Entrepreneurial
New Venture
Skills

3rd edition

Robert N. Lussier, Joel Corman,
and David C. Kimball
## Contents

*About the Authors* ix  
*Preface* xi

### Part I  
Selecting The New Venture  

1. **What's Entrepreneurship About? Do You Want to Start Your Own Business?**  2  
   - Entrepreneurs and Small Business  4  
   - Pros, Cons, and Myths of Entrepreneurship  8  
   - Entrepreneurship Characteristics and Orientation  13  
   - The Entrepreneurial Process  16  
   - Preparing to Become an Entrepreneur  18

2. **New Venture Options: Do You Want to Start a New Business, Buy One, be a Franchisee, or a Corporate or Nonprofit Entrepreneur?**  28  
   - What Type of New Venture do You Want to Start?  30  
   - Starting a New Business  32  
   - Buying an Existing Business  33  
   - Buying a Franchise  39  
   - Buying Licensee Rights  45  
   - Starting a New Venture as a Corporate Entrepreneur  46  
   - Starting a New Venture Nonprofit  50  
   - Family Business as an Entrepreneurial Option  56

3. **What Business? How do You Find Opportunities and Develop a Business Model?**  66  
   - Creativity and Opportunity  68  
   - Developing Creative Skills  70  
   - Entrepreneurial Characteristics for Recognizing and Exploiting Opportunities  74  
   - Opportunities in Trends  77  
   - Solving Problems Creates Opportunities  80  
   - Developing Your Business Model  84  
   - Other Options for Starting a New Venture, and Entrepreneurial Behavior  94
4 How do You Assess the Chances of Venture Success?  
Feasibility Analysis and Protecting the Business Model Legally 104

- Feasibility Analysis 106
- Are Your Products and Services Feasible? 110
- Are Your Industry and Target Market Feasible? 113
- Are Your Operations Feasible? 118
- Are Your Profits Feasible? 121
- Is Your Business Model Feasible? 124
- Protecting Your Ideas and Intellectual Property Legally 127
- Other Options for Starting a New Venture, and Entrepreneurial Behavior 136

Part II
Planning The New Venture 145

5 Business Planning: What's Your Legal Form and Strategy? 146

- From Business Model to Business Plan 148
- The Business Plan, Why it is Important, and Resources 149
- Major Sections of the Business Plan 152
- Legal Form of Ownership 155
- Strategy Formulation of the Business Plan 164
- Other Options for Starting a New Venture, and Entrepreneurial Behavior 176

6 The Marketing Plan: Who are Your Customers? 186

- The Interrelationship Between the Marketing Plan and the Other Business Plan Components 188
- Identify the Target Customer and Forecast Sales Through Marketing Research 189
- Product 193
- Price 196
- Place 199
- Promotion 201
- Advertising and the Media 204
- Other Options for Starting a New Venture, and Entrepreneurial Behavior 211
- Take it to the Net 212

7 The Location and Layout Plan: What Facilities do You Need? 220

- The Interrelationships Between Location and Layout and Other Business Plan Components 222
- Selecting the Location 222
<table>
<thead>
<tr>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease, Buy, or Build Facilities</td>
<td>235</td>
</tr>
<tr>
<td>Facility Layout</td>
<td>238</td>
</tr>
<tr>
<td>Sources of Information</td>
<td>245</td>
</tr>
<tr>
<td>Other Options for Starting a New Venture, and Entrepreneurial Behavior</td>
<td>245</td>
</tr>
<tr>
<td>Take it to the Net</td>
<td>247</td>
</tr>
<tr>
<td><strong>8 The Operations Plan: How Will You Make the Product?</strong></td>
<td>256</td>
</tr>
<tr>
<td>The Interrelationship Between the Production/Operations Function and</td>
<td></td>
</tr>
<tr>
<td>Other Business Plan Components</td>
<td>258</td>
</tr>
<tr>
<td>Operations and the Transformation Process</td>
<td>258</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>264</td>
</tr>
<tr>
<td>Inventory</td>
<td>265</td>
</tr>
<tr>
<td>Scheduling</td>
<td>271</td>
</tr>
<tr>
<td>Quality</td>
<td>277</td>
</tr>
<tr>
<td>Other Options for Starting a New Venture, and Entrepreneurial Behavior</td>
<td>282</td>
</tr>
<tr>
<td>Take it to the Net</td>
<td>283</td>
</tr>
<tr>
<td><strong>9 The Human Resource Plan: How do You Develop the New Venture Team and Employees?</strong></td>
<td>292</td>
</tr>
<tr>
<td>The Interrelationship Between the Human Resources Function and the Other Business Plan Components</td>
<td>294</td>
</tr>
<tr>
<td>The New Venture Team</td>
<td>294</td>
</tr>
<tr>
<td>The Human Resource Management Process</td>
<td>298</td>
</tr>
<tr>
<td>Attracting Employees and Independent Contractors</td>
<td>303</td>
</tr>
<tr>
<td>Developing, Retaining, and Terminating Employees</td>
<td>305</td>
</tr>
<tr>
<td>Management Succession and Exit Strategies</td>
<td>307</td>
</tr>
<tr>
<td>Other Options for Starting a New Venture, and Entrepreneurial Behavior</td>
<td>308</td>
</tr>
<tr>
<td>Take it to the Net</td>
<td>309</td>
</tr>
<tr>
<td><strong>10 The Finance Plan: How Much Money do You Need?</strong></td>
<td>318</td>
</tr>
<tr>
<td>The Interrelationship Between the Accounting Function, Taxation, and the Other Business Plan Components</td>
<td>320</td>
</tr>
<tr>
<td>Financial Statement Basics</td>
<td>320</td>
</tr>
<tr>
<td>Pro Forma Cash Flow Statement</td>
<td>328</td>
</tr>
<tr>
<td>Breakeven Analysis</td>
<td>332</td>
</tr>
<tr>
<td>Taxation</td>
<td>333</td>
</tr>
<tr>
<td>Other Options for Starting a New Venture, and Entrepreneurial Behavior</td>
<td>338</td>
</tr>
<tr>
<td>Take it to the Net</td>
<td>339</td>
</tr>
</tbody>
</table>
11 Sources of Funds: Where do You Get the Money? 350
   The Interrelationship Between the Financial Function and the Other Business Plan Components 352
   Determining Capital Needs 352
   Sources of Equity Financing 354
   Sources of Debt Financing 358
   Sources of Bootstrap Financing 361
   Government-Sponsored Agencies 363
   Other Options for Starting a New Venture, and Entrepreneurial Behavior 364
   Take it to the Net 366

12 Controls: How do You Keep the New Venture on Track? 374
   The Interrelationship Between Control, Financial Analysis, and the Other Business Plan Components 376
   Organizational Controls and Quality 376
   Budgets 380
   Financial Ratio Controls and the Balanced Scorecard 384
   Risk Management 392
   Other Options for Starting a New Venture, and Entrepreneurial Behavior 394
   Take it to the Net 395

Appendix A: Where Can You Get Help? Sources of Domestic and Global Assistance 404
Appendix B: The Business Plan Example 407
Notes 429
Index 455