

GLOBAL
EDITION



Essentials of Entrepreneurship and Small Business Management

NINTH EDITION

Norman M. Scarborough
Jeffrey R. Cornwall



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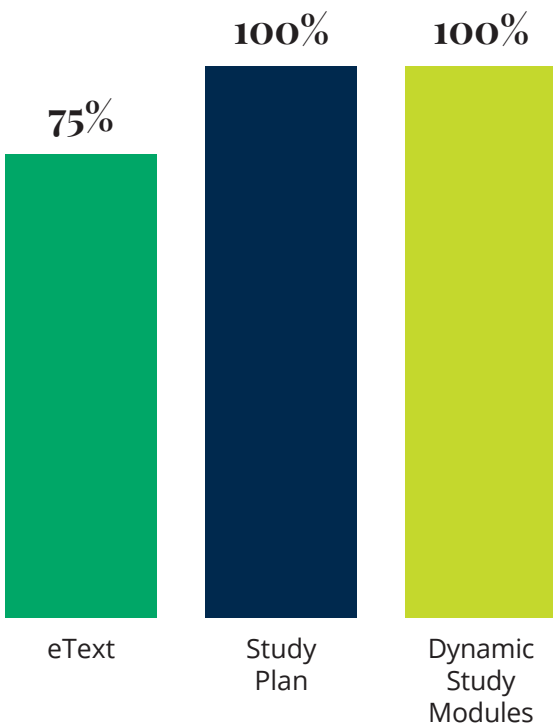
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CASES

ESSENTIALS OF ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT, 9/E

Case #	Entrepreneur; Company Name	Related Topics	Chapter Reference
1	Bill, Melody, and Stephanie Cohen United Apparel Liquidators	<i>Industry: Discount retail clothing</i> <ul style="list-style-type: none"> Developing a business strategy Bootstrap marketing and social media marketing Choosing the right location 	5 9 14
2	Matt Meeker, Henrik Werdelin, and Carly Strife Bark & Co.	<i>Industry: Subscription-based gift boxes for dogs</i> <ul style="list-style-type: none"> Entrepreneurship Creativity and innovation Developing a business strategy Sources of financing 	1 3 5 15
3	Jim Telikis and Saban Lomac Cousins Maine Lobster	<i>Industry: Restaurant (food truck)</i> <ul style="list-style-type: none"> Franchising Global expansion 	8 16
4	Saul Garlick ThinkImpact	<i>Industry: Social entrepreneurship</i> <ul style="list-style-type: none"> Ethics and social responsibility Building a business plan Forms of ownership Sources of financing 	2 5 6 15
5	Art, Ilene, Joseph, and Aaron Stadlen Intertech Construction Corporation	<i>Industry: Interior design and construction</i> <ul style="list-style-type: none"> Financial analysis and management Managing cash flow Family business and management succession 	12 13 17
6	Angela Crawford and Martin Rodriguez Bluffton Pharmacy—Part 1	<i>Industry: Pharmacy</i> <ul style="list-style-type: none"> Financial analysis and management 	12
7	Angela Crawford and Martin Rodriguez Bluffton Pharmacy—Part 2	<i>Industry: Pharmacy</i> <ul style="list-style-type: none"> Managing cash flow 	13
8	Max, Shelly, and Alfie Gitman Gitman Brothers	<i>Industry: Apparel (shirts and ties)</i> <ul style="list-style-type: none"> Social media marketing E-commerce and Web site design 	9 10
9	James, Trish, and Palmer Higgins Seabreeze Property Services	<i>Industry: Landscape and snow removal</i> <ul style="list-style-type: none"> Buying an existing business Sources of financing 	7 15
10	Jeff Braverman Nuts.com	<i>Industry: Snack foods</i> <ul style="list-style-type: none"> Developing a business strategy Bootstrap marketing and social media marketing E-commerce Family business 	5 9 10 17

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Essentials of Entrepreneurship and Small Business Management

Norman M. Scarborough

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Belmont University



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To Cindy, whose patience is always tested during a writing project of this magnitude. Your love, support, and understanding are a vital part of every book.
You are the love of my life.

—NMS

To Ann, for her wisdom and love. Your encouragement and support are the foundation for each new entrepreneurial adventure we take.

—JRC

“May your own dreams be your only boundaries.”

—The Reverend Purlie Victorious Judson,
in *Purlie*, Broadway Theater, 1970

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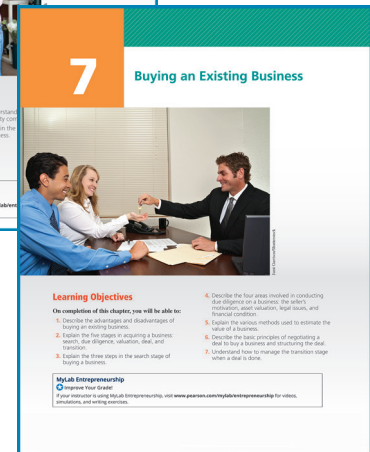
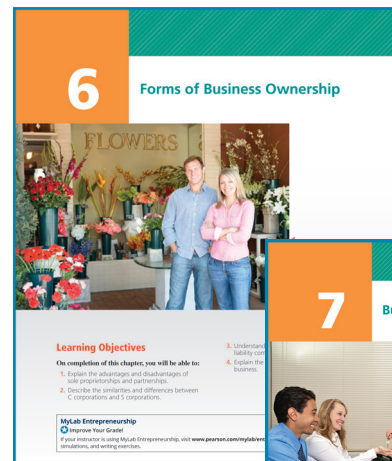
Preface

Entrepreneurship is a fast-growing and ever-changing discipline. People of all ages, backgrounds, and nationalities are launching businesses of their own and, in the process, are reshaping the world's economy. The purpose of this book is to open students' minds to the possibilities, the challenges, and the rewards of owning their own businesses and to provide the tools they will need to be successful if they choose the path of the entrepreneur. It is not an easy road to follow, but the rewards—both tangible and intangible—are well worth the risks. Not only may you be rewarded financially for your business ideas, but also like entrepreneurs the world over, you will be able to work at something you love!

New to This Edition

This edition includes many new features that reflect this dynamic and exciting field of study.

- This edition features separate chapters on “Forms of Business Ownership” and “Buying an Existing Business.” In addition, we have reorganized the chapter on buying a business using a five-step process: the search stage, the due diligence stage, the valuation stage, the deal stage, and the transition stage. As members of the Baby Boom generation retire, the opportunities for you to buy a business are vast. This chapter covers the details of various valuation methods to help you determine the value of a business you might purchase.
- Almost every one of the real-world examples in this edition is new and is easy to spot because they are accompanied by an icon. These examples allow you to see how entrepreneurs are putting into practice the concepts that you are learning about in the book and in class. These examples are designed to help students remember the key concepts in the course. The business founders in these examples also reflect the diversity that makes entrepreneurship a vital part of the global economy.



ENTREPRENEURIAL PROFILE: Lauren Pears: Lady Dinah's Cat Emporium After a particularly bad day at work, Lauren Pears decided to leave her corporate job, began writing a business plan, and raised the necessary capital via crowdfunding to launch Lady Dinah's Cat Emporium, a café in London that is home to 13 rescued cats that each week host hundreds of human guests looking for feline companionship at high tea and a 90-minute respite from the hectic pace of life. Pears was confident that her business would succeed, but even she admits to being surprised at the 20,000 reservations the Cat Emporium received in only its first two weeks of operation. Pears drives business to her company's Web site primarily through social media. Every cat has his or her own Twitter handle and regularly tweets photos and comments about his or her activities (or, being cats, lack of activity). The cats and the Cat Emporium have 11,000 followers on Instagram, more than 55,000 likes on Facebook, and 19,000 followers on Twitter. Lady Dinah's Cat Emporium uses social media very effectively to connect with her audience; currently, there is a six-week waiting list for reservations.²⁷ ■



Roger Parkes/Alamy Stock Photo



ENTREPRENEURIAL PROFILE: Neil Parikh, Gabe Flateman, and Luke Sherwin: Casper Mattress

Neil Parikh, Gabe Flateman, and Luke Sherwin, all in their mid-20s, believed that the \$14 billion mattress industry, with its seemingly endless product variations, complicated delivery and return process, and high prices, was ripe for disruption. The trio of entrepreneurs decided to launch a business, Casper, in New York City that simplifies the process of buying a mattress. Casper produces only one mattress model that comes in six sizes and is priced from \$500 to \$950. Customers receive a 100-day trial period with every mattress. If a customer is dissatisfied at any time during the generous trial period, Casper picks up the mattress at no charge and provides a full refund. (Casper's return rate is extremely low, and the company donates returned mattresses to local charities.) Living in a large city where space is limited, the trio of entrepreneurs



- We have integrated discussions of social media into almost every chapter, including how entrepreneurs use social media in a wide range of applications, ranging from attracting investors and screening potential franchisees to getting feedback from customers about a business idea and using it as a powerful, efficient marketing tool.
- We have updated the chapter on “Ethics and Entrepreneurship: Doing the Right Thing.” This chapter provides students with a framework for making ethical decisions in business and with the opportunity to

wrestle with some of the ethical dilemmas that entrepreneurs face, including the controversial issues surrounding employers’ responses to employees’ postings on social media sites. Encouraging you to think about and discuss these issues now prepares you for making the right business decisions later.

- We have updated Chapter 10, “E-Commerce and the Entrepreneur,” to reflect the multichannel approach that businesses use to meet their customers wherever and whenever they want to shop. This chapter also includes coverage of the latest search engine optimization techniques and the steps business owners can take to avoid becoming victims of cybercrime.
- This edition provides expanded and updated coverage of important topics such as using the Business Model Canvas to refine a business idea, attracting capital using crowdfunding, identifying the keys to selecting the ideal location for a business, developing a process for hiring the right employees, creating a company culture that inspires employees to achieve their full potential, and others.

Hands On . . . How To

Create a Culture of Creativity and Innovation

Creativity and innovation are important drivers of the global economy, allowing companies that use them well to prosper and providing consumers with products and services that make their lives better. A recent study by marketing communications firm MDC Partners reports that 98 percent of top executives say that creativity is critical to economic success; in addition, 76 percent of the managers believe that the world has entered an “imagination economy,” in which companies’ ability to harness the power of creativity determines their success. How can a company create a culture that promotes creativity among its employees and allows it to use innovation to gain a competitive advantage over its rivals? The following seven tips can help.

Ignite Passion

The philosopher Denis Diderot said, “Only passions, great passions, can elevate the soul to great things.” So it is with creativity. The most basic ingredient for building a creative company culture is a passion to discover something new, to contribute to the betterment of society, and to make a difference. That passion starts at the top of an organization with the entrepreneur. Steve Jobs, cofounder of Apple Inc., often said that he wanted “to put a ding in the universe,” an attitude that led his company to introduce many innovative products. When Jobs

the animated filmmaker Delegation authority and responsibility requires an atmosphere of trust, which increases the likelihood that employees are engaged in their work and buy into the company’s mission. The key is letting employees know that you value their ideas, creativity, and judgment.

Encourage Courage

Some companies actually discourage creativity and innovation by punishing those who dare to take chances and fail. Businesses that succeed over time have cultures that encourage employees to be bold enough to take creative chances without fear of repercussions. At DreamWorks Animation, managers regularly solicit ideas from every employee—and not just those in the creative side of the business. Accountants, administrative assistants, lawyers—anyone—can (and do) submit ideas for everything from story lines for new movies to improving a business system.

Fail Forward

The most creative companies have built cultures that encourage people to try new ideas and recognize that many (perhaps most) of them will fail. Companies that punish failure end up with a

- To emphasize the practical nature of this book, we have updated the content of the very popular “Hands On: How To . . .” feature, which selects a concept from each chapter and explains how to put it into practice in your own company. These features include topics such as how to “Make Social Media Work for Your Business,” “Create a Culture of Creativity and Innovation,” “Build a Successful Global Company,” “Make Your Small Business a Great Place to Work,” and many others.

- Another feature that is popular with both students and professors is “You Be the Consultant.” Every chapter contains at least one of these inserts describing a decision that an entrepreneur faces while asking you to play the role of consultant and to advise the entrepreneur on the best course of action. This feature includes the fascinating stories of how entrepreneurs came up with their business ideas (including Sihah Waris, who found a way to help women stay in the Pakistani workforce). Other topics explore deciding whether an entrepreneur should purchase one of the first outlets from a new franchise operation (John Rosatti and Lee Goldberg and BurgerFi), developing a strategy for providing “second mile service” to customers as a way of setting a company apart from its competition, understanding the psychology behind popular

You Be the Consultant

Would You Buy This Franchise?

Although opening a franchise is not a “sure thing,” franchising’s immense popularity is due, in part, to the support, experience, and training that franchisors provide their franchisees. Many would-be entrepreneurs believe that franchising reduces their risk of failure and see it as the key to their success. Large, established franchises have systems in place that have been replicated thousands of times and allow franchisees to follow a formula for success that the franchisor has worked out over many years. Many small franchisors don’t have the benefit of learning from the mistakes of setting up thousands of outlets to fine-tune their business systems. Some franchisors build their business models on fads that will fade, while others tap into meaningful trends. Some of these small franchises have the potential to become tomorrow’s franchise giants; others will fall by the wayside. What factors increase the probability that a new franchise will succeed?

- **Unique concept.** To be successful, a franchise must offer a unique concept that registers with customers by solving a problem or making their lives better or easier and gives the company a competitive edge in the marketplace.

success by providing them with a well-functioning system are more likely to fail.

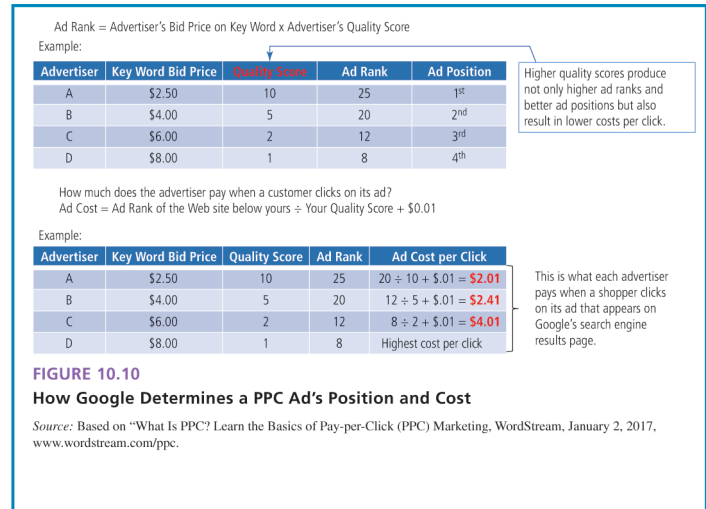
- **Replicable system.** Not only must a franchise system be effective and efficient, it also must be replicable. The franchise system is easily teachable to franchisees.
- **Experience.** To be able to provide franchisees with a client, effective system, a franchisor must have experience in the industry and must have built a successful operation as an independent business owner before starting to franchise.
- **Powerful marketing.** Successful franchisors understand the importance of building recognition for their brand and devote proper resources to protecting their brand and building recognition for them among customers.

BurgerFi

Nearly half of all consumers eat a hamburger at least once a week, and many “better burger” franchises, such as Fi

pricing strategies, helping an entrepreneur choose a location for his company’s next retail store (Fan Bi, cofounder of custom shirtmaker Blank Label), and using social media to market a small company’s services (Jeff Platt and SkyZone, an indoor wall-to-wall trampoline park franchise). Each one poses a problem or an opportunity and includes questions that focus attention on key issues to help you hone your analytical and critical thinking skills.

- This edition includes 10 new brief cases that cover a variety of topics (see the case matrix that appears on the inside cover). All of the cases are about small companies, and most are companies that you can research online. These cases challenge students to think critically about a variety of topics that are covered in the text—from developing a business strategy and building a brand to protecting intellectual property and financing a business.
- The content of every chapter reflects the most recent statistics, studies, surveys, and research about entrepreneurship and small business management. Students will learn how to launch and manage their businesses the *right* way by studying the most current concepts in entrepreneurship and small business management.

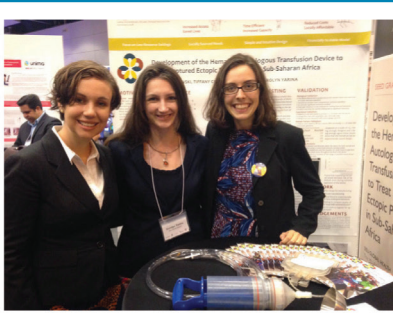


Entrepreneurship has become a major force in the global economy. Policy makers across the world are discovering that economic growth and prosperity lie in the hands of entrepreneurs—those dynamic, driven men and women who are committed to achieving success by creating and marketing innovative, customer-focused new products and services. Not only are these entrepreneurs creating economic prosperity, but as social entrepreneurs many of them are also striving to make the world a better place in which to live. Those who possess this spirit of entrepreneurial leadership continue to lead the economic revolution that has proved time and again its ability to raise the standard of living for people everywhere. We hope that by using this book in your entrepreneurship or small business management course, you will join this economic revolution to bring about lasting, positive changes in your community and around the world. If you are interested in launching a business of your own, *Essentials of Entrepreneurship and Small Business Management* is the ideal book for you!

This ninth edition of *Essentials of Entrepreneurship and Small Business Management* introduces students to the process of creating a new venture and provides them with the knowledge they need to launch a business that has the greatest chance for success. One of the hallmarks of every edition of this book has been a very practical, “hands-on” approach to entrepreneurship. We strive to equip students with the tools they will need for entrepreneurial success. By combining this textbook with professors’ expertise, students will be equipped to follow their dreams of becoming successful entrepreneurs.

Solving Teaching and Learning Challenges

Now in its ninth edition, *Essentials of Entrepreneurship and Small Business Management* has stood the test of time by presenting in an organized, concise manner the material needed to launch and manage a small business successfully in a hotly competitive environment. In writing this edition, we have worked hard to provide plenty of practical, “hands-on” tools and techniques to help you make your business ventures successful. Many people launch businesses every year, but only some of them succeed. This book provides the tools to help students learn the *right* way to launch and manage a small business with the staying power to succeed and grow.



ENTREPRENEURIAL PROFILE: Carolyn Yarina: CentriCycle As part of a class project in a freshman engineering class at the University of Michigan, Carolyn Yarina discovered that one of the greatest needs of rural health workers in developing nations is a centrifuge that could operate without electricity. By the end of the semester, Yarina and a team of students designed a human-powered centrifuge made from bicycle parts called the CentriCycle. The project stirred Yarina's interest in entrepreneurship, and she began taking courses in that field, including one on social entrepreneurship that enabled her to go to India. Soon, Yarina and fellow student Katie Kirsh teamed up with University of Michigan graduate Gillian Henker, who was developing Hemafuse, an auto-transfusion pump for blood, to create Sisu Global Health, a socially conscious, for-profit business that focuses on medical products designed

- Each chapter offers several insights from successful professionals, emphasizing concepts and valuable skills that students will explore in depth in the chapter.
- Each chapter includes a chapter summary (organized by learning objectives), discussion questions, and “Beyond the Classroom” questions that are designed to engage students and help them develop their analytical and critical thinking skills. On MyLab Entrepreneurship are flash cards for students to use to test their knowledge of key terms used throughout the book.
- Each chapter also includes a “Hands on: How to . . .” feature that provides students with practical insight into problems that entrepreneurs often face.

Chapter Summary by Learning Objective

1. Define the role of the entrepreneur in business in the United States and around the world.

- Entrepreneurship is thriving in the United States, but the current wave of entrepreneurship is not limited to the United States; many nations around the globe are seeing similar growth in their small business sectors. A variety of competitive, economic, and demographic shifts have created a world in which “small is beautiful.”
- Capitalist societies depend on entrepreneurs to provide the drive and risk taking necessary for the system to supply people with the goods and services they need.

2. Describe the entrepreneurial profile.

- Entrepreneurs have some common characteristics, including a desire for responsibility, a preference for moderate risk, confidence in their ability to succeed, desire for immediate feedback, a high energy level, a future orientation, skill at organizing, and a value of achievement over money. In a phrase, they are tenacious high achievers.

3-A. Describe the benefits of entrepreneurship.

- Driven by their personal characteristics, entrepreneurs establish and manage small businesses to gain control over their lives, make a difference in the world, become self-fulfilled, reap unlimited profits, contribute to society, and do what they enjoy doing.

3-B. Describe the drawbacks of entrepreneurship.

- Entrepreneurs also face certain disadvantages, including uncertainty of income, the risk of losing their investments (and more), long hours and hard work, a lower quality of life until the business gets established, high stress levels, and complete decision-making responsibility.

4. Explain the forces that are driving the growth of entrepreneurship.

- Several factors are driving the boom in entrepreneurship, including the portrayal of entrepreneurs

as heroes, better entrepreneurial education, economic and demographic factors, a shift to a service economy, technological advances, more independent lifestyles, and increased international opportunities.

5. Explain the cultural diversity of entrepreneurship.

- Several groups are leading the nation's drive toward entrepreneurship: young people, women, minorities, immigrants, part-timers, home-based business owners, family business owners, copreneurs, corporate castoffs, corporate dropouts, social entrepreneurs, and retired Baby Boomers.

6. Describe the important role that small businesses play in our nation's economy.

- The small many, \$1 of all bu vate see three-fo produce and acc

7. Put failure

- Entrep part of i preneurs simply s ccess, an of failur

8. Explain h becoming

- Entrep to avoid business manage financial their bus maintain

Discussion Questions

- 7-1. What advantages can an entrepreneur who buys a business gain over one who starts a business “from scratch”?
- 7-2. How can an entrepreneur tap into the hidden market of potential acquisitions?
- 7-3. Why is there a need to include a due diligence process that involves analyzing and evaluating an existing business before possible purchase?
- 7-4. Outline the stages involved in buying a business.
- 7-5. What topics does the due diligence process address?
- 7-6. Briefly outline the process of valuing a business using the adjusted earnings, the capitalized earnings, and the discounted future earnings approaches.
- 7-7. What determines the bargaining zone between a business seller and a buyer?
- 7-8. Explain the buyer's position in a typical negotiation for a business.
- 7-9. Explain the seller's position in a typical negotiation for a business.
- 7-10. What steps should a business buyer take to ensure a smooth transition after closing the deal to buy a business?
- 7-11. Once two parties strike a business deal, there will be many challenges in making a smooth transition. How can a business buyer avoid a bumpy transition?

- 3-10. Your dinner guests are to arrive in five minutes, and you've just discovered that you forgot to chill the wine! Wanting to maintain your reputation as the perfect host/hostess, you must tackle this problem with maximum creativity. What could you do? Generate as many solutions as you can in five minutes working alone and then work with two or three students in a small group to brainstorm the problem.
- 3-11. Work with a group of your classmates to think of as many alternative uses for the commercial lubricant WD-40 as you can. Remember to think *fluidly* (generating a quantity of ideas) and *flexibly* (generating unconventional ideas).
- 3-12. A Facebook group of more than 25,000 people is trying to convince Cadbury, the venerable British

confectioner (now owned by Kraft Foods), to produce a giant chocolate Cadbury Crème Egg that contains a filling made from fondant that resembles the yolk and white of a real egg. (Currently, giant Cadbury chocolate eggs, which are about the size of an ostrich egg, are hollow, a great disappointment to fans of the company's smaller chocolate eggs that are filled with creamy white and yolk-colored fondant.) A Cadbury spokesperson says that “creating a [chocolate] shell that is strong enough to contain the sheer weight of the fondant is technically challenging.” Use the creativity-enhancing techniques described in this chapter to develop potential solutions that would allow Cadbury to manufacture a giant Crème Egg.

Q ?

- Select all
- bootstrapping
- cloud computing
- copreneurs
- entrepreneur
- family-owned business
- gazelles
- micromultinationals
- necessity entrepreneurs
- opportunity entrepreneurs
- serial entrepreneurs

CLEAR ALL LEARNED TERMS

STUDY NOW PRINT

MICROMULTINATIONALS

small companies that operate globally from their inception.

Hands On . . . How To

Use Social Media to Market Your Business

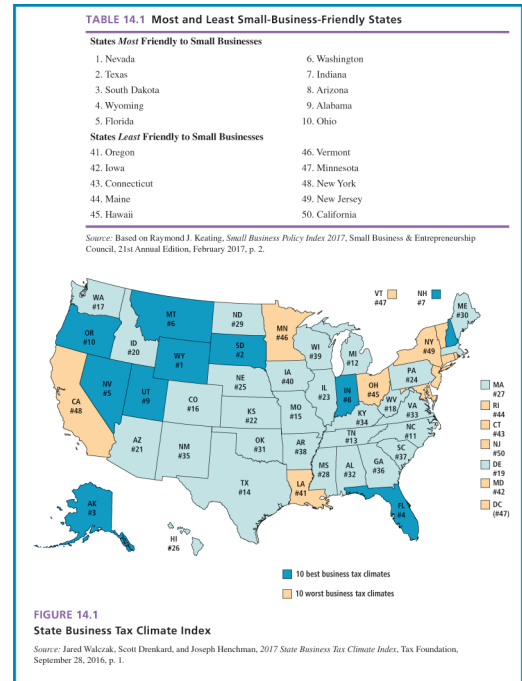
The typical digital consumer now spends an average of 1 hour and 50 minutes each day on social media (and 80 percent of that time is on a mobile device). In addition, 77 percent of online shoppers use social media (Facebook, YouTube, Twitter, and Pinterest are the most popular apps), and more than one-third of online shoppers say that social media has influenced their purchases. Social media apps now offer users “shop now” and “buy now” features that enable them to make purchases directly from the app. In fact, nearly one-fourth of online shoppers have purchased a product on a social media network. Clearly, social media represents a tremendous marketing opportunity for small businesses; however, only 57 percent of small businesses have a social media presence. The accompanying graphic shows how these small businesses put social media tools to work for their companies.

At Sky Zone, an indoor wall-to-wall trampoline park franchise with 127 locations in the United States and 22 outlets in foreign countries, social media marketing emerged organically. CEO Jeff Platt says the company noticed that customers were planning trips to Sky Zone locations on Twitter, so the company joined in the conversations and posted special offers, such as “bring five people to Sky Zone, and we'll give you a free pass.” Sky Zone also launched the Twitter campaign #dRatHer9e@SkyZone to engage customers of all ages and to show people how much fun a Sky Zone adventure can be through posts, photos, and videos. Platt was surprised to see how many people posted photos of their

How Small Businesses Use Social Media

Provide a specific service or product	41%
Show a real-time status about your business	38%
Gain the word of mouth	38%
Subscribe to a customer feedback	34%
Post videos featuring products or services	29%
Show a company blog post	20%

- This edition once again emphasizes the importance of conducting a feasibility analysis and creating a business plan for a successful new venture. Chapter 4, “Conducting a Feasibility Analysis and Designing a Business Model,” offers comprehensive coverage of how to conduct a feasibility study for a business idea and then how to create a sound business model for the ideas that pass the feasibility test. This content will enable students to avoid a common mistake that entrepreneurs make: failing to define and test a viable business model *before* they launch their businesses.
- This edition features an updated, attractive, full-color design and a layout that includes an in-margin glossary and learning objectives and is designed to be user friendly. Each chapter begins with learning objectives, which are repeated as in-margin markers within the chapter to guide your students as they study. Attention-grabbing graphics help visually-oriented students learn more effectively.
- Chapter 3, “Inside the Entrepreneurial Mind: From Ideas to Reality,” explains the creative process entrepreneurs use to generate business ideas and to recognize entrepreneurial opportunities. This chapter helps students learn to think like entrepreneurs.
- Chapter 10, “E-Commerce and the Entrepreneur,” serves as a practical guide to using the Internet as a marketing and business tool and offers helpful advice for engaging successfully in mobile commerce. The Internet will be at the core of many of the businesses students will start, and they must have a solid understanding of the pitfalls to avoid and how to build a successful e-commerce strategy.
- Chapter 14, “Sources of Financing: Equity and Debt,” gives students a useful overview of the various financing sources that are available to entrepreneurs with plenty of practical advice for landing the financing they need to start or grow a business. In the difficult search for capital, many entrepreneurs take the first financing that becomes available, even though it often proves to be a poor choice. This chapter enables students to identify multiple sources of financing and evaluate the ones that are best for their particular situations.
- On MyLab Entrepreneurship, students can complete Assisted-grading writing questions that cut down on your grading time so you can spend more time teaching.



RECOMMENDED ASSIGNMENTS

DBA Forms of Business Ownership MC2 (5:46)	Ecoist Strategic Product Development MC2 (6:23)	Fresher than Fresh Economics StudentUpl (6:27)	Fresher than Fresh Economics StudentUpl (6:27)	Johnny Cupcakes Financial and Cash Flow Mgmt MC2

Select All Add Selected

MyLab Entrepreneurship

If your instructor is using MyLab Entrepreneurship, go to www.pearson.com/mylab/entrepreneurship for the following Assisted-graded writing questions:

- Briefly describe the role of the following groups in entrepreneurship: young people, women, minorities, immigrants, part-timers, home-based business owners, family business owners, copreneurs, corporate castoffs, corporate dropouts, social entrepreneurs, and retired Baby Boomers.
- What contributions do small businesses make to our economy?

MyLab Entrepreneurship

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MyLab is the teaching and learning platform that empowers you to reach *every* student. By combining trusted author content with digital tools and a flexible platform, MyLab personalizes the learning experience and improves results for each student. Learn more at MyLab Entrepreneurship.

Deliver trusted content

You deserve teaching materials that meet your own high standards for your course. That's why we partner with highly respected authors to develop interactive content and course-specific resources that you can trust—and that keep your students engaged.

Empower each learner

Each student learns at a different pace. Personalized learning pinpoints the precise areas where each student needs practice, giving all students the support they need—when and where they need it—to be successful.

Teach your course your way

Your course is unique. So whether you'd like to build your own assignments, teach multiple sections, or set prerequisites, MyLab gives you the flexibility to easily create *your* course to fit *your* needs.

Improve student results

When you teach with MyLab, student performance improves. That's why instructors have chosen MyLab for over 15 years, touching the lives of over 50 million students.

Developing Employability Skills

In a recent survey by the Cooperative Institutional Research Program, 85 percent of college freshmen say that the main reason they decided to go to college is to secure a better job when they graduate. Whether you plan to pursue a career in entrepreneurship or some other field, the lessons you learn in your entrepreneurship course and from this book will help you secure a better job because the principles of entrepreneurship apply to *every* avenue of life. Whether you choose to start your own businesses or work for someone else in a for-profit or nonprofit organization, the skills you will learn in this course with the help of this book will be extremely valuable to you. Recent surveys show that employers value the following skill sets in the people they want to hire, and your course and this book will help you develop and enhance your abilities in these areas:

- Critical Thinking and Problem Solving.** Every successful entrepreneur must engage in critical thinking and problem solving. Launching and running a successful company is a perpetual exercise in these areas. In this book, you can hone your critical thinking and problem-solving skills by tackling the “You Be the Consultant” and the “Beyond the Classroom” features that appear in every chapter. In addition, if one of the course requirements is to prepare a business plan, you will learn firsthand how to think critically and solve problems.
- Communication Skills.** Successful entrepreneurs are good communicators. This book and the assignments you complete as part of the class will enhance your written and verbal communication skills. As part of entrepreneurs' search for capital, they must create well-written, coherent business plans and pitch their ideas to potential lenders and investors. Chapter 5, “Building a Solid Strategic Plan and Crafting a Winning Business Plan,” teaches you how to write a plan that not only will help you build successful businesses but also will convince potential lenders and investors to put up financing for them. This chapter also explains how to make a successful business plan presentation. If the class involves developing a business plan (and perhaps participating in a business plan competition), you will learn important written and oral communication skills.

You Be the Consultant

College: The Ideal Place to Launch a Business

For growing numbers of students, college is not just a time of learning, partying, and growing into young adulthood; it is fast becoming a place for building a business. Today, more than 2,300 colleges and universities offer courses in entrepreneurship and small business management, and many of them have trouble meeting the demand for these classes. Today, entrepreneurship has become a mainstream activity on college campuses around the globe. Greater numbers of students are pursuing careers in entrepreneurship and see their college experience as an opportunity to get an early start not only by studying entrepreneurship but also by putting what they learn into practice. Bill Aulet, head of the Martin Trust Center for MIT Entrepreneurship, says that faculty members who teach entrepreneurship must nurture the spirit of a pirate in their students while teaching them how to execute their start-up plans with the precision of a Navy SEAL. In addition to regular classroom courses, colleges increasingly are building an extra dimension in their entrepreneurship programs, including internships with start-ups, consulting jobs with small businesses, mentoring relationships with other entrepreneurs, networking opportunities with potential investors, and participation in business plan competitions. Allan R. Cohen, the dean of the graduate program at Babson College, says that entrepreneurial education is a contact sport, and many colleges are adding boot camp–like courses to their curricula. As the following examples prove, many college students expect to apply

and coaches often overlook talented athletes, who get only a handful of scholarship offers. That was the position that Samantha Weber found herself in during her last year of high school. Although things worked out well for Weber, who enrolled in Grove City College in Grove City, Pennsylvania, where she played varsity soccer for four years, the student-athlete decided to do something to help improve the recruiting process. During her senior year at Grove City College, while playing soccer and taking a full schedule of classes, Weber, just 21, created an athletic recruiting app, ProfilePasser, that connects high school athletes and college coaches at showcase tournaments. Student-athletes create their own profiles using the app, and when college coaches check in at a tournament, they have access to every player's profile and can use a search function to find athletes who fit a particular set of characteristics. ProfilePasser was one of only nine start-ups recently accepted into AlphaLab, Pittsburgh's leading business accelerator. Weber already has raised more than \$25,000 in private financing and has attracted a “who's who” group of advisors, including her older sister, Alexa Andzrejewski, founder of Foodspotting, a company that OpenTable recently bought for \$10 million.

FiscalNote

Students Jonathan Chen (University of Maryland), Timothy

Beyond the Classroom . . .

- Choose an entrepreneur in your community and interview him or her. What's the “story” behind the business?
- How well does the entrepreneur fit the entrepreneurial profile described in this chapter?
- What advantages and disadvantages does the entrepreneur see in owning a business?
- What advice would he or she offer to someone considering launching a business?
- Select one of the categories under the section “The Cultural Diversity of Entrepreneurship” in this chapter and research it in more detail. Find examples of business owners in that category and prepare a brief report for your class.
- Search through recent business publications or their Web sites (especially those focusing on small companies, such as *Inc.* and *Entrepreneur*) and find an example of an entrepreneur, past or present, who exhibits the entrepreneurial spirit of striving for success in the face of failure. Prepare a brief report for your class.

- **Teamwork.** Research shows that businesses started by multiple founders have higher success rates than those started by solo entrepreneurs. Even if you choose to start businesses on your own, you will learn very quickly to rely on the help of other people to build it. In other words, you will learn the power of teamwork and collaboration. Chapter 17, “Building a New Venture Team and Planning for the Next Generation,” will help you learn these skills.
- **Leadership.** One of an entrepreneur’s most important skills is *leadership*. Effective leaders create a vision for their companies, convince other people to believe in and commit to it, develop a plan to implement the vision, and sustain the effort to accomplish it. Chapter 17, “Building a New Venture Team and Planning for the Next Generation,” explains the behavior of successful leaders. Building a company will test and improve your leadership skills.
- **Creativity.** Whatever their business, employers are seeking creative talent. In Chapter 3, “Creativity and Innovation: Keys to Entrepreneurial Success,” you will learn about the creative process and how to enhance both your personal creativity and the creativity of the people in your business. Throughout this book and course, you will experience the incredible creativity that entrepreneurs demonstrate.
- **Ethics and Social Responsibility.** One of a company’s most valuable assets is its reputation. A company’s reputation is critical to its success, but it also is quite fragile. One employee acting in an unethical fashion can destroy a company’s good reputation. Employers seek employees in whom they can have confidence to do the right thing when faced with an ethical dilemma. In Chapter 2, “Ethics and Social Responsibility: Doing the Right Thing,” you will learn basic principles of ethics and social responsibility. Often, entrepreneurs and employees fall into ethical traps that are cloaked in the garb of mundane decisions. This chapter will help you avoid these traps by making you aware of the issues and how to address them.

You may choose to use these skills in your own businesses or in someone else’s business or nonprofit organization; either way, these skills are essential to your success. Moreover, it is only through the aggregate of your educational experiences that you will have the opportunity to develop many of these skills that employers have identified as critical to success in the workplace. As you can see, in this course, and specifically in this book, you will have the opportunity to develop and implement these skills.

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(continued)



Leadership: An Essential Part of an Entrepreneur’s Job

To be successful, an entrepreneur must assume a wide range of roles, tasks, and responsibilities, but none is more important than the role of leader. Some entrepreneurs are uncomfortable assuming this role, but they must learn to be effective leaders if their companies are to grow and reach their potential. Leadership is the process of influencing and inspiring others to work to achieve a common goal and then giving them the power, the incentive, and the freedom to achieve it. Without leadership ability, entrepreneurs—and their companies—never rise above mediocrity. Entrepreneurs can learn to be effective leaders, but the task requires dedication, discipline, and hard work. In the past, business owners often relied on an autocratic management style, one built on command and control. Today’s workforce is more knowledgeable, has more options, and is more skilled and, as a result, expects a different, more sophisticated style of leadership. Millennials, the 80 million Americans born between 1981 and 1997, now make up nearly 35 percent of the U.S. workforce and demand a more open, participative, inclusive, and flexible leadership typology.¹ Leadership is no lon-

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This title is available as an eBook and can be purchased at most eBook retailers.

Essentials of Entrepreneurship and Small Business Management, 9/e, has stood the test of time and contains a multitude of both student- and instructor-friendly features. We trust that this edition will help the next generation of entrepreneurs to reach their full potential and achieve their dreams of success as independent business owners. It is their dedication, perseverance, and creativity that keep the world's economy moving forward.

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Special Note to Students

We trust that this edition of *Essentials of Entrepreneurship and Small Business Management* will encourage and challenge you to fulfill your aspirations as an entrepreneur and to make the most of your talents, experience, and abilities. We hope that you find this book to be of such value that it becomes a permanent addition to your personal library. We look forward to the day when we can write about your entrepreneurial success story on these pages.

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The Foundations of Entrepreneurship



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Learning Objectives

On completion of this chapter, you will be able to:

1. Define the role of the entrepreneur in business in the United States and around the world.
2. Describe the entrepreneurial profile.
- 3-A. Describe the benefits of entrepreneurship.
- 3-B. Describe the drawbacks of entrepreneurship.
4. Explain the forces that are driving the growth of entrepreneurship.
5. Explain the cultural diversity of entrepreneurship.
6. Describe the important role that small businesses play in our nation's economy.
7. Put failure into the proper perspective.
8. Explain how an entrepreneur can avoid becoming another failure statistic.
9. Discover how the skills of entrepreneurship, including critical thinking and problem solving, written and oral communication, teamwork and collaboration, leadership, creativity, and ethics and social responsibility, apply to every career choice and every avenue of life.

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LO1

Define the role of the entrepreneur in business in the United States and around the world.

The World of the Entrepreneur

Welcome to the world of the entrepreneur! Despite economic swings, entrepreneurship is thriving in nearly every part of the world. Globally, nearly one in eight adults is actively engaged in launching a business.¹ In the United States alone, entrepreneurs launch more than 6.6 million businesses annually.² These people, who come from diverse backgrounds, are realizing that Great American Dream of owning and operating their own businesses. Some of them have chosen to leave the security of the corporate hierarchy in search of independence, others have been forced out of large corporations as a result of downsizing, and still others have from the start chosen the autonomy that owning a business offers. The impact these entrepreneurs make on the nation's economy goes far beyond their numbers, however. The resurgence of the entrepreneurial spirit they are spearheading is the most significant economic development in recent business history. These heroes of the business world are introducing innovative products and services, pushing back technological frontiers, creating new jobs, opening foreign markets, and, in the process, driving the U.S. economy.

Entrepreneurs, once shunned as people who could not handle a “real” job in the corporate world, now are the celebrities of the global economy. According to the Global Entrepreneurship Monitor, a global study of entrepreneurial activity across 60 nations, 68 percent of working adults around the world perceive entrepreneurs as having high status.³ These entrepreneurs create companies, jobs, wealth, and innovative solutions to some of the world's most vexing problems, from relief for sore feet to renewable energy sources. “The story of entrepreneurship entails a never-ending search for new and imaginative ways to combine the factors of production into new methods, processes, technologies, products, or services,” says one government economist who has conducted extensive research on entrepreneurship's impact.⁴ In short, small business is “cool,” and entrepreneurs are the rock stars of the business world.

One important indicator of the popularity of entrepreneurship is the keen interest expressed by young people in creating their own businesses. Globally, the highest rates of entrepreneurial activity are among people between the ages of 25 and 34, but entrepreneurship is the desired career path for many people who are still in college.⁵ According to a recent study of global entrepreneurship, 65 percent of college students around the world aspire to be entrepreneurs, 27 percent of them immediately after graduation and 38 percent after gaining experience working for someone else. In the United States, 59 percent of college students in the survey expressed a desire to run their own businesses.⁶ Although the percentage of people in the United States under 30 who own a share of a private company has declined to 3.6 percent from 6.1 percent in 2010, entrepreneurship remains the preferred career path for many young people (some of them while they are still in school), a more enticing option than joining the ranks of the pin-striped masses in major corporations.⁷ When many young people hear the phrase “corporate America,” they do not think of career opportunities; instead, negative images of the corporate world from the film *Office Space* come to mind. Others choose entrepreneurship out of necessity. The Kauffman Foundation reports that nearly one out of five entrepreneurs in the United States start businesses of their own because they cannot find jobs elsewhere.⁸ The bottom line is that whatever drives your career choices, the probability that you will become an entrepreneur at some point in your life is quite high!



ENTREPRENEURIAL PROFILE: Riley Csernica and Chelsea Ex-Lubeskie: Tarian Braces

While working on a class project in a bioengineering class at Clemson University, Riley Csernica and Chelsea Ex-Lubeskie were inspired to create a novel shoulder brace aimed at athletes. After graduating with degrees in biomedical engineering, Csernica and Ex-Lubeskie discovered that jobs in their field were extremely difficult to come by and began exploring the possibility of converting the shoulder brace they had developed as undergraduate students into a business. With the help of the business plan Csernica had built as part of a graduate course in Clemson's Entrepreneurship and Innovation program, the entrepreneurs, just 23 years old, launched Tarian Braces, a business based in Mt. Pleasant, South Carolina, that creates custom-fitted shoulder and ankle braces that give athletes better support and greater range of motion than traditional orthotic braces. To finance their business, Csernica and Ex-Lubeskie landed grants from South Carolina Launch and the National Science Foundation. They also competed in business plan competitions, where they met the director of The Harbor Accelerator, a business

incubator in Mount Pleasant. They applied to be and were accepted as tenants of the incubator, where they continue to build their company, promoting it on social media, networking, calling on potential customers, and attending trade shows aimed at athletic trainers. Csernica and Ex-Lubeskie currently are developing new products for the shoulder (a commonly injured part of the body) and other joints, exploring other markets (for example, elderly people with physical impairments), and investigating the possibility of using 3-D printers to produce their braces. “College students should realize that starting a company is very difficult and requires a lot of sacrifice [both women still live with their parents so that they can funnel their resources into their business],” says Csernica. “However, there is no better time to give running your own company a shot. Working for ourselves is one of the most rewarding things Chelsea and I have ever done because we have the freedom to be our own bosses.”⁹ ■

Csernica and Ex-Lubeskie’s journey is nothing new; entrepreneurship has been part of the fabric of the United States since its earliest days. Many of the nation’s founding fathers were entrepreneurs. Thomas Jefferson started a nailery (a business that transformed iron into nails) in 1794 and purchased high-tech (at the time) nail-making machinery in 1796 to increase his company’s production. Benjamin Franklin was an inventor and in 1729, at the age of 21, convinced several friends to finance his purchase of a newspaper that he renamed *The Pennsylvania Gazette*, a business that made him quite wealthy.¹⁰ That same entrepreneurial spirit remains strong today. According to the Global Entrepreneurship Monitor, 12.6 percent of the U.S. population aged 18 to 64 is engaged in entrepreneurial activity. The level of entrepreneurial activity in the United States is slightly above the global average of 12.3 percent and is well above the average (8.7 percent) for innovation-driven economies (see Figure 1.1).¹¹

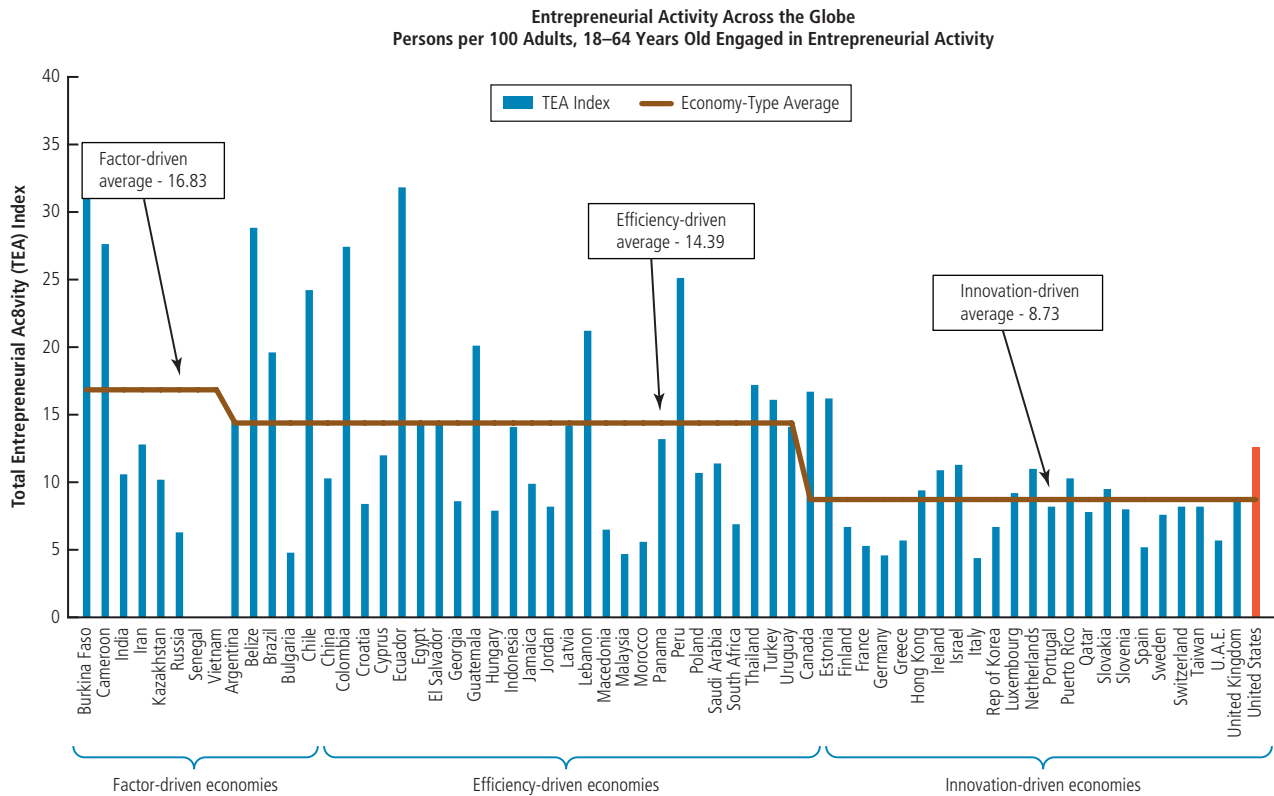


FIGURE 1.1
Entrepreneurial Activity Around the Globe

Source: Based on data from Donna Kelley, Slavica Singer, and Mike Herrington, *Global Entrepreneurship Monitor 2016/17 Global Report*, Global Entrepreneurship Monitor, 2017, pp. 39–102.

In recent years, large companies in the United States and elsewhere around the world have engaged in massive downsizing campaigns, dramatically cutting the number of managers and workers on their payrolls. This flurry of “pink slips” has spawned a new population of entrepreneurs—“castoffs” from large corporations (many of whom thought they would be lifetime ladder climbers in their companies) with solid management experience and many productive years left before retirement.

One casualty of this downsizing has been the long-standing notion of job security in large corporations, which all but destroyed the notion of loyalty and has made workers much more mobile. In the 1960s, the typical employee had worked for an average of four employers by the time he or she reached age 65; today, the average employee has had eight employers by the time he or she is 30.¹² Members of Generation X (those born between 1965 and 1980) and Generation Y (those born between 1981 and 2000), in particular, no longer see launching a business as being a risky career path. Having witnessed large companies lay off their parents after many years of service, these young people see entrepreneurship as the ideal way to create their own job security and career success. They are eager to control their own destinies.

This downsizing trend among large companies also has created a more significant philosophical change. It has ushered in an age in which “small is beautiful.” Thirty years ago, competitive conditions favored large companies with their hierarchies and layers of management; today, with the pace of change constantly accelerating, fleet-footed, agile, small companies have the competitive advantage. These nimble competitors dart into and out of niche markets as they emerge and recede, they move faster to exploit opportunities the market presents, and they use modern technology to create within a matter of weeks or months products and services that once took years and all of the resources a giant corporation could muster. The balance has tipped in favor of small entrepreneurial companies. Alan Murray, editor of *Fortune* magazine, questions the necessity for large corporations, pointing out that today, from home (or anywhere there is an Internet connection), an entrepreneur can assemble a talented team of employees on LinkedIn, store intellectual property in the cloud, turn out products on 3-D printers, and reach customers around the world through the Internet. Howard Stevenson, Harvard’s chaired professor of entrepreneurship, says, “Why is it so easy [for small companies] to compete against giant corporations? Because while [the giants] are studying the consequences, [entrepreneurs] are changing the world.”¹³

Entrepreneurship also has become mainstream. Although launching a business is never easy, the resources available today make the job much simpler today than ever before. Thousands of colleges and universities offer courses in entrepreneurship, the Internet hosts a sea of information on launching a business, sources of capital that did not exist just a few years ago are now available, and business incubators hatch companies at impressive rates. Once looked down on as a choice for people unable to hold a corporate job, entrepreneurship is now an accepted and respected part of our culture.

Another significant shift in the bedrock of our nation’s economic structure is influencing this swing in favor of small companies. The world is rapidly moving away from an industrial economy to a knowledge-based one. What matters now is not so much the traditional factors of production but *knowledge* and *information*. The final impact of this shift will be as dramatic as the move from an agricultural economy to an industrial one that occurred more than 200 years ago in the United States. A knowledge-based economy favors small businesses because the cost of managing and transmitting knowledge and information is very low, and computer and information technologies are driving these costs lower still.

Research suggests that entrepreneurial activity remains vibrant not only in the United States but elsewhere around the world as well. Entrepreneurs in every corner of the world are launching businesses thanks to technology that provides easy access to both local and global markets at start-up. Eastern European countries, China, Vietnam, and many other nations whose economies were state controlled and centrally planned are now fertile ground for growing small businesses. Table 1.1 shows some of the results from a recent study that ranks 137 nations according to the quality of the entrepreneurial environment they provide. Even countries that traditionally are not known as hotbeds of entrepreneurial activity, such as Malawi (which ranks 130th out of 137 nations in the GEDI survey), a growing country of nearly 18 million people in southeastern Africa, are home to promising start-up companies.

TABLE 1.1 Entrepreneurship-Friendly Nations

Which nations provide the best environment for cultivating entrepreneurship? A recent study ranked 137 countries on the quality of the entrepreneurial ecosystem in each nation using the Global Entrepreneurship and Development Index (GEDI), an index that includes a variety of factors that range from the availability of capital and workforce quality to attitudes toward entrepreneurs and technology available. The maximum GEDI score is 100.

GEDI Score, Top Ten Countries	GEDI Score, Bottom Ten Countries
1. United States 83.4	128. Venezuela 13.0
2. Switzerland 78.0	129. Nicaragua 12.7
3. Canada 75.6	130. Malawi 12.5
4. Sweden 75.5	131. Guinea 12.1
5. Denmark 74.1	132. Burkina Faso 11.9
6. Iceland 73.5	133. Bangladesh 11.8
7. Australia 72.5	134. Mauritania 11.6
8. United Kingdom 71.3	135. Sierra Leone 11.4
9. Ireland 71.0	136. Burundi 11.4
10. Netherlands 67.8	137. Chad 8.8

Source: *Global Entrepreneurship Index*, The Global Entrepreneurship and Development Institute, 2017, <https://thegedi.org/global-entrepreneurship-and-development-index/>.



ENTREPRENEURIAL PROFILE: Bellings Zkgaka Bellings Zkgaka lives in Usisya, a small village in Northern Malawi, where only 4 percent of residents complete high school and just 16 percent of the population is employed. Living in one of the most disadvantaged and remote regions of the world has not stifled Zkgaka’s entrepreneurial spirit, however. To support his six children and three orphans he was raising, Zkgaka started a small grocery store. With a microloan of just £150 from Temwa, a nonprofit community development agency, Zkgaka was able to expand his store with a greater selection of goods, including ice pops, which have proved to be a popular item in the tropical heat. As sales and profits from his grocery store grew, Zkgaka spotted other entrepreneurial opportunities and opened a barber shop and a tailoring business. His companies now employ three people, and Zkgaka already is planning his next business venture: a restaurant. “There isn’t one in my area,” he says. “I want to set one up to employ more people, and I know some very good cooks!” Before starting his businesses, Zkgaka had great difficulty providing for his family; today, he is proud that his entrepreneurial ventures allow him to offer them a bright future.¹⁴ ■

Wherever they choose to start their companies, entrepreneurs continue to embark on one of the most exhilarating—and one of the most frightening—adventures ever known: launching a business. It’s never easy, but it can be incredibly rewarding, both financially and emotionally. It can be both thrilling and dangerous, like living life without a safety net. Yet, true entrepreneurs see owning a business as the real measure of success. Lara Morgan started Pacific Direct, a British company that sells toiletries to the hotel industry, when she was just 23. Seventeen years later, she sold a majority share for £20 million and launched a second business, Company Shortcuts, a career coaching site aimed at entrepreneurs. “Running a business is not for the faint-hearted,” says Morgan. “Yes, there are sacrifices to be made; yet I would change nothing of [my] journey. I have had the flexibility, freedom, and choice to do as I please because I choose to run my own company. It was by no means an easy road. I have been sued, risked my house as collateral, and have been through my own wars, not to mention weathering storms in the business and downturns created by wars. Yet, I am now wealthy beyond my wildest dreams.” As an entrepreneur, she advises, “accept that you will make sacrifices, but the up side far outweighs the down side.”¹⁵ Like Lara Morgan, true entrepreneurs see owning a business as the real measure of success. Indeed, entrepreneurship often provides the only avenue for success to those who otherwise might have been denied the opportunity.

Who are these entrepreneurs, and what drives them to work so hard with no guarantee of success? What forces lead them to risk so much and to make so many sacrifices in an attempt to achieve an ideal? Why are they willing to give up the security of a steady paycheck working for someone else to become the last person to be paid in their own companies? This chapter will examine the entrepreneur, the driving force behind the U.S. economy.

LO2

Describe the entrepreneurial profile.

entrepreneur

one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them.

What Is an Entrepreneur?

Adapted from the French verb *entreprendre*, which means “to undertake” or “to attempt,” the word “entrepreneur” was introduced in 1755 in economist Richard Cantillon’s book *Essay on the Nature of Trade in General*. Cantillon defined an entrepreneur as a producer with nonfixed income and uncertain returns.¹⁶ In a typical month, adults in the United States launch 550,000 new businesses, traveling down the path of entrepreneurship that Cantillon first wrote about more than 260 years ago. An **entrepreneur** is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them. Although many people come up with great business ideas, most of them never act on their ideas. Entrepreneurs do.

Harvard Business School professor Howard Stevenson says that entrepreneurs spot opportunities, often a better way to do something, and do not feel constrained from pursuing it because they lack resources. In fact, entrepreneurs are *accustomed* to making do without resources.¹⁷ In essence, entrepreneurs are *disrupters*, upsetting the traditional way of doing things by creating new ways to do them. They upend the status quo by playing the central role of entrepreneurs: catalysts who create change.

In his 1911 book *The Theory of Economic Development*, economist Joseph Schumpeter said that entrepreneurs are more than just business creators; they are change agents in society. The process of creative destruction, in which entrepreneurs create new ideas and new businesses that make existing ones obsolete, is a sign of a vibrant economy. Although this constant churn of businesses—some rising, others sinking, new ones succeeding, and many failing—concerns some people, in reality it is an indication of a healthy, growing, economic system that is creating new and better ways of serving people’s needs and improving their quality of life and standard of living. Schumpeter compared the list of leading entrepreneurs to a popular hotel’s guest list: always full of people but people who are forever changing.¹⁸

High levels of entrepreneurial activity translate into high levels of business formation and destruction and make an economy more flexible and capable of adapting to structural changes in the competitive landscape. “The United States has succeeded in part because of its dynamism, its high pace of job creation and destruction, and its high pace of churning workers,” says John Haltiwanger, an economist who studies trends in entrepreneurship.¹⁹ As disrupters, entrepreneurs are important change agents in the global economy, uprooting staid, old industries with fresh new business models that spot market opportunities and deliver the products and services that customers want.



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ENTREPRENEURIAL PROFILE: Neil Parikh, Gabe Flateman, and Luke Sherwin: Casper Mattress

Neil Parikh, Gabe Flateman, and Luke Sherwin, all in their mid-20s, believed that the \$14 billion mattress industry, with its seemingly endless product variations, complicated delivery and return process, and high prices, was ripe for disruption. The trio of entrepreneurs decided to launch a business, Casper, in New York City that simplifies the process of buying a mattress. Casper produces only one mattress model that comes in six sizes and is priced from \$500 to \$950. Customers receive a 100-day trial period with every mattress. If a customer is dissatisfied at any time during the generous trial period, Casper picks up the mattress at no charge and provides a full refund. (Casper’s return rate is extremely low, and the company donates returned mattresses to local charities.) Living in a large city where space is limited, the trio of entrepreneurs