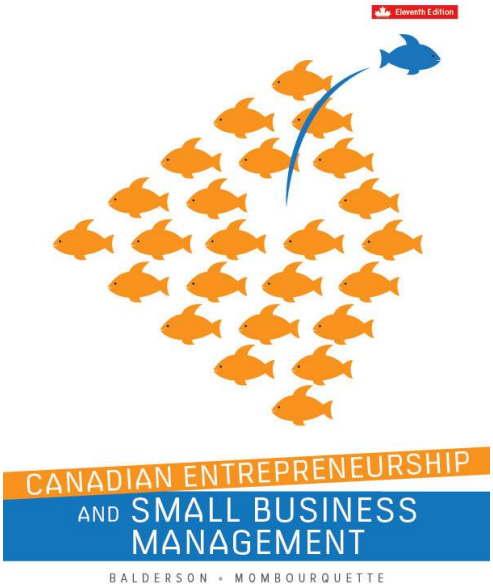
Canadian Entrepreneurship and Small Business Management (Canadian) 11th edition Balderson Solutions Manual

SKU: 9781260065909-SOLUTIONS

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PART ONE: The Decision to Start a Small Business

CHAPTER 1: The Role of Entrepreneurship & Small Business in Canada

CHAPTER LEARNING OBJECTIVES

LO1. Discuss the level of interest and activity in the small business sector.

LO2. Evaluate common methods of defining small business and explain why a definition is important.

LO3. Summarize the current extent of entrepreneurship and small business in Canada.

LO4. Describe the benefits a healthy small business sector can offer to society.

LO5. Explain the probable future environment for entrepreneurship and the small business community.

ANSWERS TO SMALL BUSINESS IN ACTION & SMALL BUSINESS BEGINNINGS QUESTIONS

SMALL BUSINESS IN ACTION 1-1: CROWDFUNDING HELPS BROTHERS BUILD A BETTER WATER BOTTLE

1. Do you think the Pressa Bottle will continue to be a successful product? Why or why not?

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Answer: Student Choice

2. What do you think are some of the advantages and disadvantages of crowdfunding?

Answer: Student Choice – however students should mention from the entrepreneur's perspective that it allows them to test market product ideas, provides additional sources of capital and can assist in pre-selling products. From a disadvantage side, entrepreneurs have additional work to communicate with many people, it is fairly unregulated and some entrepreneurs and/or investors could act unethically.

3. Visit the Kickstarter website and report back to the class on some of the best ideas that are being pitched. What are the terms associated with the ideas? Would you personally donate or invest money using crowdfunding?

Answer: Answer will vary on student work.

SMALL BUSINESS IN ACTION 1-2: YOUNG CANADIAN SOCIAL ENTREPRENEURS

1. How would you define social entrepreneurship? Do you think there is a difference between social entrepreneurs and regular entrepreneurs? Why, or why not?

Answer: Student Choice

2. Can an entrepreneur consider themselves social entrepreneurs if they retain all the profits from their business?

Answer: Student Choice – however students may mention that businesses can provide society benefits and still make profits. Donating profits is not essential to being a social entrepreneur.

3. Either in groups or individually, list some ideas for a social enterprise. If time permits, discuss the marketing mix for the social enterprises, including the product or service you will sell, how you will promote the business, the price you will charge, and where the business will be located.

Answer: Answer will vary on student work.

SMALL BUSINESS IN ACTION 1-3: FASHIONING AN ONLINE BUSINESS

1. What are some of the advantages and disadvantages of the Chic Marie business model?

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Answer: Students may mention from a customer's perspective that they will enjoy being able to replenish their wardrobe once a month, that the company is providing women with a service which is relatively low in cost, consumers can purchase clothes they like and the use of the Scarlett app. From the business perspective students may mention the high growth in sales, relationships with designers may allow for cheaper clothes and that the company is essentially renting out clothes at a significant margin. On the disadvantage side for consumers, students may discuss that clothes may not fit or be out of style. Speaking specifically to the business, students may discuss the high start-up costs, the need to find additional designers, and the difficulty in raising capital.

2. Do you think Chic Marie will be a long-term success? Why or why not?

Answer: Student Choice

3. Simard is quickly expanding her business both in Ontario and into the United States. Do you think this is a good idea? Why or why not? What are some advantages and disadvantages of pursuing expansion?

Answer: Student Choice – however students may mention that expansion will lead to higher sales, increase the brand awareness and enable Simard to gain valuable first-mover advantage. Disadvantages could include difficulties in managing a rapidly growing company including keeping costs in check, the need to raise additional funds, where to find new designers, and that the U.S. market tends to be more competitive than Canada.

4. Were you surprised Simard experienced some initial difficult in raising capital? Why or why not?

Answer: Student Choice – however students should mention from the entrepreneurs perspective that it allows them to test market product ideas, provides additional sources of capital and can assist in pre-selling products. From a disadvantage side entrepreneurs have additional work to communicate with many people, it is fairly unregulated and some entrepreneurs and/or investors could act unethically.

5. There are many monthly subscription services. Working either in a small group or independently, develop some products you think would fit well into this subscription model. Be sure to justify the choices, identify target markets, and how you would appeal to customers.

Answer: Answer will vary on student work.

6. Use Internet resources to find out about the current state of Chic Marie's business. Has the business model remained the same? Has the company reached its expansion goals?

Answer: Answer will vary on student work.

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SMALL BUSINESS BEGINNINGS 1-2: PEACE BY CHOCOLATE

1. The Hadhad family has been quite successful in public relations (PR). The business has been featured in numerous articles and on television. What are some of the advantages of this type of marketing? Do you think the business will be able to maintain this positive PR long term? Why or why not?

Answer: Students may discuss that PR is free and it comes with credibility with readers/consumers. Students may offer different opinions on the company's ability to maintain as much PR coverage in the long run. Some students may offer that the media may move on to more current stories while other students may note that the Hadhad's appear interested in using PR for their business and if they maintain a good strategy and promote new topics/concepts that it may continue.

2. What do you think would be some of the advantages and disadvantages associated with starting a business in rural Nova Scotia, specifically Antigonish, which has a population of approximately 4300 people.

Answer: Advantages: Caring community, community support, people who moved away may be willing to move back for work, lower wages, lower rent, assist in generating PR, less taxes.

Disadvantages: Inability to attract workers, far away from urban centres may increase shipping costs, taxes and costs could be higher

3. Do you think Peace by Chocolate should be considered a social enterprise? Why or why not?

Answer: Answer will vary on student work.

SMALL BUSINESS IN ACTION 1-4: INNOVATION IN NEW BUSINESS - A SOCIAL MEDIA SUCCESS STORY

1. What are some of the advantages and disadvantages of using a product like HootSuite for your company?

Answer: Student Choice – however students may discuss that HootSuite allows business owners to post to multiple social media sites from one location saving time and money.

2. Given that many consumers are becoming increasingly concerned about privacy rights, do you think HootSuite or companies that use its social media tracking tools could be subject to public backlash against monitoring social media use and activities?

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Answer: Student Choice

3. If time permits, visit HootSuite's website, and try out the free tools. Report back to the class if the tools worked as you expected. Prepare a summary of the features HootSuite can offer businesses.

Answer: Student Choice

SMALL BUSINESS IN ACTION 1-5: ECONOMIC DOWNTURN PRESENTS OPPORTUNITIES

1. Why do you think some companies fail to plan for a downturn in the economy?

Answer: Student Choice – however students may mention it is human nature to assume things will be good for a long period of time; owners may want to keep the money rather than re-invest.

2. Do you think it is ethical for businesses to negotiate deep price cuts from suppliers? Why or why not?

Answer: Student Choice

3. What on-going actions do you think an entrepreneur should engage in to sustain a business for the long?

Answer: Student Choice – however some students many mention investing in the business; continuous improvement; diversification

ANSWERS TO DISCUSSION QUESTIONS

1. Why do you think entrepreneurial activity has increased? Do you think these trends will continue? Why or why not?

Answer: Student Choice - however the following aspects should be covered - significant contribution to society as a result of a healthy small business sector. Examples such as employment, innovation, productivity, flexibility, competitiveness and social contributions should be included.

2. What excites or interests you about being an entrepreneur? What are your major concerns?

Answer: Student Choice

3. Under what conditions would the various definitions of small business be more appropriate? (i.e., the level of profit may be used by Revenue Canada to determine the small business tax rate.)

Answer: The appropriate definition would depend on the use of the information. For example:

> To obtain counselling assistance form the CASE Program of the Business Development Bank of Canada, the number of employees would be used (75).

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To obtain funding under the Small Business Loans Act gross sales would be used $5 million).

To receive the reduced "Small Business" tax rate from Revenue Canada net operating profit would be used ($500,000).

4. What is meant by the statement "Small business is the backbone of the Canadian economic system"? Give evidence to support this statement.

Answer: Several factors illustrate the impact of small business to our economy.

1. As indicated in the text, there is considerable evidence that those economies that provide the most encouragement for entrepreneurship and small business are those which have experienced the highest growth rates since the 1950's.

2. Small firms have accounted for most of the new jobs created.

3. Further evidence shows that 97% to 99% (depending on the definition) of businesses operated are small businesses and approximately 50% of gross domestic product is provided by small business.

4. A large portion of the inventions we enjoy today were provided by Canadian entrepreneurs.

5. Small businesses make approximately 32% of all business profits.

6. Approximately 29% of Canadian gross sales and 17.5% of exports are made by small business.

7. 20% of all business assets are owned by small businesses.

8. Small business is also more flexible and can respond more quickly to changes in the economy.

9. A much higher percentage of small businesses are Canadian owned than compared to large corporations.

10. Finally, small businesses seem to be more socially conscious than large companies and tend to operate with the community in mind.

All of these factors contribute to the theory that small business is the backbone of our economy.

5. The computer consulting business is becoming more and more fragmented. In data processing, for example, there are hardware versus software consultants, batch versus time sharing service

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bureaus, and mainframe versus microcomputer specialists. What effect does this type of industry fragmentation have on the small business community?

Answer: Fragmentation of markets to better service consumer needs and wants is beneficial to the future of small business. A small specialized time sharing service bureau, for example, has some economic and service advantages over a large firm with large overhead that handles all types of computer services. On this premise the outlook for small business in the future is very promising as many industries are following a similar pattern as the data processing industry.

ANSWER TO EXPERIENTIAL EXERCISES

1. Form groups of two to three, and start a small business or mini-venture that will run for a period of four to six hours.

The only rules are:
a. The business has to be legal
b. No lotteries
c. Maximum investment of $1
d. Businesses must cease operations at day's end.

After completing the project, write a reflection stating what you did, whether you made a profit, and what you learned. you may also present this information to the class.

Answer: Dependent on student choice.

2. Ask three small business owners about their projections for the future of small business. What problems and opportunities do they foresee?

Answer: Will vary based on the entrepreneurs selected

3. Using Internet resources, find out how different Canadian organizations define social enterprise. After preparing a summary report on your findings, draft your own definition of the term.

Answer: Student Choice

4. Write a short essay discussing your views on the future of small business given current trends in society and in your geographic area.

Answer: Student Choice – however student's answers should be positive.

CONCEPT CHECKS (Not in text)

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Why has there been an increase in entrepreneurial activity throughout the world in recent years?

Answer: Many countries are turning to small business and private initiative to assist in their economic growth.

What evidences are there that there is an entrepreneurial "revolution" occurring?

Answer: The entrepreneurial revolution is evidenced by increases in: business establishments, employees in small businesses, government small business programs, college small business classes, and entrepreneurial activities of large companies.

Why is it important to define small business?

Answer: Although defining a small business is difficult, it is important to make for comparison, evaluation, and various lending and assistance programs.

What are the criteria used to make this definition?

Answer: Some of the common criteria in defining small are total revenue, number of employees, profitability and type of management structure.

What is the extent of small businesses in Canada?

Answer: Small business accounts for roughly 98% of all businesses, 29% of gross sales, 26% of gross domestic product and 56% of the labour force, 32% of business profits, 17.5 % of all business assets, 25% of exports and 52% of net job creation.

What two demographic groups have shown an increase in proprietorships in recent years in Canada?

Answer: In recent years there has been an increase in small businesses established by seniors and women.

What are the contributions small businesses can make to a society?

Answer: Small business promotes Canadian ownership and economic growth, provides jobs, innovations, high productivity, flexibility, and social contributions to a society.

What are the positive and negative factors which may influence the small business community in the future?

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Answer: The climate for starting a small business in the future should improve; however there will continue to be competitive disadvantages which may negate this potential advantage. The factors which may influence this change include technology, consumer demographics and buying patterns, and the competitive aspects of markets.

VIDEOS

CBC Dragon's Den Videos: Videos and notes are available on 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:

- **Mount Saint Vincent University, Entrepreneurship Panels:** Subscribe to this YouTube channel here: https://www.youtube.com/channel/UC-vNc3VN4KNouuQbQBU7SxA
- **Suggested Panel:** https://www.youtube.com/watch?v=DIQpJUo9_bM

GROUP PROJECT

While many of the experiential questions would work as group projects. Questions 1 and 3 from this Chapter would make excellent group assignments/projects.

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