests.

Crafting a Career Plan

Preparing for career and post-high school training begins first with a list of structured actions and career goals to map out future work success. This is known as a **career plan**. A career plan includes the following components:

Career Goal

Use the SMART goal method to define individual goals. **SMART goals** are Specific, Measurable, Achievable, Results-focused, and Time-bound. *Figure 1.2* illustrates the concept of SMART goals and provides examples of the “smart” way to state your goals.

FIGURE 1.2

This is the SMART Way to State Your Goals		
Specific Who, what, where, when, and why? There is a greater chance of success when the goal is specific rather than general.	✗ Not Specific I will get a job.	✓ Specific I will gain the skills and experience necessary to gain a marketing job at ABC Company.
Measurable How much and how many? There should be criteria for measuring the progress toward the outcome of the goal.	✗ Not Measurable I will take marketing courses.	✓ Measurable I will complete all of the marketing courses at my college by the time I graduate.
Achievable Dream big, but be real. The goal should be reasonable and reachable.	✗ Not Achievable I will learn marketing skills.	✓ Achievable I will shadow a marketing professional to develop beneficial new skills.
Results-focused Eye on the prize. The goal should be something that you are focused on achieving.	✗ Not Results-focused I will apply for the job.	✓ Results-focused I will apply for the job by the September 1 deadline.
Time-bound A goal should be set within a time frame. Not having a time frame takes away from any sense of urgency.	✗ Not Time-bound I will update my resume.	✓ Time-bound I will update my resume one month before I apply for the job.

Education Requirements

Determine what level of education is needed to reach career goals. Most careers require formal postsecondary education, which is education that occurs after high school. If, for example, you are interested in having a job in the education field, there are many different careers within this sector that require varying educational requirements. An associate's degree would enable you to teach preschool, work in a childcare setting, or be a teacher's assistant. A bachelor's degree in education, along with a license, would allow you to acquire a job teaching kindergarten through grade 12. Master's and doctoral degrees—both of which require significantly more schooling—would make you eligible for community college, college, and university teaching positions. Assessing the type of education requirements associated with a career path—including duration and level of commitment needed to achieve the requirement—will help you evaluate and compare career opportunities.



More than one-third of the adult population in the United States has a bachelor's degree or higher.

Source:
census.gov

Skill Development

Assess how to acquire the necessary skills. While formal education may provide many of the skills needed to reach your desired career path, on-the-job training can also be helpful. One type of training is an apprenticeship. An **apprenticeship** is an arrangement in which you learn an art, trade, or job under another, more experienced person.

Income Potential

Research salaries and annual incomes. When considering which career path will work best for you, analyze the relationship between education, training, and earnings so that you can make an informed decision that will support you in your long-term goals. It doesn't make sense to invest time and money into education to pursue a career that has little or no future. Instead, analyze the quality of education investment using measures such as annual average salary to recognize the correlation between education and earning.

Job Outlook

Gather data on career growth and projections. Job outlook is a forecast of what employment opportunities for a particular occupation will be in the future. To identify job outlook, as well as salary potential, review the following resources:

- Bureau of Labor Statistics (bls.gov)
- Occupational Outlook Handbook (bls.gov/ooh)
- Salary.com
- O*Net (onetonline.org)
- CareerOneStop.org



Personal Interests and Aptitudes

Define activities of interest and how they can support career goals. Refer to the Self-Assessment section later in this chapter to understand how interests and aptitudes influence career choices.

Financial Goals

Develop SMART financial goals that align with career goals. To successfully achieve goals, it is helpful to divide them into smaller manageable parts, identify steps to take within each sub-goal, make a plan for the unexpected, and review your progress along the way. Life circumstances and goals often change, so it is important to stay flexible in your plan and adapt it as your needs evolve.

Desired Lifestyle

Establish parameters for lifestyle. Standard of living is a term used to describe the level of wealth, material goods, and necessities considered to be essential to an individual or group in a particular geographic area. Identifying your standard of living will help you make effective decisions to achieve your goals.

Figure 1.3 shows an example of the components of a career plan to become an accountant.

FIGURE 1.3

Career Plan	
Career goal	To become an accountant
Education requirements	Bachelor’s degree in accounting or a related field, certification to become a Certified Public Accountant
Skill development	I will need analytical skills, good communication, strong math skills, and the ability to be detail-oriented and organized.
Income potential	\$68,150 median annual income
Job outlook	Accountant jobs are expected to grow 10% in the next 10 years
Personal interests and aptitudes	I love working with numbers. Math comes easy for me and I have enjoyed taking advanced mathematics classes throughout my education.
Financial goals	To earn an average annual salary of at least \$50,000, to be a homeowner by age 30, and to earn enough income to donate 10% of my earnings to organizations I care about.
Desired lifestyle	I desire to live comfortably with all of my needs being met and the ability to purchase items I want on occasion, such as the opportunity to travel. I also want to be able to give to charitable causes that are meaningful to me.

Source: bls.gov



Types of Employment

People can generally find themselves in one of three types of employment situations: employee, intrapreneur, or entrepreneur. An **employee** is someone employed by another for wages or salary, and typically in a position below the executive level. An **entrepreneur** is a person who organizes, operates, and assumes the risk for a business venture. Entrepreneurs who have chosen to start their own businesses often provide jobs and careers for many employees.

Residing between the two spectrums of employee and entrepreneur is an intrapreneur. An **intrapreneur** is a corporate executive who develops new enterprises within a corporation. Throughout your working life, you may find that you fulfill all three types of employment. For example, you may start your career as an employee for someone else, grow into an intrapreneur, and eventually decide to start your own business and become an entrepreneur.

Regardless of whether starting a business appeals to you, it is helpful to explore entrepreneurship as a career and college pathway because employers value employees that demonstrate entrepreneurial traits. Entrepreneurial careers exist in nearly every industry and employment sector. Learning the foundational principles of entrepreneurship will help you prepare for a variety of employment opportunities.

Case Study

Ethics in Entrepreneurship

Amy is a senior in college and wants to start her own business selling baked goods when she graduates. She has taken a self-assessment in the past and the outcome showed that she had strengths such as collaboration and follow-through, but that her weaknesses were time management and punctuality. She thinks she can compensate for her weaknesses by developing strategies to reduce her poor time management, such as using calendar tools and setting automatic reminders.

Before starting her business venture, her mother, who has offered to loan her the necessary start-up funds, recommends that she take a risk tolerance quiz. Some of the questions ask Amy to evaluate the levels of risk she can handle, including losing all start-up funds, going into debt, and how she would handle it if the business failed. She is unsure she can handle these risks and struggles with answering the questions honestly. When her mother asks how the quiz went, Amy is tempted to lie and say it went well.



What is the right thing to do? Why is it important to be honest on a self-assessment? What are the risks and benefits Amy may experience as an entrepreneur? How can she minimize or limit her risks?

Entrepreneurship

Many businesses originate from a passionate founder with a dream. Entrepreneurs are individuals who have an idea and create a business around it. **Entrepreneurship** is the process of devising an idea, taking risks, and establishing a business. The nature of entrepreneurship involves creativity, determination, and risk-taking. Anyone with an idea can start his or her own business—but to truly build an idea into a viable business, an entrepreneur must have a clear vision and purpose.

The United States is a great place to be an entrepreneur because it offers a vibrant economy with plenty of competition. Current entrepreneurship data and data trends indicate that people of any age, gender, race, background, and education can start their own business. In fact, according to the Small Business Administration, small businesses comprise 99.7 percent of US employer firms. *Figure 1.4* illustrates data trends in entrepreneurship.

FIGURE 1.4

Data Trends in Entrepreneurship

Men (62%) are more likely to become entrepreneurs than women (38%). This gender gap has been increasing since 1996.

The youngest age demographics are the most likely to be entrepreneurs. 57% are under the age of 44 and 29% are between the ages of 20–34.

Entrepreneurs in the 55–64 age demographic has grown from 14% to 21% in the last decade, which is the largest increase of any age group.

53% of entrepreneurs have taken at least some college classes. 28% of entrepreneurs have at least one college degree..

Source: brandongaille.com

Entrepreneurship offers many career opportunities available for people who want to start their own business. The impact of entrepreneurship and innovation on local, state, national, and international communities and economies is significant because entrepreneurs are not limited to a specific job or industry—they design their own job. For instance, an entrepreneur launching a tech start-up may fuel the economy by purchasing supplies and materials from other businesses, employing workers, and contributing to economic spending.

Entrepreneurship is a path that requires drive, innovation, determination, and a sound understanding of consumer wants and needs. There are many experts and resources that may assist small businesses, including in areas of accounting, finance, and legal.

For instance, an entrepreneur may hire an accountant to manage the process of paying employees or consult with a lawyer to protect innovations. Entrepreneurs who identify experts who can be of help to them are positioned for success in a competitive marketplace. With a comprehensive understanding of entrepreneurial concepts, business start-ups can thrive.

Characteristics of a Successful Entrepreneur

Entrepreneurs must assess their personal interests and skills necessary for success in business. Some entrepreneurs use a personality test to determine what characteristics they have and to evaluate their strengths and weaknesses. For example, the Myers-Briggs Type Indicator (www.myersbriggs.org) is a common assessment tool that helps people recognize their personality type. It is important for entrepreneurs to analyze their personalities to assess how well they will fare in the intricacies of starting a business.

Every entrepreneur is different. A tech entrepreneur may have a completely different personality than the owner of a construction start-up. But all entrepreneurs have some level of trade expertise, or skill in the area they are operating a business in. For example, a person starting a graphic design company may possess a background in art and design. While there is much diversity in the background, interests, and habits of entrepreneurs, they do share some common characteristics and traits—outlined in *Figure 1.5*—that benefit their quest to start a business.

Basic Skills

While entrepreneurs don't need a specific level of education, they should possess basic skills that will help them operate a business. Basic skills are required for success at any job and include the ability to read, write, and communicate. Whether people are employees, intrapreneurs, or entrepreneurs, they must be able to perform basic daily activities to be effective in their positions.

Leadership Skills

Leadership is the ability to guide others toward a goal, and it is a critical component of entrepreneurship. Because entrepreneurs start a business on their own, they have to possess skills that will persuade others to believe in their ideas. Leaders in entrepreneurship are dedicated to planning, a leadership skill that involves setting goals with methods to accomplish them.

Another component of leadership that plays a large role in entrepreneurship is self-confidence. There will likely be many obstacles when starting a business, such as finding capital, securing investors, and recruiting employees to help develop the entrepreneur's vision.



Entrepreneurs who did not attend or finish college outnumber those with higher-education degrees across both genders and in every age group among entrepreneurs.

Source:
cnn.com



Entrepreneurs must be self-assured enough to handle various disappointments and be committed to their business prospects so they can withstand hardships. For instance, the leader of a tech company whose application doesn't immediately take off must be able to recover from the disappointment. At the same time, he must be realistic enough to know when an idea is not working and changes should be made. These leadership skills are the base for any entrepreneur.

Problem-Solving Skills

An entrepreneur must possess creative problem-solving skills. The nature of business start-ups requires a great deal of troubleshooting and decision making since plans are rarely executed smoothly. For example, a business owner might find that a competing business is opening up a few blocks away. The owner must decide what to do about this competition to ensure that his store remains profitable. Should he provide a few goods and services that his competitor doesn't have? Should he offer discounts and specials that might draw more customers in? He must be able to solve the problem if he hopes to continue his business.

Problem-solving and decision-making skills require creativity, or the use of imagination, in business activities. It is creativity in business decisions that sets entrepreneurs apart from general business owners. For example, an entrepreneur having difficulty attracting new customers to her music shop might solve the problem by creating a singing advertisement. In trying to come up with an imaginative solution to her problem, she is taking a risk. A **risk** is the potential of an action to not go as planned. Entrepreneurs have to use basic skills in problem solving and leadership to determine business risks.

FIGURE 1.5

Basic Skills	Leadership Skills	Problem-Solving Skills
Reading	Planning	Resilience
Writing	Confidence	Resourcefulness
Communication	Motivated	Versatile
Listening	Future-oriented	Creativity
Understanding basic technology	Persuasive	Adaptable
Maintaining records	Committed	Optimism
Understanding legal requirements	Realistic	Focused

Advantages and Disadvantages of Entrepreneurship

The nature of entrepreneurship involves risks—regardless of a business venture, risk is always a steadfast component. For instance, there is a chance that an investment will not work out, that unexpected costs will occur, or that unforeseen circumstances will prevent a business from thriving. Some of the disadvantages of entrepreneurship include the following:

Failure

New businesses fail all the time and if an entrepreneur has invested his or her life savings to launch a venture, the financial devastation of failure can be crippling.

Inconsistent Income (if any at all)

Entrepreneurs are often the last to get paid after allocating funds for expenses and employee salaries. Some entrepreneurs elect not to receive income until their business reaches a certain level of success so that money can be reinvested in the business for continued growth.

Employees

Entrepreneurs can rarely launch, maintain, and grow a business on their own. They often rely on outside help whether in the form of contracted workers or employees. Bringing new people into a business can sometimes pose risk factors such as poor performance output or lack of integrity.

Costs

Starting a new business can be extremely expensive. Entrepreneurs often take on investors to help fund their ideas, which can put them into debt. It is not uncommon for entrepreneurs to go “all in”—investing their personal financial assets to fund a start-up.

Entrepreneurs must carefully evaluate risk-taking opportunities to decide whether or not they are worth taking the chance for potential rewards. Thinking through decisions before they are made can help entrepreneurs understand and minimize the magnitude of their risk. To assess the risks of starting a business venture, entrepreneurs must contemplate the following questions:

1. What are the potential risks of loss?

Entrepreneurs have to look seriously at the potential for failure. Writing a list of all the potential losses of income, profit, customers, and other factors can give entrepreneurs a realistic idea of what could happen if their ventures aren't successful. An entrepreneur could risk time, capital, loss of income, and more by starting a business.





2. What is the likelihood that these events will happen?

Assessing the likelihood that risks could actually happen can help entrepreneurs understand if their business venture is worthwhile or not. For example, companies assess, based on their projected sales, the likelihood of making a profit.

3. What actions will be taken if these events happen?

Entrepreneurs should devise a potential plan of action if risk does indeed occur. What will they do? Will they carry the business on or will they close the business? Asking these questions before events occur can prepare entrepreneurs for difficult decisions and help them weigh the risks.

Taking a risk doesn't always go poorly. In fact, many entrepreneurs reap great rewards from taking risks in starting their own business. Some advantages of entrepreneurship include the following:

Flexibility

Entrepreneurs enjoy the flexibility of defining their own hours, working locations, and projects that most interest them.

Passion

Many people start businesses because they have a passion for the good or service they are providing, which can lead to greater job fulfillment.

Control

Some people choose to start a business because they enjoy being able to make decisions and execute ideas.

Legacy

Entrepreneurs may launch a venture to leave their mark on the world.

Financial success

While starting a new business can be risky and costly, if an entrepreneur's business is strong enough to survive and thrive, financial success can be greater than traditional employment.

Entrepreneurs must decide whether or not they are willing to take risks to reach rewards. Even those with the most developed skill sets can find the business market to be unpredictable at times. With the right amount of planning, entrepreneurs can prepare as best they can for any situation that occurs.

CareerConnections

Chief Executive Officer (CEO)

The position of Chief Executive Officer (CEO) is a prominent one: Mark Zuckerberg (Facebook), Mary Barra (General Motors), Jeff Bezos (Amazon), and Indra Nooyi (PepsiCo) are just a few of the famous names leading some of the world's largest companies. If you think you have what it takes to start, lead, and grow your own company, you may want to learn more about what it takes to become a CEO.

A CEO is typically viewed as the main person in charge of a company. Although there are various levels of management that help a business function effectively, the CEO has the power to make the most important decisions regarding the direction of the business. Depending on the size of the company, the CEO has different responsibilities—for smaller companies, the CEO has direct influence over hiring and smaller financial decisions, but in larger companies the CEO usually only oversees the company's growth or vision. Some of the responsibilities of a company's CEO include the following:

- Deciding the company's vision and direction
- Balancing economic resources
- Making ethical corporate decisions
- Creating a positive and productive workplace culture

Self-Assessment

The first place to begin when assessing if entrepreneurship is the right career path for you is to conduct a self-assessment to identify individual interests. A person is more likely to enjoy going to work each day when his or her job aligns with personal interests and skills. Conducting an interest inventory can help with career planning. An **interest inventory** is a test or research activity designed to help an individual find a suitable career path.

By answering a series of questions and identifying certain personality traits, people can develop a list of possible careers that align with their interests. An interest inventory not only identifies one's interests, but it also helps an individual understand the role of abilities and aptitudes.

An individual's **abilities** are the qualities and skills necessary to accomplish something. Abilities are the talents and skills a person possesses now and acquires throughout life. For example, having the ability to play several musical instruments may lead an individual to success as a musician. Likewise, being able to think quickly on one's feet in stressful situations is a quality necessary for entrepreneurship.



Aptitudes are natural abilities to learn or do something. A natural aptitude is the potential of success at a skill or career path. For instance, higher-level math is easier when a person has an aptitude for solving mathematical equations. Having an eye for art and design can lead to success in fields that require those skills, such as interior design or architecture. If a person is good at something, he or she should be able to do it quicker and better than someone whose aptitude for that activity is lower. Having an interest in a particular career or industry is important, but not enough—the required aptitude is a key component for success.

The more interests and skills are part of working life, the more satisfied a person will likely be with his or her job. A good place to start is to do a self-assessment. A self-assessment is a process by which you examine and learn more about yourself. It is important to match abilities and aptitudes with interests first and then research possible careers that align with who you are. *Figure 1.6* provides sample self-assessment questions in an interest inventory.

FIGURE 1.6

Interest Questions	Abilities/Aptitudes Questions
What do you enjoy doing in your free time?	If in school, how are your grades?
What activities or classes do you enjoy the most?	If working, how is your work ethic?
When you think about a career, what do you see yourself doing?	What are your daily habits?
What do you enjoy reading and learning about?	What activities or subjects naturally come easy for you to understand and master?
What TV shows and movies do you enjoy?	What do you think you are good at?

Business Ties to Technology

Thanks to the internet, entrepreneurs have a platform to share their products and support one another. Entrepreneurs are taking advantage of the interconnectivity of the internet to spread the word about their businesses. There are many social networking sites that have been developed specifically for entrepreneurs to showcase their products, make connections, and offer advice. You may be familiar with LinkedIn, a social network for professionals, but many other sites such as BEAM, Indiegogo, and Beyond are helping business owners and employees advance their careers.



Identifying the skills and strengths a person has is critical to successful entrepreneurial planning. The more people know about themselves, the easier it will be to identify areas of entrepreneurship that align with their interests, abilities, or strengths—and lead them towards a rewarding career.

A person's strengths and weaknesses are important characteristics to consider in entrepreneurial ventures. Strengths, or beneficial qualities or attributes, help people achieve success. Weaknesses, or areas in need of improvement, provide direction for self-development. Do any of the following strengths and weaknesses describe you?

Strengths

- Dependable and punctual
- Strong work ethic
- Proactive
- Team player

Weaknesses

- Poor time management
- Lose focus sometimes
- Uncomfortable speaking in public
- Resistant to change



Identifying strengths and weaknesses can sometimes be difficult, as is any self-evaluation. It is important to be honest with one's self and describe true characteristics. When assessing personality traits, ask yourself the following:

- Are you outgoing or shy?
- Are you chronically late or punctual?
- Are you fast-paced or laid back?
- How would you describe yourself?
- How would others describe you?

Self-evaluation can be difficult, but knowing yourself and listening to input from those around you will help to see what is working and what needs improvement. Over time strengths and weaknesses will evolve, as will skills. Understanding them will make searching and choosing an appropriate entrepreneurial or career path more efficient and rewarding.

**Name**

Stephanie Swanz

Company

Empamamas

Location

Tampa, Florida

“Without your customers, you have nothing. While today we may be serving our millionth empanada, we are going to serve every customer like it’s our first.”

This Mama’s Cookin’

After graduating from the University of Florida, **Stephanie Swanz** was loving life in the country music scene as a marketing professional. As a way to bring acts together before shows, Stephanie started making empanadas. One day, a friend called out to her, “Hey Empamama!” The next day, she secured the domain and opened Facebook, Twitter, and Instagram accounts, knowing that one day she would do something with Empamamas, as she’d always believed she was more fit to work for herself than someone else. That day came in 2015.

On August 3, 2015, she quit her job, returned to her hometown of Tampa, and started putting the plan together for **Empamamas**. What started as a popular food truck dedicated to “not-so-basic, American-made, hand-rolled empanadas,” has now grown into a permanent space at Armature Works, a premier community destination with innovative eateries.

Since then, Empamamas routinely competes and wins in food competitions such as the Empanada Showdown!, Cuban Sandwich Festival, and the Cuban Sandwich Smackdown. Stephanie uses her confidence and marketing background to advance the business. To that end, she turned a four-month limited engagement at Armature Works into a full-time space in just three days, convincing the owners that Empamamas was good enough to be a permanent vendor.

Stephanie knows the value of analyzing every business situation she encounters. Her advice to new entrepreneurs is to remember three things: “Feedback is a gift, not every opportunity is a good opportunity, and a good product is nothing without a good brand and marketing plan behind it.” She encourages other entrepreneurs to put their goals, dreams, and aspirations out into the world and celebrate the small wins.

Throughout this book, you will learn about the different components that make up a business plan. You will explore possible business ventures to pursue for a business and entrepreneurial simulation and create your own business plan. To get started, learn about the basic functions of a business plan below and the importance of brainstorming interests and skills.

What is a Business Plan and Why Have One?

A **business plan** is a series of documents that serve as a blueprint for building a business. A business plan includes information about the business, the industry in which it competes, its products and services, its customers, its competitor, and its finances. Creating a business plan allows entrepreneurs to develop a vision for a new business or assess the current status of an existing business. A plan also enables a business to attract potential investors, acquire funding, and develop new customers.

It is important to understand that most business plans are not identical. In fact, depending on the type of business, business plans can vary greatly. For instance, a business plan for a retail store may include details about inventory, whereas a service-based business may not require an inventory overview. Although business plans vary, the most common components are listed below. You will explore these components in detail in Chapter 3 and the Build It section of each chapter.

Cover Page

Includes the company name, address, author, and date

Executive Summary

The first section of a business plan that summarizes what the business is and how it plans to profit

Company Description

Details about the business, including age, history, legal form of ownership, industry classification, structure, location, number of employees, and primary functions

Description of Products and Services

Detailed information about the products and services offered to customers

Market Analysis

Analysis of conditions and trends in an industry, including the target market, demographics of target market, and competitive analysis

Marketing Plan

Plans for maintaining and building the customer base, pricing, promotion, and advertising plans

Social Media Marketing Plan

Plans for creating and maintaining an online business presence through social media

Operating Plan

Details the operations of the business, from acquiring materials and supplies to the distribution of the products and services to customers.

Funds Required and Expected Uses

Detailed plans for the use of any funds and plans for repayment if a loan is necessary

Financial Statements

Profit and loss statement, balance sheet, and cash flow projections

Owner's Credentials

Owner's resume listing professional and work experience

Supplemental Attachments

Additional documents and marketing materials to provide readers with a better vision of the business

Brainstorming Business Ideas

If you've never considered becoming an entrepreneur or what it would be like to explore your own business venture, it can be difficult to know where to begin coming up with business ideas. There are many factors to consider when choosing a business to start and run. It is helpful to think first about your interests and abilities. For example, if you like working outdoors, you could consider starting a lawn mowing business. If you are skilled at creating designs on the computer, you could consider launching a graphic design company. The most important element to consider in choosing a business for an entrepreneurial simulation is building upon a skill or talent that you already possess.

Since business plans can vary greatly, it's important to think about your own skills and interests before you create a complete plan. Brainstorming different business ideas will help you identify the best options in a more systematic way. Review and contemplate the following questions as you begin to identify different business ideas for your own business plan.

- ☒ What do you like to do?
- ☒ What are the talents that you possess and enjoy?
- ☒ Do you like working with people?
- ☒ What do you know a lot about? What do you have an aptitude for?
- ☒ Where are your strengths?
- ☒ What goods or services do you enjoy as a consumer?
- ☒ What needs do you observe in your community?

Chapter Review

Characteristics of Entrepreneurship

In this chapter, you learned about characteristics that make up a successful entrepreneur. Evaluating career choices, conducting a self-assessment, and exploring risk tolerance are all necessary precursors to starting a business.

Instructions

Demonstrate your knowledge of this chapter by completing the following review activities.

Note: If you do not have access to the eText of this book, Chapter Review worksheets will be provided by your instructor.

Define Key Terms

Apply your knowledge of the chapter reading by defining key vocabulary terms.

Test Your Knowledge

Test your knowledge of the chapter reading by answering short answer questions.

Read and Write

Review Ethics in Entrepreneurship about Amy who is struggling to be honest with herself in evaluating risk tolerance. Apply what you have learned by writing an essay about the choices Amy can make.

Listen and Speak

Apply your knowledge of the chapter by engaging in a debate about the advantages and disadvantages of entrepreneurship.

Create and Design

Use what you have learned in this chapter by designing a poster illustrating entrepreneurial characteristics and traits.

Build It

Review the Build It section from this chapter about brainstorming business ideas. Apply what you have learned by creating a list of potential business venture ideas in the Build It activity.