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For additional details visit: www.pearson.com/mylab/entrepreneurship
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Ninth Edition

Essentials of Entrepreneurship and Small Business Management

Norman M. Scarborough
Presbyterian College

Jeffrey R. Cornwall
Belmont University

Pearson
New York, NY
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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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.
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,” 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.

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 Bill Mitchell, who began tailoring clothing for his college friends, which led him to start Billiam Jeans, a company that creates custom-made jeans for clients). 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, and many others.

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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 Bill Mitchell, who began tailoring clothing for his college friends, which led him to start Billiam Jeans, a company that creates custom-made jeans for clients). 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, and many others.
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.
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 flashcards 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.
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, MediaShare for Business provides a robust video library and a powerful interface that help you connect course concepts to the business world.

On MyLab Entrepreneurship, students can complete Auto-graded and Assisted-grading writing questions that cut down on your grading time so you can spend more time teaching.

**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.

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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’ searches 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.

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- **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.

**Instructor Teaching Resources**

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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.

**Acknowledgments**

Supporting every author is a staff of professionals who work extremely hard to bring a book to life. They handle the thousands of details involved in transforming a rough manuscript into the finished product you see before you. Their contributions are immeasurable, and I appreciate all they do to make this book successful. I have been blessed to work with the following outstanding publishing professionals:

- Dan Tylman, Portfolio Manager, who assisted us in many ways as we developed a revision plan for this edition. His input and vision proved to be a valuable resource.
- Susan McNally, Project Manager, who handled an arduous production process and, along the way, solved a plethora of problems for us.

We also extend a big “Thank You” to the corps of Pearson sales representatives, who work so hard to get our books into customers’ hands and who represent the front line in our effort to serve our customers’ needs. They are the unsung heroes of the publishing industry.

Special thanks to the following academic reviewers, whose ideas, suggestions, and thought-provoking input have helped to shape this and previous editions of our two books, *Essentials of Entrepreneurship and Small Business Management* and *Entrepreneurship and Effective Small Business Management*. We always welcome feedback from customers!

Lon Addams, Weber State University
Sol Ahiarah, Buffalo State College
Professor M. Ala, California State University—Los Angeles
Annamary Allen, Broome Community College
Tammy Yates Arthur, Mississippi College
Jay Azriel, York College of Pennsylvania
Bruce Bachenheimer, Pace University
Kevin Banning, University of Florida
Jeffrey Bell, Dominican University
Tom Bergman, Northeastern State University

Nancy Bowman, Baylor University
Jeff Brice, Texas Southern University
Michael S. Broida, Miami University
James Browne, University of Southern Colorado
Rochelle Brunson, Alvin Community College
John E. Butler, University of Washington
R. D. Butler, Trenton State College
Pamela Clark, Angelo State University
Richard Cuba, University of Baltimore
Kathy J. Daruty, Los Angeles Pierce College
We also are grateful to our colleagues who support us in the often grueling process of writing a book: Jerry Slice, Suzanne Smith, Jody Lipford, Tobin Turner, Cindy Lucking, Karen Mattison, and Rachel Childers of Presbyterian College and Mark Schenkel, Mark Phillips, and Jose Gonzalez of Belmont University.

Finally, we thank Cindy Scarborough and Ann Cornwall for their love, support, and understanding while we worked many long hours to complete this book. For them, this project represents a labor of love.
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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