



B A 250: SMALL BUSINESS MANAGEMENT

Lesson 1: So You Want to Be in Business?

Introduction (1 of 8)

So You Want to Be in Business?

Have you ever thought about starting your own business? Have you ever read about a successful, famous businessperson and how he or she started with an idea to create a valuable business? Do you personally know someone who is running a profitable small business? Small businesses are taking on an ever-increasingly important place in our society. There is a high likelihood that you will either own or work for a small business at some point in your career.

Recently, [Steve King](http://www.smallbizlabs.com/2014/04/solopreneurs-generated-1-trillion-in-revenue-in-2012.html) (<http://www.smallbizlabs.com/2014/04/solopreneurs-generated-1-trillion-in-revenue-in-2012.html>) of Emergent Research reported that **solopreneurs** (small "non-employer" businesses that only employ the business owner) generated \$1 trillion in revenue in 2012 (2014, para. 1–2). Although many successful small business owners lack a formal education, most will tell you to educate yourself to improve your chances of success. Regardless of whether you want to be your own boss or not, it is important that you have a fundamental understanding of how a small business operates; the knowledge you gain can be used to not only create your own business or run a franchise but also to make you a more valuable employee in a small business.

Learning Objectives

The readings and questions in the lesson should help you to do the following things:

- State the pros and cons of being an entrepreneur and owning your own business.
- Identify several reasons why our economy needs small businesses.
- Locate and critique important resources for the small business owner.
- Recognize the importance of strategic planning in gaining a competitive advantage.

Key Terms/Concepts (2 of 8)

Key Terms/Concepts

competitive advantage

a company's ability to outperform its competitors; can be achieved in a variety of ways, such as lower costs and superior customer service

co-preneurs

entrepreneurial couples who are both actively involved in the ownership and operation of a small business

entrepreneur

an individual who faces risk and takes on the challenge of creating a new business with profit and growth as business objectives; has the ability to transform an idea into the reality of a small business

entrepreneurial spirit

the confidence and courage to take on the risks and challenges of starting and operating one or more small businesses

small business

independently owned and operated; not dominant in its field; further distinguished by such size standards as number of employees and annual receipts

Small Business Administration (SBA)

established by Congress via the Small Business Act of 1953 to provide financial, educational, and advisory services to the small business

solopreneur

term used to describe small "non-employer" businesses that don't employ anyone besides the owner

Road Map (3 of 8)

Road Map

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| <i>Readings:</i> | <ul style="list-style-type: none"> • Complete the readings for Lesson 1 listed in the course syllabus. • Read the online commentary for Lesson 1. |
| <i>Assignments:</i> | <ol style="list-style-type: none"> 1. View the three videos linked in the Lesson 1 assignments. 2. Participate in Discussion Forums 1 and 2 (graded). 3. Locate a business for your service learning project. |

Understanding Small Business (4 of 8)

Understanding Small Business

Our economy is in a state of constant change. Throughout history, the public's interest in and emphasis on business has fluctuated. We can recall the swing in interest between small and large business: In our country's early years, the economic foundation was built upon the small business, the family farm, the local inn, the village specialty shop, and the town pub. As we grew and technological advances and inventions increased, the larger business grew to dominate the center of public and media attention. But even during the mid-1900s, the heyday of big business, a foundation of small businesses supported a major portion of our economic development. Small businesses have generated over 65% of new jobs since 1995 (Nazar, 2013).

The Office of Advocacy in the United States Small Business Administration states, "Almost all firms with employees are small. They make up 99.7 percent of all employers nationally. . . .small businesses created 2,175,253 net new jobs in 2012. The biggest gain was in the smallest firm size category of 1–4 employees" (2015). Over the past 20 years, the number of new small businesses has almost tripled. As of 2008, estimates showed nearly 630,000 new businesses opening each year, balanced by about 590,000 business closures (Balle, n.d., para. 3). Along with the increasing number of small businesses being formed, trends show that small businesses offer the most job opportunities.



Source: Fuse/Thinkstock

Think of all the reports you hear daily about this corporation laying off so many hundreds or thousands or that corporation restructuring and downsizing. Employment opportunity favors small business for both the new worker entering the workforce and the corporate employee either disillusioned with big business or forced to gain new employment after falling victim to corporate downsizing. Thousands of colleges and universities offer courses and degrees in entrepreneurship.

Small businesses have also become an even more attractive alternative for women, minorities, and individuals seeking the freedom of working from their homes. With the continued growth of e-commerce, entrepreneurs can reach new customers in national and international markets with limited investment in bricks and mortar.

As we work through the course content and lessons, you will see that much of the content will revolve around the traditional brick-and-mortar type of business. As more small businesses utilize technology in all functional areas, many of the tasks and responsibilities required to operate will be able to be done on the computer. From tax and payroll software being used for accounting to websites and social media being used for marketing, technology has streamlined and improved the way business gets done.

Defining Small Business (5 of 8)

Defining Small Business

Americans have historically supported small businesses. We smile when we think of the local restaurant hangout, the barbershop, the flower shop a mile or so away, or even (to be more nostalgic) the corner grocery store. We appreciate the customer concern and service we receive from these community businesspeople. But what is a small business?

The definition varies when specifics are considered, but all tend to agree with the basic guidelines provided in the Small Business Act of 1953. A **small business** is independently owned and operated and is not dominant in its field of operation. The obvious differences appear when the number of employees, the size of sales or receipts, and other quantitative factors are considered. For this course, the [Small Business Act definition](https://www.sba.gov/sites/default/files/Small%20Business%20Act_o.pdf) (https://www.sba.gov/sites/default/files/Small%20Business%20Act_o.pdf) (Small Business Act, P.L. 85-536, Section 3) will be used.

Small Business Opportunities and Risks

The small business contributes to society and can offer numerous opportunities for an enterprising businessperson. Job opportunities and a customer focus are just two benefits society obtains from the multitude of small businesses. An entrepreneur gains many personal opportunities by starting a business—creativity, independence, and potential for success, to name just a few. But these contributions and opportunities are not obtained without traversing many pitfalls and taking many risks along the way.



Source: bizoo_n/iStock/Thinkstock

Small businesses are generally started with limited funding, limited business knowledge on the owner's part, competition hurdles to overcome, and a need for long hours, hard work, and commitment beyond anticipated expectations. For these and many other reasons, the failure rate for the small business is significant compared to the number of new business start-ups reported each year. According to the SBA Office of Advocacy, "about half of all new establishments survive five years or more and about one-third survive 10 years or more" (2014, p. 1). Businesses that survive the first six years are much more likely to continue on for the next 10 years or

more. Poor management continues to be the primary cause of failure and the reason employees leave for new opportunities.

But the risk of failure and loss has not been great enough to deter entrepreneurial Americans, who have been raised to believe that personal initiative, hard work, and innovation are necessary ingredients for making it in our society. Much can be said about operating a small business, but as long as the entrepreneurial spirit and opportunity exist, the small business will continue to flourish.

The opportunities presented by small business ownership to women, minorities, and immigrants are causing unprecedented growth. Businesses owned by women are no longer limited to the service sector; women are starting technology and manufacturing companies across the country. The SBA Office of Advocacy (2014, p. 2) provides some statistics:

Women-owned firms have increased as a share of total businesses over the years, but they remain smaller, on average, than male-owned firms. In 2012, 36 percent of business owners were women. The most recently available data on the number of women-owned businesses are from 2007. These data show there were 7.8 million women-owned firms, and they averaged \$130,000 in receipts in 2007.

The following video (Isidro, 2010) outlines some of the ways small business owners can minimize the risk of starting a small business.

Video 1.1. Tutorial: Reducing Business Risk



Time: 00:02:43

No transcript available.

Strategic Management (6 of 8)

Strategic Management

One aspect of today's world is the constancy of change. Each business must first accept this idea, face its effect, predict its impact, and plan ways to adapt, using change to its benefit. Expanding technologies, global markets, and an increasing number of businesses provide for keener competition for any one firm. Ongoing planning is a primary tool for understanding this competition and creating advantageous situations whereby the business can successfully compete and remain financially sound.

Critical to success is identifying the business's core competencies and then leveraging them to gain a long-term sustainable advantage over the competition and to provide superior value to customers. As businesses grow and evolve, it will be critical that they recognize and leverage their key assets. The reality is that the intellectual capital of the owner(s) and employees of these businesses may be more valuable than any tangible assets.

The importance of planning cannot be emphasized enough for any business. Planning forces an organization and its management to look ahead, evaluate, and define itself, its products, and its services. Planning is one of the primary functions of management and tends to be one of the most difficult activities to establish as a systematic, routine organizational process.

The planning process for a small business differs from a large corporation in its scope, length of time, and structure. For the small business owner/manager, the process of planning, although considered essential, is also often neglected and considered very difficult. The reasons are many and different for each business, but there are several that stand out:



Source: flytosky11/iStock/Thinkstock

- The overwhelming stress of day-to-day operational activities leaves little time or energy for planning.
- Many small business owners/managers do not have the skills and knowledge needed for effective planning.
- Many are afraid of the problems planning will disclose and the resources necessary to deal with these problems.

The final step in the strategic planning process is developing a set of controls to compare actual performance with stated goals and objectives. Small businesses must regularly revisit their strategic plans and recognize the need to be flexible and respond appropriately to environmental changes and shifts in customer expectations. To learn more about small business planning, the U.S. Small Business Administration offers a 30-minute [video on strategic planning](https://www.sba.gov/tools/sba-learning-center/training/strategic-planning) (<https://www.sba.gov/tools/sba-learning-center/training/strategic-planning>) that I would encourage you to watch.

References (7 of 8)

References

- Balle, L. (n.d.). Information on small business startups. In *The Houston Chronicle*. Retrieved from <http://smallbusiness.chron.com/information-small-business-startups-2491.html>
- Isidro, I. (2010, February 11). How to reduce your risks when starting a business [Video file]. Retrieved from <https://www.youtube.com/watch?v=qlRaidkNEcA>
- Nazar, J. (2013, September 9). 16 surprising statistics about small businesses. In *Forbes*. Retrieved from <http://www.forbes.com/sites/jasonnazar/2013/09/09/16-surprising-statistics-about-small-businesses/>
- King, S. (2014, April 29). Solopreneurs generated \$1 trillion in revenue in 2012. In Emergent Research (Ed.), *Small business labs*. Retrieved from <http://www.smallbizlabs.com/2014/04/solopreneurs-generated-1-trillion-in-revenue-in-2012.html>
- U.S. Small Business Administration Office of Advocacy. (2014, March). *Frequently asked questions about small business*. Retrieved from https://www.sba.gov/sites/default/files/FAQ_March_2014_o.pdf
- U.S. Small Business Administration Office of Advocacy. (2015). *United States Small Business Profile*. Retrieved from https://www.sba.gov/sites/default/files/advocacy/US_o_o.pdf

Lesson Assignments (8 of 8)

Lesson 1 Assignments

Complete all the following tasks and readings by the due dates listed in the [course syllabus](#).

Online Videos

To get some background for this lesson, watch the following online videos:

- [The Five Biggest Mistakes That Entrepreneurs Make](http://ecorner.stanford.edu/videos/364/Five-Biggest-Mistakes-That-Entrepreneurs-Make) (<http://ecorner.stanford.edu/videos/364/Five-Biggest-Mistakes-That-Entrepreneurs-Make>) ,
 - [What Are the Best Qualities of Successful Entrepreneurs?](http://ecorner.stanford.edu/videos/365/What-are-the-Best-Qualities-of-Successful-Entrepreneurs) (<http://ecorner.stanford.edu/videos/365/What-are-the-Best-Qualities-of-Successful-Entrepreneurs>) and
 - [Critical Skills Entrepreneurs Need](http://ecorner.stanford.edu/videos/366/Five-Critical-Skills-That-Entrepreneurs-Need) (<http://ecorner.stanford.edu/videos/366/Five-Critical-Skills-That-Entrepreneurs-Need>) .
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Discussion Forum

Following the [Discussion Forum Guidelines](#), participate in the following discussion forum topics. Your initial discussion post for each question is due by **Thursday at 6:00 p.m. (ET)**. Your responses to your classmates' initial posts are due by **Sunday at 11:55 p.m. (ET)**, as outlined in the [course syllabus](#).

Discussion Forum 1: Introduction

Introduce yourself to the class. Comment about your experience in a small business. Share your interest in starting a small business. Create one original post and then reply to at least two other student posts. Please post your responses to [Discussion Forum 1: Introduction](https://cms.psu.edu/section/content/default.asp?WCI=Goto&WCU=CRSCNT&MATCH=Discussion+Forum+1:+Introduction) (<https://cms.psu.edu/section/content/default.asp?WCI=Goto&WCU=CRSCNT&MATCH=Discussion+Forum+1:+Introduction>) .

Discussion Forum 2: U.S. Small Business Administration Website Review (5 points)

Review and evaluate the [U.S. Small Business Administration website](https://www.sba.gov) (<https://www.sba.gov>) , describing how the Small Business Administration could help an entrepreneur open a new business. Create one original post for this discussion and respond to at least two of the posts from other students. Please post your responses to [Discussion Forum 2: SBA](https://cms.psu.edu/section/content/default.asp?WCI=Goto&WCU=CRSCNT&MATCH=Discussion+Forum+2:+SBA) (<https://cms.psu.edu/section/content/default.asp?WCI=Goto&WCU=CRSCNT&MATCH=Discussion+Forum+2:+SBA>) .

Please direct questions to the [World Campus HelpDesk](http://student.worldcampus.psu.edu/student-services/helpdesk) (<http://student.worldcampus.psu.edu/student-services/helpdesk>) |