

Chapter 5: Entrepreneurship

I-Summary: This chapter describes entrepreneurship. Entrepreneurs are small business owners. Small businesses have under 500 employees, generally have one owner, and serve a small geographic area. A sole proprietorship has one owner, a partnership has two, and a corporation has a board of directors with a chief executive officer. Rewards to being an entrepreneur include being able to do what you enjoy, being the boss, being creative, and making your own hours. Challenges include a high risk of failure, long hours at first, difficulty of getting startup funds, and responsibility for the entire business. Small businesses employ more than half of the American workforce. When starting a new business, every entrepreneur should do market research to be sure the product or service is needed. Then, he or she should make a detailed business plan. A business plan can be used by the business owner when setting up the company and also by the lender, to see that the entrepreneur is serious about the venture. A business plan should include an executive summary, the company's service plan, a market analysis, and mission and vision statements, among other elements.

I-Quiz

Quiz yourself to check your understanding. For each question, you will hear four answer choices. After you hear all four answer choices, choose your answer during the pause. Then you will hear the correct answer. Let's begin.

Question 1

Which is usually NOT a characteristic of a small business?

- a. It is run by a board of directors.
- b. It has fewer than 500 employees.
- c. It is independently owned.
- d. It serves a small geographic area .

Question 2

Which term refers to a new business undertaking that involves risk?

- a. discipline
- b. venture
- c. entrepreneur
- d. virtual business

Question 3

Which would be part of a written business plan?

- a. list of characteristics of successful entrepreneurs
- b. list of potential investors
- c. licenses and permits
- d. market analysis and competitive analysis

Question 4

Which statement best describes a company's vision statement?

- a. It establishes its scope, purpose, and values.
- b. It describes its team's qualifications.
- c. It expresses its financial goals.
- d. It projects a product plan.

Question 5

Which part of the business plan looks at likely risks to a beginning company?

- a. operational
- b. financial
- c. growth plan
- d. contingency

Answer Key

1. The correct answer is A, It is run by a board of directors. A small business is usually managed by the owner.

2. The correct answer is B, venture. Creating and running a business venture requires a variety of skills. A *venture* is a new business undertaking that involves risk.

- 3.** The correct answer is D, market analysis and competitive analysis. The business plan presents research about the potential customer and an analysis of the competition indicating how the proposed business has a competitive advantage.
- 4.** The correct answer is A, it establishes its scope, purpose, and values. A vision statement helps set forth the principles by which a business will function.
- 5.** The correct answer is D, contingency plan. The contingency plan discusses risks to the company, then suggests ways to minimize those risks.