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Correct answers located at the end of the chapter.

1) Entrepreneurial business is not important to the U.S. economy.
   - ◎ true
   - ◎ false

2) The United States Small Business Administration (SBA) provides a wealth of information and assistance at all levels of organizational development and management for new entrepreneurial businesses.
   - ◎ true
   - ◎ false

3) A critical element that an entrepreneur must solve for success is to develop the ability to generate consistent and growing sales.
   - ◎ true
   - ◎ false

4) Profit margins are key to successful businesses.
   - ◎ true
   - ◎ false

5) Every business that has been documented in the Fortune 500 list began as a new venture by a single individual or a small group of people.
   - ◎ true
   - ◎ false

6) Small companies can take advantage of economies of scale better than large firms.
   - ◎ true
   - ◎ false

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7) One of the disadvantages of an entrepreneurial business is the burden of creating and managing organizational policies and procedures.
   - ◎ true
   - ◎ false

8) Alexis de Tocqueville, the French statesman, stated that "the United States was not so much a nation with ventures ... but instead a nation of innumerable small ventures."
   - ◎ true
   - ◎ false

9) Charles Wilson, secretary of defense for President Eisenhower, stated that "what is good for General Motors is good for the nation."
   - ◎ true
   - ◎ false

10) In the late 1970s and 1980s, the United States occupied the dominant economic position in the world.
   - ◎ true
   - ◎ false

11) The Great Depression of the 1930s encouraged industrial concentration.
   - ◎ true
   - ◎ false

12) Today many of the multinational firms in the United States are technology firms that began in the late 1970s and early 1980s.
   - ◎ true
   - ◎ false

13) The Great Depression of the 1930s made it difficult for entrepreneurial businesses to survive in the United States.
   - ◎ true
   - ◎ false

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14) One of the huge advantages of starting one's own business is that someone else can be the boss. Small business owners are motivated by two areas to start a business: the desire to be their own bosses and to set their own working hours.

◎ true
◎ false

15) A customer of a small business could be considered an important stakeholder to the success of a company.

◎ true
◎ false

16) According to Thomas Stanley and William Danko in their book, *The Millionaire Next Door*, 50 percent of the millionaires in the United States are self-employed.

◎ true
◎ false

17) Self-employed people make up less than 20 percent of the workers in the United States.

◎ true
◎ false

18) The business timeline demonstrates both constants and natural evolution in the development of the United States.

◎ true
◎ false

19) Close to 50 percent of the millionaires in the United States are entrepreneurs.

◎ true
◎ false

20) Entrepreneurial businesses fail to provide a means to meet the varied demands that individuals face in a society.

◎ true
◎ false

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21) Success in an entrepreneurial business can only be achieved with brutally hard and long hours.
- ◎ true
- ◎ false

22) Entrepreneurial businesses have the ability to make greater profits in markets that have been ignored by larger corporations.
- ◎ true
- ◎ false

23) Large companies understand their customers more in the local area as compared to small firms.
- ◎ true
- ◎ false

24) The federal General Accounting Office did an analysis of the impact of the closure of military bases and discovered that in the areas where military bases closed, the unemployment rate was less than the national average. This is because of the starting up of new small businesses in the areas.
- ◎ true
- ◎ false

25) Heather Schuck, owner of Glamajama, is an example of how women can concentrate on more than one facet of life.
- ◎ true
- ◎ false

26) There are widespread efforts worldwide to encourage the development of small and medium enterprises.
- ◎ true
- ◎ false

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27) The repayment rate on microloans is typically less than 50 percent, a much lesser repayment rate than on most types of loans.
- ◎ true
- ◎ false

28) Venture capitalists and private equity firms typically do not invest more than $2 million.
- ◎ true
- ◎ false

29) A venture capital start-up is oriented toward the personal goals of the founder(s).
- ◎ true
- ◎ false

30) The presence of venture capital for start-ups is limited outside of the United States.
- ◎ true
- ◎ false

31) The development plan of a venture capital start-up is oriented around positive cash flow.
- ◎ true
- ◎ false

32) According to the U.S. government, a small business is classified as any business with fewer than 500 employees.
- ◎ true
- ◎ false

33) A small business's harvest plan is to put the profits back into the company.
- ◎ true
- ◎ false

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34) When using a harvest plan, small companies are organized to grow rapidly, and they have no debt.
- ◎ true
- ◎ false

35) An entrepreneurial firm is typically self-funded or closely funded by the founder.
- ◎ true
- ◎ false

36) A small business start-up should be designed to take advantage of the skills of the founder or founders.
- ◎ true
- ◎ false

37) A small business start-up is typically oriented toward the personal goals of venture capitalists.
- ◎ true
- ◎ false

38) Facebook and LinkedIn were founded as entrepreneurial businesses, but they are more accurately described as venture capital-backed businesses.
- ◎ true
- ◎ false

39) An entrepreneurial business's resources are less constrained than those of a venture capital-backed business.
- ◎ true
- ◎ false

40) Each business plan, like every business, should have its own voice, feel, and style.
- ◎ true
- ◎ false

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41) A business plan should be a tool to think through a wide range of issues related to starting and growing a business.

- ◎ true
- ◎ false

42) The business plan for a small business should be at least 50 pages long.

- ◎ true
- ◎ false

43) There are two racial groups commonly categorized as underrepresented minorities in the United States: Blacks and Hispanics.

- ◎ true
- ◎ false

44) Children of underrepresented minorities experience reduced access to a variety of areas of life in the United States, including government services and health care.

- ◎ true
- ◎ false

45) What term is used to describe Amazon's ability to purchase more advertising space at a lower cost per ad?

A) advertising bonus
B) buying bonus
C) volume excess
D) economies of scale

46) Small companies have flourished in the United States because they

A) respond more quickly to their customers' needs.
B) have better organizational policies and procedures.
C) employ more skilled people than larger businesses.
D) often expand easily in mature industries.

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47) The development and implementation of a new business is part_____; part_____; and part_____.
A) luck; skill; hard work
B) genius; hard work; luck
C) resources; hard work; talent
D) art; process; science

48) What are the critical elements that an entrepreneur must solve for success?
A) an effective sales generation model
B) sustainable operating profit margins
C) being properly financed
D) All of these choices are correct.

49) Years ago, economists mistakenly predicted that small businesses would
A) be replaced by a smaller number of big businesses.
B) replace bigger businesses.
C) be replaced by franchises.
D) replace franchises.

50) According to the text, the development and implementation of a new business is
A) part art, part process, and part science.
B) part planning and part money.
C) a combination of creativity and art.
D) None of these choices are correct.

51) _____aid(s), counsel(s), assist(s), and protect(s) the interests of small business concerns.
A) The U.S. Small Business Administration
B) Stakeholders
C) Fortune 500 companies
D) Medium-sized businesses

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52) Which one of the following is a huge advantage for small business owners to start a business?
A) desire to be one's own boss
B) benefit the stakeholders
C) desire to work for others
D) desire to be efficient and productive

53) The United States Small Business Administration (SBA) was organized as a part of
A) the Small Business Administration Law.
B) the Small Business Act of July 30, 1953.
C) the Small Business Act of 1950.
D) the Small Business Agency of 1960.

54) _____lead(s) to a condition where a single firm making 100 percent of the product is the most efficient.
A) Harvest plan
B) Stakeholders
C) Economies of scale
D) Business strategy

55) The success of entrepreneurial businesses occurs partially because they are
A) more focused than their large corporate counterparts.
B) invested heavily in policies and procedures.
C) characterized by corporate layers of management.
D) responsible to public stockholders.

56) In the context of the initial developments of the industrial base in the United States, which of the following statements is true about robber barons?
A) They ensured that smaller operations were effectively put out of business.
B) They quickly came to dominate new sectors of the economy.
C) They were unable to take advantage of the economies of scale that were possible with the industrial age.
D) They came to dominate industrial sectors that had existed historically.

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57) Until the mid-1880s, almost all U.S. businesses were
A) small.
B) medium.
C) large.
D) indifferent.

58) Identify a true statement about the history of entrepreneurial businesses in the United States.
A) The 1880s saw the initial development of the nation's large industrial base.
B) The Great Depression of the 1930s was harder on mature businesses than on entrepreneurial businesses.
C) Entrepreneurial businesses as a percentage of the U.S. economic output began to grow exponentially following World War II.
D) Steel and automobile manufacturing in the United States flourished in the late 1970s and early 1980s.

59) During Eisenhower's presidency, who stated that "what is good for General Motors is good for the nation"?
A) Franklin Roosevelt
B) Henry Ford
C) Andrew Carnegie
D) Charles Wilson

60) During the 1970s and 1980s, the_____ occupied the dominant economic position in the world.
A) Americans
B) Japanese
C) Russians
D) Germans

61) Which of the following was the outcome of the Great Depression of the 1930s?
A) It led to the initial development of a large industrial base in the United States.
B) It was harder on larger more mature businesses than on entrepreneurial businesses.
C) The government deregulated all small- and medium-sized enterprises.
D) Entrepreneurial business as a percentage of the U.S. economic output began to decline.

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62) Which of the following is true of robber barons in the context of the history of entrepreneurial businesses in the United States?
A) They failed to take advantage of the economies of scale.
B) They were responsible for the failure of several small businesses.
C) They dominated those industrial sectors that were already well-established.
D) They indulged in great abuses in order to succeed in their business.

63) What term is used to describe individuals or other organizations that impact the success of a business?
A) corporate managers
B) capitalists
C) stakeholders
D) owners

64) What percentage of U.S. millionaires are self-employed?
A) 25
B) 33 1/3
C) 50
D) 66.7

65) What is the percentage of self-employed people in the workforce?
A) 10
B) 20
C) 30
D) 40

66) Which of the following is *not* a factor in a small business's success?
A) Business owners have both the opportunity and the responsibility to lead.
B) Small business owners want and need to be independent.
C) Other people's needs and wants are not as important as the small business owner's.
D) Business owners need to carefully consider the needs of stakeholders.

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67) Owning a small business provides a means to meet varied demands that individuals face in society. Which of the following is *not* a need mentioned in the text's discussion of how society benefits from small business ownership?

A) Small business owners leave big businesses because of the lack of promotion opportunities.
B) Entrepreneurs prefer the flexibility to deal with the needs of family and children that business ownership provides.
C) Small business owners have greater ability to attract financing from venture capital firms.
D) All of these choices are correct.

68) Which of the following is a difference between large organizations and entrepreneurial businesses?

A) Unlike entrepreneurial businesses, large organizations have a better understanding of the local community in which they conduct business.
B) Unlike entrepreneurial businesses, large organizations will regularly ignore business opportunities if they fail to believe the results will generate high profits.
C) Unlike large organizations, entrepreneurial businesses are burdened by policies, procedures, corporate layers of management, and public stockholders.
D) Unlike large organizations, entrepreneurial businesses do things more efficiently because they are easily able to achieve economies of scale.

69) The term_____ refers to the fact that women, like minorities, may be hired by large firms but experience limits placed on their advancement.

A) "grapevine"
B) "androcentric"
C) "glass ceiling"
D) "glass cliff"

70) Small businesses act as a catalyst for social change because

A) they have the ability to generate profits in markets ignored by large corporations.
B) owners have a better understanding of how to operate their business.
C) they are often started when the economy is booming.
D) communities always want to have extra money that can be obtained from having small businesses.

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71) The largest group of new business owners is
A) Hispanics.
B) retired men.
C) women.
D) Asians.

72) Women entrepreneurs are starting small businesses for all but which one of the following reasons?
A) better ideas for small businesses
B) greater control of their lives
C) manage family needs
D) hit the glass ceiling

73) The World Bank estimates that one of the strongest factors in the growth of any nation's GNP (gross national product) is
A) the presence of small and medium-sized enterprises.
B) the presence of large businesses.
C) global trading.
D) the presence of higher tariffs.

74) In the context of entrepreneurship around the world, identify a true statement about microloans.
A) Such loans typically see much lower repayment rate than most types of loans.
B) The failure of such loans has resulted in a decreasing dedication of the U.S. aid budget to microloans for developing nations.
C) The repayment rate on such loans is typically 50 percent.
D) The success of such loans has been substantial, with great strides being made in many desperately poor nations.

75) Microloans have been in existence for years; they are most commonly made directly to_____ for self-development.
A) men
B) women
C) young adults
D) Hispanics

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76) Which kind of business is *not* likely to be eligible for a microloan program?
A) telecommunication center
B) meals delivery
C) weaving baskets
D) washing clothes

77) Characteristics of an entrepreneurial firm start-up include all *except*
A) being self-funded.
B) being designed to take advantage of the skills of the founder(s).
C) being oriented around positive cash flow.
D) having over 100 employees.

78) A harvest plan for a small business means the owner is
A) reaping the benefits.
B) borrowing money to keep operating.
C) planning to exit a small business.
D) returning the profits into a company.

79) All of these are harvest plan strategies *except*
A) selling the business to another firm.
B) selling it to a group of investors.
C) participating in an IPO (initial public offering of stock).
D) franchising.

80) Entrepreneurial business resources are more_____ than venture capital or equity-backed businesses.
A) plentiful
B) constrained
C) restrained
D) adequate

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81) Which of the following is *not* a characteristic of a high-growth venture?
A) It has a well-developed organization structure.
B) It often hires an experienced leader to grow the company.
C) It usually hires a relatively large number of employees.
D) It is designed to reflect the mission of the founder.

82) Which of the following terms describes a plan to exit a small business?
A) a harvest plan
B) a business plan
C) an entrepreneurial plan
D) a general departure plan

83) You should not use a cookie-cutter business plan program because
A) each business plan should have its own voice, feel, and presentation.
B) a good plan is best developed by the individual contemplating the business, not by a paid consultant.
C) potential investors are often family members, which makes it critical that the entrepreneur seeks to ensure the chances of success by doing thorough planning and thinking.
D) All of these choices are correct.

84) Which of the following is a defining characteristic of venture capital or equity-backed start-ups?
A) The businesses are well-funded.
B) The development plan of the business is oriented around positive cash flow.
C) The management structure of the business is designed to take advantage of the skills of the founder.
D) The business is oriented toward the personal goals of the founder.

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85) Identify a defining characteristic of venture capital or equity-backed start-ups.
A) They are inherently safe operations whose growth is dependent on the exploitation of knowns in the market.
B) They tend to develop operations in multiple locations very shortly after the initial investment.
C) They generally have a developing organizational structure that is subject to frequent change.
D) They are usually self-funded or closely funded.

86) Identify a defining characteristic of entrepreneurial firms.
A) These businesses either start or grow quickly to employ a relatively large number of employees.
B) They tend to develop operations in multiple locations very shortly after the initial investment.
C) They tend to be oriented toward the personal goals of the founder.
D) They are inherently risky operations whose growth is dependent on the exploitation of unknowns in the market.

87) Identify a true statement about entrepreneurial firms.
A) Such businesses tend to develop operations in multiple locations very shortly after the initial investment.
B) Such businesses generally hire an experienced president to grow the company.
C) The organizational structure in such businesses is often well-developed.
D) The number of employees in such businesses is not expected to grow too rapidly.

88) In the context of a harvest plan, which of the following is the deciding metric in a potential public offering of a business?
A) location
B) nature
C) size
D) capital

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89) The Bureau of Labor Statistics reported in its most recent 10-year analysis that
A) 90 percent of new jobs were created by firms that were less than one year old.
B) 35 percent of all full-time employees work for firms with more than 500.
C) there is an extensive presence of venture capital or equity-backed start-ups outside of the United States.
D) firms with fewer than 99 employees represent 35 percent of all part-time employees in the Unites States.

90) Which of the following statements is true about venture capital or equity-backed start-ups?
A) They refrain from developing operations in multiple locations very shortly after the initial investment.
B) They are funded by investors who invest more than $2 million and expect extraordinary returns.
C) They have a management structure designed to take advantage of the skills of the founder or founders.
D) They ensure that the business is oriented toward the personal goals of the founders.

91) Which of the following is a characteristic of a venture capital or equity-backed start-up?
A) The start-up is funded by the founder(s).
B) The start-up is organized according to the image of the founder(s).
C) The number of employees is not expected to be more than 50 to 100.
D) An experienced leader is hired to grow the start-up.

92) Which of the following is a characteristic of an entrepreneurial firm?
A) The number of employees can be as few as zero or one.
B) The firm tends to develop operations in multiple locations.
C) The business begins with a harvest plan in place.
D) The business receives funding through angel investment.

93) According to the 2021 U.S. Census Annual Business Survey, _____ of businesses in the country are Black-owned.
A) 10%
B) 25%
C) 2%
D) 6%

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94) During the 1970s and 1980s, the_____ occupied the dominant economic position in the world.

95) _____are individuals or other organizations that impact the success of a business.

96) In their book *The Millionaire Next Door*, Thomas Stanley and William Danko state that_____ percent of self-employed millionaires are entrepreneurs.

97) _____are now the largest single group of new business founders.

98) _____are often worth only a few dollars and they are given to entrepreneurs, especially women.

99) The term "_____ start-up" indicates that a start-up business will need to rapidly change.

100) Why is small business the growth engine of the U.S. economy?

101) What is "economies of scale"? Compare the impact of economies of scale on both large and small businesses.

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102) Discuss the role played by entrepreneurial firms in the economy of the United States in the late 1970s and early 1980s.

103) What are stakeholders? What impact do stakeholders have on a small business?

104) Why does a small business act as a catalyst for social change?

105) Describe how an entrepreneurial business is critical globally.

106) Define what a small business is.

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107) Describe the characteristics of a venture capital or equity-backed start-up.

108) Describe the characteristics of a small business start-up.

109) Compare the business plans of a high-growth venture with those of a small business start-up. What are the differences?

110) What are the three goals that one should keep in mind when developing a business plan for an entrepreneurial business?

111) Why should start-ups follow a lean approach?

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112) Discuss the presence of venture capital for start-ups outside of the United States.

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Answer Key

Test name: Chapter 01

1) FALSE
2) TRUE
3) TRUE
4) TRUE
5) TRUE
6) FALSE
7) FALSE
8) TRUE
9) TRUE
10) FALSE
11) TRUE
12) TRUE
13) TRUE
14) FALSE
15) TRUE
16) FALSE
17) TRUE
18) TRUE
19) TRUE
20) FALSE
21) FALSE
22) TRUE
23) FALSE
24) TRUE
25) TRUE
26) TRUE
27) FALSE
28) FALSE
29) FALSE
30) TRUE
31) FALSE
32) TRUE
33) FALSE
34) FALSE
35) TRUE
36) TRUE
37) FALSE

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38) TRUE
39) FALSE
40) TRUE
41) TRUE
42) FALSE
43) FALSE
44) TRUE
45) D
46) A
47) D
48) D
49) A
50) A
51) A
52) A
53) B
54) C
55) A
56) B
57) A
58) A
59) D
60) B
61) D
62) D
63) C
64) D
65) B
66) C
67) C
68) B
69) C
70) A
71) C
72) A
73) A
74) D
75) B
76) A
77) D

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78) C
79) D
80) B
81) D
82) A
83) D
84) A
85) B
86) C
87) D
88) C
89) A
90) B
91) D
92) A
93) C
94) Japanese
95) Stakeholders
96) 75
97) Women
98) Microloans
99) lean
100) Short Answer
101) Short Answer
102) Short Answer
103) Short Answer
104) Short Answer
105) Short Answer
106) Short Answer
107) Short Answer
108) Short Answer
109) Short Answer
110) Short Answer
111) Short Answer
112) Short Answer

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Brief Chapter Outline

I. Learning Objectives

- LO 01-01: Explain the rationale behind starting an entrepreneurial business.
- LO 01-02: Discuss the history of entrepreneurship in the United States.
- LO 01-03: Identify the type of people who are entrepreneurs.
- LO 01-04: Describe the impact of entrepreneurial businesses on society.
- LO 01-05: Discuss the worldwide impact of entrepreneurial businesses.
- LO 01-06: Define an entrepreneurial business.

II. Why Start a Business?

- *Learning Objective 01-01: Explain the rationale behind starting an entrepreneurial business.*

  Key Terms:
  - **United States Small Business Administration (SBA)**
  - **Fortune 500**
  - **Economies of scale**

  Opening vignette – Pal's Sudden Service

III. A Brief History of Entrepreneurial Businesses in the United States

- *Learning Objective 01-02: Discuss the history of entrepreneurship in the United States.*

  Figure 1.1 – Business Time Line

IV. Who Are Entrepreneurial Business Owners Today?

- *Learning Objective 01-03: Identify the type of people who are entrepreneurs.*

  Key Terms:
  - **Stakeholders**

  Exercise 1

V. How Does Society Benefit?

- *Learning Objective 01-04: Describe the impact of entrepreneurial businesses on society.*

  Ethical Challenge

  Inclusive Entrepreneurship

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VI. Entrepreneurship Around the World

- *Learning Objective 01-05: Discuss the worldwide impact of entrepreneurial businesses.*

Exercise 2

VII. What Is an Entrepreneurial Business?

- *Learning Objective 01-06: Define an entrepreneurial business.*

Key Terms:

- **Harvest plan**

A. Business Plans—Another Difference in Types of Firms

- Figure 1.2—One-Page Pitch Sheet

Exercise 3

B. Lean Start-Up

VIII. Summary

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Chapter Outline and Lecture Notes

I. Learning Objectives

- LO 01-01: Explain the rationale behind starting an entrepreneurial business.
- LO 01-02: Discuss the history of entrepreneurship in the United States.
- LO 01-03: Identify the type of people who are entrepreneurs.
- LO 01-04: Describe the impact of entrepreneurial businesses on society.
- LO 01-05: Discuss the worldwide impact of entrepreneurial businesses.
- LO 01-06: Define entrepreneurial business.

II. Why Start a Business?

- *Learning Objective 01-01: Explain the rationale behind starting an entrepreneurial business.*

There is great potential for entrepreneurial businesses to provide positive outcomes in the communities they serve

- The **United States Small Business Administration (SBA)** provides assistance for current and potential small business owners
  - New business start-up assistance
  - Continued business support
  - Business development

- The development of an entrepreneurial business stimulates the United States economy
  - Small businesses created 9.6 million net new jobs from 2000 to 2018
  - For the same period, large businesses were responsible for just 5.2 million net new jobs

- Many entrepreneurial businesses have the potential to become larger profitable businesses
  - Every **Fortune 500** company started as a new venture
  - Discuss historical companies that experienced unexpected growth (Apple is one example for students to discuss)
  - Small businesses are the foundation for all businesses

- Historically, small businesses have proven success rates
  - Individuals and groups that initiate their own business have the potential to become successful entrepreneurs

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- Individuals become independent when they achieve entrepreneurial status

- Compare and contrast the characteristics of small and large businesses
    - New businesses are free to put all their energy into satisfying customer's needs
    - Large firms experience **economies of scale** because they have lower long-range average cost as their production continues to increase
    - Small businesses are more efficient because they respond more quickly to market changes compared to larger organizations

- Business Plan Development
    - The implementation of business plans are a combination of art and science
    - Many new businesses fail
    - Elements that an entrepreneur must solve for success:
        - Effective sales generation model
        - Sustainable operating profit margins.
        - Being properly financed.

III. A Brief History of Entrepreneurial Businesses in the United States

➢ *Learning Objective 01-02: Discuss the history of entrepreneurship in the United States.*

Small businesses have existed in our society for many years

- Prior to the 1880s the majority of businesses were small ventures
- The development of industry occurred after 1880 in the U.S.
    - Robber barons developed
    - They took advantage of economies of scale possible in the industrial age – Carnegie dominated the steel industry
    - New small businesses continued to thrive to serve the needs of new industrial sectors

- The Great Depression of the 1930s led to industrial concentration
    - The outcome was that entrepreneurial business as a percentage of U.S. economic output began to decline

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    - It was believed that what was good for big business would be good for all of the people in the country

- Decline in large industries in the 1970s and 1980s
    - Economic turmoil due to global competition
    - There was a decline in entire industries, such as steel and auto manufacturing
    - Japan gained a competitive advantage an dominated an economic position in the markets
    - There was a decline in large multinational firms
    - New opportunities were advantageous for entrepreneurial businesses.

Today, startups are responsible for much of the innovation pushing established companies to new levels

- Figure 1.1 shows a business time line in the U.S., highlighting the central role of new business development

IV. Who Are Entrepreneurial Business Owners Today?

➢ *Learning Objective 01-03: Identify the type of people who are entrepreneurs.*

Entrepreneurs have common motivations to initiate entrepreneurial businesses

- Entrepreneurs want to be their own boss
- Individuals experience increased personal rewards and self fulfillment from entrepreneurship
- It is common for entrepreneurs to gain greater financial rewards as a result of small business ownership

Stakeholders are known as individuals and groups that have a stake in the performance outcome of an organization

- Individuals or other organizations that impact the success of a business
- They maintain business relationships with key suppliers and clients to enhance the success of the business
- Examples of stakeholders include: competitors, customers, suppliers, distributors, special interest groups, and employees

Entrepreneurs reap the rewards of small business ownership

- Enhanced sense of joy and self fulfillment
- Flexible work schedules

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- Increased potential to earn greater financial rewards

V. How Does Society Benefit?

➢ *Learning Objective 01-04: Describe the impact of entrepreneurial businesses on society.*

The formation of entrepreneurial businesses enhances the opportunity for entrepreneurs to implement positive outcomes in the communities they serve

Entrepreneurs impact society

- The development of entrepreneurial businesses acts as a catalyst for societal change, despite significant challenges faced by entrepreneurs within underrepresented racial groups
- Entrepreneurs who initiate new businesses contribute to employment opportunities in the community
- Entrepreneurs and the growth of their new small businesses increase tax revenue
- Small businesses contribute to economic vitality

The implementation of entrepreneurial businesses assures effective change in society

- Entrepreneurs garner profits in depressed areas within a community
- Entrepreneurial business formation contributes to a healthy and flexible lifestyle
- Entrepreneurs promote local community advantages
- Entrepreneurs provide potential employment opportunities for minorities and women
- Women entrepreneurs overcome the glass ceiling
- Entrepreneurs have greater control on balancing their family's needs

VI. Entrepreneurship around the World

➢ *Learning Objective 01-05: Discuss the worldwide impact of entrepreneurial business.*

SME's (small- and medium-sized enterprises) are one of the strongest factors in the growth of any nation's GNP

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Nearly all nations encourage the development of small and medium enterprises

- Microloan programs to encourage self-development
  - Often for only a few dollars and often to women entrepreneurs
  - High repayment rates
    - Typically 99 to 100 percent
    - Proven success in program implementation

- Some nations offer new venture start-up programs
  - Government interest provides services and facilities
  - Results encourage development of founding firms
  - Recent programs encourage high-technology ventures to educated individuals
  - Pace of small business startups is increasing around the world.

VII. What Is an Entrepreneurial Business?

➢ *Learning Objective 01-06: Define an entrepreneurial business.*

In the U.S., any business with fewer than 500 employees

- In Europe, fewer than 50 employees

Multiple terms can be used to refer to the same types of businesses

- Entrepreneurial businesses
- Small businesses, sometimes as small- to-medium-sized businesses (SMB) or enterprises (SME)
- Family businesses
- All terms are equivalent but the text recognizes two main categories of start-up businesses

High-growth, high-tech ventures

- Well-funded by capital-backed (venture capital and private equity) firms
  - Specialized investors
  - Capital required equates to $2,000,000 investment
  - Expect extraordinary returns

- Harvest plan to exist the business
  - Can sell the business to another firm

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  - Can sell the business to investors
  - Participate in IPO's
  - The size of the business dictates the sales parameter

- Rapid growth but heavily laden with debt
- Developed organizational structure
- Experienced leadership is required
- Operations are initiated in multiple locations simultaneously
- High-risk operations whose growth is dependent on unknowns
- Employs many employees

Entrepreneurial business start-up

- The start-up is self-funded or closely funded
- Oriented around a positive cash flow
- The management structure takes advantage of founder(s) skills
- Operation design in the image of the founder
- Business is oriented toward the personal goals of the founder(s)
- One or less employees is typical and are not expected to grow too rapidly

Compare and contrast the difference between entrepreneurial businesses and capital-backed firms

- An entrepreneurial business has constrained resources and a capital-backed firm's resources are not constrained
- In a small business a business plan is used as a guide in running the business; and in a capital-backed firm (venture capital or private equity), the business plan is a promotional tool sent to investors

A. Business Plans—Another Difference in Types of Firms

- Size of plan
  - Entrepreneurial business plan is usually 0-25 pages
  - Venture capital-backed plan is usually 25-45 pages

- Three goals of an entrepreneurial business plan
  - Used as a guide in early development of the business
  - Provides self-evaluation and analysis of the business
  - Provides critical information to investors

- Successful business plans have the following characteristics
  - They do not use cookie-cutter business plan programs

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- The plan is developed following the chapters of this text
- It is a process, so avoid intimidation and take it by steps
- Prepare a one-page pitch for the business. – Figure 1.2

B. Lean Start-Up

- The term indicates a start-up will need to rapidly change
- Seek a scalable business model
- Shorten the product/service cycles
- Measure your outcomes
- Remain flexible and adaptable

VIII. Summary

This chapter began by discussing the impact that new businesses have on the economy

- A brief history of new ventures was discussed
  - Every business began with one person or a small group
- There are two very distinct types of businesses
  - Those funded by venture capital, intended to grow swiftly
  - Those in business for the benefit of the founders
    - This group is more prevalent
- Three main principles to remember:
  - No cookie-cutter business plan programs should be used
  - Build your own business plan using this book
  - This is a process, so take bite-sized pieces
- Finally, the concepts of a lean startup were discussed and will be incorporated throughout this book

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Key Terms

Economies of scale: A condition that allows the long-run average cost to continue downward as production increases. It leads (in its most extreme case) to a condition where a single firm making 100 percent of the product is the most efficient. In reality, this condition is moderated by the ability of management to control size.

Fortune 500: The Fortune 500, published annually by *Fortune* magazine, documents the 500 largest corporations (by sales) in the United States.

Harvest plan: A plan to exit a business. Typically, the owners have the intention to sell the business to another firm or take it to an IPO.

Stakeholders: Individuals or other organizations that impact the success of a business.

United States Small Business Administration (SBA): The SBA is the agency officially organized in 1953 as part of the Small Business Act of July 30, 1953 to "aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns." The agency provides a wealth of information and assistance at all levels of organizational development and management for new entrepreneurial businesses. See https://www.sba.gov/

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Suggested Text Responses

Opening Vignette – Pal's Sudden Service

The opening case discusses Pal's Sudden Service, a unique fast-food restaurant chain started more than 60 years ago by Pal Barger in Kingsport, Tennessee. Barger's business model focuses on extraordinary speed and accuracy with each food order, as well as ongoing employee training to continuously improve the customer experience.

Students are asked how companies in other industries could use the Pal's business model. They are also asked to compare/contrast Pal's Sudden Service with competitor In-and-Out Burger and whether their business models are comparable. In addition, students are asked to explain why competitors have not been able to match Pal's overall success and to cite the competitive advantages of Pal's approach to business.

Exercise 1

This exercise asks students to name some successful entrepreneurs they personally know and asks them what types of businesses these entrepreneurs run. The exercise also asks students to consider why the entrepreneurs are successful. Finally, the students are instructed to find out how the entrepreneurs started their business.

Ethical Challenge

The Ethical Challenge asks students to identify their key motivations for starting a business. Students are also asked to allocate by percentages the motivators of lifestyle, money, freedom, and family.

Exercise 2

This exercise tasks students with exploring what motivates their interest in entrepreneurship and what opportunities they see in their community. The students must think whether or not these opportunities have attracted other businesses.

Exercise 3

This exercise asks students if they have any initial ideas for a new business and if so to write them down. They are to use this business idea as they work through the course

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even though it may change significantly. Students are also asked whether their business would require any employees or contractors.

Review Questions

1. **How do entrepreneurial businesses impact the economy?**

   99.9 percent of all businesses in the US are small. 48 percent of all employees are from the private sector. 33.3 percent of know export value is from small businesses.

2. **Beyond some well-known examples (Steve Jobs, Elon Musk, Jeff Bezos, Sara Blakely, Arianna Huffington, and Sergey Brin), name several entrepreneurs who have grown their businesses into major organizations**.

   Henry Ford (Ford Motor), Ron Brilland and Pat Farrah (Home Depot), Thomas Edison and Charles Coffin (General Electric), Barney Kroger (Kroger), Ralph Lauren (fashion), Sam Walton (Walmart), Estee Lauder (cosmetics), Oprah Winfrey (media), and Richard Branson (Virgin).

3. **Explain what is meant by the art, science, and process of starting and managing a business.**

   The “science” and the “process” are the forming and managing of a new entrepreneurial business in a clear, sequential manner rich in practical application as well as well-grounded in research. The “art” is a matter of practice, example, and the skill of the founder or founders of the new business.

4. **How do entrepreneurial businesses impact the economy of the United States?**

   Historically, entrepreneurial businesses were the backbone of the economic success of the nation. Today, entrepreneurial businesses continue to play a dominant role in the ability of the nation to adapt quickly and to make economic progress.

5. **Why does “profit as a goal” present an ethical challenge to new business owners?**

   Financial reward is a strong motivator, but there are other rewards in entrepreneurship. If “profit is the goal,” then the entrepreneur must structure the business accordingly. The entrepreneur must be honest with themselves

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and their potential partners and investors at the very formation of a new business.

6. **What differentiates an entrepreneurial business from one that is a venture capital or private-equity-backed business?**

   Venture capital or private-equity-backed businesses
   - are well-funded
   - usually formed with a harvest plan in place
   - organized to grow quickly and heavily laden with debt
   - have a developed organizational structure
   - hire an experienced leader to grow the company
   - develop operations in multiple locations
   - are inherently risky
   - employ a relatively large number of employees

   Entrepreneurial businesses are
   - self-funded
   - oriented around positive cash flow
   - take advantage of the skills of the founder(s)
   - designed in the image of the founder(s)
   - oriented toward the personal goals of the founder(s)
   - have few employees and not expected to grow rapidly

Individual Exercises

1. What types of new businesses interest you most and why?
2. What aspects of those businesses are particularly appealing to you?
3. Do you see yourself as an entrepreneur in the next five years?
4. Do you have an initial idea for a business? What might that be?

Group Exercises

Early in the course, every person in the class should interview an entrepreneur. You have wide flexibility as to the types of entrepreneurs you select. However, each entrepreneur must be the original founder of the business or the current owner and should not be your close relative. Prepare a report on each entrepreneur interviewed. The report should be no more than three typed, double-spaced pages

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long, and cover three primary areas. First, discuss the background and characteristics of the entrepreneur, as well as the history and nature of the business. Second, discuss lessons learned by the entrepreneur as they shared with you. Third, include your evaluation of the entrepreneur, and state what you personally take away from the experience. You should plan to make a short (5- to 7-minute) presentation on this individual to the rest of the class.

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Class Activities and Sample Assignments

1. Ask students to discuss why individuals want to be entrepreneurs. What motivations are mentioned in the text? Discuss other reasons why individuals pursue entrepreneurship. Next, ask students if they want to become entrepreneurs. Discuss why or why not. Write their responses for all to see.

2. Ask students to interview an entrepreneurial business owner in their community. The interview questions should detail what motivated that individual to start the business, how many employees work at the business, and a description of the stakeholders. Include questions on the best and worst thing about owning the business and if they would do it again. Next, ask students to prepare a report on the outcome of the interview and/or present their findings to the class.

3. In groups, ask students to discuss why more than half of new entrepreneurial businesses fail within the first four years of operation. Then, ask them what they would change to ensure that more entrepreneurial businesses survive longer than four years. Discuss a restaurant business, an automotive manufacturing business, online business, and a retail business.

4. In groups, brainstorm and develop a list of all possible new entrepreneurial opportunities that might be popular in the next year. Discuss each potential business opportunity and why it is important in the future business environment.

5. Ask students to compare and contrast the differences in business plans for entrepreneurial businesses and venture capital or private equity-backed firms. Discuss why business plan development is important for these new ventures in the planning process.

6. When were the first entrepreneurial businesses established? Discuss the differences in new entrepreneurial businesses compared to today's entrepreneurial businesses. Include differences in technology, values, and the purposes of the businesses.

7. In groups, ask students to define economies of scale. Discuss the advantages and disadvantage of economies of scale in small and large businesses. Which firms are likely to operate more efficiently and why?

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Discussion Questions for Online/Hybrid Classes

1. Define economies of scale and discuss why they are important in both large and small industries.

2. If you choose to become an entrepreneur, which business opportunity would you pursue and why?

3. Discuss the advantages and disadvantages associated with entrepreneurial business ownership.

4. Define a stakeholder and discuss the individuals and groups that qualify as stakeholders.

5. In reference to the timeline of business in the United States, why was the period of the Great Depression harder on smaller business than on larger businesses?

6. What does the government do to enhance the success of SMEs? Why?

7. Discuss the characteristics of an entrepreneurial business start-up. Why are entrepreneurial businesses important in the United States and abroad?

8. Describe the differences between entrepreneurial businesses and venture capital or private-equity-backed firms.

9. What do new entrepreneurs plan prior to the establishment of their new small business?

10. What is a harvest plan? Why is it important to consider a harvest plan?

Discussion Questions for Online/Hybrid Classes - Responses

1. **Define economies of scale and discuss why they are important in both large and small industries.**

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Economies of scale allow for the long-run average cost to continue downward as production increases. For example, large firms can purchase advertising cheaper per unit than smaller firms.

2. **If you choose to become an entrepreneur, which business opportunity would you pursue and why?**

   Responses will vary.

3. **Discuss the advantages and disadvantages associated with entrepreneurial business ownership.**

   Advantages: Being your own boss, controlling the business, providing large percentage of new jobs. Disadvantages: On duty 24/7, losing investment, failing.

4. **Define a stakeholder and discuss the individuals and groups that qualify as stakeholders.**

   Stakeholders are individuals or other organizations that impact the success of a business. These include key suppliers, customers, and employees.

5. **In reference to the timeline of business in the United States, why was the period of the Great Depression harder on smaller business than on larger businesses?**

   Small businesses did not have the resources of larger businesses to be sustainable during that period.

6. **What does the government do to enhance the success of SMEs? Why?**

   The government-formed SBA's purpose is to aid, counsel, assist and protect small business. Nearly every business formed in the U.S. is a small business and they employ 46 percent of private sector employees. Since small businesses are so important to the U.S. economy, the government feels that supporting them as they grow is important.

7. **Discuss the characteristics of an entrepreneurial business start-up.**

   These characteristics include being self-funded or closely funded, having a development plan oriented around a positive cash flow, and having its design in the image of its founder(s). The business reflects the goals of the founder(s). It

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would start with no employees or few employees and would probably grow to no more than 50 employees.

Why are entrepreneurial businesses important in the United States and abroad?

Small businesses are more focused, respond more quickly, and can operate more efficiently. Small businesses promote economic strength and act as a catalyst for societal changes.

8. **Describe the differences between entrepreneurial businesses and venture capital or private-equity-backed firms.**

   Venture capital or private-equity-backed firms are well funded, are formed with a harvest plan in place, are organized to grow quickly, have a developed organizational structure, hire an experienced leader, develop operations in multiple locations, and grow quickly. Entrepreneurial businesses are usually self-funded, oriented around positive cash flow, take advantage of the skills of the founder, and have few employees.

9. **What do new entrepreneurs plan prior to the establishment of their new small business?**

   New entrepreneurs should develop a business plan as a guide to establishing and running the business.

10. **What is a harvest plan? Why is it important to consider a harvest plan?**

    The harvest plan is a plan to exit the business whether by selling the business to another firm or taking it to an IPO.

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Lecture Links

Lecture Link 1.1: Entrepreneurs and New Small Business Planning Goals.

The text emphasizes that the three initial goals for new entrepreneurial business owners are to guide the new business in its early stages of development, have those goals in writing, and reflect how the business will be financed and managed and how it will maintain its competitive advantage.

The SCORE is a nonprofit organization that provides information to assist individuals with their small business needs.[1] Visit their website at http://www.score.org and click on the "Business Education" tab to view free business information, related business links, entrepreneurial newsletters, and other learning resources and articles. You can narrow the search by business stage, topic, format, entrepreneur type, and/or industry. Consider these resources when you implement the initial plans for your new small business development.

Now it is time to start planning for your new entrepreneurial business.

1. What type of new entrepreneurial business do you want to pursue? Why?

2. Describe the products and/or services you will offer in your new entrepreneurial business.

3. List your goals for this new business.

4. How will you finance your initial operations?

5. Who will be involved in your new business?

6. Compare your intended products and/or services to those of your competitors. How will you assure your new business maintains a competitive advantage?

7. How will your new business implement positive change in your community?

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Lecture Link 1.2: The Advantages of the Small Business Administration (SBA)

The Small Business Administration (SBA)[2] provides new small business owners with many tools and resources to enhance their business planning and development, as well as other tools to enhance the organizational effectiveness of the new small business. Visit their website at https://www.sba.gov/ and click on the "local assistance tab". Here you can find a Small Business Administration (SBA) office near where you reside. Review the tools that you might find important for you to consider when you initiate your new small business.

Discussion Questions:

1. Discuss the various services that the Small Business Administration (SBA) can provide to business owners. Summarize how those services can assist in starting a new entrepreneurial business venture.

2. Ask students to find their local Small Business Administration (SBA) office. What beneficial services could the SBA provide? Why?

3. What are the steps required to open an entrepreneurial business? What other important details should be considered?

4. What type of assistance is needed to enhance the start-up initiatives of a new business?

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Lecture Link 1.2: The Advantages of the Small Business Administration (SBA) - Notes

Discussion Questions:

1. **Discuss the various services that the Small Business Administration (SBA) provides to business owners. Summarize how those services can assist you in your new entrepreneurial business venture**.

   The SBA provides information about starting and managing a business, information on loans and grants, contracting information when dealing with government entities, lists of local assistance offices and current press releases. All of these services can help the new entrepreneur.

2. **Ask students to find their local Small Business Administration (SBA) office. What services would be beneficial to a new business? Why?**

   Responses will vary.

3. **What are the steps required to open an entrepreneurial business? What other important details should you consider?**

   According to the SBA website, the steps include thinking about starting, creating your business plan, choosing your business structure, registering your business, obtaining business licenses, learning about business laws, finance, loans and grants, filing and paying taxes, choosing your location and equipment, and hiring and retaining employees.

4. **What type of assistance is needed to enhance start-up initiatives of a new business?**

   Responses will vary but may include professional help, family help, and funding.

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Lecture Link 1.3: Entrepreneurial Business around the World

One important outcome of new entrepreneurial business development in the United States and abroad is to encourage the country's economic growth and development. The authors in the text discussed the relevance of microloans and other government support mechanisms available to promote small business development in underdeveloped nations. For example, in reference to microloans, the text states "However, the success of such loans has been substantial, with great strides being made in many desperately poor nations." Go to the USAID website: http://www.usaid.gov/what-we-do/economic-growth-and-trade/microenterprise-development and answer the following questions.[3]

Discussion Questions:

1. Explain how the Overseas Private Investment Corporation (OPIC) enhances the growth and development of new small businesses in the United States and abroad.

2. Summarize the advantages and disadvantages associated with implementing such programs.

3. Discuss the challenges that entrepreneurs experience in other countries versus the United States.

4. Discuss the common goals associated for entrepreneurs worldwide.

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Lecture Link 1.3: Entrepreneurial Business around the World - Notes

Discussion Questions:

1. **Explain how the Overseas Private Investment Corporation (OPIC) enhances the growth and development of new small businesses in the United States and abroad.**

   US Aid programs help small businesses access new inputs, technology, and services by linking them with buyers and sellers.

2. **Summarize the advantages and disadvantages associated with implementing such programs?**

   The purpose of these programs is to reduce poverty. Some leaders prefer that their citizens remain poor so that they have better control of the country.

3. **Discuss the challenges that entrepreneurs experience in other countries versus the United States**.

   These entrepreneurs often cannot obtain credit to start or grow their business, lack insurance to protect against natural disasters, have limited access to savings accounts, have populations such as women who are excluded and lack technology.

4. **Discuss the common goals associated for entrepreneurs worldwide.**

   The goals include improvements in health, education, and energy to meet the needs of the people worldwide.

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Bonus Internet Exercises

Bonus Internet Exercise 1.1: Entrepreneurial Success Story of Dell Computer

Ask students to conduct research on Michael Dell (Dell Computers) and do specific research about the company from the time it was established until now.

Discussion Questions:

1. When did Michael Dell start his business?

2. How did he start the business? Did he require capital? Did he have a partner? Discuss the outcome of your research.

3. Why did he grow and expand his business model?

4. Discuss how his entrepreneurial skills and knowledge assisted him to achieve the success that his company enjoys today. Discuss why he was successful.

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Bonus Internet Exercise 1.1: Entrepreneurial Success Story of Dell Computer - Notes

Discussion Questions:

1. **When did Michael Dell start his business?**

   Dell started his business when he was in college.

2. **How did he start the business? Did he require capital? Did he have a partner? Discuss the outcome of your research.**

   He started building and selling computers for fellow college students. He had strong customer service and cheaper prices. He started with a $1,000 from his saving account. He dropped out of college and by 1984, his first year in business, he had $6M in sales.

3. **Why did he grow and expand his business model?**

   He wanted to continue to grow the business. He became one of the richest men in the United States.

4. **Discuss how his entrepreneurial skills and knowledge assisted him to achieve the success that his company enjoys today. Discuss why he was successful**. Student responses will vary.

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Bonus Internet Exercise 1.2: Ethical Considerations for the New Entrepreneur

It is standard practice for new entrepreneurial business owners to learn about ethics, why they are important, and how to incorporate sound ethical business practices into their business decisions. Go to the following website http://www.entrepreneur.com/humanresources/employeemanagementcolumnistdavidjavitch/article56740.html and read the article "Respecting Your Business's Ethics Policy."[4]

Discussion Questions:

1. Why should new entrepreneurial owners teach their employees about business ethics?

2. Discuss why organizational values and business ethics should be clearly defined.

3. Do you believe that it is a good idea for ethics to become part of the culture of a new business? Why?

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Bonus Internet Exercise 1.2: Ethical Considerations for the New Entrepreneur - Notes

Incorporating ethics is an important part of the new entrepreneurial business. Student responses will vary.

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Critical Thinking Exercises

Critical Thinking Exercise 1.1: Venture Capital and Private-Equity-Backed Firms versus Entrepreneurial Startups

One major challenge for an entrepreneurial startup is to choose the type of firm that it will be. For example, you learned that venture capital and private-equity-backed firms include high-growth and high-tech firms. In addition, the most common type of firm that entrepreneurs consider is the new small business start-up.

Discussion Questions:

1. List the characteristics of a venture capital and private-equity-backed firm and a new entrepreneurial business start-up.

2. Summarize the key advantages and disadvantages of each business type.

3. Explain which business type you would choose for your new business. Explain why.

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Critical Thinking Exercise 1-1: Venture Capital and Private-Equity-Backed Firms versus Entrepreneurial Startups - Notes

Discussion Questions:

1. **List the characteristics of a venture capital or private-equity-backed firm and a new entrepreneurial business start-up.**

   Venture capital/private equity-backed firms are well-funded; they have a harvest plan; they are organized to grow quickly; they hire an experienced leader; they have a developed organizational structure; they are risky; and they are expected to grow quickly.

   New entrepreneurial businesses are usually self-funded; are oriented around positive cash flow; are designed and organized in the image of the founder; and have zero to a few employees.

2 **Summarize the key advantages and disadvantages of each business type.**

   There are more entrepreneurial startups than venture capital or private-equity-backed firms. Although both types are risky, the venture capital/private equity firms are more risky and involve more investment. However, the return on these firms is typically higher. The entrepreneurial startup is creating a business to own probably for as long as the founder wants to work. In contrast, the goal of the venture capital or private-equity-backed firm is to grow and sell, giving the original investors a large payout.

3 **Explain which business type you would choose for your new business. Explain why**. Student responses will vary.

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Critical Thinking Exercise 1.2: Planning Goals for the New Entrepreneurial Business

Entrepreneurs plan to ensure they achieve their business objectives. New entrepreneurs differentiate between the two different business types to ensure that they establish the appropriate organization to enhance their organizational goals. To illustrate, consider the different planning objectives and strategies that exist between venture capital/private-equity-backed firms and entrepreneurial business start-ups and discuss the following questions.

1. Compare and contrast the planning goals between a venture capital/private-equity-backed firm and entrepreneurial business start-up.

2. List at least three planning goals that entrepreneurs consider for a new small business.

3. What are the advantages of a well-thought-out business plan?

4. Who should develop the business plan? Why?

5. Why is a well-designed business plan important for the new business? Who does it help?

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Critical Thinking Exercise 1.2: Planning Goals for the New Entrepreneurial Business - Notes

1. **Compare and contrast the planning goals between a venture capital/private-equity-backed firm and a entrepreneurial business start-up**.

   The venture capital/private equity-backed firm develops a longer, more detailed business plan that is used as a promotional tool to interest investors in the new business. The entrepreneurial business start-up develops a plan to understand the field of that business industry and to guide the business during its beginning days.

2. **List at least three planning goals that entrepreneurs consider for a new small business**.

   1. To serve as a guide in managing the business; 2. To provide a self-evaluation; and 3. To provide critical information.

3. **What are the advantages of a well-thought-out business plan?**

   A good plan serves as a guide for establishing and managing the new business.

4. **Who should develop the business plan? Why?**

   The entrepreneur should develop the business plan themselves with the help of professionals. This process helps the entrepreneur consider all the aspects of starting and running the business.

5. **Why is a well-designed business plan important for the new business? Who does it help?**

   A well-designed business plan serves as a guide to the owner. It helps the owner, the investors, and any funders including relatives understand the business.

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Critical Thinking Exercise 1.3: Stakeholders and the Entrepreneur

New entrepreneurial business owners are innovative and they plan for effective and efficient business operations. One important consideration is to determine who will be involved with the performance of the new business. The text states that stakeholders are important because they may impact the current and future success of the business. Consider the impact that stakeholders have on the business.

Discussion Questions:

1. Define a stakeholder and summarize why stakeholders are important to a new business owner.

2. List at least five ways stakeholders impact an entrepreneurial business.

3. Why are their relationships critical to the success of the new business?

4. Who would you consider to be stakeholders for your new small business? Explain why.

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Critical Thinking Exercise 1.3: Stakeholders and the Entrepreneur - Notes

1. **Define a stakeholder and summarize why they are important to a new business owner.**

   A stakeholder is an individual or an organization that impacts the success of a business. Stakeholders include key suppliers, customers, and employees.

2. **List at least five ways stakeholders impact the business.**

   Suppliers are interested in making sales to the new business and in being paid in a timely manner. Customers determine what the business will sell and what price will be acceptable. Employees are responsible for making the sales and keeping the customers happy and willing to return for additional sales.

3. **Why are the relationships of stakeholders critical to the success of the new business?**

   A business cannot survive without suppliers since there would not be any products to sell or supplies to support a service business. No business could succeed without customers. And, finally, without employees there would be no one to service the customers. All three are interrelated and must work together.

4. **Who would you consider to be stakeholders for your new small business? Explain why.**

   Student responses will vary.

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Bonus Cases

Bonus Case 1.1: Bill Gates: The Microsoft Genius

Bill Gates is known as the Chairman of Microsoft Corporation. He started out as an entrepreneur and grew his business into a successful corporate enterprise. Many individuals establish their businesses because they have a hobby, pursue a specific business venture, or want to become self employed. As a result, each individual new entrepreneurial business has the potential to provide a business or service to satisfy clients. Finally, entrepreneurs strive to enhance their community and implement positive change. Some individuals might wonder if their success is based on luck or possibly fate.

Throughout Chapter One, the authors explored who entrepreneurs are and what they do to establish businesses as a foundation for success. In addition, they strive to provide a product or service that is needed in the marketplace. Bill Gates successfully implemented a product that contributed to the greater good of society. Find information about Bill Gates and Microsoft on the web and answer the following questions.

Discussion Questions:

1. In your own words, explain why you believe Bill Gates is a successful entrepreneur. Discuss whether or not your reasoning is based on his income or the creative products he offers to contribute to technology.

2. Summarize how Bill Gates initiated his company. Did he have a partner?

3. List the specific contributions that his products made on our society. Explain the reasoning behind your answers.

4. Describe the specific contributions that Bill Gates made in order to implement positive change in society. What do you think motivates him to contribute to society?

5. Do you believe that Bill Gates is a genius? Describe how the world might be today without Microsoft products. Provide specific answers.

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Bonus Case 1-1: Bill Gates: The Microsoft Genius - Notes

Discussion Questions:

1. **In your own words, explain why you believe Bill Gates is a successful entrepreneur. Discuss whether or not your reasoning is based on his income or the creative products he offers to contribute to technology**.

   Student responses will vary.

2. **Summarize how Bill Gates initiated his company. Did he have a partner?**

   His partner was Paul Allen.

3. **List the specific contributions that their products made on our society. Explain your reasoning behind your answers.**

   Microsoft launched Windows which looked similar to the Macintosh system. However, Microsoft developed more software than Apple and soon became the leader especially in the business community. Their products became the standard especially with the development of the Microsoft office products.

4. **Describe the specific financial contributions that Bill Gates makes to implement positive change in society. What do you think motivates him to contribute to society?**

   Gates and his wife established the William H Gates Foundation which is dedicated to supporting education. This foundation provides funds in four program areas – the Global Development Division works with the world's poorest to life them out of poverty; the Global Health Division funds sciences and health in developing countries; the United States Division supports education in highs schools and postsecondary institution; and the Global Policy & Advocacy Division builds strategic relationships to support the foundation's work.

5. **Do you believe that Bill Gates is a genius? Describe how the world might be today without Microsoft products. Provide specific answers.**

   Gates is considered a genius by many. At the age of 11 he was bored at school and transferred to a more challenging school where he started to develop computer programs. It was there that he met his partner. Part two of the questions will have various answers.

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Bonus Case 1.2: MYMIC, LLC: A Dynamic Approach to Entrepreneurship

Dr. Thomas W. Mastaglio is the President and CEO of MYMIC LLC. MYMIC is a high technology start up specializing in modeling, simulation, and visualization solutions to support training, military analysis, experimentation, and business strategy evaluations located in Portsmouth, Virginia. Dr. Mastaglio served as the Executive Director of the Virginia Modeling, Analysis and Simulation Center from November 1996 to June 2000. In that capacity he established a consortium of industry, academia and government recruiting over 120 members and a workforce of over 50 individuals and generated $7.5M in revenue. The Center is one of the most successful endeavors of its kind achieving, a strong reputation both locally and nationally.

Dr. Mastaglio is a 1969 graduate of the U.S. Military Academy. He retired from the Army in 1991 and has worked in the defense industry as a senior engineer, program manager, and scientist. He worked for IBM as Training Effectiveness Advocate for the Close Combat Tactical Trainer development and as the Deputy Program Manager for Lockheed Martin's and Warfighter Simulation 2000. Prior to his experience in the defense industry Dr. Mastaglio established and ran his own consulting firm from 1991 to 1993.

Dr. Mastaglio earned a Doctor of Philosophy degree from the University of Colorado in Computer and Cognitive Science in 1990. His research interests include the application of artificial intelligence to improving human-computer interaction and learning, usability engineering, cognitive modeling, the development of large-scale enterprise models and simulations, and the educational requirements for modeling and simulation. He is a Research Professor in Electrical and Computer Engineering and an Adjunct Professor of Psychology at Old Dominion University. He also holds an adjunct faculty appointment in Computer Science at Norfolk State University. Dr. Mastaglio has served as a member of the Army Science Board, a technology consultant to the Department of Defense and member of Commonwealth of Virginia Joint Commission On Technology and Science.

He and his company, MYMIC LLC, are active in community and regional organizations committed to technology and economic development. They are active members and sponsors of the activities of the Hampton Roads Technology Council and have been nominated for the Hampton Roads High Tech Emerging Company Award on three occasions. They belong to the Emergency Management Training, Analysis and Simulation Center, the Virginia Modeling, Analysis, and Simulation Center, and are assisting the Hampton Roads Partnership to develop a regional strategy for Modeling and Simulation.

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Dr. Roger Smith recently asked Dr. Mastaglio if he could give business advice to a college student and fit that advice on the back of a business card. Dr. Mastaglio responded, “As in school, in business there are 3 “R’s” which are the key to success: relationships, results and reputation!” (Smith 2009).[5]

1. Discuss Dr. Mastalio’s response to Dr. Smith’s question related to the advice he could give someone on the back of a business card. What is your response to his statement about the key to success?
2. Discuss how Dr. Mastaglio’s motivation and creativity enhanced his success.
3. Summarize how his organization contributes to society.

Bonus Case 1.2: MYMIC, LLC: A Dynamic Approach to Entrepreneurship - Notes

1. **Discuss Dr. Mastalio’s response to Dr. Smith’s question related to the advice he could give someone on the back of a business card. What is your response to his statement about the key to success?**

   Student responses will vary.

2. **Discuss how Dr. Mastaglio’s motivation and creativity enhanced his success**.

   Without his creativity and motivation, Dr. Mastaglio would not have developed the simulations used in training, military analysis, experimentation, and business strategy.

3. **Summarize how his organization contributes to society**.

   The organization’s simulations result in a better trained military able to prepare for various situations. Similar training can help business leaders discuss different scenarios to come to the best solution.

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Endnotes

1. Organizational website, “SCORE for the Life of Your Business,” https://www.score.org, accessed August 16, 2023.

2. Small Business Association (SBA), https://www.sba.gov, accessed August 16, 2023.

3. USAID, “What We Do,” https://www.usaid.gov, accessed August 16, 2023.

4. “Respecting Your Business’s Ethics Policy,” *Entrepreneur,* https://www.entrepreneur.com/article/56740, accessed August 16, 2023.

5. Dr. Tom Mastaglio, President, MYMIC LLC, p. 241, in ADVICE written on the back of a business card, Roger D. Smith, Modelbenders Press, 2009.

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