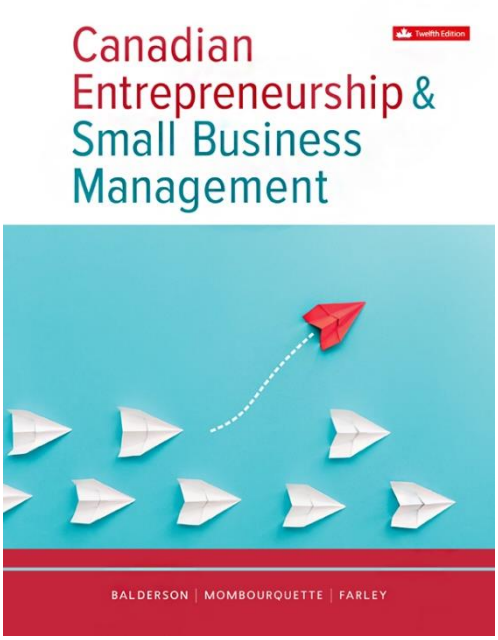
# *Canadian Entrepreneurship And Small Business Management (Canadian) 12th edition Balderson Solutions Manual*

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# CHAPTER 2: The Small Business Decision

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## 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 & SMALL BUSINESS BEGINNINGS QUESTIONS

### SMALL BUSINESS IN ACTION 2-1: MOMPRENEURS



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**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?**

**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. Advantages may include: Independence, Flexibility, Earning Potential, Challenge. Disadvantage: Business may fail, misconception that you are not a real entrepreneur, workload and so forth.

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

**Answer:** Student Choice

**4. Previous to COVID-19, Fashionphile had started opening up physical retail locations. Do you think this makes sense for the company? Why or why not?**

**Answer:** Student Choice. Students may discuss that physical retail locations may increase sales, build the brand, allow for easier customer service and so forth. Students should also note that physical stores may come with higher costs, there is a trend away from in-person shopping, and the company lacks brick-and-mortar retail experience.

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**5. Sarah Davis says that a key to her success was focusing her attention on growing the business. Review the chapter including the demographics of entrepreneurs and personal evaluation sections and discuss why that would be the case.**

**Answer:** Student Choice. Students should discuss achievement orientation, innovativeness, strategic planning and perseverance.

**DIVERSITY IN LEADERSHIP 2-1: COVID-19 FUELS GROWTH FOR A BRICK-AND-MORTAR RETAIL APP**

**1. What are some of the reasons that Asaria's businesses have succeeded?**

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



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**2. Are you surprised that Asaria's clients have continued to invest in in-store shopping during COVID-19? Why or why not?**

**Answer:** Answer will vary on student work. Some students may note some hesitation about Tulip based on the trend away from traditional retail especially during COVID-19 and the lockdowns and concerns about returning to in-person shopping. Students may also discuss the general trend towards online shopping pre and post pandemic. Other students may note that some companies are more dependent on in-person sales and would be attracted to the innovativeness of the product, his track record and the number of retailers using the service.

**3. Asaria has managed to raise millions for Well.ca prior to stepping down as CEO and ultimately selling the company. He has since raised in excess of $US79 million for Tulip. Would you have invested money in Well.ca and Tulip? Why or why not?**

**Answer:** Answer will vary on student work.

**4. Asaria hopes to grow Tulip into a $100-billion company? Do you think he will be successful? Why or why not?**

**Answer:** Answer will vary on student work.

**5. What do you think are some of the advantages and disadvantages of Asaria pledging 80 percent of his shares in Tulip to an employee-controlled trust?**

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**Answer:** Answer will vary on student work. Students should likely discuss the likely positive impact on employee morale, employee recruitment and retention.

**6. Asaria is trying to distinguish Tulip using its human resource practices to attract and retain employees. What do you see as some of the advantages and potential disadvantages of his reduced weekly work hours and enabling employees to set their schedules? Do you think these HR practices will be sustainable in the long term? Why or why not?**

**Answer:** Answer will vary on student work. Students should discuss that more people will likely be attracted to Tulip based on a desire for flexibility in their lives, working shorter hours, and it should enable them to attract employees. Students may also mention that HR practices may result in extra work in scheduling, it might be more challenging to create a corporate culture, and people may lose touch with one another.

**SMALL BUSINESS BEGINNINGS 2-1: SOCIAL SELLING**

**1. What do you think are some of the advantages and disadvantages of social or direct selling?**



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**Answer:** Advantages: People selling the product are motivated as their compensation is tied to sales; Associates are often owners or empowered entrepreneurs in the company; Sales occur in a fun, party like atmosphere; Lower costs using social selling. No retail stores are needed and salespeople are only paid if they make a sale. Disadvantages: Maybe difficult to find people to sell products; Motivation of salespeople can wane; Social sales may take away from online sales; Company lacks control of message from salespeople/owners.

**2. Develop a list of business ideas you think would be successful using the direct sales model. Your idea should include a product(s) and some justification why social selling would work.**

**Answer:** Answer will vary on student work.

**3. Use Internet resources to discover other social selling businesses. Identify some opportunities you think have significant potential and present them to class. Be sure to include the product(s), what support the company offers, and, if possible, the commission structure.**

**Answer:** Answer will vary on student work.

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**SMALL BUSINESS IN ACTION 2-2: COVID-19 LEADS TO A PIVOT AND SALES GROWTH AT SMOOTH 42**

**1. Review the keys to entrepreneurial success above and the demographics of an entrepreneur in Chapter 2. Which demographics and keys to success do Elez and Dombowsky possess?**

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**Answer:** Student Choice – however most students will cite alertness to change, staying close to the consumer, effecting handling of laws, rules and regulations. In reality one could argue that the entrepreneurs represent all keys to success. In the demographic section, students will most likely cite achievement orientation, innovativeness, problem solving and perseverance.

**2. Elez and Dombowsky have been labelled in the media as social entrepreneurs. Would you consider them to be social entrepreneurs? Why or why not?**

**Answer:** Answer will vary on student work. Some students who use a wide or broad definition of social entrepreneur would state that they are. They created a hand sanitizer to help during the pandemic, made substantial donations, and their ECO Vodka product is environmentally friendly. Alternatively, people with a narrow definition of social entrepreneurs may note that they are fundamentally a for-profit business, they sell alcohol, and have been more opportunistic than socially driven.

**3 Little Hands has been a success for the company. What do you see as the product's strengths? What do you see as potential threats for the product?**



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The products main strengths are: Clear label, safe for children, effective, easy to spray nozzle, no taste, Amazon listing, media coverage

Threats: Increasing competition, end of the pandemic

**4. Eco Vodka is the company's best-selling alcohol product. What do you see as the product's main advantages? Are there any potential disadvantages/threats?**

**Answer:** Answer will vary on student work. Advantages should include: Price, Quality of the product, environmental friendly aspect, ability to create or infuse the vodka, high alcohol content.

Disadvantages: High alcohol content, use of a loophole to sell, not finished and requires mixing.

## 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.

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**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.

**3. Given the challenges experienced by businesses during the COVID-19 pandemic, what characteristics of a successful entrepreneur do you consider to be most important? Why?**

**Answer:** The students could develop answers for a number of characteristics. They may opt to focus on some of the demographic characteristics including achievement orientation, innovativeness, problem solving abilities, strategic planning, and perseverance. Students may also opt to delve into



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some of the characteristics associated with successful businesses including alertness to change holding employees, ability to obtain capital and effective handling of government rules.

**4. 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.

**5. 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.

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

**Answer:** Students should note external shocks and management problems. Students will no doubt discuss the impact of the pandemic.

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## 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. Interview a local small business owner about what he or she feels are the advantages and disadvantages of small business ownership.**

**Answer:** Dependent on student interview and reflection.

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

**Answer:** Student Choice.

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

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



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## 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.

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**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.

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**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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## KEY TERMS (Not in text)

**Achievement Orientation:** A common characteristic of entrepreneurs refers to their desire to achieve goals both personal and financial.

**Direct Sales/Social Selling:** When members of the public sell directly to one another.

**Entrepreneurial Skills:** The specific traits such as creativity, flexibility, innovativeness and risk taking that are required to successful start and manage a business.

**External Shocks:** Incidents which happen in the macro environment which negatively impact a business. Statistics Canada estimates that roughly 68 percent of businesses fail because of some type of external shock.

**Independence:** The primary reason for going into business for yourself. This includes the freedom to make your own decisions without having to ask a superior.

**Innovativeness:** A willingness to try new ideas.

**Intrapreneur:** A person who acts entrepreneurial within an existing business which they do not own.

**Management Skills:** The skills a manager has such as strategy development, goal setting, marketing and so forth which enables them to maintain and solidify an existing business.

**Management Problems:** One of the reasons commonly cited for business failure. It refers to management's inability to successfully run their business.

**Mompreneur:** Female business owner who is actively balancing the role of mom and the role of entrepreneur. A mompreneur can run both small and very large businesses.

**Perseverance:** A common characteristic of entrepreneurs refers to their ability to not give up when facing challenges.

**Risk Taking:** A common characteristic of entrepreneurs refers to their ability to take chances or risks with their time and/or money.

**Small business decision:** Process of determining if an idea is worth pursuing as a business.

**Small business decision:** Establishing business objectives and developing different ways to achieve them. Strategic planning relies on anticipating changes in the marketplace and planning accordingly.



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## VIDEOS

**Other Video Resources:**

- **Mount Saint Vincent University, Entrepreneurship Panels:** Subscribe to this YouTube channel here: https://www.youtube.com/channel/UC-vNc3VN4KNouuQbQBU7SxA
- **Specific entrepreneurship panels and speakers**
  - https://www.youtube.com/watch?v=VUfMFgN33rE (Entrepreneur Panel)
  - https://www.youtube.com/watch?v=eKXVRvmVVBU (Entrepreneur Speaker)
  - https://www.youtube.com/watch?v=7nKg6DCLtOc (Indigenous Tourism/Entrepreneurship)

## 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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