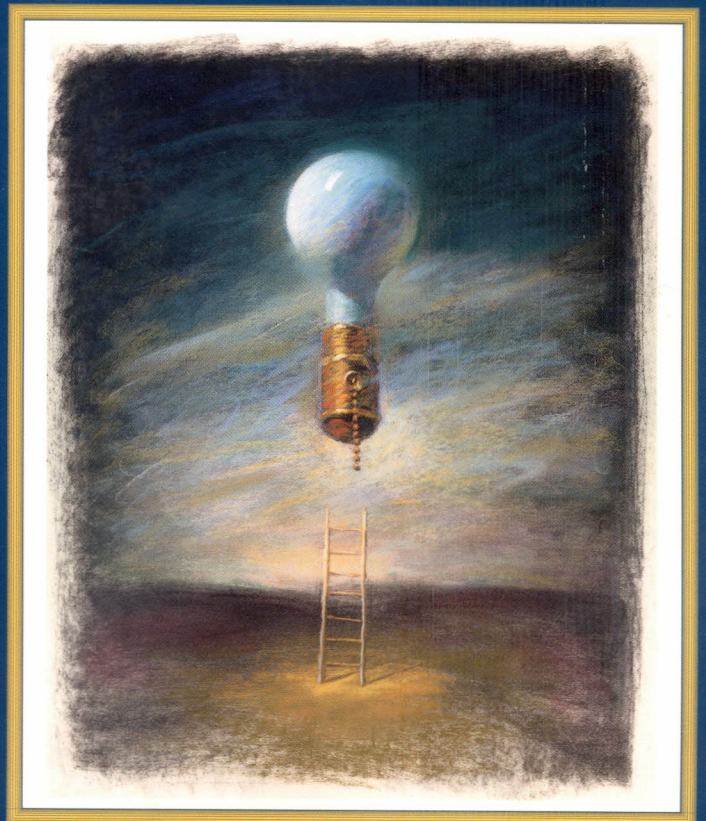


Essentials of Entrepreneurship and Small Business Management

Thomas W. Zimmerer

Norman M. Scarborough

Third Edition



CONTENTS

Preface xi

SECTION I THE CHALLENGES OF ENTREPRENEURSHIP 1

Chapter 1 *The Foundations of Entrepreneurship* 1

The World of the Entrepreneur 2

What Is an Entrepreneur? 4

The Benefits of Entrepreneurship 6

The Potential Drawbacks of Entrepreneurship 10

Behind the Boom: What's Feeding the Entrepreneurial Fire? 12

The Cultural Diversity of Entrepreneurship 15

The Power of "Small" Business 24

The Nine Deadly Mistakes of Entrepreneurship 25

Putting Failure into Perspective 28

How to Avoid the Pitfalls 31

Chapter 2 *Inside the Entrepreneurial Mind: From Ideas to Reality* 36

Creativity, Innovation, and Entrepreneurship 37

Creativity—a Necessity for Survival 38

Creative Thinking 41

Barriers to Creativity 45

How to Enhance Creativity 48

The Creative Process 51

Techniques for Improving the Creative Process 55

Protecting Your Ideas 58

SECTION II BUILDING THE BUSINESS PLAN: BEGINNING CONSIDERATIONS 67

Chapter 3 *Strategic Management and the Entrepreneur* 67

The Search for a Competitive Advantage 69

The Strategic Management Process 70

Conclusion 95

Chapter 4 *Forms of Business Ownership and Franchising* 100

The Sole Proprietorship 101

The Partnership 104

Corporations 109

Other Forms of Ownership 113

Franchising 118

Types of Franchising	119
The Benefits of Buying a Franchise	120
The Drawbacks of Buying a Franchise	124
Franchising and the Law	128
The Right Way to Buy a Franchise	130
Trends Shaping Franchising	135
Conclusion	138

Chapter 5	<i>Buying an Existing Business</i>	143
	Buying an Existing Business	144
	The Steps in Acquiring a Business	148
	Evaluating an Existing Business	151
	Methods for Determining the Value of a Business	160
	Understanding the Seller's Side	170
	Negotiating the Deal	175

SECTION III BUILDING THE BUSINESS PLAN: MARKETING AND FINANCIAL CONSIDERATIONS 179

Chapter 6	<i>Building a Powerful Marketing Plan</i>	179
	Building a Guerrilla Marketing Plan	180
	Determining Customer Needs and Wants Through Market Research	184
	Pinpointing the Target Market	193
	Plotting a Marketing Strategy: How to Build a Competitive Edge	195
	Marketing on the World Wide Web (WWW)	208
	The Marketing Mix	210

Chapter 7	<i>Advertising and Pricing for Profit</i>	217
	Developing an Advertising Plan	218
	What Is Promotion	221
	Selecting Advertising Media	226
	Preparing an Advertising Budget	244
	How to Advertise Big on a Small Budget	249
	Pricing: A Creative Blend of Art and Science	250
	Pricing Strategies and Tactics	252
	Two Potent Forces: Image and Competition	255
	Pricing Concepts for Retailers	257
	Pricing Concepts for Manufacturers	259
	Pricing Concepts for Service Firms	262
	The Impact of Credit on Pricing	264

Chapter 8	<i>Managing Cash Flow</i>	269
	Cash Management	270
	Cash and Profits Are Not the Same	272
	The Cash Budget	274
	Preparing a Cash Budget	274

The “Big Three” of Cash Management	282
Avoiding the Cash Crunch	291
Conclusion	296

Chapter 9	<i>Creating a Successful Financial Plan</i>	298
	Basic Financial Statements	299
	Creating Projected Financial Statements	303
	Ratio Analysis	308
	Interpreting Business Ratios	323
	Breakeven Analysis	327

Chapter 10	<i>Crafting a Winning Business Plan</i>	336
	Why Develop a Business Plan?	337
	The Elements of a Business Plan	338
	The Benefits of Preparing a Plan	349
	Making the Business Plan Presentation	351
	What Lenders and Investors Look for in a Business Plan	352
	Conclusion	355
	Business Plan Format	355

SECTION IV PUTTING THE BUSINESS PLAN TO WORK: BUILDING A COMPETITIVE EDGE 361

Chapter 11	<i>Sources of Funds: Debt and Equity</i>	361
	Planning for Capital Needs	363
	Equity Capital Versus Debt Capital	364
	Sources of Equity Financing	366
	The Nature of Debt Financing	387
	Federally Sponsored Programs	396
	Small Business Administration (SBA)	398
	State and Local Loan Development Programs	404
	Internal Methods of Financing	405

Chapter 12	<i>Choosing the Right Location and Layout</i>	411
	Location: A Source of Competitive Advantage	412
	Location Criteria for Retail and Service Businesses	422
	Location Options for Retail and Service Businesses	425
	The Location Decision for Manufacturers	429
	Layout and Design Considerations	432
	Layout: Maximizing Revenues, Increasing Efficiency, and Reducing Cost	438
	Build, Buy, or Lease?	447

Chapter 13	<i>Global Aspects of Entrepreneurship</i>	451
	Why Go Global?	453
	Going Global: Strategies for Small Businesses	454
	Barriers to International Trade	474
	International Trade Agreements	479
	Conclusion	480

Chapter 14 *Leading the Growing Company and Planning for Management Succession* 483

- Leadership in the New Economy 484
- Hiring the Right Employees 489
- Building the Right Culture and Structure 497
- The Challenge of Motivating Workers 506
- Management Succession: Passing the Torch of Leadership 522

Chapter 15 *E-Commerce and the Entrepreneur* 532

- Benefits of Selling on the Web 534
- Factors to Consider Before Launching into E-Commerce 537
- 12 Myths of E-Commerce 538
- Approaches to E-Commerce 547
- Strategies for E-Success 550
- Designing a Killer Web Site 555
- Tracking Web Results 559
- Ensuring Web Privacy and Security 561
- Evaluating the Effectiveness of a Site 564

End Notes 567

Index 585