Contents

Preface 12			Corporate Dropouts 47	
			Retiring Baby Boomers 48	
SECTION I	The Challenge		HANDS ON HOW TO Launch	
	of Entrepreneurship 17		a Successful Business While You Are Still in College 49	
Chapter 1	The Foundations of		The Power of "Small" Business 50	
	Entrepreneurship 17	Putting Failure into Perspective 51		
	The World of the Entrepreneur 18		How to Avoid the Pitfalls 53	
	What Is an Entrepreneur? 21			
	The Benefits of Entrepreneurship 28		Know Your Business in Depth 53 Build a Viable Business Model—and Test It 53	
	Opportunity to Create Your Own Destiny 28		Develop a Solid Business Plan 54	
	Opportunity to Make a Difference 29		Understand Financial Statements 54	
	■ YOU BE THE CONSULTANT		Manage Financial Resources 54	
	Decoding the DNA of the		Learn to Manage People Effectively 55	
	Entrepreneur 30		Set Your Business Apart from the	
	Opportunity to Reach Your Full Potential 32		Competition 55	
	Opportunity to Reap Impressive Profits 32		Maintain a Positive Attitude 55	
	Opportunity to Contribute to Society and Be Recognized for Your Efforts 33		Conclusion 56	
	Opportunity to Do What You Enjoy		Chapter Summary by Learning Objective 56	
	and Have Fun at It 33		• Discussion Questions 57 • Beyond	
	The Potential Drawbacks		the Classroom 58 • Endnotes 58	
	of Entrepreneurship 34	-4: 10:1		
	Uncertainty of Income 34	Chapter 2	Ethics and Social	
	Risk of Losing Your Entire Investment 34		Responsibility: Doing the Right Thing 59	
	Long Hours and Hard Work 34		An Ethical Perspective 62	
	Lower Quality of Life Until the Business		Three Levels of Ethical Standards 62	
	Gets Established 35		Moral Management 64	
	High Levels of Stress 35		The Benefits of Moral Management 65	
	Complete Responsibility 35		Establishing an Ethical Framework 66	
	Discouragement 35		Why Ethical Lapses Occur 69	
	Behind the Boom: What's Feeding		An Unethical Employee 69	
	the Entrepreneurial Fire 36		An Unethical Organizational Culture 69	
	■ YOU BE THE CONSULTANT College: The Ideal Place to		Moral Blindness 70	
	Launch a Business 40		Competitive Pressures 70	
	The Cultural Diversity of		Opportunity Pressures 70	
	Entrepreneurship 41		Globalization of Business 70	
	Young Entrepreneurs 41		Establishing and Maintaining Ethical	
	Women Entrepreneurs 41		Standards 71	
	Minority Enterprises 42		Establishing Ethical Standards 71	
	Immigrant Entrepreneurs 43		Maintaining Ethical Standards 73	
	Part-Time Entrepreneurs 44		Social Entrepreneurship 74	
	Home-Based Businesses 45		YOU BE THE CONSULTANT	
	Family Businesses 45		Funding Social Ventures Through	
	Copreneurs 46		Franchise Businesses 75	
	Corporate Castoffs 47		Social Responsibility 76	

Business's Responsibility to the			
Environment 78			
Business's Responsibility to			
Employees 78			
Cultural Diversity in the Workplace			
Drug Testing 82			

79

Sexual Harassment 83 MA HANDS ON ... HOW TO How to Avoid Sexual

Harassment Charges 86

Privacy 88

Business's Responsibility to Customers 88

Right to Safety 88

■ YOU BE THE CONSULTANT Think before You Tweet 89

Right to Know 90 Right to Be Heard 90 Right to Education 90

■ YOU BE THE CONSULTANT But Is It Safe? 91

Right to Choice 91

Business's Responsibility to Investors 92 Business's Responsibility to the

Community 92 Conclusion 93

Chapter Summary by Learning Objective 93 Discussion Questions 94 • Beyond the Classroom ... 95 • Endnotes 95

Inside the Entrepreneurial Chapter 3 **Mind: From Ideas** to Reality 96

Creativity, Innovation, and Entrepreneurship 97

Creativity—Essential to Survival 100

Can Creativity Be Taught? 101

Creative Thinking 101

Barriers to Creativity 104

YOU BE THE CONSULTANT 10 Keys to Business Innovation 105

How to Enhance Creativity 111

Enhancing Organizational Creativity 111

Enhancing Individual Creativity 118

■ HANDS ON . . . HOW TO Be a Successful Innovator 122

The Creative Process 123

Step 1. Preparation 124

Step 2. Investigation 125

Step 3. Transformation 125

Step 4. Incubation 126

Step 5. Illumination 127

Step 6. Verification 128

Step 7. Implementation 128

Techniques for Improving the Creative Process 129

Brainstorming 129

Mind Mapping 130

Force-Field Analysis 131

TRIZ 132

Rapid Prototyping 133

Intellectual Property: Protecting Your Ideas 134

Patents 134

Trademarks 137

■ YOU BE THE CONSULTANT How Would You Rule in These Intellectual Property Cases? 138

M HANDS ON . . . HOW TO Protect Your Company's Intellectual Property-Both at Home and Abroad 141

Copyrights 142

Protecting Intellectual Property 142

Chapter Summary by Learning Objective 143 Discussion Questions 145 • Beyond the Classroom ... 145 • Endnotes 146

SECTION II The Entrepreneurial Journey Begins 147

Conducting a Feasibility Chapter 4 **Analysis and Designing** a Business Model 147

Idea Assessment 148 Feasibility Analysis 151 Industry and Market Feasibility 151 Porter's Five Forces Model 154

HANDS ON . . . HOW TO Forces Shaping Innovation: The Driverless Car 155

Product or Service Feasibility Analysis: Is There a Market? 159

HANDS ON ... HOW TO Do You Want Fries with Those Crickets? 162

Financial Feasibility Analysis: Is There Enough Margin? 163

Entrepreneur Feasibility: Is This Idea Right for Me? 164

Developing and Testing a Business Model 166

■ YOU BE THE CONSULTANT RendezWoof: Creating a Minimal Viable Product for a Mobile App 171

Conclusion 172

■ YOU BE THE CONSULTANT When to Call It Quits on a New Business 173

Chapter Summary b	y Lear	ning	objec	tive	174
• Discussion Que	stions	17	5	Bey	ond
the Classroom	175	•	Endn	otes	176

Chapter 5 Crafting a Business Plan and Building a Solid Strategic Plan 177

The Benefits of Creating a Business Plan 178

The Elements of a Business Plan 180

What Lenders and Investors Look

for in a Business Plan 189

The Pitch: Making the Business Plan Presentation 190

■ YOU BE THE CONSULTANT
The Battle of the Plans 192

Building a Strategic Plan 193

Building a Competitive Advantage 195

The Strategic Management Process 197

Step 1. Develop a Clear Vision and Translate It into a Meaningful Mission Statement 198
Step 2. Assess the Company's Strengths and Weaknesses 202

Step 3. Scan the Environment for Significant Opportunities and Threats Facing the Business 202

HANDS ON . . . HOW TO Beat the Big Guys 203

Step 4. Identify the Key Factors for Success in the Business 206

Step 5. Analyze the Competition 207

- YOU BE THE CONSULTANT
 Digital Franchise Seeks to Expand
 Nationwide 208
- YOU BE THE CONSULTANT
 Finding a Niche with a Subscription
 Business Model 211

Step 6. Create Company Goals and Objectives 212

Step 7. Formulate Strategic Options and Select the Appropriate Strategies 213

Step 8. Translate Strategic Plans into Action Plans 219

Step 9. Establish Accurate Controls 219

Conclusion 223

Sample Business Plan Outline 223

Chapter Summary by Learning Objective 226

Discussion Questions 228
Beyond the Classroom . . . 228
Endnotes 229

Chapter 6 Forms of Business Ownership and Buying an Existing Business 230

HANDS ON ... HOW TO Come Up with the Perfect Moniker for Your Business 233

Sole Proprietorships and Partnerships 235

The Sole Proprietorship 235

The Advantages of a Proprietorship 235
The Disadvantages of a Proprietorship 235

The Partnership 237

The Revised Uniform Partnership Act 237

Partnership Agreement 238

The Advantages of the Partnership 238

The Disadvantages of the Partnership 240

■ YOU BE THE CONSULTANT
Making a Partnership Work 242

Limited Liability Partnerships 243

Corporations 243

The C Corporation 245
The S Corporation 245

The Limited Liability Company 247 How to Create a Legal Business Entity 248

Buying an Existing Business 249

The Advantages of Buying an Existing Business 251 Disadvantages of Buying an Existing Business 253

The Steps in Acquiring a Business 255

Analyze Your Skills, Abilities, and Interests 256

Develop a List of Criteria 257

Prepare a List of Potential Candidates 257 Investigate and Evaluate Potential Companies:

The Due Diligence Process 258
Explore Financing Options 258
Negotiate a Reasonable Deal

with the Owner 258

Ensure a Smooth Transition 259

Negotiating the Deal 260

RANDS ON . . . HOW TO

Become a Successful Negotiator 260

Chapter Summary by Learning Objective 261

Discussion Questions 246

Beyond the Classroom . . . 263

Endnotes 263

Chapter 7 Franchising and the Entrepreneur 264

Types of Franchising 267 The Benefits of Buying a Franchise 268

A Business System 269

Management Training and Support 269

Brand-Name Appeal 270

Standardized Quality of Goods and

Services 270

National Advertising Programs and Marketing Assistance 271

Checklist 300

Financial Assistance 272 Proven Products, Processes, and Business Formats 274	SECTION III	Launching the Business 302
Centralized Buying Power 274 Site Selection and Territorial Protection 274	Chapter 8	Building a Powerful Bootstrap Marketing Plan 302
Greater Chance for Success 275 ■ YOU BE THE CONSULTANT		Building a Bootstrap Marketing Plan 303
Would You Buy This Franchise? 276		Pinpointing the Target Market 305
The Drawbacks of Buying a Franchise 277		Determining Customer Needs and Wants through Market Research 307
Franchise Fees and Ongoing Royalties 277 Strict Adherence to Standardized		■ YOU BE THE CONSULTANT .CO Internet S.A.S. 308
Operations 278 Restrictions on Purchasing and Prices 279		The Value of Market Research 308
Limited Product Line 279		How to Conduct Market Research 310
Contract Terms and Renewal 280		Plotting a Bootstrap Marketing
Unsatisfactory Training Programs 280		Strategy: How to Build
Market Saturation 280		a Competitive Edge 313
Less Freedom 281		Bootstrap Marketing Principles 313 YOU BE THE CONSULTANT
Franchising and the Law 281		Auto Repair Goes Social 321
The Right Way to Buy a		HANDS ON HOW TO
Franchise 284		Make Social Media Work for Your Business 323
Evaluate Yourself 285		YOU BE THE CONSULTANT
Research Your Market 286		A Company with Soul 331
Consider Your Franchise Options 286		Conclusion 337
Get a Copy of the Franchisor's FDD 288		Chapter Summary by Learning Objective 337
Talk to Existing Franchisees 289 Ask the Franchisor Some Tough		 Discussion Questions 338 Beyond
Questions 290		the Classroom 338 • Endnotes 339
Make Your Choice 291	Chapter 9	E-Commerce and the
Trends Shaping Franchising 291		Entrepreneur 340
Changing Face of Franchisees 291		Factors to Consider before Launching into
International Opportunities 292		E-Commerce 344
■ HANDS ON HOW TO Select		Ten Myths of E-Commerce 345
the Ideal Franchise—For You! 293		Myth 1. If I Launch a Site, Customers
■ YOU BE THE CONSULTANT		Will Flock to It 345
Franchising in Africa: Potential Abounds but So Do		Myth 2. Online Customers Are Easy to Please 346
Challenges 295		Myth 3. Making Money on the Web Is
Smaller, Nontraditional Locations 296		Easy 347 Myth 4. Privacy Is Not an Important Issue
Conversion Franchising 296		on the Web 347
Refranchising 296		Myth 5. "Strategy? I Don't Need a Strategy to
Multi-Unit Franchising 297 Area Development and Master		Sell on the Web! Just Give Me a Web Site,
Franchising 297		and the Rest Will Take Care of Itself" 348
Cobranding 298		Myth 6. The Most Important Part of Any E-Commerce Effort Is Technology 349
Conclusion 298		Myth 7. Customer Service Is Not as
Chapter Summary by Learning Objective 298 • Discussion Questions 299 • Beyond		Important Online as It Is in a Traditional Retail Store 349
the Classroom 300 • Endnotes 300		Myth 8. Flashy Web Sites Are Better
Appendix A. A Franchise Evaluation		Than Simple Ones 351

Myth 9. It's What's Up Front That Counts 352

Myth 10. My Business Doesn't Need a Web Site 353

Strategies for E-Success 354

MANDS Of HOW (O Tise) Mobile-First, Responsive Web Design to Increase Online Sales 362

Designing a Killer Web Site 367

■ YOU BE THE CONSULTANT A Total Makeover 368

Tracking Web Results 376

Ensuring Web Privacy and Security 378

Privacy 378 Security 378

HANDS ON . . . HOW TO Build a Web Site That Lands Customers and Creates Conversions 379

Chapter Summary by Learning Objective 382
 Discussion Questions 383
 Beyond the Classroom . . . 384
 Endnotes 384

Chapter 10 Pricing and Credit Strategies 385

Three Potent Forces: Image, Competition, and Value 388

Price Conveys Image 388
Competition and Prices 390
Focus on Value 393

Pricing Strategies and Tactics 397

Introducing a New Product 397

■ YOU BE THE CONSULTANT What's the Right Price? 398

Pricing Established Goods and Services 400

** ETHICS AND ENTREPOSITE 25105 The Ethics of Dynamic Pricing 402

Pricing Strategies and Methods for Retailers 406

Markup 406

Pricing Concepts for Manufacturers 408

Direct Costing and Pricing 409

Computing the Break-Even Selling Price 411

Pricing Strategies and Methods for Service Firms 412

■ HANDS ON . . . HOW TO Calculate Your Company's Pocket Price Band 412

The Impact of Credit on Pricing 414

Credit Cards 415
Installment Credit 418
Trade Credit 418

Chapter Summary by Learning Objective 418
 Discussion Questions 419
 Beyond the Classroom . . . 420
 Endnotes 420

Chapter 11 Creating a Successful Financial Plan 421

Basic Financial Statements 422

The Balance Sheet 422
The Income Statement 424
The Statement of Cash Flows 426

Creating Projected Financial Statements 427

Projected Financial Statements for a Small Business 427

Ratio Analysis 431

Twelve Key Ratios 432

■ YOU BE THE CONSULTANT
The Challenges of Debt 436

Interpreting Business Ratios 443

■ YOU BE THE CONSULTANT All Is Not Paradise in Eden's Garden: Part 1 444

What Do All of These Numbers Mean? 447

Break-Even Analysis 450

■ YOU BE THE CONSULTANT All Is Not Paradise in Eden's Garden: Part 2 450

Calculating the Break-Even Point 451
Adding a Profit 452
Break-Even Point in Units 453
Constructing a Break-Even Chart 454

■ YOU BE THE CONSULTANT Where Do We Break Even? 455

Using Break-Even Analysis 455

Chapter Summary by Learning Objective 456
 Discussion Questions 457
 Beyond the Classroom . . . 457
 Endnotes 457

Chapter 12 Managing Cash Flow 458

Cash Management 459
Cash and Profits Are Not the Same 463
The Cash Budget 464

Step 1: Determining an Adequate Minimum Cash Balance 468 Step 2: Forecasting Sales 468

Step 3: Forecasting Cash Receipts 469

HANDS ON ..., HOW TO Manage Cash Flow in a Highly Seasonal Business 470

Step 4: Forecasting Cash Disbursements 472 Step 5: Estimating the End-of-Month Cash Balance 473

The "Big Three" of Cash Management 474

■ YOU BE THE CONSULTANT In Search of a Cash Flow Forecast 475

Accounts Receivable 476

Accounts Payable 482 U.S. Department of Agriculture's Business M HANDS ON HOW TO Programs and Loans 531 Avoid Losses from Accounts Small Business Innovation Research Receivable 483 Program 532 Inventory 484 Small Business Technology Transfer Program 532 Avoiding the Cash Crunch 487 State and Local Loan Development Barter 488 Programs 532 Trim Overhead Costs 489 Other Methods of Financing 533 **YOU BE THE CONSULTANT** Factoring Accounts Receivable 533 Controlling Employee Theft 493 Leasing 534 Conclusion 494 ROBS 534 Chapter Summary by Learning Objective 495 Merchant Cash Advance 535 Discussion Questions 495 • Beyond the Classroom ... 496 • Endnotes 496 Peer-to-peer Lending 535 Loan Brokers 535 **SECTION IV Putting the Business** Credit Cards 535 Plan to Work: Sources Chapter Summary by Learning Objective 536 of Funds 497 Discussion Questions 537 • Beyond the Classroom ... 538 • Endnotes 539 **Chapter 13 Sources of Financing: Equity** Chapter 14 **Choosing the Right Location** and Debt 497 and Layout 540 Equity Capital versus Debt Capital 500 Location: A Source of Competitive Sources of Equity Financing 500 Advantage 541 Personal Savings 500 Choosing the Region 542 Friends and Family Members 501 Choosing the State 545 Crowd Funding 502 Choosing the City 551 MANDS ON . . . HOW TO ETHICS AND ENTREPRENEURSHIP Structure Family and Friendship 'Wait, You Can't Take Our Location Financing Deals 503 Can You?" 556 Accelerators 504 Choosing the Site 557 B HANDS ON ... HOW TO Location Criteria for Retail and Service Crowdfunding 505 **Businesses 558** Angels 506 Trade Area Size 558 Venture Capital Companies 509 YOU BE THE CONSULTANT Corporate Venture Capital 513 "Pop" Goes the Store 559 Public Stock Sale ("Going Public") 513 Retail Compatibility 560 Sources of Debt Financing 517 Degree of Competition 560 Commercial Banks 518 The Index of Retail Saturation 560 Short-Term Loans 518 Reilly's Law of Retail Gravitation 561 Intermediate- and Long-Term Loans 519 Transportation Network 562 HANDS ON ... HOW TO Get a Physical and Psychological Barriers 562 Bank to Say "Yes" to Your Loan Customer Traffic 562 Application 520 The Small Business Administration (SBA) Adequate Parking 562 Loan Guarantee Programs 522 Reputation 563 Visibility 563 **■ YOU BE THE CONSULTANT** The Never-Ending Hunt for **Location Options for Retail** Financing 523 and Service Businesses 563 Other SBA Loan Programs 526 Central Business District 564 Nonbank Sources of Debt Capital 527 Neighborhood Locations 565

Shopping Centers and Malls 565

Near Competitors 568

Other Federal and State Programs

Department of Housing and Urban

Development 531

Economic Development Administration 531

Shared Spaces 569 Inside Large Retail Stores 569 Nontraditional Locations 569 Home-Based Businesses 569		International Trade Agreements 619 Conclusion 620 Chapter Summary by Learning Objective 621 • Discussion Questions 622 • Beyond
On the Road 570		the Classroom 623 • Endnotes 623
The Location Decision for Manufacturers 570 Foreign Trade Zones 571	Chapter 16	Building a New Venture Team and Planning for the Next Generation 624
Business Incubators 572		Leadership: An Essential Part of an
Layout and Design Considerations 572		Entrepreneur's Job 625
Size and Adaptability 574 Construction and Appearance 574		Building an Entrepreneurial Team: Hiring the Right Employees 631
Entrances 575		How to Hire Winners 633
The Americans with Disabilities Act 575 Signs 575		Create Practical Job Descriptions and Job Specifications 637
Building Interiors 576 Drive-Through Windows 576		■ YOU BE THE CONSULTANT Avoid These Hiring Mistakes 638
Sight, Sound, Scent, and Lighting 577 Sustainability and Environmentally Friendly Design 578		Plan an Effective Interview 639 ## FIRST ### 1000 FOR THE FOREST FOR THE FOREST FORES
Layout: Maximizing Revenues, Increasing Efficiency, or Reducing Costs 579		Conduct the Interview 642 Contact References and Conduct a Background Check 643
Layout for Retailers 579 HANDS ON HOW TO Create the Ideal Layout 580 Layout for Manufacturers 583 Chapter Summary by Learning Objective 586 Discussion Questions 587 • Beyond		Creating an Organizational Culture That Encourages Employee Motivation and Retention 645 Culture 645 Job Design 650 Motivating Employees to Higher Levels of
the Classroom 587 • Endnotes 588		Performance: Rewards and Compensation 652
Global Aspects of		Management Succession: Passing the
Entrepreneurship 589		Torch of Leadership 655
Why Go Global? 590 Strategies for Going Global 592		HANDS ON HOW TO Make Your Small Business a Great Place to Work
■ YOU BE THE CONSULTANT		656
Going Global from the Outset 594 YOU BE THE CONSULTANT Selling a Simple Product to a Global Market 601		Exit Strategies 664 Selling to Outsiders 664 Selling to Insiders 665 Chapter Summary by Learning Objective 666
Barriers to International Trade 610		• Discussion Questions 666 • Beyond the
Domestic Barriers 610		Classroom 667 • Endnotes 667
■ YOU BE THE CONSULTANT Expat Entrepreneurs Find	Appendix	The Daily Perc Business Plan 668
Opportunity in Argentina 611 MANDS ON HOW TO Build a	Cases 690	
Successful Global Company 614 International Barriers 615	Name Index	706
international pairiers 015	Subject Index	714

Chapter 15

Political Barriers 616 Business Barriers 616 Cultural Barriers 617