Business 50.5 Entrepreneurship Spring 2007 Professor Myles Bassell **Study Guide 1**

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Chapter 1

List 3 types of start-up firms and outline the characteristics of each.

TYPES OF START-UPS

1. A lifestyle firm is privately held and usually achieves only limited growth.
   1. This type of firm may grow after several years to 30 or 40 employees.
   2. A ***lifestyle firm*** exists primarily to support the owners and usually has little growth opportunity.
2. Foundation Companies.
   1. A ***foundation company*** is a type of company formed from research and development and lays the foundation for a new business area.
   2. This firm can grow in five to ten years from 40 to 400 employees.
   3. This type of start-up rarely goes public and draws little *outside investor interest.*
3. ***High-Potential Venture.***
   1. This type of venture receives the most investor interest.
   2. The company may start out like a foundation company, but its growth is far more rapid.
   3. After five to ten years the company could employ around 500 employees, with $20-30 million in revenues.
   4. These firms are also called ***gazelles*** and are most important for the economic development of an area.

Entrepreneurship is the process of creating something new and assuming the risks and rewards. Entrepreneurship is the dynamic process of creating wealth.

Explain the Entrepreneurial Process. List all the stages and outline the components of each stage.

THE ENTREPRENEURIAL PROCESS

The ***entrepreneurial process*** involves finding, evaluating, and developing an opportunity by overcoming the strong forces that resist the creation of something new.

Phase 1: Identify and Evaluate the Opportunity.

Opportunity identification: Most good business opportunities result from an entrepreneur being alert to possibilities.

Each opportunity must be carefully screened and evaluated—this is the most critical element of the entrepreneurial process.

The market size and the length of the ***window of opportunity*** are the primarily bases for determining risks and rewards.

a. The risks reflect the market, competition, technology, and amount of capital involved.
b. The amount of capital forms the basis for the return and rewards.
c. The return and reward of the present opportunity needs to be viewed in light of any possible subsequent opportunities as well.

Continued from Phase 1

Opportunity assessment should focus on the opportunity and provide the basis to make the decision, including:

a. A description of the product or service.

b. An assessment of the opportunity.

c. Assessment of the entrepreneur and the team.

d. Specifications of all the activities and resources needed.

e. The source of capital to finance the initial venture.

Phase 2: Develop a Business Plan.

1. A good ***business plan*** must be developed in order to exploit the opportunity defined.
2. This plan is essential to developing the opportunity and in determining the resources required, obtaining those resources, and successfully managing the venture.

Phase 3: Determine the Resources Required.

1. Assessing the resources needed starts with an appraisal of the entrepreneur's present resources.
2. Any resources that are critical need to be differentiated from those that are just helpful.
3. Care must be taken not to underestimate the amount and variety of resources needed.
4. Acquiring needed resources, while giving up as little control as possible, is difficult.

a. The entrepreneur should try to maintain as large an ownership position as possi

ble, particularly in the start-up stage.

b. As the business develops, more funds will probably be needed, requiring more ownership be relinquished.

c. Alternative resource suppliers should be identified, along with their needs and desires, in order to structure a deal with the lowest cost and loss of control.

Phase 4: Manage the Enterprise.

1. The entrepreneur must use them to implement the business plan.

This involves implementing a management structure, as well as identifying a control system.