Small Business and Entrepreneurship: Economic Rocket Fuel

• Why do entrepreneurs launch small businesses?
• What is the typical entrepreneurial mindset and characteristics?
• What are funding options for small business?
• What are the opportunities and threats facing small businesses?
• What are ways to become a business owner and facilitate success?
• What is the size, scope and economic contribution of small business?
Launching a New Venture: What’s in It For Me?

✓ Greater Financial Success
✓ Independence
✓ Flexibility
✓ Challenge
✓ Survival

“Business opportunities are like buses…there’s always another one coming.”
-- Richard Branson, Virgin Enterprise
The Entrepreneur: A Distinctive Profile

- Vision
- Energy
- Tolerance of Uncertainty
- Self-Reliance
- Confidence
- Tolerance of Failure
The Entrepreneurial Mindset: A Matter of Attitude

- Not every small businessperson starts as an entrepreneur

- The difference is a matter of attitude

- 70% of small business owners say they don’t want to grow any larger

- Classic entrepreneurs’ ideas can dramatically change the world

Henry Ford, Walt Disney, Bill Gates, Martha Stewart ......
Finding the Money:
Funding Options for Small Business

- Personal Resources
- Loans
- Angel Investors
- Venture Capital
Opportunities and Threats for Small Business: A Two-Sided Coin

Opportunities:

- Market Niches
- Personal Customer Service
- Lower Overhead Cost
- Technology
Opportunities and Threats for Small Business: A Two-Sided Coin

**Threats:**

- Higher Risk of Failure
- Lack of Knowledge and Experience
- Too Little Money
- Bigger Regulatory Burden
- Higher Health Insurance Costs
Opportunities and Threats for Small Business: A Two-Sided Coin

<table>
<thead>
<tr>
<th>Year in Business</th>
<th>Survival Rate</th>
<th>Change vs. Prior Year (percentage points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>81%</td>
<td>-19</td>
</tr>
<tr>
<td>Year 2</td>
<td>66%</td>
<td>-15</td>
</tr>
<tr>
<td>Year 3</td>
<td>54%</td>
<td>-12</td>
</tr>
<tr>
<td>Year 4</td>
<td>44%</td>
<td>-10</td>
</tr>
<tr>
<td>Year 5</td>
<td>38%</td>
<td>-6</td>
</tr>
<tr>
<td>Year 6</td>
<td>34%</td>
<td>-4</td>
</tr>
<tr>
<td>Year 7</td>
<td>31%</td>
<td>-3</td>
</tr>
</tbody>
</table>

Failing with Style

• Walt Disney was fired from an ad agency for a “singular lack of drawing ability.”

• Ray Kroc, McDonald’s founder, failed at real estate, he didn’t discover the McDonald brothers’ hamburger stand until he was 52 years old.

• Steve Jobs, founder of Apple computer, was dumped by his board of directors, but returned a decade later to launch the iMac and the iPod.

Your failure may be the first step of the next big thing.
Launch Options: Reviewing the Pros and Cons

- Starting from scratch
- Buying an established business
- Buying a franchise
### Starting a Business from Scratch

<table>
<thead>
<tr>
<th>Key Pros:</th>
<th>Key Cons:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• It’s all <em>you</em>: Your concept, your decisions, your structure</td>
<td>• It’s all <em>you</em>. That’s a lot of pressure.</td>
</tr>
<tr>
<td>• You don’t have to deal with the prior owner’s bad decisions.</td>
<td>• It can be hard to get credit.</td>
</tr>
<tr>
<td></td>
<td>• Logistics can be challenging</td>
</tr>
<tr>
<td></td>
<td>• It takes time, money, and sheer sweat to build a customer base.</td>
</tr>
</tbody>
</table>

# Buying an Established Business

<table>
<thead>
<tr>
<th><strong>Key Pros:</strong></th>
<th><strong>Key Cons:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- The concept, organizational structure, and operating practices are in place</td>
<td>- Working with someone else’s idea may not be fun</td>
</tr>
<tr>
<td>- Relationships are established</td>
<td>- You may inherit old mistakes</td>
</tr>
<tr>
<td>- Obtaining financing is less challenging</td>
<td></td>
</tr>
</tbody>
</table>

# Buying a Franchise

<table>
<thead>
<tr>
<th>Key Pros:</th>
<th>Key Cons:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Partnering with established brand</td>
<td>• Less opportunity for creativity</td>
</tr>
<tr>
<td>• Possibility of assistance with management and financing</td>
<td>• Tied to national brand’s mistakes</td>
</tr>
<tr>
<td>• Low failure rate</td>
<td>• Purchase price and ongoing royalties can be steep</td>
</tr>
</tbody>
</table>

Making it Happen: Tools for Success

- Small Business Administration
- Gain Experience
- Learn from Others
- Educate Yourself
- Business Plan
The Business Plan

- Executive Summary
- Description of Business
- Competitive and Industry Research
- Marketing Strategies
- Operating Procedures
- Personnel
- Financial Projections
Small Business and the Economy: An Outsized Impact

- In 2007, 99.9% of the 200,000 businesses in the U.S. had fewer than 500 employees.

- 6% of small business owners ran their business without any employees.

- In the past decade, 60 to 80% of the net new jobs were created by small businesses.

- Small businesses employ half of the nation’s private workforce.

- Creating New Jobs
- Fueling Innovation
- Vitalizing Inner Cities
Big business is targeting small businesses because their numbers add up to BIG BUSINESS.

**Minipreneurs** – an army of individuals launching super small scale enterprises
Entrepreneurship around the World

- Entrepreneurship has an economic impact around the world

- Although the economy has decreased individuals perception of opportunities, intentions to start a new venture has not declined
  1. People are afraid of losing their jobs and are considering entrepreneurship more seriously
  2. Potential entrepreneurs may be more optimistic about their own ability
  3. Potential entrepreneurs may be delaying launch for three years when the downturn might be over
Entrepreneurship around the World

Entrepreneurship around the word depends on:

1. Per Capita Income
2. Opportunity Cost
3. Cultural/Political Environment

<table>
<thead>
<tr>
<th>Top Ten Entrepreneurship Rates</th>
<th>Bottom Ten Entrepreneurship Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>Entrepreneurship rate</td>
</tr>
<tr>
<td>Bolivia</td>
<td>45.6%</td>
</tr>
<tr>
<td>Columbia</td>
<td>36.7%</td>
</tr>
<tr>
<td>Peru</td>
<td>32.7%</td>
</tr>
<tr>
<td>Argentina</td>
<td>29.6%</td>
</tr>
<tr>
<td>Ecuador</td>
<td>28.1%</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>27.9%</td>
</tr>
<tr>
<td>India</td>
<td>27.6%</td>
</tr>
<tr>
<td>Brazil</td>
<td>26.4%</td>
</tr>
<tr>
<td>Angola</td>
<td>26.0%</td>
</tr>
<tr>
<td>Macedonia</td>
<td>24.8%</td>
</tr>
</tbody>
</table>

• Why do entrepreneurs launch small businesses?
• What is the typical entrepreneurial mindset and characteristics?
• What are funding options for small business?
• What are the opportunities and threats facing small businesses?
• What are ways to become a business owner and facilitate success?
• What is the size, scope and economic contribution of small business?