

Small Business

Its Opportunities and Rewards



Entrepreneurial Small Business

Chapter 01

Learning Objectives

- LO1** Understand the scope of small business in the U.S.
- LO2** Learn the differences between small business and high-growth ventures
- LO3** Discover the rewards entrepreneurs can achieve through their businesses
- LO4** Be able to dispel key myths about small businesses
- LO5** Identify actions key to becoming a small business owner
- LO6** Understand how small businesses are important to our economy and your community



Starting an Entrepreneurial Small Business

➤ **Small Business**

- involves 1-50 people and has its owner managing the business on a day-to-day basis

➤ **Entrepreneur**

- a person who owns or starts an organization, such as a business



Starting an Entrepreneurial Small Business

- **First** hurdle is inaction
- **Second** hurdle is taking the right actions
 - What you need to do and how to do it



Starting an Entrepreneurial Small Business

➤ **Small Business Administration**

- a part of U.S. government which provides support and advocacy for small business

U.S. Small Business Administration



Your Small Business Resource



Starting an Entrepreneurial Small Business

➤ **Small Business Development Center**

- offices co-sponsored by states and the federal government that offer free or low-cost help to existing or potential small business



Question

What is the facility which offers subsidized space and business advice to companies in their earliest stages of operation?

- A. Incubator
- B. Small Business Development Center
- C. SBA
- D. Red Hat



Starting an Entrepreneurial Small Business

➤ Incubators

- a facility which offers subsidized space and business advice to companies in their earliest stages of operation



Defining a Small Business

- SBA defines a small business as one with fewer than 500 employees
- SMEs
 - Small enterprise – 1-50 people
 - Medium enterprise – 51-500 people



Small Business Owners and Entrepreneurs

➤ Entrepreneur

- anyone who owns a business
- Self-employed, founder, heir, franchise

➤ Owner-manager

- individual who owns and runs a business



Differences between Small Businesses and High-Growth Ventures

TABLE 1.1

Differences between Small Businesses and High-Growth Ventures

	Small Businesses	High-Growth Ventures
Preferred funding source	Owner's own money	Other people's money
When the firm's in trouble	Cut costs	Sell more
What's more important	Sales	Marketing
Personal control preference	Retain autonomy	Involve key others
Focus	Efficiency	Effectiveness
Metastrategy	Imitation	Novelty
External control preference	Control firm	Control market
Grow	When necessary	When possible
Human resources	Personalize	Professionalize
Acceptance	Personal validation	External legitimacy
What limits growth	Loss of control	Market response
Delegation orientation	Delegation is difficult	Delegation is essential



Dynamic Capitalism Topology

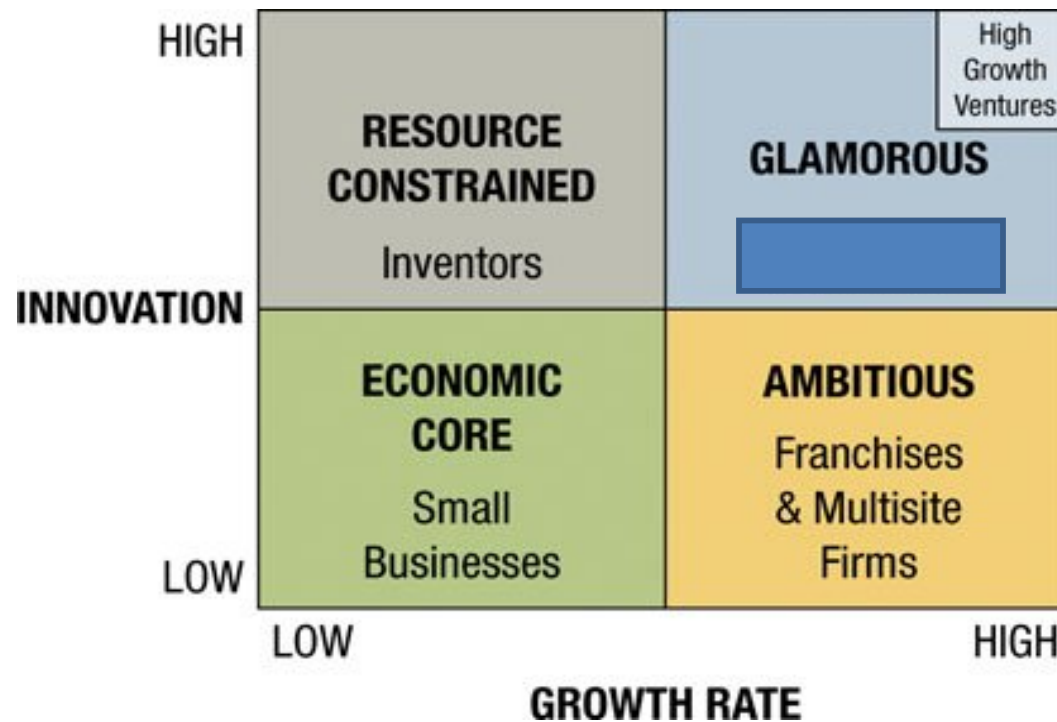


Figure 1.1

Small Businesses vs. High-Growth Ventures

➤ **Innovativeness**

- refers to how important a role new ideas, products, services, processes, or markets play in an organization

➤ **Potential for growth**

- refers to the potential market size



Rewards for Starting a Small Business

➤ **Growth rewards**

- what people get from facing and beating challenges

➤ **Income rewards**

- money made by owning one's own business

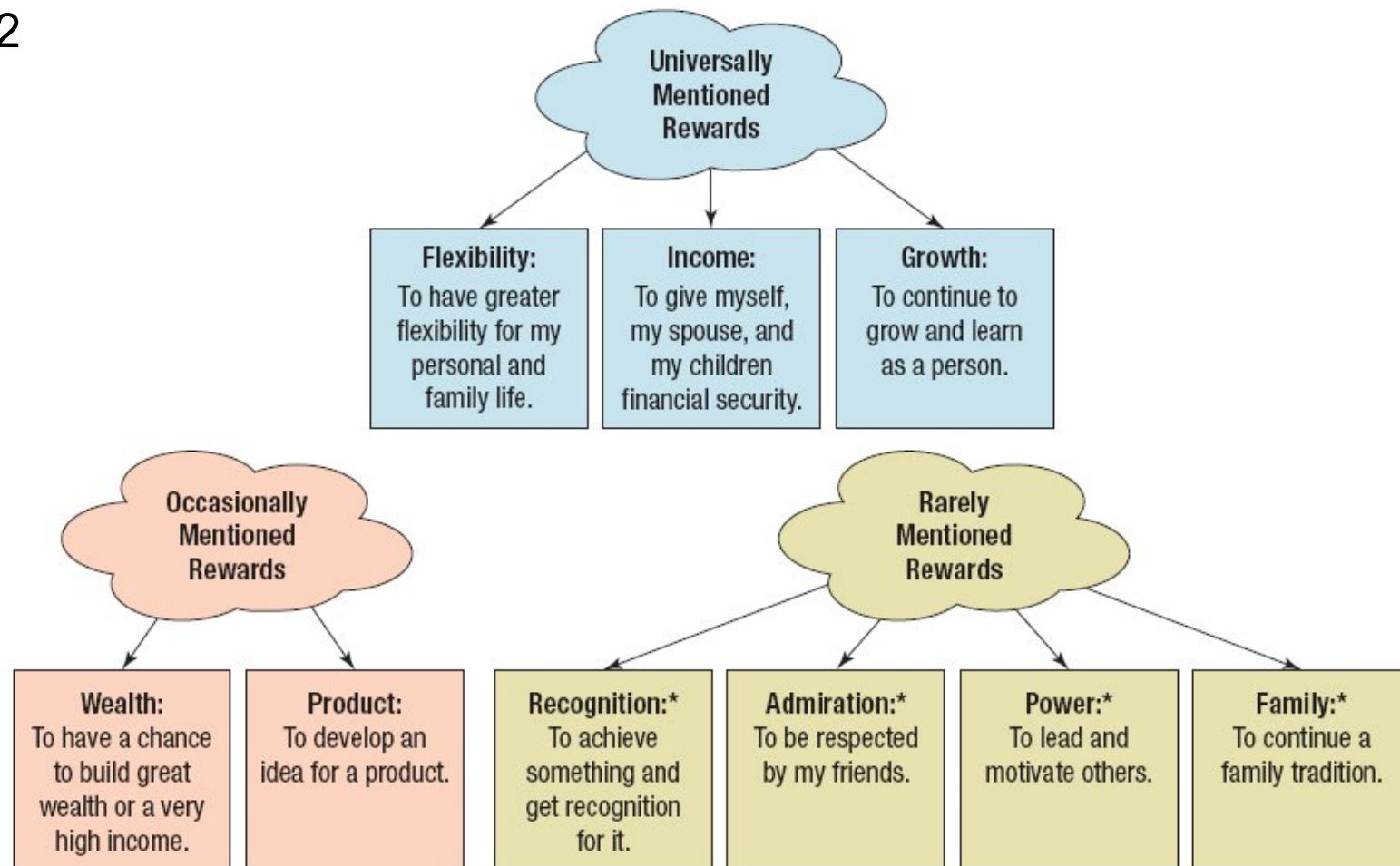
➤ **Flexibility rewards**

- ability of business owners to structure life in the way that suits their needs



Rewards New Entrepreneurs Seek Through Small Business

Figure 1.2



* Items entrepreneurs mention much less often than people in general.

Myths about Small Businesses

- Not enough financing
- You can't start a business during a recession
- To make profits, you need to make something
- If you fail, you can never try again
- Students don't have the skills to start a business



BRIE Model

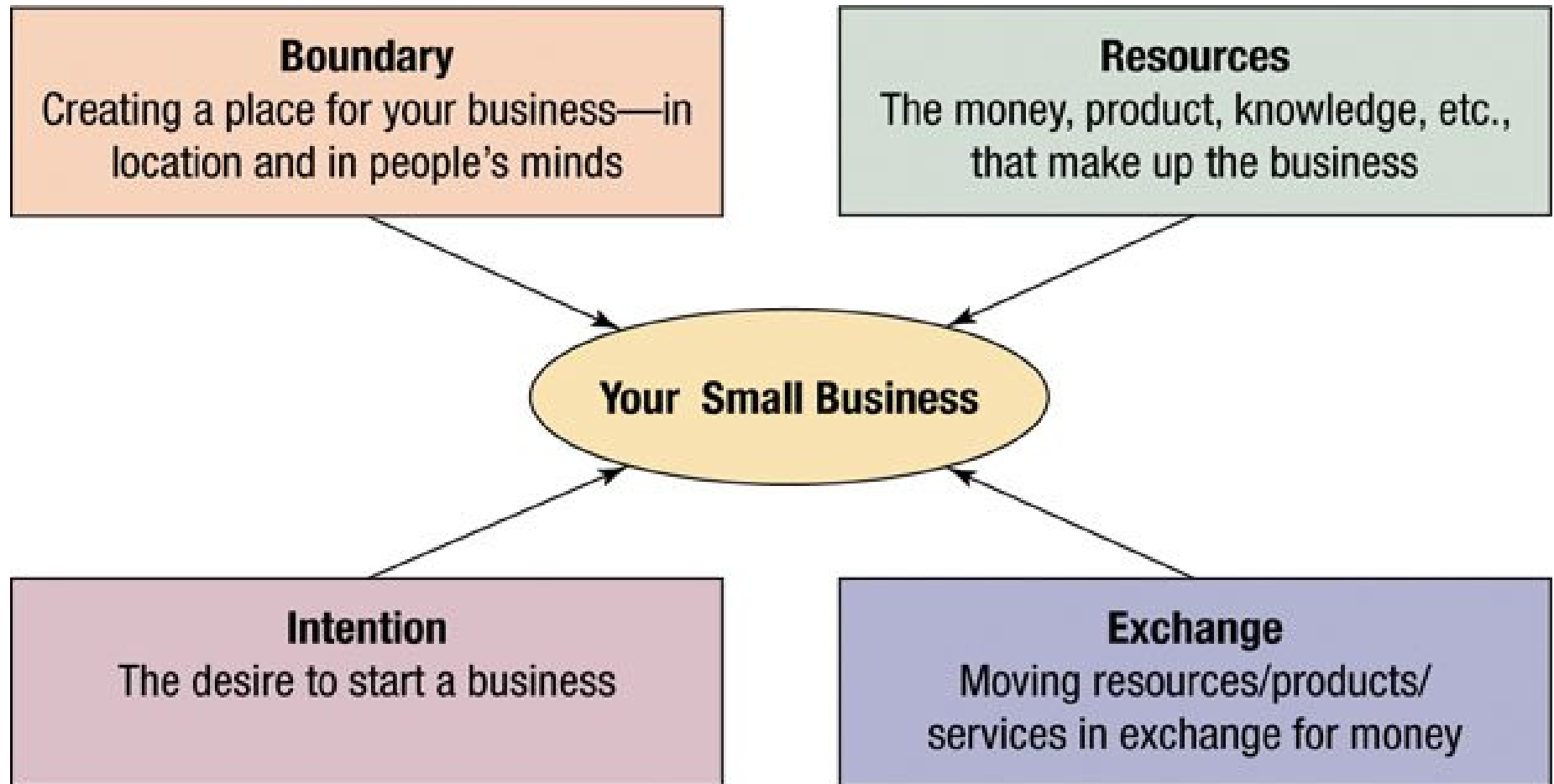


Figure 1.3



Small Business and the Economy

- New Jobs
- Innovations
- New opportunities



Small Business and the Economy

- Small business is the engine of job creation, generating 75% of the 3.4 million new jobs
- Small businesses employ more than half of all Americans



Small Business and the Economy

➤ **Creative Destruction**

- the way that newly created goods, services, or firms can hurt existing competitors



Global Entrepreneurship

➤ **Factor driven economies**

- Entrepreneurship is essential to helping build personal wealth and breaking the cycle of low-wage jobs
- Entrepreneurship levels are high



Global Entrepreneurship

➤ **Efficiency-driven economies**

- entrepreneurship becomes a key way to build a middle class
- Entrepreneurship levels are in the middle range



Global Entrepreneurship

➤ **Innovation-driven economies**

- focused on high-value-added manufacturing, but marked by very large service sector
- Entrepreneurship levels are lowest



Global Entrepreneurship

➤ **Virtual Instant Global Entrepreneurship (VIGE)**

- entrepreneurial approach using ecommerce to handle global trade
- Depends on using websites like eBay or eLance to quickly establish a global presence



Early Stage Entrepreneurial Activity for 43 Nations

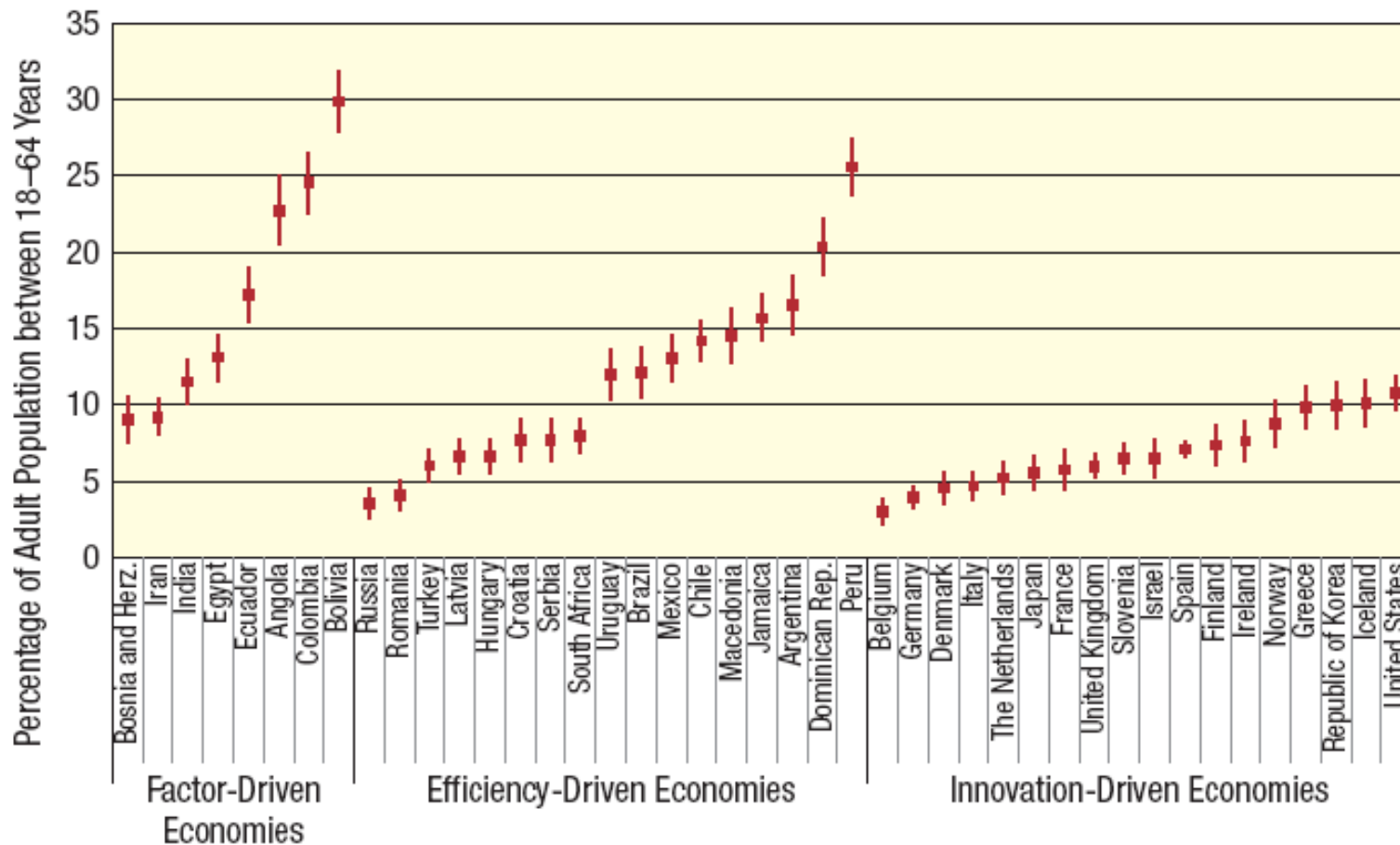


Figure 1.4

Beyond Small Business

➤ **Creation**

- focus which looks at the making of new entities

➤ **Customer-focus**

- focus which refers to being in tune with one's market



Beyond Small Business

➤ **Efficiency**

- focus which refers to doing the most work with the fewest resources

➤ **Innovation**

- focus which looks at a new thing or a new way of doing things



Beyond Small Business

➤ **Independent entrepreneurship**

- form of entrepreneurship in which a person or group own their own for-profit business

➤ **Public entrepreneurship**

- form of entrepreneurship that involves revitalizing government agencies



Beyond Small Business

➤ **Corporate entrepreneurship**

- form of entrepreneurship which takes place in existing businesses around new products, services or markets



Beyond Small Business

➤ **Social entrepreneurship**

- form of entrepreneurship involving the creation of self-sustaining charitable and civic organizations, or for-profit organizations which invest significant profits in charitable activities



Question

What is the degree of attention to which your target market pays to your idea or organization?

- A. Mind-box
- B. Viral share
- C. Mindshare
- D. Brain share



Beyond Small Business

➤ **Mindshare**

- degree of attention to which your target market pays to your idea or organization

