

LAP Leadership, Attitude, Performance ...making learning pay!

Professional Development LAP 4 Performance Indicator: PD:066

Own Your Own

A photograph of two men in an office setting. The man on the left, who is Black, is wearing a dark suit jacket over a blue button-down shirt. He is smiling and looking towards the other man. The man on the right, who is white with glasses, is wearing a dark green sweater and is also smiling. They are both looking at a large, rolled-up document that the man on the right is holding. The document has some text and diagrams on it. In the background, there is a bulletin board with various papers and a wooden model of a river or stream. The overall atmosphere is professional and collaborative.

What's Your EQ?

**Do-It-Yourself
Businesses**

**The Low Down
on Start-ups**

So What

There are boundless opportunities in starting a business. Take a moment and consider this:

- Andrew Schneider, founder of the company, Mystifying Magic, earns an average of \$1,500 profit per week. Andrew is 16 years old.
- Sixty percent of the people who start new businesses are between 25 and 40 years old.
- The top 10 young entrepreneurs selected by *YoungBiz* earned an average of \$550,000 in annual income in 2001.
- Seventy percent of the 14- to 19-year-old population says that they want to start their own businesses.

These are pretty mind-boggling statistics, aren't they? The numbers show you that more people are starting their own businesses, some as young as 10 years old.

Maybe you have been bitten by the entrepreneurial bug and not realized it. When you were younger, did you set up a lemonade stand on hot July days? Now that you are older, maybe you are providing lawn care or washing cars in your neighborhood to make money. Perhaps you are providing babysitting or pet walking services. These are considered entrepreneurial ventures.

Perhaps you have the personal traits, interests, skills, and desires to start your own business or expand your entrepreneurial energy in a new direction. You can do it now, or after working for someone else for a while. Starting your own business comes with many challenges. Are you up to the entrepreneurial challenge?

What Is the Entrepreneurial Challenge?

Elise Macmillan and Bill Gates are different ages, come from different backgrounds, and have their own, unique life experiences. But, they have one thing in common: They both started their own businesses. They are entrepreneurs. An entrepreneur is an individual who invents, develops, and distributes a good or provides a service; assumes the risks of starting and building the business; and receives personal and financial rewards for his/her efforts. An entrepreneur recognizes opportunities and acts on them.



Throughout her childhood, Elise experimented with her grandmother's chocolate recipe and developed other chocolate candies. Her brother, Evan, encouraged 10-year-old Elise to introduce the treats at the Young Entrepreneurs' Holiday Marketplace and to develop a business plan. As a result of their hard work, the crowd ate the chocolate treats up! Four years later, the

Macmillan siblings are running their own business, The Chocolate Farm, LLC. They have expanded the product line to include a web site, cookbooks, and make-it-yourself kits. The growing business has moved from the Macmillan's home kitchen to an industrial facility. Elise and Evan run the company of 40+ part-time employees—around their school schedules, of course.

Bill Gates's business also had a humble beginning. He started his first entrepreneurial venture, Traf-O-Data, while still in high school. Now, his company, Microsoft, is a multibillion-dollar enterprise. You never know what might happen with a small-business start-up.

Entrepreneur vs. Small-Business Owner

Entrepreneurs and small-business owners have similar and different characteristics.

- Small businesses employ fewer than 500 people.
- Entrepreneurial businesses can start small, but they may grow to more than 500 employees.
- Entrepreneurs can start the business from scratch, or they can purchase it from someone else.
- Small-business owners and entrepreneurs both assume the risk, manage, and make decisions regarding the business and reap the financial and personal rewards.

Objectives

A Describe the risks and rewards of entrepreneurship.

B Explain factors that relate to entrepreneurial success.



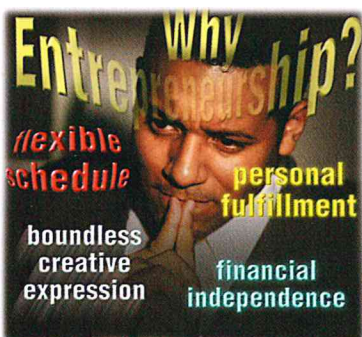
- The key difference is that entrepreneurs take steps to make the business grow and expand; small-business owners do not.
- All entrepreneurs and small-business owners are managers. However, not all managers are entrepreneurs or small-business owners. For example, a convenience store owner might hire a manager to run the business. The manager does not own the business.

Pam O'Leary began her dental career as an associate dentist in a large practice. She heard from an associate that another dentist was retiring and looking for someone to take over his established dental practice. Pam secured financing and purchased the existing dental practice, maintaining the same customer base and services. Although Pam assumes the risk of business ownership, she is not expanding her business or services. She is content to own and manage one facility. Therefore, Pam is an example of a small-business owner.

Another example of an entrepreneur is Dave Thomas, who started the Wendy's Old-Fashioned Hamburger concept. His product line and business grew. He sold franchise rights to his restaurant chain. Thomas was an entrepreneur. Like Thomas, many entrepreneurs go on to start other businesses and let others manage the day-to-day activities of their existing companies.

Why Consider Entrepreneurship?

People become entrepreneurs for many reasons. Some reasons include obtaining personal satisfaction and wanting to serve others, supplementing existing income, gaining financial independence, controlling their work and expanding creativity, and having a flexible work schedule. In addition, many people consider entrepreneurship after losing their jobs due to corporate restructuring and downsizing.



Debbi Fields, founder of Mrs. Fields Cookies, once said, "I knew I loved making cookies and every time I did, I made people happy." Her motivation stems from the personal satisfaction she feels when creating a product that brings joy to others.

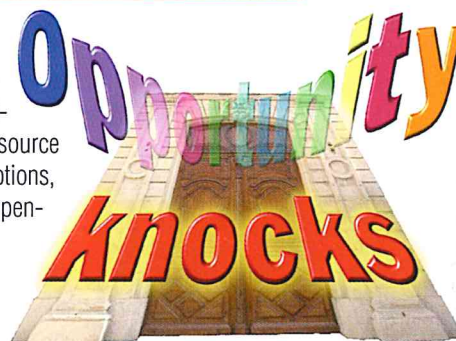
Other individuals start businesses to gain financial independence. When sales fell at the car dealership where he worked, Bob Henderson started a part-time sports equipment business to supplement his income. Bob found that he enjoyed being in control of his work and setting his own goals. Within two years, Bob was able to devote all of his time and energy to his new company. Although Bob's initial reason for starting his own business was to supplement his existing income, he soon realized that he would gain more personal and financial satisfaction by owning his own business.

Flexibility is another motivator that attracts budding entrepreneurs. When you are your own boss, you decide when and where to work and for how long. Flexibility allows an entrepreneur to control and manage time based on individual needs and desires and on the nature of the business.

Corporate downsizing impacts entrepreneurial business development. Large corporations restructure organizational duties to cut costs and to make the companies run more efficiently. As a result, many people find themselves without a job. Out of necessity, many of these displaced workers start their own businesses. Many consider job loss a tragedy, but for some, it is an opportunity to take the time to do something else in their career.

When Opportunity Knocks

Opportunity knocks at the doors of entrepreneurs. Technological advancements, resource availability, finance options, and tax reforms are opening doors for many entrepreneurs.



The tremendous advancements in technology, particularly with the Internet, have changed the way we regard and conduct business. Many businesses, such as eBay, are operated exclusively via the Internet, an option not available to the general population until a few years ago.

For those who want to start their own businesses, there are more resources and support systems available to help entrepreneurs begin their ventures. Books, magazines, and web sites are available to help entrepreneurs develop ideas. The resources guide entrepreneurs in deciding types of businesses to start, finding ways to secure financing, and developing components for a business plan. Many web sites have chat rooms where people can share information regarding their business start-ups.

Today, there are many ways you can obtain financing for your business start-up. There are traditional sources such as bank loans and borrowing from family members. You can also secure funding through government agencies, professional associations, corporate sponsors, angel investors, and scholarships.

U.S. legislative reforms and amendments have provided small businesses with tax breaks. These deductions allow the business owner to take the (tax) savings and invest more into the company. By keeping careful records and saving receipts, entrepreneurs can take advantage of savings for home offices, supplies and equipment, mileage, travel, and insurance premiums.



Entrepreneurship: Where Is it Going?

Trends create opportunity. And, there are many trends for entrepreneurs to evaluate as they consider business start-up options. Some trends affecting start-up businesses include: continuing technological advancements; becoming an information-based society; increasing levels of home-based, minority, and youth businesses; reducing government regulation; increasing levels of outsourcing; and changing cultural needs.

The evolution of the PC and the shift from an industrial-based society to an information-based society have paved the way for more people to start home-based businesses. These businesses have grown to more than 41 million in the late 1990s and continue to grow in the 21st century. Entrepreneurs find home-based businesses attractive because they generally have lower start-up costs.

Women, minority ethnic populations, and youth are becoming entrepreneurs at unheard of rates with continued growth expected. In a few years, the number of self-employed females is expected to equal the number of self-employed men. Hispanic, Asian, and African-American ventures have also mushroomed in the past 20 years.

Many of your peers are becoming entrepreneurs (treps). In the United States, people younger than 30 are starting businesses at a higher rate than previous generations. Unlike your parents and grandparents, generations X and Y have grown up with computers as a part of everyday life. This is probably why over four million Internet businesses are run by "eTreps."

Reduced government regulation, such as that generated by the North America Free Trade Agreement (NAFTA), has made international trade much easier for aspiring entre-

preneurs. As a result of less regulation, government is outsourcing more work to small businesses, private companies, and self-employed consultants. Outsourcing goods and services appears to be a growing trend.

To succeed, entrepreneurs need to be sensitive to the needs of a changing culture. They must find new ways to meet those needs, including:

- An increasing demand for ethnic goods and services to accommodate diverse cultural backgrounds
- A growing need for health-care, nutritional, and fitness products by Baby Boomers as they reach retirement age
- An increasing desire for convenience and indulgence products to accommodate people's fast-paced lifestyles

Perhaps you can develop a product that enhances the lives of others.

Risk: It's Not Just a Game

Why do so many start-up businesses fail? Statistics differ and change, but some statistics indicate that up to 80% of business start-ups fail. Most of these failures occur within the first year of business operation. Poor management and lack of planning are factors that influence the failure of a new business. Failing to keep up with changes in the marketplace, legal and taxation regulations, technical skills, and professional development can also lead to closed doors.

The Gr

Jack Leonard started his career as an account representative with the advertising agency Wendall, Caper, and Dobbins. He worked long hours and many weekends, but he didn't mind. Jack enjoyed his work. It gave him a sense of accomplishment and purpose. He thrived on the fast pace, worked with a lot of people, and enjoyed diverse responsibilities and tasks. Because of Jack's commitment, the agency gained several large, prestigious accounts. Jack was promoted to account manager, and eventually became the vice president of business development.

Jack became restless. He wanted more input into the company's overall objectives than he had. He decided

that he wanted to be a partner in the agency. By being a part owner in the agency, he would have more say in company growth.

When Jack found out that Wendall, Caper, and Dobbins had a policy which limited partnerships in the firm, he knew he had gone as far as he could with the agency. He started dreaming of owning his own agency. In that way, he could shape the organization the way he wanted, hire who he wanted



Many entrepreneurs find some aspects of starting their new venture overwhelming. Some issues entrepreneurs face include:

- **Money matters**

You face the possibility of uncertain income, irregular paychecks, and potential financial loss as an entrepreneur.

- **Decision making**

You are a jack-of-all trades. As a start-up business owner, you do everything from building maintenance and bill paying to making sales calls and developing marketing plans.

You're it. You have total responsibility for decision making. In the beginning stages of the venture, you must decide what role you want to play. Will you hire personnel to help run the business? If so, what will their responsibilities involve? How big do you want the business to grow? And, do you want to stay with the business or move onto another venture?

As an entrepreneur, you are accountable for hiring, training, and paying employees as well as budgeting, overhead, legal responsibilities, and tax liabilities.

- **Personal commitment**

It's normal to work long and irregular hours, including week-ends. You may have to give up vacation time. Entrepreneurial ventures often interfere with your personal and family time.

Are you up to the "entrepreneurial challenge"?

Summary

Entrepreneurs are people who see opportunities. They take their ideas or skills and use them to start new businesses. Small-business owners do not necessarily start their companies from scratch and are not generally interested in expanding their businesses. Managers are not necessarily business owners; they manage operations for the entrepreneur or small-business owner. Personal satisfaction and service, the need for additional income, financial independence, control of their own work and creativity, flexible work schedules, and corporate downsizing are some reasons why people become entrepreneurs.

Entrepreneurial opportunities are increasing because of expanded technological advancements, availability of resources, a wider range of financial backing options, and greater tax deductions. Trends affecting the development of entrepreneurship include our evolution as a technological and information-based society; more home-based businesses; higher numbers of women, minorities, and youth (treps) starting businesses; and a higher sensitivity to societal needs.

Entrepreneurship comes with many risks. Risks include financial concerns, sole responsibility, and personal commitment. Many businesses fail due to insufficient planning or poor management skills. To reduce the risk of failure, entrepreneurs need to keep up with industry changes, professional development, and technical skills.

Play Zone

to hire, and possibly even earn a higher salary. To make this dream a reality, Jack began to research and prepare for his new company while still working for Wendall, Caper, and Dobbins.

Within six months, Jack obtained financing, found an office, and is now deciding what part-time help he needs and where to get clients. Jack has been discussing his new venture with Wendall, Caper, and Dobbins clients. He's trying to persuade

them to move their business to his new company. Jack feels that it is all right to discuss his plans with agency clients. After all, he landed the clients for the agency to begin with and has established a good working relationship with them.

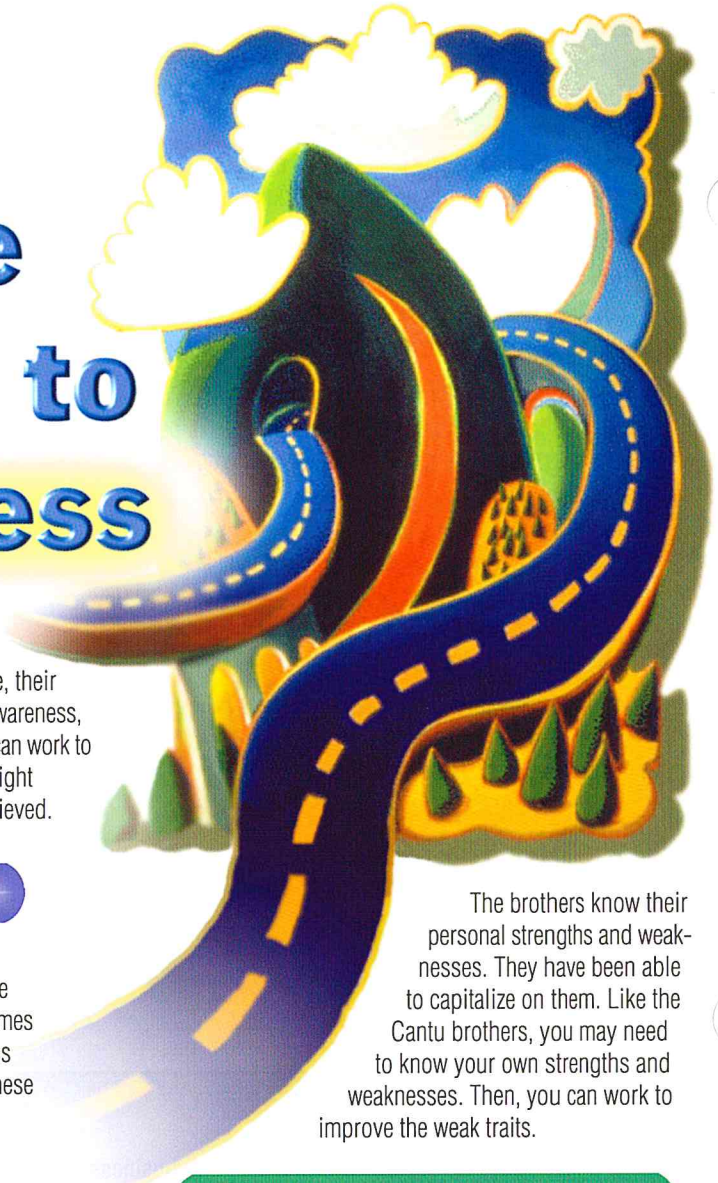
Is it appropriate for Jack to discuss his new business venture with clients who are doing business with his employer? Is it ethical for him to attempt to take business away from his soon-to-be former employer? Why? Should Jack advise Wendall, Caper, and Dobbins of his plans and his conversations with clients? If you were in Jack's shoes, what would you do?

1. What is an entrepreneur?
2. Explain the differences between entrepreneurs, small-business owners, and managers.
3. Why do people become entrepreneurs?
4. What opportunities are available for persons aspiring to become entrepreneurs?
5. Describe trends that affect entrepreneurship.
6. Describe the risks and disadvantages of becoming an entrepreneur.
7. Why do business start-ups fail?

Sometimes the road is smooth and straight. Sometimes it's bumpy with many curves. Despite their different paths, Bill Gates and Elise and Evan Macmillan have created successful businesses. At this point, you might ask: How have Gates and the Macmillans made their entrepreneurial ventures prosper? Were they born with natural entrepreneurial instincts, or did they work to develop them? Do they share personality characteristics that led them to success?

Successful entrepreneurs share personal qualities and abilities (skills) that set them apart from everyone else. Because everyone is unique, their strengths and weaknesses vary. The key to entrepreneurial success is self-awareness, knowing your strengths and weaknesses. Once you understand yourself, you can work to develop or enhance your personal traits and skills. These enhancements might improve your chance for entrepreneurial success. Let's see how this is achieved.

The Road to Success



There's More to Character Than Mickey Mouse

Mickey Mouse is a character. He is a celebrity cartoon figure. Walt Disney had personal traits that formed Disney's character—his personality. Traits are personal characteristics expressed by a regular pattern of behavior that becomes a part of you, over time. Disney's personal characteristics led to his success as an entrepreneur; characteristics which other entrepreneurs have, too. These characteristics are:

- Organizing
- Risk taking
- Decision making
- Being open-minded and flexible
- Establishing high standards
- Thriving on challenges
- Setting goals
- Thinking creatively
- Behaving independently
- Remaining persistent
- Exhibiting self-confidence
- Maintaining self-discipline

All entrepreneurs have similar personal characteristics that make them successful. Because each person is unique, some individuals exhibit strength in some areas (e.g., risk taking) and weakness in other areas (e.g., organization).

David and Rick Cantu understand how entrepreneurs work with their strengths and weaknesses to create a successful business. The brothers are cofounders of Redapt Systems and Peripherals.

Their company offers used, refurbished, high-end computers and sells them at lower prices than new systems. By 2000, Redapt was Washington state's second-fastest growing private company and the state's largest Hispanic-owned business.

Reasons for Redapt's success: David is a self-proclaimed "techie" and concentrates his efforts in the technical part of the business. Rick's organizational skills are key to the company's operational and financial success.

The brothers know their personal strengths and weaknesses. They have been able to capitalize on them. Like the Cantu brothers, you may need to know your own strengths and weaknesses. Then, you can work to improve the weak traits.

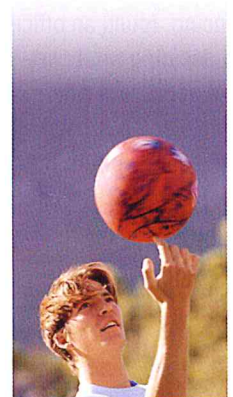
Can You Find Passion at Work?

Entrepreneurs have passion for what they do. Their businesses are successful because they enjoy their work. Many businesses are started because people have a natural talent, interest, or hobby that is important to them.

Are you artistic? Can you play an instrument? Do you have a passion for certain types of music? Do you like to garden or build things? Do you love sports? Perhaps you have a hobby, talent, or interest that you can turn into a profitable business.

Now, That Takes Skill

Imagine a friend who can spin a basketball on a finger for several minutes. It looks so easy. Now, you try it. If you're like I am, the ball rotates once, falls to the ground, and bounces away. Your friend has developed a skill. A skill is an ability that is developed through training, practice, and knowledge. More than likely, your friend has probably worked and practiced spinning the ball to be able to keep it going for long periods of time.



Start-up business owners learn to juggle many types of balls at one time. To keep all the balls going, successful entrepreneurs develop a variety of skills and continue to improve them throughout life. Necessary entrepreneurial skills include:

- **Physical and mental health:** As an entrepreneur, you engage in behavior that maintains good physical and mental health needed to work long hours to start your business.
- **Communication and language:** These skills include the ability to express written and spoken thoughts and ideas in a clear, simple manner.
- **Math and finances:** Start-up business owners should know basic accounting principles, tax regulations, and how to calculate everyday math computations. Even though others might actually carry out various tasks, you need to protect yourself and your business by understanding what the numbers mean.
- **Problem solving:** Entrepreneurs encounter many problems every day. Sometimes, a customer is angry, a vendor loses an order, or an important piece of machinery breaks down. You find creative ways to solve business problems. You have to exhibit a “win-win” attitude.
- **Leadership and team building:** You must consider that the way in which you lead and manage your staff and other resources affects how well your business prospers.
- **Technical skills:** Technology is constantly changing. And, it differs from industry to industry. For this reason, it is critical for entrepreneurs to keep up with these changes and incorporate them in business activities as needed.

Skills are learned. Just like personal characteristics, some come easier to you than others. And, like personal characteristics, skills can be developed or enhanced with training and education.

The ABC's of Professional Development

If you are an entrepreneur, continue to seek training and education throughout your career. In other words, always do your homework! Fortunately, you have many professional development sources from which to choose.

- Internet
- Workshops, seminars, classes, trade shows
- Trade and entrepreneurial associations
- Publications
- Networking
- Co-oping or internship
- Volunteer work

Since there are many ways to obtain professional development, the path you take depends on the type of business you are starting. For example, Stacy has an interest in fashion design and has developed a line of clothing that she is selling on her web site. Stacy works for a clothing boutique to gain more experience in the industry. She is also attending a school to study fashion design.

Julie is a self-employed accountant. She had to pass an exam to be certified in the state in which she lives. To obtain the knowledge needed to pass the exam, Julie attended a state university and studied accounting. When she passed the state exam, Julie worked for an accounting firm for two years before establishing her own business.

Julie continues to complete classes each year to remain certified by the state to practice accounting.

As you can see, both individuals are entrepreneurs. However, they need different types of training to run their businesses.

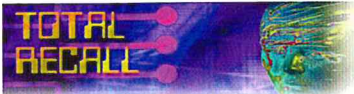
Because technology is constantly changing, entrepreneurs need to stay on top of the changes. A self-employed graphic designer might attend computer seminars to keep up on new design software developments. Learning about the software developments makes the graphic artist more productive on the job. By not staying up-to-date on technological or industry changes, entrepreneurs run the risk of losing customers. Why? Because competitors who do keep up-to-date might be able to provide goods or services that others cannot. The competitors are continuing their professional development.

Summary

Many factors determine the success of entrepreneurial ventures. Factors include personal characteristics or traits, personal interests, talents, and skills. Each individual is unique; personality traits, interests or hobbies, and abilities differ. Talents and skills vary in strength. Since entrepreneurs are not born, they must work to improve personal traits and skills. They do so by understanding personal strengths and weaknesses and by seeking training and education. Professional development is a life-long process. The type of training and education entrepreneurs need depends on the type of business.

The ball's in your court. Do you accept the entrepreneurial challenge? Do you have the personal character, skills, and desire to own your own business?





1. What is the difference between personality traits and skills?
2. Describe personality traits of successful entrepreneurs.
3. Describe skills that entrepreneurs need to increase the chance for business success.
4. Why is it important for entrepreneurs to stay current in regard to industry trends and technological developments?
5. What types of professional development opportunities are available for entrepreneurs?
6. Are entrepreneurs born or are they made?

Make It Pay!

Now that you've taken the entrepreneurial challenge, you are ready to take the next step. With so many choices and opportunities in entrepreneurial careers, you can begin to explore the possibilities right *now*! Here are some things you can do to decide if entrepreneurship is right for you!

- Take an inventory of your interests, skills, talents, hobbies, and personal traits. There are many resources available to help you assess these elements. Tests are available through the Internet, various publications, and your school or career counselor.
- Brainstorm and write down five things that interest you. Identify potential businesses that you might consider starting based on these interests.
- Talk to your employer about your interests and goals. Your supervisor might work with you to help you develop your interests and goals by expanding or changing your responsibilities. Offer to take on added responsibilities in your area of interest. If you are interested in promotion, offer to organize a special event.
- Find someone at work who you think has an entrepreneurial spirit. Discuss entrepreneurship with this individual. Find out why s/he hasn't started a business or if entrepreneurship is something s/he has considered.
- Locate a local association (e.g., Young Entrepreneurs Organization, DECA, DEX) and consider joining it. Check into school or community clubs and volunteer opportunities in areas that interest you.
- Investigate a community college or organization that offers seminars or classes you might want to take. From what courses do you think you might benefit? Perhaps you might consider marketing research and business or financial management.
- Determine individuals whom you might consider as mentors. Mentors can provide you with ongoing, one-on-one guidance as you grow personally and professionally.
- Network, network, network. Do you know any entrepreneurs? Perhaps a family member, friend, peer, or teacher you know owns a business. Find out how they started their businesses and ask them about their successes and failures. Talk to anyone and everyone. People are excellent sources of information and insight. They might just spark an idea for a business or guide you to other resources.

Whatever you do, keep your eyes and ears open. Observe how businesses and people operate. Remember, as an entrepreneur, you are always seeking opportunities.

MarkED 1375 King Avenue, P.O.Box 12279, Columbus, Ohio 43212-0279 Ph: (614) 486-6708 Fax: (614) 486-1819

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