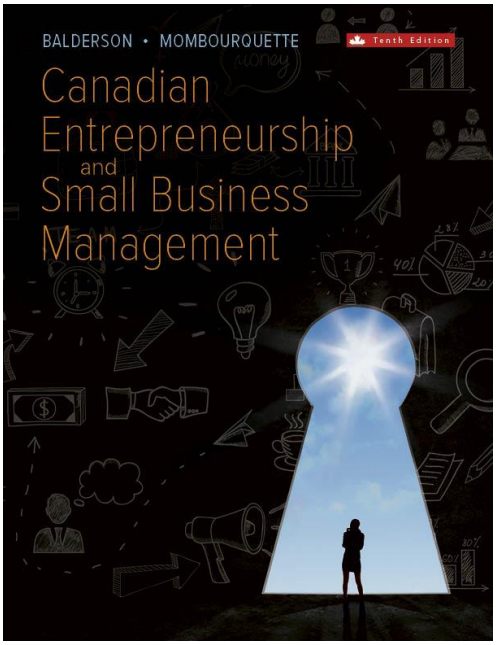
Canadian Entrepreneurship and Small Business Management (Canadian) 10th edition Balderson Solutions Manual

SKU: 9781259102684-SOLUTIONS

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CHAPTER 2: The Small Business Decision

CHAPTER LEARNING OBJECTIVES

LO1. To discuss the advantages and disadvantages of small business ownership as a starting point in making the small business decision.

LO2. To review the personal and organizational attributes of a successful small business owner.

LO3. To explain the reasons some businesses succeed and others fail.

LO4. To discuss entrepreneurial development in large business.

LO5. To identify the differences between an entrepreneur and a manager.

ANSWERS TO SMALL BUSINESS IN ACTION QUESTIONS

2-1 MOMPRENEURS

1. Given the challenges associated with starting and running a business, do you think being a mompreneur allows for more work–life balance compared with traditional work or part-time employment?

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Answer: Student Choice – however students should mention a motivation for many mompreneurs was to start a business so they could be personally in charge of their own work schedule

2. What do you think are some of the advantages and disadvantages of being a mompreneur?

Answer: Student Choice – however students should review the advantages and disadvantages discussed in the text.

3. What do you think are some business ideas that would allow work and life balance?

Answer: Student Choice

2-2 TAKING THE PLUNGE

1. Asaria notes one of the disadvantages of being an employee is your work sometimes benefits the company, but the financial rewards may not flow back to you the employee. Based on this statement, what would you say was Asaria's primary motive for starting a business?

Answer: Student Choice – however most students will likely say financial rewards.

2. What are some of the reasons that Asaria's business succeeded?

Answer: Industry experience, there was a demand for the products/service, lack of competition, innovation in marketing, and ability to raise money.

3. Given how easy potential competitors can enter the marketplace and the increasing competition from American online retailers would you have invested money in Well.ca? Why or why not?

Answer: Student Choice

2-3 YOUNG ENTREPRENEUR APPEARS TO POSSESS ALL THE KEYS TO SUCCESS

1. Review the keys to entrepreneurial success above. Does Satok possess most of these characteristics?

Answer: Student Choice – however most students will cite alertness to change and the ability to obtain capital.

2. 2. Do you think AppHero was/is a strong product? Will the company succeed? Why, or why not?

Answer: Student Choice

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3. 3. Are you surprised by Apple's behaviour towards its competitors? Why or why not? Was their behavior ethical?

Answer: Student Choice – however most students will note that young people lack experience, often have a hard time getting people to believe in them and lack their own money to invest in the business.

4. Were you surprised that an 18-year-old was able to raise $1.8 million for a business? What do you think made the app attractive to investors? What do you think are some of the challenges with trying to raise money while still in high school?

Answer: Student choice

5. Satok, now works for Fuse Powered, do you think entrepreneurs can easily switch to the role of employee?

Answer: Student Choice

ANSWERS TO DISCUSSION QUESTIONS

1. What are the advantages and disadvantages of small business ownership?

Answer: There are many advantages and disadvantages to owning a small business. Some of the most common advantages are: independence, more personal contact with people, skill development, potential financial rewards, challenge, and enjoyment. The possible disadvantages include: risk, stress, need for many abilities, limited financial rewards, people conflicts, and time demands.

2. Which of the characteristics of successful small business owners do you think is the most important? Why?

Answer: The students could develop answers for a number of characteristics. Three characteristics stand out as important for any successful small business. The first characteristic is to stay close to the consumer. Businesses that are constantly monitoring the market have a good idea of what the consumer wants and needs. A second very important characteristic is the ability to attract and hold competent employees. A manager cannot do everything in the firm so he/she needs good employees to effectively carry out duties and deal with the client on an everyday basis. A third important characteristic of successful small businesses is to have very thorough operating details. These successful businesses have goals, reports, and constant evaluation and adjustments to follow a detailed business plan.

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3. How do managerial skills differ from entrepreneurial skills? When would an entrepreneur's skills be more useful than a manager's? Why?

Answer: The text outlines the difference between an entrepreneur and a manager. Entrepreneurial skills tend to be more valuable in starting and expanding a business. Managerial skills, on the other hand, are more useful for maintaining and solidifying an existing business.

4. Select a successful small business, and discuss the reasons for its success, drawing on the success characteristics outlined in the text.

Answer: The answers will vary.

5. What are the most common reasons for small business failure?

Answer: Students should note external shocks and management problems.

ANSWERS TO EXPERIENTIAL EXERCISES

1. Investigate a local business that has recently failed. Using Internet sources and other research methods, identify why the business ceased to exist.

Answer: The answers will vary.

2. Complete the checklist in Figure 2-5 of this chapter. Do you possess the personality characteristics necessary for successful small business ownership?

Answer: Dependent on student evaluation.

3. Interview a local small business owner and determine what he or she feels are the advantages and disadvantages of small business ownership?

Answer: Application question – dependent on Interview with the owner.

4. Interview an entrepreneur and attempt to identify his or her entrepreneurial characteristics and leadership style.

Answer: Student Choice.

5. Select a successful small business and discuss the reasons for its success drawing upon the success characteristics outlined in the text (page 38-40).

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Answer: Applicant question - dependent on the small business chosen.

CONCEPT CHECKS (Not in text)

List the advantages and disadvantages of owning a small business?

Answer: There are many advantages and disadvantages to owning a small business. Some of the most common advantages are: independence, more personal contact with people, skill development, potential financial rewards, challenge, and enjoyment. The possible disadvantages include: risk, stress, need for many abilities, limited financial rewards, people conflicts, and time demands.

What are the characteristics of successful small business owners?

Answer: There are certain personality characteristics required to be a successful owner-manager. This list includes: achievement oriented, risk taker, independence, innovative, strong verbal and numerical skills, problem solving ability, strategic planning, and the ability to persevere.

What are the characteristics of a successful business?

Answer: A healthy small business generally has the following characteristics: a good owner manager rapport, more labour intensive, personal attention to daily operations by the owner, flexibility, and a market where demand is local.

What are the major causes of business failure?

Answer: The major causes of business failure are generally related to external shocks and/or management problems. Statistics Canada estimates that roughly 68 percent of businesses fail due to some type of external shock. These commonly include a downturn in the economy, changes in the economy such as interest and/or currency rates, new competition, loss of customers, loss of suppliers, new competition or substitute product, and/or change in laws or regulations. Management problems usually revolve around issues such as starting a business without raising enough funds, inability to raise additional capital, failure to control costs, problems attracting or retaining employees, growing too quickly, and/or poorly planned expansion. Additionally, some entrepreneurs will also suffer from burnout associated with working too many hours.

What is the difference between an entrepreneur and a manager?

Answer: Entrepreneurial skills such as inventiveness and creativity tend to be more valuable in starting and expanding a business. Managerial skills are more useful for maintaining and solidifying the already started business.

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VIDEOS

CBC Dragon's Den Videos: Videos and notes are available on DVD and the Instructor Resources site

- *Video Notes with questions have been prepared by Peter Mombourquette and are available on the Instructor Resources site.*

Other Video Resources:

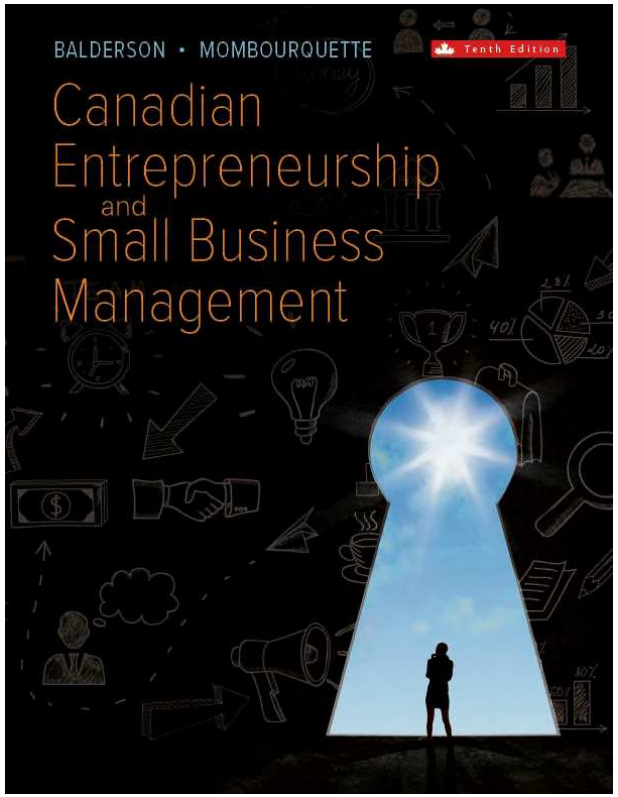
- **Centre to Entrepreneurship Education & Development (CEED):** Subscribe to this YouTube channel here: https://www.youtube.com/channel/UCgxnMK3Kglw607FnhuZJixQ
- **Mount Saint Vincent University, Entrepreneurship Panels:** Subscribe to this YouTube channel here: https://www.youtube.com/channel/UC-vNc3VN4KNouuQbQBU7SxA

GROUP PROJECT

While many of the experiential questions would work as group projects. Questions 1 and 4 from this Chapter would make excellent group assignments/projects.

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Balderson and Mombourquette,
Canadian Entrepreneurship & Small Business Management,
10th Edition



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CHAPTER 2
THE SMALL BUSINESS DECISION

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Learning Objectives

LO1 Discuss the advantages and disadvantages of business ownership as a starting point in making the small business decision.

LO2 List the personal and organizational attributes of a successful small business owner.

LO3 Explain the reasons some businesses succeed and others fail.

LO4 Identify the differences between an entrepreneur and a manager.

LO5 Discuss entrepreneurial development in large businesses.

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The Small Business Decision

Personal Evaluation

Evaluation of the Business Opportunity

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Advantages of Small Business Ownership

Independence – often cited as the primary reason for starting a business.

More Personal Contact with People – entrepreneurs tend to develop interesting personal contacts.

Skill Development – many entrepreneurs see starting a business as a way to enhance their own skills.

Potential Financial Rewards – some entrepreneurs are attracted to the potential financial rewards of entrepreneurship.

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Advantages of Small Business Ownership (cont.)

Challenge - Many people start small businesses for the challenge and the feeling of personal accomplishment.

Enjoyment – Most entrepreneurs prefer owning a business compared to traditional employment.

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Disadvantages of Small Business Ownership

Risk - The failure rate of small businesses is very high.

Stress - Studies show that small business owners have high stress levels, this is often related to being responsible for making so many decisions.

Limited Financial Rewards - Although the possibility of high earnings exists, relatively few small business owners become extremely wealthy.

Need for Many Abilities - Acquiring the required skills such as accounting, finance, marketing, and personnel management, is a difficult task .

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Disadvantages of Small Business Ownership (cont.)

People Conflicts - owning a small business tends to require more contact with people, the potential arises for more conflicts with employees, suppliers, and customers.

Time Demands - At least initially, almost all small businesses require long hours of work. Owner-managers of small businesses often have a much longer workday than if they were working for someone else.

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Demographic Characteristics of Entrepreneurs

- Parents owned business
- Foreign parents
- High school degree or less
- College, some university or more
- Over 55
- Age 30-55
- Under 30

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Personality Characteristics Required by Successful Entrepreneurs

- Achievement Orientation
- Risk Taking
- Independence, Self-Confidence, and Self-Assurance
- Innovativeness
- Strong Verbal and Numerical Skills
- Selling Skills

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Personality Characteristics Required by Successful Entrepreneurs (cont.)

- Problem-Solving Abilities
- Strategic Planning
- Perseverance

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Evaluation of the Business Opportunity

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Small Business Successes

- Alertness to Change
- Ability to Attract and Hold Competent Employees
- Staying Close to the Consumer

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Small Business Successes (cont.)

- Thoroughness with Operating Details
- Ability to Obtain Needed Capital
- Effective Handling of Government Laws, Rules, and Regulations

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Small Business Failures

Business failure is commonplace, much like business success. Business failure can take many forms with the most common being:

- Closure
- Bankruptcy

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Small Business Failures

Factors Which Cause Businesses to Fail

- External Shocks:
  - Statistics Canada estimates that roughly 68 percent of businesses fail due to some type of external shock
  - A downturn in the economy, change in the economy such as interest and/or currency rates, new competition, loss of customers, loss of suppliers, new competition or substitute product, and/or change in laws or regulations

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Small Business Failures

Factors Which Cause Business to Fail (cont.)

- *Management Problems*:
  - Management problems usually revolve around issues such as starting a business without raising enough funds, inability to raise additional capital, failure to control costs, problems attracting or retaining employees, growing too quickly, and/or poorly planned expansion

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Entrepreneurship and Small Business Management

Entrepreneurial Skills

- Characteristics
  - Creativity, innovativeness, independence, risk-taking, idea oriented
- Situations
  - Generating ideas and solutions to problems, starting a new business, expanding or opening new products

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Entrepreneurship and Small Business Management

Managerial Skills

- Characteristics
  - Develops strategy and goal setting, prefers to know outcomes of actions or activities, team player, works through others, skills in finance, marketing, personnel, operations
- Situations
  - Reaching performance objectives, maintaining control of operations

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Entrepreneurship in Large Business

Intrapreneurial activity – describes when employees act as entrepreneurs.

Businesses are hoping to have employees act like entrepreneurs to grow their business

Intrapreneurs can be a struggle, so many companies follow the ten commandments of Intrapreneur Success

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Ten Commandments of Intrapreneur Success

1. Do any job needed to make your project work, regardless of your job description.
2. Share credit wisely.
3. Remember, it is easier to ask for forgiveness than to ask for permission.
4. Come to work each day willing to be fired.
5. Ask for advice before asking for resources.

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Ten Commandments of Intrapreneur Success (cont.)

6. Follow your intuition about people; build a team of the best.
7. Build a quiet coalition for your idea; early publicity triggers the corporate immune system.
8. Never bet on a race unless you are running in it.
9. Be true to your goals, but be realistic about ways to achieve them.
10. Honour your sponsor.

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Concept Checks

1. List the advantages of owning a small business.

2. List the disadvantages of owning a small business.

3. What are the characteristics of successful small business owners?

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Concept Checks

4. What are the major cases of business failure?

5. What is the difference between an entrepreneur and a manager?

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