Chapter 1: Entrepreneurship

Entrepreneurs: The Driving Force Behind Small Business

The World of the Entrepreneur

- In the U.S., entrepreneurs start more than 6 million businesses a year!
- Global Entrepreneurship Monitor (GEM)
  - Approximately 10% of U.S. population is actively involved in trying to start a new business
  - Approximately 9.5% of people in 42 GEM countries studied are involved in starting a new business

Entrepreneurial Activity Across the Globe

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<th>Country</th>
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<td>Colombia</td>
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<td>15.1</td>
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What Is an Entrepreneur?

One who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalize on them.

What Is an Entrepreneur?

An entrepreneur is someone who is willing to work 16 hours a day to keep from working 8 hours a day for someone else!

Characteristics of Entrepreneurs

Survey: 72% of adults in the U.S. have considered starting their own businesses

- Willingness to take initiative
- Preference for moderate risk
- Confidence in their ability to succeed
- Self-reliance
- Perseverance
- Desire for immediate feedback
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Characteristics of Entrepreneurs

- High level of energy
- Competitiveness
- Future orientation
  - Serial entrepreneurs
- Skilled at organizing
- Value achievement over money

Entrepreneurship

- One characteristic of entrepreneurs stands out: Diversity!
- Anyone – regardless of age, race, gender, color, national origin, or any other characteristic – can become an entrepreneur (although not everyone should)

How to Spot Entrepreneurial Opportunities

- Creativity vs. Innovation
  - Creativity – the ability to develop new ideas and to discover new ways of looking at problems and opportunities
  - Innovation – the ability to apply creative solutions to problems and opportunities to enhance or to enrich people’s lives
How to Spot Entrepreneurial Opportunities

- Monitor trends and exploit them early on
  - Starwich
- Take a different approach to an existing market
  - Goodwin Heart Pine
- Put a new twist on an old idea
  - PODS

How to Spot Entrepreneurial Opportunities

- Look for creative ways to use existing resources
  - Alaska Glacial Mud Company
- Realize that others have the same problem that you do
  - Stroller Strides
- Notice what is missing
  - Dogs on Wheels

Benefits of Small Business Ownership

The opportunity to:
- Control your own destiny
- Make a difference
  - Social entrepreneurs
- Reach your full potential
- Reap impressive profits
- Contribute to society and to be recognized for your efforts
- Do what you enjoy and to have fun at it
Drawbacks of Small Business Ownership

- Uncertainty of income
- Risk of losing your entire investment
- Long hours and hard work


Small Business Owners' Work Week

<table>
<thead>
<tr>
<th>Number of Hours Worked per Week</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>1 to 39 hours</td>
<td>10%</td>
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<tr>
<td>40 to 49 hours</td>
<td>20%</td>
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<tr>
<td>50 to 59 hours</td>
<td>22%</td>
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<td>60 to 69 hours</td>
<td>19%</td>
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<tr>
<td>More than 70 hours</td>
<td>10%</td>
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</tbody>
</table>

Average workweek = 54 hours

Drawbacks of Small Business Ownership

- Uncertainty of income
- Risk of losing your entire investment
- Long hours and hard work
- Lower quality of life until the business gets established
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**Drawbacks of Small Business Ownership**

- Uncertainty of income
- Risk of losing your entire investment
- Long hours and hard work
- Lower quality of life until the business gets established
- High levels of stress
- Complete responsibility
- Discouragement

**Feeding the Entrepreneurial Fire**

- Entrepreneurs as heroes
- Entrepreneurial education
- Demographic and economic factors
- Shift to a service economy
- Technological advancements
- Independent lifestyles
- E-Commerce and the World Wide Web
- International opportunities
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The Cultural Diversity of Entrepreneurship

- Young entrepreneurs
- Women entrepreneurs

Aspiring Teenage Entrepreneurs
Percent Interested in Starting a Business

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Growth of Women-Owned Companies
1997 to 2006


The Cultural Diversity of Entrepreneurship

- Young entrepreneurs
- Women entrepreneurs
- Minority-owned enterprises
- Immigrant entrepreneurs
- Part-time entrepreneurs

The Cultural Diversity of Entrepreneurship

- Home-based business owners
- Family business owners
- Copreneurs
- Corporate castoffs
- Corporate dropouts
- Retired baby Boomers
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Entrepreneurial Activity by Age Group


Small Businesses by Industry

Source: Small Business Administration, 2006.

Small Businesses...

- Make up 99.7% of all the 29.3 million businesses in the U.S.
- Employ 52% of the nation's private sector workforce
- Pay 45% of total private payroll
- Create more jobs than big businesses
  - 1996 to 2006: Between 60% and 80% of all net new jobs in the U.S.
Small Businesses...

- Are leaders in offering training and advancement opportunities to workers
  - Provide 67% of workers with their first jobs
- Produce 51% of the nation's private GDP
- Account for 47% of business sales
- Key role in innovation:
  - Produce 13X to 14X more patents per employees than large companies

Small Business Survival Rate


Putting Failure into Perspective

- Median age of U.S. companies = 12 years
- Entrepreneurs are not paralyzed by the prospect of failure
- Failure – a natural part of the creative process
- Successful entrepreneurs learn to fail intelligently
Avoiding the Pitfalls of Small Business Failure

- Know your business in depth
- Prepare a business plan
- Manage financial resources
- Understand financial statements

- Learn to manage people effectively
- Set your business apart from the competition
- Maintain a positive attitude