Part One
Entrepreneurs and Ideas: The Basis of Small Business 1

CHAPTER 1
Small Business: Its Opportunities and Rewards 2

Starting an Entrepreneurial Small Business: Four Key Ideas 4
Skill Module 1.1 The Small Business Online Scavenger Hunt 4
Entrepreneurs Are Everywhere 5
The Many Types of Entrepreneurial Small Businesses 7
Entrepreneurs and Firm Growth Strategies 9
Rewards for Starting a Small Business 10
Myths about Small Businesses 11
Getting Started Now: Entry Competencies 12
Skill Module 1.2 BRIE Self-Assessment 13
Small Business and the Economy 15
New Jobs 15
Innovations 15
New Opportunities 16
Two Aspects of Global Entrepreneurship 18
Beyond Small Business: CSI Entrepreneurship 20
Challenge and the Entrepreneurial Way 21

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

CHAPTER 2
Small Business Entrepreneurs: Characteristics and Competencies 28

The Psychology of Entrepreneurs 30
The Five Ps of Entrepreneurial Behavior 30
Skill Module 2.1 Entrepreneurial Personality Overview 33
Entrepreneurial Operational Competencies 34
Skill Module 2.2 Competency Self-Assessment 34
The Sociology of Entrepreneurs 36
Family Businesses 37

Entrepreneurial Teams 40
Women and Minorities in Small Business 42
Second Career Entrepreneurs 44
Chapter Summary □ Key Terms □ Discussion Questions □ Experiential Exercises □ Mini-Case □ Suggested Cases and Articles □ Suggested Videos

CHAPTER 3
Small Business Environment: Managing External Relations 50

The Environment of Small Business 52
The Elements of the Small Business Environment 53
Skill Module 3.1 Finding Your Trade or Professional Association and Their Magazines 54
Environmental Scanning for Small Businesses 55
Skill Module 3.2 Finding Out How the Small Business Economy Is Doing 56
Five Skills for Managing Relations with the Environment 57
Building Legitimacy 57
Developing a Social Network 60
Skill Module 3.3 Asking for Help 61
Skill Module 3.4 Networking Skills 62
Handling a Crisis 64
Achieving Sustainability 65
Making Ethical Decisions 66

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

CHAPTER 4
Small Business Ideas: Creativity, Opportunity, and Feasibility 80

The Source of Business Ideas 82
Work Experience 83
A Similar Business 83
Hobby or Personal Interest 83
Chance Happening, or Serendipity 84
Family and Friends 84
Education and Expertise 84
Idea Sites 85
Technology Transfer and Licensing 85
Screening Ideas 86
Skill Module 4.1 Checking Ideas on the Web 86
Part Two
Small Business Paths & Plans 119

CHAPTER 5
Small Business Entry: Paths to Part-Time Entrepreneurship 120

Why Part-Time Businesses Are Important 122
When to Consider Part-Time Entrepreneurship 122
Key Considerations for Success in Part-Time Entrepreneurship 123
What Kinds of Part-Time Entrepreneurship Exist? 124
Home-Based Business 125
Internet Informational Websites 128
E-Commerce and eBay Websites 131
Skill Module 5.1 Checklist for Maximizing Success on eBay 135
The Next Best Things to a Home-Based Business 138
Success Factors for Part-Time Businesses 141
Boundary: Separating and Balancing Business and Home 142
Exchange: Dealing with Others 143
Pricing and Costing 143

CHAPTER 6
Small Business Entry: Paths to Full-Time Entrepreneurship 154

The Five Paths to Business Ownership 156
Starting a New Business 157
Advantages of Start-Ups 157
Disadvantages of Start-Ups 158
Creating a New Business 159
Increasing the Odds of Start-Up Success 159
"LEAN" Entrepreneurial Methods 163
If at First You Fail . . . 164
Buying an Existing Business 165
Advantages of Purchasing an Existing Business 165
Disadvantages of Purchasing an Existing Business 165
Finding a Business to Buy 165
Skill Module 6.1 Finding a Business for Sale 165
Investigating Entrepreneurial Opportunities: Performing Due Diligence 167
Determining the Value of the Business 168
Structuring the Deal 170
Buyouts 171
Buy-Ins 171
Key Resource Acquisitions 171
Takeovers 172
Franchising a Business 172
What Is Franchising? 172
Advantages of Franchising 174
Franchise Opportunities 174
Legal Considerations 175
Inheriting a Business 176
Family Businesses Succession 176
Developing a Formal Management Structure 176
Succession Issues for the Founder 177
CHAPTER 7
Small Business Strategies: Imitation with a Twist 184

Strategy in the Small Business 186
Goals: The First Step of Strategic Planning 187
Owner Rewards 187
Skill Module 7.1 Finding Your Magic Number 188
Product/Service Idea and Industry 188
Skill Module 7.2 Finding Your Firm’s Industry 190
Imitation and Innovation 190
Markets 192
Customers and Benefits: The Second Step of Strategic Planning 193
Value and Cost Benefits 194
Skill Module 7.3 Checking Customer Opinions Online 194
Skill Module 7.4 Building Perceptual Maps 197
Industry Dynamics and Analysis:
The Third Step of Strategic Planning 197
Tool: Industry Analysis 198
Skill Module 7.5 Short and Sweet Industry Analysis 198
Strategy Selection: The Fourth Step in Strategic Planning 201
Post Start-Up Tactics 205

CHAPTER 8
Business Plans: Seeing Audiences and Your Business Clearly 214

Business Plan Background 216
The Business Plan Story: Starting Small and Building Up 218
The Vision Statement 218
CHAPTER 13
Small Business Accounting: Projecting and Evaluating Performance 408

Why Accounting Matters to Small Business 410
Basic Accounting Concepts 410
   Business Entity Concept 411
   Does It Belong to the Business, or Is It Mine? 411
   Going Concern Concept 411
   The Accounting Equation 412
   Costs, Revenues, and Expenses 413
   Information Usefulness 414
   Accounting Systems for Small Business 414
Skill Module 13.1 Why Does Accounting Matter? 414
Setting Up an Accounting System 416
Financial Reports 416
   Income Statement 418
   ...but is it Right? 420
   Balance Sheet 421
Skill Module 13.2 Applying for a Loan 424
   Cash Flow Statement 424
Uses of Financial Accounting 426
   Reporting to Outsiders 426
   Record Keeping 427
   Taxation 427
   Control of Receivables 427
   Analysis of Business Operations 427
Uses of Managerial Accounting 427
   Cost-Volume-Profit Analysis 428
Skill Module 13.3 Breakeven with More Than One Product 431

CHAPTER 14
Cash: Lifeblood of the Business 450

The Importance of Money Management 452
Money In/Money Out—Just How Important Is It? 452
Money as the Key Idea 455
Cash and Cash Equivalents 457
Managing Cash Flow 457
   Company and Bank Cash Balances 458
   Reconciling Bank Balances with Company Book Balances 460
Planning Cash Needs 461
   Sales Budget: Forecasting Sales Receipts 463
   Cash Receipts Budget 463
   Forecasting Cash Disbursements 464—The Comprehensive Budget—the Pro Forma
   Cash Flow Statement 466
Skill Module 14.1 Planning Cash Needs 467
   The Comprehensive Budget—Pro Forma Balance Sheet 467
Skill Module 14.2 A Comprehensive Budget 467
Preventing Cash Flow Problems 468
   Protecting Cash from Being Stolen 469
   Techniques to Increase Cash Inflows 470
   Techniques to Decrease Cash Outflows 471
   ...and Then Came the Turnaround: The Rest of the J. W. Hulme Story 475
CHAPTER 15
Small Business Finance: Using Equity, Debt, and Gifts 486

Sources of Financing for Small Businesses 488
Financing with Equity 490
Skill Module 15.1 Determining Personal Net Worth 490
Getting Equity Investment for Your Business 493
Equity Capital from the Investors’ View 493
Methods to Obtain Equity Capital 495
Angel Investors 498
Equity Capital from the Owner’s View 500
Why Use Equity Capital? 500
Financing with Debt: Getting a Loan for Your Business 500
Skill Module 15.2 Obtaining Your Credit Report 502
Gift Financing 503
Skill Module 15.3 Finding SBIR Grants 505
What Type of Financing Is Right for Your Business? 507
Financial Management for the Life of Your Business 511
Tools for Financial Management 511
Financial Management for Start-Up 514
Financial Management for Growth 514
Financial Management for Operations 514
Financial Management for Business Exit 514

CHAPTER 16
Assets: Inventory and Operations Management 518

Managing Short-Term Assets 520
Accounts Receivable 520
The Pros and Cons of Offering Credit to Customers 520
Managing Accounts Receivable to Receive the Greatest Benefit for Your Business 520
Using Your Accounts Receivable as a Source of Financing 520
Skill Module 16.1 Using Receivables to Raise Immediate Cash 522
Managing Inventory 522
Determining the Appropriate Level of Inventory 523
Scheduling Ordering and Receipt of Inventory 524
Just-In-Time Inventory Systems 525
Other Approaches to Inventory Control 525
Value of Assets in Your Business 527
Determining the Value of Your Operating Assets 527
Determining the Value of Inventory 529
Property, Plant, and Equipment 530
Skill Module 16.2 Understanding Whole of Life Costs for Capital Budgeting 531
The Capital Budgeting Decision 531
Payback Period 532
Rate of Return on Investment 532
Net Present Value 533
Rent or Buy 534
Financing with Leases 534
Fractional Ownership and Other Forms of Joint Ventures 535
Managing Operations 535
Inputs into Your Business 537
Business Operations Comprise Converting Time and Materials into Service and Products 537
Business Outputs 538
Feedback 538
Measuring and Improving Productivity 538
Outsourcing to Improve Productivity 539
Part Five
Management and Organization in the Small Business 587

CHAPTER 18
Legal Issues: Recognizing Your Small Business Needs 588

You and the Law 590
You Need a Good Attorney 590
Can I Do This for Free? 593
Skill Module 18.1 Getting Started on Legal Issues Online 594
Small-Claims Court 595
Choosing a Business Name 596
Choosing a Business Form 597
Taxation Issues 602
Everything Is Negotiable, and Negotiation Is Everything 603
Legal Liabilities 605
Torts: Responsibility for Your Actions and the Actions of Employees 605
The Independent Contractor Argument 605
The Scope of Authority Argument 606
Litigation vs. Arbitration vs. Mediation 608
Commonsense Ways to Avoid Torts 609
Contracting 610
Subcontracting 611
Internet Issues in Contracting 611
Intellectual Property  613
Patents and Trade Secrets 614
Copyright 617
Trademarks 617
Skill Module 18.2 Checking Out Trademarks Online 618

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

CHAPTER 19
Human Resource Management: Small Business Considerations 622

The Bigger Small Business: Hiring Employees 624
Attracting Employees 628