



Intro to Entrepreneurship

Learning Objectives



- ▶ After completing this chapter, you'll be able to:
 - ▶ Recognize the advantages and disadvantages of a small business.
 - ▶ Explain why small businesses may fail.

Small Business: What you need to know

- ▶ The Small Business Administration (SBA) defines a small business as an independently owned business that usually has the owner as its manager.
- ▶ A small business serves a limited geographic area, employs fewer than 500 people, and is not dominant in its industry.

Small Business: What you need to know

- ▶ Small businesses generate more than half the nation's income.
- ▶ They are the principal source of new jobs.

Advantages of Small Business

- ▶ Some of the advantages of owning a small business are:
 - ▶ Being the boss
 - ▶ Offering services large companies cannot offer
 - ▶ Ease of formation

Disadvantages of Small Business

- ▶ When you're a small business owner, you're responsible for decisions.
- ▶ You often work long hours and have great financial responsibility.
- ▶ About four out of five small businesses fail in their first five years.

Disadvantages of Small Business

- ▶ Small business owners may mistake the freedom of being in business for oneself for the liberty of working or not.
- ▶ A small business may underprice or overprice goods or services.
- ▶ Going into business with little or no experience may result in the business closing.

Disadvantages of Small Business

Why a small business might not work:

- ▶ 1. Effect of Change

- ▶ Consumers' tastes change.

- If flexibility and change are not part of the business, then it's likely to fail.

Disadvantages of Small Business

- ▶ 2. Managerial Skills Needed
 - ▶ Financing
 - ▶ Employee Relations
 - ▶ Production
 - ▶ Customer Relations

Disadvantages of Small Business

- ▶ 3. Inadequate Financial Planning
 - ▶ Starting with little money, spending carelessly, borrowing money without planning, and forgetting about taxes and insurance may result in a failure.

Preparing for Your Own Business

- ▶ A **business plan** is a written description of a new business venture that describes all aspects of the business.

Checklist for Starting a Venture

- ▶ Some questions to consider before starting your own business are:
 - ☑ What will I produce?
 - ☑ Who are my main competitors?
 - ☑ Why is my product needed?
 - ☑ How much will my product cost to produce?
 - ☑ How many people will I need to run the business?
 - ☑ What physical facilities will I need?
 - ☑ What licenses, permits, or other legal documents do I need?
 - ☑ How much money will I need to get started?