## Part One

**Entrepreneurs and Ideas: The Basis of Small Business**

<table>
<thead>
<tr>
<th>CHAPTER 1</th>
<th>Small Business: Its Opportunities and Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Starting an Entrepreneurial Small Business: Help Help</strong></td>
<td>4</td>
</tr>
<tr>
<td>Skill Module 1.1 The Small Business Online Scavenger Hunt</td>
<td>5</td>
</tr>
<tr>
<td>Defining a Small Business</td>
<td>5</td>
</tr>
<tr>
<td>Small Business Owners and Entrepreneurs</td>
<td>6</td>
</tr>
<tr>
<td>Small Businesses versus High-Growth Ventures</td>
<td>6</td>
</tr>
<tr>
<td><strong>Rewards for Starting a Small Business</strong></td>
<td>8</td>
</tr>
<tr>
<td>Myths about Small Businesses</td>
<td>9</td>
</tr>
<tr>
<td>Getting Started Now: Entry Competencies</td>
<td>12</td>
</tr>
<tr>
<td>Skill Module 1.2 BRIE Self-Assessment</td>
<td>13</td>
</tr>
<tr>
<td>Small Business and the Economy</td>
<td>14</td>
</tr>
</tbody>
</table>

### New Jobs 15
### Innovations 15
### New Opportunities 16
### Two Aspects of Global Entrepreneurship 18
### Beyond Small Business: The Other Forms of Entrepreneurship 19

**Chapter Summary** ☐ Key Terms ☐ Discussion Questions ☐ Experiential Exercises ☐ Mini-Case ☐ Suggested Cases and Articles ☐ Suggested Videos

<table>
<thead>
<tr>
<th>CHAPTER 2</th>
<th>Small Business Environment: Managing External Relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Environment of Small Business</td>
<td>28</td>
</tr>
<tr>
<td>The Elements of the Small Business Environment</td>
<td>29</td>
</tr>
<tr>
<td>Skill Module 2.1 Finding Your Trade or Professional Association and Their Magazines</td>
<td>30</td>
</tr>
<tr>
<td>Environmental Scanning for Small Businesses</td>
<td>31</td>
</tr>
<tr>
<td>Skill Module 2.2 Finding Out How the Small Business Economy Is Doing</td>
<td>32</td>
</tr>
</tbody>
</table>

**Five Skills for Managing Relations with the Environment** ☐ Building Legitimacy ☐ Developing a Social Network
**Skill Module 2.3 Asking for Help** 37
**Skill Module 2.4 Networking Skills** 38
**Handling a Crisis** 40
**Achieving Sustainability** 41
**Making Ethical Decisions** 42

**Chapter Summary** ☐ Key Terms ☐ Discussion Questions ☐ Experiential Exercises ☐ Mini-Case ☐ Suggested Cases and Articles ☐ Suggested Videos

<table>
<thead>
<tr>
<th>CHAPTER 3</th>
<th>Small Business Entrepreneurs: Characteristics and Competencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Entrepreneurial Personality</td>
<td>58</td>
</tr>
<tr>
<td>Entrepreneurial Operational Competencies</td>
<td>60</td>
</tr>
<tr>
<td>Skill Module 3.1 Competency Self-Assessment</td>
<td>60</td>
</tr>
<tr>
<td>Professionalization</td>
<td>63</td>
</tr>
<tr>
<td>Entrepreneurial Careers</td>
<td>64</td>
</tr>
<tr>
<td>What Makes a Difference in Entrepreneurial Efforts</td>
<td>65</td>
</tr>
<tr>
<td>Family Businesses</td>
<td>66</td>
</tr>
<tr>
<td>Entrepreneurial Teams</td>
<td>69</td>
</tr>
<tr>
<td>Women and Minorities in Small Business</td>
<td>70</td>
</tr>
<tr>
<td>Second Career Entrepreneurs</td>
<td>71</td>
</tr>
</tbody>
</table>

**Chapter Summary** ☐ Key Terms ☐ Discussion Questions ☐ Experiential Exercises ☐ Mini-Case ☐ Suggested Cases and Articles ☐ Suggested Videos

<table>
<thead>
<tr>
<th>CHAPTER 4</th>
<th>Small Business Ideas: Creativity, Opportunity, and Feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Source of Business Ideas</td>
<td>80</td>
</tr>
<tr>
<td>Work Experience</td>
<td>81</td>
</tr>
<tr>
<td>A Similar Business</td>
<td>81</td>
</tr>
<tr>
<td>Hobby or Personal Interest</td>
<td>82</td>
</tr>
<tr>
<td>Chance Happening, or Serendipity</td>
<td>82</td>
</tr>
<tr>
<td>Family and Friends</td>
<td>82</td>
</tr>
<tr>
<td>Education and Expertise</td>
<td>83</td>
</tr>
<tr>
<td>Technology Transfer and Licensing</td>
<td>83</td>
</tr>
</tbody>
</table>

**Screening Ideas** 84
**From Ideas to Opportunities through Creativity** 87
Get into an Innovative Frame of Mind 90
Avoid Pitfalls 90
Types of Innovations Small Businesses Develop 91
Make Sure an Idea Is Feasible 92
Assessing Feasibility by Pilot Testing 96
Ways to Keep On Being Creative 97
Skill Module 4.1 Great Ideas for Making Idea-Prone Companies 98
Chapter Summary  Key Terms  Discussion
Questions  Experiential Exercises  Mini-Case
Suggested Cases and Articles  Suggested Videos

Part Two
Small Business Paths & Plans 117

CHAPTER 5
Small Business Entry: Paths to Part-Time Entrepreneurship 118

Why Part-Time Businesses Are Important 120
When to Consider Part-Time Entrepreneurship 120
Key Considerations for Success in Part-Time Entrepreneurship 121
What Kinds of Part-Time Entrepreneurship Exist? 122
  Home-Based Business 123
  Internet Informational Web Sites 126
  E-Commerce and eBay Web Sites 129
Skill Module 5.1 Checklist for Maximizing Success on eBay 133
  The Next Best Things to a Home-Based Business 136
Success Factors for Part-Time Businesses 139
  Boundary: Separating and Balancing Business and Home 140
  Exchange: Dealing with Others 141
  Pricing and Costing 141
What Are the Challenges of Being an Entrepreneur Part Time? 142
  Delegation and Outsourcing 142
Making Do When You Are Starting Out 143
  Ethics and Part-Time Small Business 144
  Moving from Part-Time to Full-Time Entrepreneurship 146
Chapter Summary  Key Terms  Discussion
Questions  Experiential Exercises  Mini-Case
Suggested Cases and Articles  Suggested Videos

CHAPTER 6
Small Business Entry: Paths to Full-Time Entrepreneurship 152
The Five Paths to Business Ownership 154
Starting a New Business 155
  Advantages of Start-Ups 155
  Disadvantages of Start-Ups 155
  Creating a New Business 156
  Increasing the Chance of Start-Up Success 157
  Special Strategies for Starting from Scratch 161
Buying an Existing Business 162
  Advantages of Purchasing an Existing Business 162
  Disadvantages of Purchasing an Existing Business 162
  Finding a Business to Buy 163
Skill Module 6.1 Finding a Business for Sale 163
  Investigating Entrepreneurial Opportunities: Performing Due Diligence 164
  Determining the Value of the Business 166
  Structuring the Deal 168
  Buyouts 168
  Buy-Ins 169
  Key Resource Acquisitions 169
  Takeovers 169
Franchising a Business 170
  What Is Franchising? 170
  Advantages of Franchising 171
  Franchise Opportunities 172
  Legal Considerations 172
Inheriting a Business 174
  Family Businesses Succession 174
  Developing a Formal Management Structure 174
  Succession Issues for the Founder 174
  Succession Issues for the Successor 175
  Ownership Transfer 176
Professional Management of Small Business 176
Chapter Summary  Key Terms  Discussion
Questions  Experiential Exercises  Mini-Case
Suggested Cases and Articles  Suggested Videos
CHAPTER 7  
Small Business Strategies: Imitation with a Twist 182

Strategy in the Small Business 184
Prestrategy: The First Step of Strategic Planning 185
  Owner Rewards 185
  Product/Service Idea and Industry 186
Skill Module 7.1 Finding Your Firm’s Industry 188
  Imitation and Innovation 189
  Markets 189
Customers and Benefits: The Second Step of Strategic Planning 191
  Value and Cost Benefits 192
Skill Module 7.2 Checking Customer Opinions Online 192
Industry Dynamics and Analysis: The Third Step of Strategic Planning 195
  Tool: Industry Analysis 196
Skill Module 7.3 Short and Sweet Industry Analysis 196
Strategy Selection and Implementation: The Fourth Step in Strategic Planning 198
  Tool: SWOT Analysis 201
Skill Module 7.4 The Mechanics of a SWOT Analysis 201
Post Start-Up Strategy 203
  Resources: What You Bring to the Firm 203
  Organizational Capabilities 204
  Discouraging Competitors 204
Chapter Summary □ Key Terms □ Discussion Questions □ Experiential Exercises □ Mini-Case □ Suggested Cases and Articles □ Suggested Videos
Appendix Five Steps to an Industry Analysis 209

CHAPTER 8  
Business Plans: Seeing Audiences and Your Business Clearly 212

Business Plan Background 214
The Business Plan Story: Starting Small and Building Up 215
  The Vision Statement 216
  The Mission Statement 216
  The Elevator Pitch 217
Skill Module 8.1 How to Write Your Elevator Pitch 218
  The Executive Summary 218
Strategizing for the Business Plan 220
The Classic Business Plan 220
  Cover Letter 221
Skill Module 8.2 How to Write a Cover Letter 223
  Title Page 224
  Table of Contents 224
  Executive Summary 224
  The Company 224
  The Market 225
  The Organization 226
  The Financials 228
  The Appendices 229
Skill Module 8.3 How to Write a Résumé 229
Focusing Your Business Plan 230
The Most Common Critical Risks in a Plan 235
Presenting Your Plan 236
Chapter Summary □ Key Terms □ Discussion Questions □ Experiential Exercises □ Mini-Case □ Suggested Cases and Articles □ Suggested Videos
Appendix A Example Cover Letter and Résumé 243
Appendix B Example Business Plan 245

Part Three  
Marketing in the Small Business 271

CHAPTER 9  
Small Business Marketing: Product and Pricing Strategies 272

Product 274
  Goods versus Services 274
Skill Module 9.1 Facing Intangibility and Perishability 276
  The Total Product Approach 276
Skill Module 9.2 Learning about the Total Product of You 277
  Branding 277
  New Product Development Process 279
Controlling Cash Shortages 465
In Review 466
Chapter Summary = Key Terms = Discussion
Questions = Experiential Exercises = Mini-Case =
Suggested Cases and Articles = Suggested Videos
Appendix Completing a Bank Reconciliation 472

CHAPTER 15
Small Business Finance: Using Equity, Debt, and Gifts 476

Sources of Financing for Small Businesses 478
Financing with Equity 479
Skill Module 15.1 Determining Personal Net Worth 481
Getting Equity Investment for Your Business 483
Equity Capital from the Investor’s View 484
Equity Capital from the Owner’s View 485
Why Use Equity Capital? 485
Financing with Debt: Getting a Loan for Your Business 485
Skill Module 15.2 Obtaining Your Credit Report 487
Gift Financing 488
Skill Module 15.3 Finding SBIR Grants 489
What Type of Financing Is Right for Your Business? 492
Financial Management for the Life of Your Business 496
Tools for Financial Management 496
Financial Management for Start-Up 498
Financial Management for Growth 501
Financial Management for Operations 501
Financial Management for Business Exit 502
Chapter Summary = Key Terms = Discussion
Questions = Experiential Exercises = Mini-Case =
Suggested Cases and Articles = Suggested Videos

CHAPTER 16
Assets: Inventory and Operations Management 506

Managing Short-Term Assets 508
Accounts Receivable 508
The Pros and Cons of Offering Credit to Customers 508
Managing Accounts Receivable to Receive the Greatest Benefit for Your Business 508
Using Your Accounts Receivable as a Source of Financing 508
Skill Module 16.1 Using Receivables to Raise
Immediate Cash 510
Managing Inventory 510
Determining the Appropriate Level of Inventory 511
Scheduling Ordering and Receipt of Inventory 512
Just-in-Time Inventory Systems 513
Other Approaches to Inventory Control 513
Value of Assets in Your Business 515
Determining the Value of Your Operating Assets 515
Determining the Value of Inventory 517
Property, Plant, and Equipment 518
Skill Module 16.2 Understanding Whole of Life Costs for Capital Budgeting 519
The Capital Budgeting Decision 519
Payback Period 520
Rate of Return on Investment 520
Net Present Value 521
Rent or Buy 522
Financing with Leases 522
Fractional Ownership and Other Forms of Joint Ventures 523
Managing Operations 523
Inputs into Your Business 524
Business Operations Comprise Converting Time and Materials into Service and Products 524
Business Outputs 525
Feedback 525
Measuring and Improving Productivity 525
Operations Management Challenges for Product-Based Firms 526
Operations Management Challenges for Service Firms 526
Chapter Summary = Key Terms = Discussion
Questions = Experiential Exercises = Mini-Case =
Suggested Cases and Articles = Suggested Videos
Appendix A Economic Order Quantity 531
Appendix B Time Value of Money and Discounted Cash Flow Analysis 533

CHAPTER 17
Small Business Protection: Risk Management and Insurance 538

Risk in Small Business 540
Thinking about Risk 540
Risks Associated with Specific Business Operations 541
Property of the Business 541
CHAPTER 20
Achieving Success in the Small Business 636

Small Business Life Cycle 638
- Emergence 638
- Existence 638
- Success 639
- Resource Maturity 639
- Takeoff 640

Growth Strategies 641
Closing the Small Business 642
- Transfers 643
- Terminations 644
- Walkaways 644
- Workouts and Bankruptcy 645

The Not-So-Secret Secrets of Success 646
Measuring Success with Four Bottom Lines 648
- The Firm 648
- Community 648
- Family 649
- Yourself 649

Skill Module 20.1 Assessing the Four Bottom Lines 650
Conclusion 651

Chapter Summary □ Key Terms □ Discussion Questions □ Experiential Exercises □ Mini-Case □ Suggested Cases and Articles □ Suggested Videos

CASES
1: Brothers Going Separate Ways or Not? C-1
2: G & R Garden Center: Lawn Care Services Division C-2
3: Real Estate Millionaires of Memphis C-3
4: Big Business in a Small Rural City C-4
5: The Ambitious College Kid Who Just Can't Wait C-5
6: The Grande General Store, Est. 1948—It's Time to Sell C-6
7: The Computer Guru: A One-Man Show or an Empire? C-8
8: The Early Stages of Paint Check Services C-9
9: The House of Wine—Grand Opening C-10
10: Business Demise C-11
11: S & Z East Coast Importers C-12
12: The Wallingford Bowling Center C-14
13: Parker Mountain Products, Inc. C-15
14: Nate Mower & Son, Residential Plumber(s) C-16
15: The Landlords: Investments in Commercial Real Estate C-18
16: Richard Harris and Harris Homes LLC C-19
17: The House of Wine (Revisited) C-20
18: Theresa Murray and in the Eye of the Beholder C-20
19: Alaska Wildland Adventures C-21
20: Joseph Shaughnessy, BSI Constructors, St. Louis C-22

VIDEO CASES
1-1 Do-Gooders Who Spread the Dough VC-1
3-1 Small Business Volunteering VC-2
4-1 From Granny's Kitchen to Tesco VC-2
5-1 Magno-Grip VC-3
6-1 Blue MauMau VC-3
8-1 Financing for Entrepreneurs VC-4
9-1 Craft Beer Boom VC-5