Entrepreneurship Starting and Operating A Small Business 4th edition Mariotti Solutions Manual

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UNIT 1: ENTREPRENEURIAL PATHWAYS

Chapter 1 Entrepreneurs Recognize Opportunities

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*Note: page numbers reference the textbook

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Chapter 1 Overview

This chapter is an introduction to the concept of entrepreneurship. Entrepreneurship is defined and the various advantages and disadvantages of conducting business as an entrepreneur are introduced. Some of the decisions that an entrepreneur faces are presented.

Chapter 1 Objectives

Learning Objective #1: Summarize what entrepreneurs do.
Learning Objective #2: Examine how free-enterprise economies work and how entrepreneurs fit into them.
Learning Objective #3: Identify and evaluate opportunities to start your own business.
Learning Objective #4: Explain how profit works as a signal to the entrepreneur.

Chapter 1 Outline

I. Summarize what entrepreneurs do.

A. Entrepreneurs start their own businesses and work for themselves.

B. Entrepreneurs recognize opportunities to start businesses that other people may not have noticed.

C. Entrepreneurs shift economic resources from an area of lower productivity into an area of higher productivity and greater yield. By doing this, they add value to scarce resources.

II. Examine how free-enterprise economies work and how entrepreneurs fit into them.

A. The free-enterprise system is based on voluntary exchange. Voluntary exchange is a transaction between two parties who agree to trade money for a product or service. Both parties agree to the trade because each benefits from the exchange.

B. The free-enterprise system encourages entrepreneurs who use resources efficiently to satisfy consumer needs by rewarding them with profit.

III. Identify and evaluate opportunities to start your own business.
The five roots of opportunity are:
A. Problems that your business can solve;
B. Changes in laws, situations, or trends;
C. Inventions of totally new products or services;
D. Competition. (If you can find a way to beat the competition on price, location, quality, reputation, reliability, or speed, you can create a very successful business with an existing product or service.); and
E. Technological advances. (Scientists may invent new technology, but entrepreneurs figure out how to sell it.)

IV. Explain how profit works as a signal to the entrepreneur.

A. Profit is the sign that an entrepreneur has added value to the scarce resources he or she is using.

B. Not making a profit is a sign that the entrepreneur is not using resources very well and is not adding value to them.

V. A business opportunity is an idea plus three characteristics:

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A. It is attractive to customers.

B. It will work in your business environment.

C. It can be executed in the window of opportunity that exists.

VI. Use cost/benefit analysis to make decisions.

A. Cost/benefit analysis is the process of comparing costs and benefits in order to make a good decision.

B. Cost/benefit analysis can be inaccurate without including opportunity cost. This is the cost of missing your next-best investment.

VII. Use SWOT analysis to evaluate a business opportunity.

A. *Strengths:* all of the capabilities and positive points the entrepreneur has, from experience to contacts. These are internal to the organization.

B. *Weaknesses:* all of the negatives the entrepreneur faces, such as lack of capital or training or failure to set up a workable accounting system. These are internal to the organization.

C. *Opportunities*: any positive external events or circumstances (including lucky breaks) that can help the entrepreneur get ahead of the competition.

D. *Threats:* Any external factor, event, or circumstance that can harm the business, such as competitors, legal issues, or a declining economy.

New to the Fourth Edition

- *Case Studies: Urban Decay and Foursquare.* New, fresh case studies with which students identify.

Chapter 1 Teaching Notes

Class Discussion Ideas:

1. Write on the board or pose aloud the following: What are three things you think others would say that you can "do" particularly well?
2. Ask the students to visualize: What kind of life do I want? How can I make my community a better place?
3. Write on the board or project the following quote and ask the students to rewrite or explain it in their own words and/or give an example of it: "The people who get on in this world are those who get out and look for the circumstances they want and, if they can't find them, make them."
4. Inform the students that "entrepreneur" is not a social or financial category but a state of mind that focuses on seeking out opportunities, taking action, and finding ways to solve other people's problems in a profitable way. Ask students to think about and name entrepreneurs they know, such as small businesspeople in the neighborhood. Can they think of ways these local entrepreneurs saw problems as opportunities and solved those

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problems in a profitable way? Can students think of a time when they were entrepreneurial in this way?

5. Elicit from students meanings of the word *free*. Stress that, in the case of the term "free enterprise," it means that anyone may start, own, or sell a business ("enterprise"); may sell goods and services for whatever price they can get for them; and may spend their money and invest their assets as they choose. Invite students to share opinions about a free-enterprise economy, both the advantages (such as freedom to succeed, reward for initiative, no interference from others) and disadvantages (such as financial risk and personal responsibility).
6. Ask students for their definitions of *opportunity*. How is an opportunity different from a problem? (An opportunity is viewed more positively than a problem and considered a situation an individual can do something about. Opportunity is more a matter of attitude toward potential problems than the scenario itself.)
7. Ask what opportunities an employee generally has. (Examples: training, promotions, raises—but all decided by someone else.) Ask what opportunities an entrepreneur has. (Examples: growing the business, learning skills, meeting new people, creating wealth based on his/her own and/or the market's goals and needs.) Ask what an employee owns in his/her job. Ask what an entrepreneur owns.
8. Summarize the differences between ownership, as it implies that something belongs to you, and *tenancy*, which implies you can use something belonging to others with their permission. Use examples to make this difference more concrete. Create a two-column chart on the board comparing different aspects of home ownership vs. renting, and business ownership vs. employment. Emphasize the point that ownership often means that you delay rewards until some point in the future (e.g., you don't get paid for your efforts right away, the way you do with employment) but that the rewards are often bigger (e.g., you get the company's profits, not a salary or wages, and can perhaps sell the company for a lot more money than you could have earned in wages as an employee).

Chapter 1 Lecture Enhancers

PPT Lecture Slides for Chapter 1

Outside the Classroom:

www.sbaonline.sba.gov: The Small Business Administration (SBA) is a government agency that supports and promotes entrepreneurs. The SBA offers free or inexpensive pamphlets on a variety of business subjects. Some local offices offer counseling to small business owners through SCORE or the SBDC system.

www.eonetwork.org: Entrepreneurs Organization provides learning and networking opportunities worldwide for young entrepreneurs.

www.zeromillion.com: This site, run by *Zero to One Million* author Ryan Allis, provides resources for young entrepreneurs, a networking list of contacts called The Entrepreneurship Directory, discussion forums, and links to articles and courses.

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Entrepreneur magazine
Subscriptions: www.entrepreneur.com

MIT Entrepreneurship Center
http://entrepreneurship.mit.edu

The Concise Encyclopedia of Economics
http://www.econlib.org/library/Enc/Entrepreneurship.html

Chapter 1 Key Terms

Acquisition 21
Capital 5
Capitalism 4
Commission 9
Cost/benefit analysis 10
Dividend 9
Due diligence 21
Entrepreneur 3
Franchise 21
Free-enterprise system 4
Gazelle 22
Green entrepreneurship 14
Lifestyle business 22
Mentor 11
Microenterprise 22
Opportunity cost 11
Product 3
Profit 23
Salary 9
Service 3
Social Entrepreneurship 13
Strategy 19
Trade-off 23
Venture Philanthropy 14
Voluntary Exchange 5
Wage 9

Chapter 1 Class Activity Ideas and Group Exercises

1. Direct students individually or in small groups to brainstorm problems they see in society, their neighborhoods, the school, or their own lives. After a few minutes, ask each student or group to choose one problem. How could it be turned into an opportunity—a product or service—that might help solve the problem? Have students/groups present their ideas to the class.
2. Ask each student to identify one profession or occupation he or she is considering as a career. Group students based on jobs/businesses that are in similar interest groupings or in

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a comparable industries: for example, working with numbers (accounting, insurance), or in entertainment (actor, musician), or scientific careers. Give each group a few minutes to brainstorm ways to turn the career into a business opportunity so that students could work for themselves. How might they think about their interests in terms of entrepreneurship? Have each group briefly share its ideas.

3. *Guest Speaker Panel*. Invite several local entrepreneurs to serve as panel members for a discussion of the benefits and challenges of entrepreneurship. Consider inviting an entrepreneur from each major type of business (manufacturing, wholesale, retail, service). Try to match the demographic characteristics of the panel to your class (e.g., women, African Americans, Hispanics, Asians) and to include entrepreneurs from different age groups. Prep the panel members to be able to give a brief overview of their respective businesses (product/service description, type of business, when started, annual sales, etc.) and discuss why they became entrepreneurs, what they see as the main benefits of entrepreneurship, what their greatest challenges have been, what their goals are, etc. Have students come up with lists of additional questions before the speakers arrive.

4. Invite students visit http://www.yahoo.com and http://www.google.com and conduct a comparative SWOT analysis of the two search engine competitors. Which should the class invest in? Why?

5. Have students search the Internet for "case studies on entrepreneurs." Have them find noteworthy entrepreneurs and write up what these people have accomplished.

Chapter 1 Suggested Answers for Critical Thinking Exercises

1-1. What would be the best thing about owning your own business? What would be the worst? Why?

L.O. 1 Summarize what entrepreneurs do.
AACSB Reflective thinking

Answers will vary with students. Typically, they will draw upon the items pages 9 through 11. Best: control over time; fulfillment; independence/autonomy; creation/ownership; financial reward/control over compensation; control over working conditions; self-esteem, and contribution to society. Worst: business failure; obstacles; loneliness/isolation; financial insecurity; long hours/hard work, strain on personal relationships. Encourage students to write complete sentences and use paragraphs to clearly convey and organize their thoughts.

1-2. Choose three non-financial benefits of entrepreneurship that might be important to you. Write a paragraph about each.

L.O. 2 Examine how free-enterprise economies work and how entrepreneurs fit into them.
AACSB Application of knowledge

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Answers will vary with students. Non-financial benefits might include self-esteem, satisfaction, excitement, and the like. Much like previous question, but explicitly excludes financial rewards.

1-3. If you were to start a business five years from now, what would be your opportunity cost? In other words, what is the next-best use of your time? How much money could you make working at a job, instead? The answer to this question will give you a rough idea of how to value your time when you start a business and figure out how much to pay yourself.

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Analytical thinking

My opportunity cost would be the cost of other activities that I could pursue during that time. My time is worth approximately $_ per hour.

1-4. Select and describe an idea that you have for a business. Summarize how it could satisfy a consumer need.

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Analytical thinking

Example: I plan to start a business called "Oldies but Goodies DJ Service." Customers will hire me to DJ at special events including family reunions, retirement parties, birthdays, and anniversary celebrations. Oldies but Goodies will specialize in playing Motown-era music from the 1960 and 70s. My business will cater to older customers who enjoy this period and style. I will deliver my DJ services directly to my clients. When I am hired to play at a party, I will transport all of my equipment and music to the event.

Many DJs focus on playing the latest, most cutting-edge tracks, but older customers do not value this feature. I will be satisfying my customers' need to hear the music they enjoy most. Oldies but Goodies will offer its customers a fun-filled, nostalgic musical experience that they can share with their friends and relatives.

1-5. Provide an example of a change that has occurred or is about to occur in your area/neighborhood. Discuss any business opportunities this change might create.

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Analytical thinking

Student's examples should stem from a change in laws, situations, or trends. Example: I live in a hip and trendy neighborhood of young

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people. Lately, I've noticed that many people in my neighborhood are starting families. Business opportunities created by this change might include day-care and babysitting services, diaper-delivery services, and mother's helper services.

1-6. Identify and list five business opportunities in your area/neighborhood and the need(s) each would satisfy. Indicate whether each opportunity you describe is internal, external, or a mix.

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Analytical thinking and application of knowledge

Business Opportunity and Type:	Need(s) Satisfied:
1. **(Example) a cafe/bookstore (external)**	**1. a place where teenagers can hang out because it doesn't serve alcohol**
2._____	2._____
3._____	3._____
4._____	4._____
5._____	5._____

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Chapter 1 Suggested Answers for Key Concepts Questions

1-7. Define *small business*. How, if at all, does this differ from what you would have expected the definition to be?

L.O. 2 Examine how free-enterprise economies work and how entrepreneurs fit into them.
AACSB Application of knowledge and reflective thinking

A small business has fewer than 100 employees and has less than $5 million in annual sales. Students often envision small business as being 25 or fewer employees and lower than $1 million in annual sales. They are surprised to learn how many businesses are considered small.

1-8. Explain how profit works as a signal to the entrepreneur.

L.O. 4 Explain how profit works as a signal to the entrepreneur.
AACSB Analytical thinking

When a business earns a profit, it tells the entrepreneur that he or she has made good decisions about how to use scarce resources to meet consumer needs.

1-9. It will probably take about three months for your business to start earning a profit. Do you agree or disagree? Why? If you disagree, how long do you expect it to take? What are the three most important factors in determining the time frame?

L.O. 4 Explain how profit works as a signal to the entrepreneur.
AACSB Analytical thinking

This will generally have "disagree" as the answer, as most businesses take more than three months to generate profits. The length of time they provide will likely be between 12 and 24 months. They should be able to explain the answer. Most important factors include: revenues, startup costs, cost of goods sold, and fixed costs.

1-10. Summarize three facts about capitalism.

L.O. 2 Examine how free-enterprise economies work and how entrepreneurs fit into them.
AACSB Application of knowledge

- **Capitalism is an economic system in which anyone is free to start a business.**
- **In a capitalistic society, the government does not set prices for most goods and services.**
- **Capitalism is based on voluntary exchange.**

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1-11. Compare and contrast the meaning of a business opportunity and a business idea.

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Analytical thinking

Business Opportunity	*Business Idea*
Customer segment tested and real	***Customer segment untested***
Product or service defined sufficiently to test	***Product or service can be wholly "imaginary"***
Sufficient customers who will pay sufficient prices frequently enough to generate profitability in the foreseeable future	***Because the segment is untested, it is not clear that the business can become profitable***
It is attractive to customers because it creates or adds value for its customers	***Unknown***
It will work in the business environment	***Unknown***
It can be executed in a defined window of opportunity	***Unknown***
It can be implemented with the right team to make it durable	***Unknown***

1-12. Visit the U.S. Small Business Administration Website (http://www.sba.gov). Read an article on starting a business and write a brief summary of the key information (200 words or fewer). Remember to create a proper citation for the article.

L.O. 1 Summarize what entrepreneurs do and L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Written and oral communication & information technology

Student answers will vary widely. They all should be well written and contain at least one citation in the requisite format.

Chapter 1 Suggested Answers for Application Exercises

1-13. Have a conversation with a friend or relative. Discuss things he or she finds frustrating in his or her area/neighborhood.

a . Write down these complaints.

b. Generate at least three business opportunities from this conversation.

c. Use the checklist below to evaluate your three business ideas as opportunities.

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d. Choose the best of the business opportunities and develop a SWOT analysis for it.

e. Create a cost/benefit analysis for starting this business. Use the analysis to explain why you would or would not actually start it.

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Analytical thinking

Students should fill out checklists for three business opportunities they generate by talking with a friend or relative and then supply a cost/benefit analysis for each. The SWOT analysis can be in paragraph form or as a table and should include internal strengths and weaknesses and external opportunities and threats.

Business Idea	**Critical Evaluation**	
_____		
Would it be attractive to potential customers?	Yes___	No___
Would it work in your business environment?	Yes___	No___
Is there a window of opportunity?	Yes___	No___
Do you have the skills and resources to create this business?	Yes ___	No___
If you do not have the skills and resources to create this business, do you know someone who does and might want to create this business with you?	Yes___	No___

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Business Idea	**Critical Evaluation**	
_____		
Would it be attractive to potential customers?	Yes___	No___
Would it work in your business environment?	Yes___	No___
Is there a window of opportunity?	Yes___	No___
Do you have the skills and resources to create this business?	Yes___	No___
If you do not have the skills and resources to create this business, do you know someone who does and might want to create this business with you?	Yes	No

Business Idea	**Critical Evaluation**	
_____		
Would it be attractive to potential customers?	Yes___	No___
Would it work in your business environment?	Yes___	No___
Is there a window of opportunity?	Yes___	No___
Do you have the skills and resources to create this business?	Yes___	No___
If you do not have the skills and resources to create this business, do you know someone who does and might want to create this business with you?	Yes__	No

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Chapter 1 Exploring Your Community

1-14. Interview an entrepreneur, preferably in person. Entrepreneurs are busy people, but many are willing to spend time talking with someone who is interested in what they are doing. Meeting over a light meal might be the most efficient use of the entrepreneur's time. Before the interview, brainstorm 10 questions in the following four categories. After the interview, be sure to write a thank-you note.

a. ***Information gathering***: Open the interview with questions about the entrepreneur's family (any other entrepreneurs in it?) and educational and work background.

b. ***About the business***: Next, ask questions about how the business was started. How did the entrepreneur recognize an opportunity and develop it?

c. ***Running the business***: Ask about which challenges arose as the business got underway and how they were solved.

d. ***Reflection:*** Ask the entrepreneur to reflect. What advice would he or she give to an aspiring entrepreneur? Has running a business been rewarding?

e. ***Evaluation***: Reflect on the interview and what you learned about entrepreneurship and small business. Summarize your thoughts and describe how this new learning may impact you as an entrepreneur.

L.O. 1 Summarize what entrepreneurs do.
AACSB Written and oral communications & reflective thinking

Student answers will vary according to whom they interview, but they should reflect understanding of what motivates entrepreneurs and how they decide to start businesses. Some sample questions include:

1. **To get us started, please briefly describe your current business(es) to me.**
2. **What, if any, other business(es) have you owned?**
3. **When did you start or acquire your business(es)? (Sort out what's been bought versus what the owner started from the ground up and whether there are or ever were other owners.)**
4. **How did you think of your business idea(s)? Please be specific with examples, if possible.**
5. **What, if any, changes have occurred in your business in the past 2 years? These can be in terms of markets, customers, products, staffing, technology, and the like.**
6. **Were these changes, if any occurred, driven internally through you or your team or externally? Please explain.**
7. **How did you feel about the changes?**
8. **How, if at all, are computers used within your business(es)? How does this compare with others in your industry?**
9. **In what other ways, if any, is technology used within your business(es)?**
10. **What makes your business different from others? (value proposition, competitive advantage)**
11. **Do you hold any patents for products? If so, for what?**

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12. **Do you own any copyrights or have any published work? If so, for what?**
13. **What did you expect to accomplish through the current business(es)? (Prompt for financial, personal, and other goals.)**
14. **Were you able to accomplish the goal(s)?**
15. **What did you gain from the business?**
16. **How do you ensure that the quality of your products/services meets your standards?**
17. **Where in the family birth order do you fall?**
18. **What is your highest level of education completed?**
19. **Who, if any, are the other entrepreneurs in your family, including parents, siblings, offspring, and aunts and uncles?**
20. **What is your work experience?**
21. **What, if any, memberships do you hold in community organizations, churches, and industry or professional groups?**
22. **What do you like about what you do?**
23. **What, if any, paths did you take in business that you wish you hadn't? Why?**
24. **What advice would you give someone thinking of starting a business?**

Chapter 1 Exploring Online

1-15. Visit an Internet search engine, such as Google, Yahoo! or Bing. Search for one of the following sets of terms: *entrepreneurship ideas, businesses for sale,* or *franchise opportunities*. For the search that you selected answer:

a. Which search engine and term did you use?
b. What was the number of matches, or "hits."

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Information technology & application of knowledge

Students should simple list the search engine, term and number of hits. For example, Google, Franchise Ideas, 26,200,000 hits.

1-16. Find a site that looks promising and answer these questions:

a. What is the website (URL and name)? **Example: Franchise Direct, http://www.franchisedirect.com**

b. Who is sponsoring the Web site? **Example: Franchise Direct USA, Inc.**

c. Is the Web site selling a product or information (as a primary function, not through banner ads)? If so, what products or information? **Example: This is a company that promotes franchises to potential franchisees.**

d. Identify three businesses or ideas from the site and state why they may or may not be viable opportunities. **Example: Petland, TailWaggers Doggy Daycare, Wag'N**

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Tails Mobile Pet Grooming. The first two require $100,000 minimum cash while Wag'N Tails requires $10,000. Students may address a multitude of issues, but cash is likely to be one of them.

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Information technology & analytical thinking

Each answer will differ but should demonstrate completion of each aspect that was needed.

Suggested Answers for Chapter 1 Case Studies

Short Case Study Analysis: Urban Decay: Finding an Entrepreneurial Opportunity

1-17. What unmet needs of the consumer contributed to the success of Urban Decay?

L.O. Explain how profit works as a signal to the entrepreneur.
AACSB Analytical thinking

Lerner saw that women wanted nail colors that were not the "traditional" colors of that time. This was a fashion and preference choice. The market for nail polishes had ample competitors. Urban Decay identified a niche.

1-18. Was founding Urban Decay an expected next step after leaving Cisco Systems for Sandy Lerner? Why or why not?

L.O. 1 Summarize what entrepreneurs do.
AACSB Reflective thinking

Urban Decay was not a likely next step. Given Sandy Lerner's knowledge of the information technology industry and success in that field, most people would expect her to do work in that area. Perhaps those nearest to her would have predicted such a step.

1-19. What characteristics made Urban Decay an opportunity rather than simply an idea? Which of the five roots of opportunity apply here?

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Application of knowledge

Urban Decay met all of Timmons' criteria for being an opportunity: attractive, durable, timely, and adds value. It included two of the primary roots of opportunity. UD identified a problem that it could solve and changes in fashion trends (grunge look).

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1-20. Is there a future for Urban Decay? Assess what might that future look like?

L.O. Explain how profit works as a signal to the entrepreneur.
AACSB Reflective thinking

As the case note, the "grunge look" is less prevalent. However, Urban Decay has kept current with trends (if it isn't ahead of them), and has built a loyal customer base. It has been popular and is now part of a larger company, so it should continue to thrive. Its profitability and niche made it a successful venture.

Long Case Study Analysis: Foursquare

1-21. Evaluate how Foursquare fits Schumpeter's definition and the five basic ways entrepreneurs find opportunities to create new businesses.

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Application of knowledge

Foursquare fits Schumpeter's definition of creative destruction by the way it changed social networking at a significant level. He says that entrepreneurs create value "by exploiting an invention, or more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply materials or a new outlet for products, by reorganizing and industry and so on." The notion of checking in at various locations and sharing information was quite powerful. The use of incentives to bring users back is a solid marketing strategy. One could argue that the founders used an existing technology to produce an old product in a new way, as they used location specific technology to have people say where they were when previously people could call one another. Of course, with Foursquare, all of the people in their social network could be notified simultaneously. Students may make other valid arguments here.

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1-22. Compare Selvadurai's seven formulas with the seven rules for building a successful business in this text.

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Analytical thinking

Selvadurai's Formulas	*Successful Business Rules*	*Comments*
Keep good company	***Decide ownership***	***Not just owners***
Make something people want	***Recognize an opportunity***	***Very similar***
Build around an "atomic action"	***Recognize an opportunity***	***Selvadurai is more active – value proposition***
Seek mentors early	***Build a team***	***Teams include mentors – early is important***
Hunch, then data	***Evaluate it with critical thinking***	***Not over-analyzing – Selvadurai is using the lean launch process***
Balance unknowns with knowns		***No equivalent here – perhaps evaluate it with critical thinking***
Always be recruiting	***Build a team***	***More than just creating a team once, keep creating it***
	Write	***No equivalent***
Always be recruiting, keep good company, seek mentors early	***Gather resources***	***The rules include human, physical and financial resources***
	Create wealth	***Implicit in Selvadurai's***

1-23. Apply Porter's generic strategies to the industry in which Foursquare competes, using case information and your own knowledge. Synthesize your analysis. Based on this work, what did you find?

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Analytical thinking & written communications

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Students may suggest that the strategy is either broad or narrow, although a Focus Strategy (narrow market, low cost) seems to be the best fit from the user definition. From the aspect of customers a Differentiation Strategy (broad, product uniqueness) appears to fit best. Foursquare appeals to tech savvy individuals with interests in checking-in and reporting about the places they visit. It appeals to multiple types of consumer market companies for advertising and promotion. Depending upon their own knowledge, students may be able to speak to the industry as a whole (however they define it) and map out the users and the customers. A key distinction is to be made between users and customers.

1-24. What prepared the founders to create Foursquare?

L.O. 1 Summarize what entrepreneurs do.
AACSB Application of knowledge

Both founders had experience in information technology and social networks. They were working for technology companies when they met. Crowley has degrees in advertising and interactive telecommunications. Selvadurai has computer science degrees. Crowley had built and sold a company to Google and work for Google after the sale. Selvadurai had experience at related types of businesses. They had the type of experiences needed to make Foursquare work.

1-25. What gaps in the founders' team and resources needed to be filled by outside sources? Name four specific resources they acquired.

L.O. 4 Explain how profit works as a signal to the entrepreneur.
AACSB Analytical thinking

While they were well prepared, there were resources needed. These included:

1. **Users – a social network only works with active users**
2. **Creative methods to engage users**
3. **Venture capital – Four rounds totaling $112.35 million**
4. **Mentors**
5. **Qualified and motivated personnel**
6. **An "atomic action"**

1-26. Identify the features and benefits the founders included in the app to ensure its popularity. Why were these selected?

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Application of knowledge & analytical thinking

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The founders wanted to create a useful app that users would return to over and over again. Users can check-in at various locations (the app indicates choices nearby) and use this to:

- **Tell friends where they are**
- **Construct a set of places visited to serve as reminders (with recommendations/reviews)**
- **Create and use recommendations to add value for themselves and others**

By including incentives into the app, such as badges and discounts, Foursquare created additional benefits for users. Each feature was designed to boost usage and customer satisfaction.

1-27. Is Foursquare the only app of its kind? If not, what other apps are similar?

L.O. 3 Identify and evaluate opportunities to start your own business.
AACSB Analytical thinking & information technology

No, Foursquare in not the only app of its kind. It is in the SoLoMo (Social Location Mobility) arena. Depending upon how students define it, they will find a variety of other apps. They may even name Facebook, Instagram and Twitter as competition. Some will suggest Trip Advisor, Yelp and/or Google. Since the introduction of Swarm for check-ins by Foursquare, there may be others.

1-28. What future do you predict for Foursquare?

L.O. 4 Explain how profit works as a signal to the entrepreneur.
AACSB Reflective thinking

Students will answer this in any number of ways. Some will have negative views and some positive. They should address the role of market competitiveness and profitability somewhere in this answer.

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