Entrepreneurship
SUCCESSFULLY LAUNCHING NEW VENTURES
SIXTH EDITION

Bruce R. Barringer
Oklahoma State University

R. Duane Ireland
Texas A & M University
Dedication

To my wife, Jan. Thanks for your never-ending encouragement and support. Without you, this book would have never been possible. Also, thanks to all the student entrepreneurs who contributed to the chapter opening features in the book. Your stories are both insightful and inspiring.

—Bruce R. Barringer

To my family: I am so proud of each of you and so blessed by your perseverance and never-ending love and support. I know that sometimes it seems as though “we lose ourselves in work to do and bills to pay and that it’s a ride, ride, ride without much cover.” But you are always in my heart, a gift for which I remain deeply grateful.

—R. Duane Ireland
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Preface

New to this Edition

This sixth edition is a thorough revision of our book. Each chapter has been revised for the purpose of presenting you, our readers, with a foundational understanding of entrepreneurship as well as with current examples of actions being taken by entrepreneurs and by entrepreneurial firms. We use insights from the academic literature and the experiences of practicing entrepreneurs to inform our explanation of entrepreneurship. To present you with specific examples of entrepreneurs’ actions and the actions taken by entrepreneurial firms, we again use insights from entrepreneurs as well as from business people. These insights from practicing entrepreneurs and their firms and from business people were drawn from many sources including podcasts, blogs, newspapers, companies’ websites, and popular business publications such as The Wall Street Journal and Fortune magazine among many others. As we’ll explain later in greater detail, we also draw from the academic literature to make certain that we are presenting you with accurate and current descriptions of what researchers have learned about successful entrepreneurs and effective entrepreneurial firms.

Opening Profile Each of the book’s 15 chapters opens with a profile of an entrepreneurial firm that was started while the founder or founders were in college or shortly after graduating. All “Opening Profiles,” with each one being linked to an individual chapter’s topic, are new to this edition. Each “Opening Profile” is based on a personal interview with the student entrepreneur or entrepreneurs who founded the company around which each profile is written.

Updated Boxed Features The majority of the “Savvy Entrepreneurial Firm,” “Partnering for Success,” and “What Went Wrong?” boxed features are new to this edition. The few features that are not new have been updated. These features alert readers to contemporary issues facing entrepreneurs and their firms. In addition, the content of the features suggest actions...
entrepreneurs can take to deal with various contemporary issues. The boxed features appearing in this new edition of our book focus on many different topics such as how entrepreneurial firms can use collaborative software to help team members reach their goals, the need to develop and test a prototype of a product or service as a means of determining how to meet customers’ needs, and how growing too quickly overwhelmed a firm’s ability to properly manage its cash flow.

**New and Updated End-of-Chapter Cases** The majority of the end-of-chapter cases are new to this edition. For example, through Case 10.2 on p. 376, you will learn about how Kickstarter is becoming an increasingly important pathway through which entrepreneurs obtain seed capital for their ventures. The few cases that have been retained have been updated. Two cases are presented at the end of each chapter. Comprehensive in nature, the cases have been selected to represent the principles examined within individual chapters and to provide readers with opportunities to think about how principles apply to situations particular companies are facing. The questions appearing at the end of each case can be used to stimulate classroom discussion or for quizzes or tests. MyLab Entrepreneurship offers additional discussion questions and practice questions to enhance your learning experience.

**New and Updated “You be the VC” Features** Two features called “You be the VC” appear toward the end of each chapter. Each of these unique features present readers with a “pitch” for funding an emerging entrepreneurial venture. The features are designed to stimulate classroom discussion by sparking a debate about whether a particular entrepreneurial venture should or should not be funded by a venture capitalist. In essence, students are asked to take on the role of a venture capitalist when evaluating the commercial viability of what are real-life entrepreneurial ventures. Almost all of the “You be the VC” features appearing in this edition are new.

**Updated References** The amount of academic research being completed to add to our understanding of entrepreneurship and how entrepreneurs practice it continues to expand. Importantly, the quality of this research, in terms of its ability to inform entrepreneurial practices, is increasing. To provide our readers with the most recent insights from academic journals, we draw ideas and insights from recent research articles appearing in well-established and highly respected journals such as *Strategic Entrepreneurship Journal*, *Journal of Business Venturing*, *Entrepreneurship Theory and Practice*, *Academy of Management Journal*, *Strategic Management Journal*, and *Organization Science* among others. All of these journals are recognized for their contributions to entrepreneurship that are made by the articles they publish. Similarly, and as mentioned previously, we draw from podcasts, blogs, companies’ websites, and publications such as *The Wall Street Journal* and *Entrepreneur* among others to find materials that describe how entrepreneurs rely on their hard-earned practical experience in order to achieve success when leading their entrepreneurial ventures. The references we drew from academic journals are very current as are the stories and experiences that are described in the podcasts, blogs, and established publications that we consulted while writing this edition of our book.

**Solving Teaching and Learning Challenges**

The lure of entrepreneurship for people who launch their own businesses is the ability to create a product or a service with the potential to enhance people’s lives. While entrepreneurs want to earn profits from the money, time, and energy
they invest in their firms, they typically also want to make a difference—to individuals who buy their product or service and to the local community in which they operate. To do this though, entrepreneurs need to follow a process to fulfill their dreams and to be successful.

As has always been the case with our book, we remain committed to the position that to be successful, entrepreneurs must follow a specific set of activities. We call this set of activities “The Entrepreneurial Process,” around which this book is written. This process includes four interrelated steps: (1) deciding to become an entrepreneur, (2) developing successful business ideas, (3) moving from an idea to an entrepreneurial firm, and (4) managing and growing the entrepreneurial firm. While entrepreneurship is not easy, we strongly believe that following the entrepreneurial process presented in this book will increase the likelihood that entrepreneurs will be successful in their efforts to launch and operate a business that is based on their identification of an opportunity and the development of their unique idea, in the form of a product or a service, to pursue it.

By following this unique process, aspiring entrepreneurs increase the likelihood that the investments they make will pay dividends and will bring them great satisfaction as they meet the needs of various groups including customers, those working for the entrepreneurial venture, and the local communities in which those ventures operate. We use the following features to clearly and concisely explain the entrepreneurial process and to bring that process to life for readers in the process of doing so.

The Entrepreneurial Process The process’ 4 major steps are explained in a total of 15 chapters. Studying this process informs an understanding of entrepreneurship and how to practice it for the purpose of establishing and then successfully growing an entrepreneurial venture. Once a venture has been launched, entrepreneurs should continuously revisit and study the parts of the process to verify that the venture is taking actions with a high probability of leading to entrepreneurial success.

Opening Profiles Each of the book’s 15 “Opening Profiles” describes the launching of an entrepreneurial venture by entrepreneurs when they were university or college students (or shortly after graduation). The individual profiles are related to individual chapters’ core topic—a topic that is part of the entrepreneurial process. In addition to demonstrating how entrepreneurs apply a particular part of the entrepreneurial process, the “Opening Profiles” show that
as university-level students, some individuals decide at that time to become entrepreneurs. Owlet Baby Care, for example, is the subject firm of Chapter 3’s “Opening Profile.” This firm's product, called the Owlet Baby Sock, is also pictured on the cover of this book. By placing the Owlet Baby Sock on a foot, parents are able to monitor a baby's heartbeat and oxygen level while she or he sleeps. Chapter 3's topic is Feasibility Analysis, meaning that the discussion about Owlet Baby Sock in the chapter’s “Opening Profile” revolves around efforts the firm's founders took to see if their product was indeed commercially feasible. Overall, the “Opening Profiles” show students reading this book that they, too, may have the potential to establish an entrepreneurial venture while attending a university or college or shortly after graduating.

**Partnering for Success Boxed Feature** The ability for entrepreneurial ventures to partner with other firms is becoming an increasingly important attribute of successful entrepreneurial ventures. This boxed feature exposes students to a number of different ways entrepreneurial ventures partner with others for the purpose of increasing their success. Sometimes entrepreneurial firms partner with companies whose size and scale they cannot match. The purpose of this boxed feature, which appears in each of the 15 chapters, is to describe collaborative relationships that benefit entrepreneurial ventures. Questions about each feature’s content appear at the end of the feature. These questions challenge students to think critically about the feature’s content and can be used to stimulate classroom discussions.

**Savvy Entrepreneurial Firm** Each chapter features a content feature called “Savvy Entrepreneurial Firm.” These features, which explain practices entrepreneurs follow that help their ventures become successful, present students with tools and techniques entrepreneurs use when leading entrepreneurial ventures. Essentially, this feature describes entrepreneurship in action. After reading all 15 “Savvy Entrepreneurial Firm” features, students will have a set of practices entrepreneurs use for the purpose of increasing their firm’s operational success. Questions that can be used to facilitate discussions among students or as quizzes or tests appear at the end of each feature.

**What Went Wrong?** Mistakes are made in entrepreneurial firms. With this feature, with one in each chapter, we describe for students “What Went Wrong?” for an entrepreneur and the venture she or he was leading. Reading these features explains actions to students that they want to avoid as entrepreneurs. The questions appearing at the end of each feature can be used as discussion starters, and as a foundation for asking students about actions that could have been taken to avoid the problem that is described in a particular “What Went Wrong?” feature.
**Barringer/Ireland Business Model Template**  The Barringer/Ireland Business Model Template, developed by the authors specifically for this book, is a nicely designed tool that helps students think through and articulate the business model for a proposed venture or an existing firm. Each section of the template, which is presented as Appendix 1 on p. 156 in Chapter 4, is fully explained in the chapter. The template can be easily copied and used by those wishing to develop a business model for an entrepreneurial venture. Additionally, if students are required to develop an idea for an entrepreneurial venture as a course requirement, they can also be asked to complete the template as part of such an assignment. In Case 4.2, titled “TOMS’ One-for-One Business Model: Is It Sustainable?” we use the Barringer/Ireland Business Model Template to present TOMS’ business model (see p. 151). This allows students to study a “live” business model and increase their understanding of how to use the template.

**Feasibility Analysis**  Students and entrepreneurs typically find it challenging and difficult to determine if their idea for a product or service is feasible as the foundation for an entrepreneurial venture. Chapter 3 provides a detailed explanation of the steps entrepreneurs should take to complete a feasibility analysis. These steps are shown in Table 3.1. Three additional tools are offered to students in Chapter 3 to enhance their understanding of how to conduct a feasibility analysis. In Appendix 3.1 on p. 113, tips for conducting interviews to assess a product or a service’s feasibility, as well as examples of questions to ask and questions not to ask during an interview, are presented. In Appendix 3.2 (see p. 114), we present a tool called First Screen. Students and entrepreneurs can use this template to complete a feasibility analysis regarding an idea they have for an entrepreneurial venture. Finally, Appendix 3.3 on p. 116 contains an Internet Resource Table that provides resources that are helpful when completing the First Screen template. In all, students can use the tools and information featured in these three appendixes to assess the feasibility of an idea they have as the foundation for launching an entrepreneurial venture.

**End-of-Chapter Review and Application Questions**  Two sets of questions appear at the end of each chapter. By answering the review questions, students have opportunities to see if they have understood the concepts, tools, and techniques that were presented within each chapter. More comprehensive in nature, the application questions can be used to stimulate classroom discussions or to assess students’ ability to explain how chapter-specific concepts, tools, and techniques would be used by an entrepreneur or within an entrepreneurial firm.

**Review Questions**

1-1. Do you anticipate that entrepreneurship will continue spreading throughout the world, or do you think its appeal will diminish over time?

1-2. What key insights does the DSM study provide us about entrepreneurship?

1-3. What are the potential implications for gender in your current/future role of a venture capitalist, appear at the end of each chapter. In each “You be the VC” feature, the idea behind a newly-launched entrepreneurial venture is described. Given the product or service and the firm, students are asked to decide what additional information they would require to decide if they would or would not fund the venture. Chapter 6’s “You be the VC 6.2” (see p. 224) discusses Ava, a company that has built a smartphone app that translates translations received through mobile phones into texts. These translations allow people with hearing problems to follow conversations occurring
in group settings. With a total of 30 “You be the VC” features included in the book, students have multiple opportunities to carefully evaluate the commercial potential of a variety of products and services being offered by newly-established entrepreneurial firms.

End-of-Chapter Cases Two cases appear at the end of each chapter. Comprehensive in scope, both cases presented within individual chapters speak to those chapters’ core topics. Dealing with real companies, these cases present students with opportunities to evaluate multiple applications of a particular chapter’s concepts, tools, and techniques as they are applied within a firm. In some instances, a case asks students to evaluate firms that are not being as successful as those leading them want to be the case. This is true for Quiznos, which is the subject of Case 15.1 (see p. 564). This case describes the challenges a franchisor (Quiznos) has encountered over a number of years following a successful launch and after achieving initial successes. Questions appearing at the end of this case challenge students to decide if they believe that actions this firm is taking today will result in a positive turnaround for Quiznos as a foundation for returning to entrepreneurial success. In other instances, an end-of-chapter case describes an entrepreneur’s venture’s success and asks students to decide if the firm’s positioning will yield additional success across time. This situation describes d.light, the focal firm of Case 6.2 on p. 228. As explained in this case, d.light’s business plan was instrumental to its success and appears to have the potential to be the foundation for the firm’s continuing success in the future. However, the firm faces challenges, some of which appear in the form of questions that students can answer as a means of fully considering d.light’s future.

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## Developing Employability Skills

To succeed in today’s rapidly changing job market, students should develop skills that will facilitate their efforts to achieve career success—whether they intend to be an entrepreneur or not. In this book, we focus on developing “employability skills” that will help students who seek to be entrepreneurs as well as those who seek to achieve business success by pursuing different options. We focus on developing these skills in the following ways:

### Business Ethics and Social Responsibility

Examples of firms engaging in socially responsible actions and seeking to solve some of society’s challenges appear throughout the book. For instance, consider the story of GiveForward, the focal firm of the “You be the VC 7.1” feature. This firm has launched a crowdfunding platform that allows people to send financial support and encouragement to individuals facing a medical crisis to provide for their out-of-pocket medical expenses. We discuss the need for firms to establish a strong ethical culture as a foundation for how they operate. Specific actions business people can take to “lead by example” when it comes to demonstrating ethical behaviors consistently appear on p. 238. We also describe on p. 239 what should be done to implement an ethics training program in entrepreneurial ventures and all other types of firms. Moreover, when considering each chapter’s core topic, instructors can ask students to discuss the “ethical issues” associated with, for example, building effective work teams (Chapter 9) and deciding how to market a firm’s product or service (Chapter 11).

### Critical Thinking

Learning how to think critically about issues is foundational to a person’s ability to identify opportunities to develop a product or service that meets a certain customer group’s needs. The 30 end-of-chapter cases in this edition expose students to an array of products and services that entrepreneurs developed to serve customers. In each instance, the entrepreneurs had to think critically as a foundation for deciding how to proceed to launch their ventures. In Case 1.1, for example (see p. 34), Julie Rice and Elizabeth Cutler decided that they wanted to create an alternative to fitness routines and experiences that felt like work. After thinking through various options, they developed a cardio-workout experience that is relational in nature for their customers. In their view, the exercise experience SoulCycle provides to customers is tribal, primal, and fun.

### YOU BE THE VC 7.1 COMPANY: GiveForward

**Business Idea:** Launch a crowdfunding platform that allows people to send financial support and encouragement to individuals facing a medical crisis to provide for their out-of-pocket medical expenses.

**Pitch:** Each year, Americans incur over $400 billion in out-of-pocket medical expenses that are not covered by insurance. Many people find themselves in difficult situations. They are battling a disease such as cancer or recovering from a medical crisis like a stroke, and they have out-of-pocket medical expenses they are unable to pay. GiveForward is an online crowdfunding platform that allows families to raise money to help, but they don’t know how to go about it. They may sponsor a charity event or try to collect money on their own, but their efforts often fall short of reaching their loved one’s medical expenses.

Since the site was launched in 2008, GiveForward has helped facilitate tens of thousands of medical fundraising campaigns and helped raise over $64 million. Growth in the number of campaigns and dollar amount being donated is accelerating. While many campaigns are for less than $15,000, some campaigns have been for much larger sums. For example, in a college dormitory, the family and friends of two people who were injured launched a GiveForward campaign that raised almost a million dollars.

**Questions:**

Based on the material covered in this chapter, what questions would you ask the firm’s founders before submitting your application for investment in their firm?

They may sponsor a charity event or try to collect money on their own, but their efforts often fall short of reaching their loved one’s medical expenses.
Collaboration Skills  There is no doubt that being able to collaborate with others (both within and outside a firm) is critical to success for firms competing in today’s business environment. In particular, the “Partnering for Success” features allow students to increase their understanding of how collaboration increases the likelihood of a firm improving its performance. In Chapter 8’s feature (see p. 279), students learn how entrepreneurial firms participate in groups (often called cooperatives) that are organized and used for the purpose of helping individually small firms gain access to the benefits accrued through collective purchases of products rather than purchasing as individual firms.

Data Literacy  Being able to interpret the business-related meaning of data is a critical skill for today’s business people to develop. The Feasibility Analysis Templates appearing as appendices at the end of Chapter 3 help students understand how to interpret data for the purpose of deciding if a business idea is feasible and as such, worth pursuing. The Barringer/Ireland Business Model Template generates data students can analyze for the purpose of forming a business model for an entrepreneurial venture. Interpreting the meaning of financial data is at the center of Chapter 10’s discussion of how entrepreneurial firms obtain the funding required to launch and/or continue their operations. How entrepreneurs interpret financial data though parallels how all business people interpret such data.

Instructor Teaching Resources

This program comes with the following teaching resources:

<table>
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<tr>
<th>Supplements available to instructors at <a href="http://www.pearsonhighered.com">www.pearsonhighered.com</a></th>
<th>Features of the Supplement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Instructor’s Manual</strong>  authored by Ram Subramanian from Stetson University</td>
<td>■ Chapter-by-chapter summaries  ■ Teaching outlines  ■ Teaching tips  ■ Solutions to all questions and problems in the book</td>
</tr>
<tr>
<td><strong>Test Bank</strong>  authored by Ram Subramanian from Stetson University</td>
<td>More than 1,500 multiple-choice, true/false, and short-answer questions with these annotations:  ■ Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis)  ■ Learning outcome  ■ AACSB learning standard (Written and Oral Communication; Ethical Understanding and Reasoning; Analytical Thinking; Information Technology; Interpersonal Relations and Teamwork; Diverse and Multicultural Work; Reflective Thinking; Application of Knowledge)</td>
</tr>
<tr>
<td><strong>Computerized TestGen</strong></td>
<td>TestGen allows instructors to:  ■ Customize, save, and generate classroom tests  ■ Edit, add, or delete questions from the Test Item Files  ■ Analyze test results  ■ Organize a database of tests and student results</td>
</tr>
<tr>
<td><strong>PowerPoints</strong>  authored by Bruce Barringer from Oklahoma State University</td>
<td>Slides include many of the tables, illustrations, and figures in the textbook. PowerPoints meet accessibility standards for students with disabilities. Features include, but are not limited to:  ■ Keyboard and Screen Reader access  ■ Alternative text for images  ■ High color contrast between background and foreground colors</td>
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**Academic Reviewers** We’d like to thank all the reviewers who have worked with us as we completed different revisions of our book. The guidance and recommendations we have received from these colleagues, each of whom teaches courses in entrepreneurship, have been instrumental in our attempts to revise the book’s contents and features in ways that will create value for them and for their students. We are indeed very grateful for their reviews and truly believe that their feedback has been deeply important to the evolution of this book. We want to express our sincere appreciation to the following reviewers (affiliations are those the reviewers had at the time of their participation in a review process):

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We wish each of you—our readers—all the best in your study of the entrepreneurial process. We do indeed hope that each of you will be highly successful entrepreneurs as you pursue the ideas you will develop at different points in your careers.
About the Authors

Bruce R. Barringer  Bruce R Barringer is a professor and department head for the School of Entrepreneurship at Oklahoma State University. He also holds the N. Malone Mitchell Jr. and the Student Ventures chairs. Bruce received his PhD from the University of Missouri and his MBA from Iowa State University. His research interests include feasibility analysis, firm growth, corporate entrepreneurship, and the impact of interorganizational relationships on business organizations. Over the years, he has worked with a number of technology-based incubators and student-led entrepreneurship activities and clubs.


Bruce’s outside interests including running, trail biking, and swimming.

R. Duane Ireland  R. Duane Ireland is a University Distinguished Professor and holds the Benton Caconougher Chair in Business in the Mays Business School, Texas A&M University. He also serves as the Executive Associate Dean for the Mays School. Previously, he served as a member of the faculties at the University of Richmond, Baylor University, and Oklahoma State University. His research interests include strategic entrepreneurship, entrepreneurship in informal economies, corporate entrepreneurship, and the effective management of organizational resources.

Duane’s research has been published in journals such as Academy of Management Journal, Academy of Management Review, Academy of Management Executive, Academy of Management Perspectives, Academy of Management Annals, Administrative Science Quarterly, Strategic Management Journal, Journal of Management, Strategic Entrepreneurship Journal, Journal of Business Venturing, and Entrepreneurship Theory and Practice, among others. He is a co-author of both scholarly books and textbooks in the areas of entrepreneurship and strategic management.

Duane has served as a member of editorial review boards for many journals including Academy of Management Journal, Academy of Management Review, Journal of Management, and Journal of Business Venturing. He completed a three-year term as editor of the Academy of Management Journal and was the 69th president of the Academy of Management. He is a fellow of the Academy of Management and a fellow of the Strategic Management Society. He has received a number of awards such as a Lifetime Achievement Award for Scholarship and Research from Mays Business School, a Distinguished Service Award from the Academy of Management, and a Distinguished Service Award from the Strategic Management Division of the Academy of Management. Duane’s outside interests include running, reading, and spending time with his family.