**Video Exercises** are available for select chapter topics to help engage students and hold them accountable for their learning.

*MyLab Entrepreneurship helped me get a higher grade in my course because quizzes and videos help to refresh the mind and made me feel confident that I retained the information that was given throughout course."

— Marie DeJesus, Eastern Florida State College

Dynamic Study Modules help students study chapter topics on their own by continuously assessing their knowledge application and performance in real time.

% of students who found learning aid helpful

![Percentage Chart](image)

Pearson eText enhances student learning with engaging and interactive lecture and example videos that bring learning to life.

The Gradebook offers an easy way for you and your students to see their performance in your course.

89% of students would tell their instructor to keep using MyLab Entrepreneurship

For additional details visit: www.pearson.com/mylab/entrepreneurship
Special thanks to Kathryn Davis, Shelby M. C. Davis, Kimberly La Manna, Abby Moffat, and Diana Davis Spencer. Also to my mother, Nancy Mason Mariotti, who taught me that a great teacher can affect eternity.

—Steve Mariotti

To my children, Elise and Spencer, whose support and love are essential parts of this book. To my parents, Howard and Maria Wiedenman, who truly understood the importance of education, my love and gratitude.

—Caroline Glackin
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New To This Edition

*Entrepreneurship: Starting and Operating a Small Business, Fifth Edition,* contains substantial new content and changes, including the following:

- **Chapter Learning Objectives.** The objectives have been revised to conform more fully to the categories of knowledge acquisition, comprehension, application, analysis, synthesis, and evaluation commonly assessed in higher education. Each learning objective is associated with a primary chapter topic.

- **Three new short End-of-Chapter Case Studies:** Frankie Patterson, MekaMon Robots, eSight Eyewear. Numerous updated cases with the Bakery Companies most revised.

- **Four new longer End-of-Chapter Case Studies:** Traci Lynn Jewelry, Hammer & Nails, Green and Clean, and Scentsy. Numerous updated cases with Foursquare Swarm the most revised.

- **Step into the Shoes, Entrepreneurial Wisdom, BizFacts, and Global Impact Features** have been updated and expanded with 10 new featured items, including eight Step into the Shoes, one Global Impact, and one BizFacts.

- **Global Impact Features.** Among the featured people and organizations are: Pixlee, Lit Motors, Pan Zhang Xin Marita, Gary Vaynerchuk, Burrow, Outcome Health, Chrysler Motors, SafeWander, Tom’s, IQVIA, and Doublemint. These features connect chapter content to business facts and examples to reinforce learning.

- **Business Model Canvas.** The Osterwalder and Pigneur Business Model Canvas is introduced in Chapter 2. Students are encouraged to develop Business Model Canvases and to explore the Lean Startup process.

- **Canvas Connections.** This feature has been added to facilitate the use of the customer discovery process and for students to create and evolve their Business Model Canvases as their knowledge and understanding increases.

- **BizBuilder Business Plan Questions.** These have been modified to clarify the work and connect the content to student work using the business plan templates.

New sections/topics

Each chapter has been substantially revised to include current content and address emerging topics in entrepreneurship and small business management. Some specific changes include:

- Discussion of necessity-based versus opportunity-based entrepreneurship
- Inclusion of an updated Readiness Assessment
- Addition of unicorns and an improved explanation of corporate entrepreneurship
• New section on skills and careers
• New section and illustration for the lean start-up methodology
• Revision of the business plan overview
• Update of the list of business plan competitions with the addition of pitch and business model competitions
• New section on effectual reasoning
• Addition of materials regarding the extended marketing mix and social media marketing with illustrations
• New section on creating a sales force
• Substantial revisions to the accounting and financial chapters for increased clarity and simplicity
• Address Enterprise Resource Planning (ERP)
• Inclusion of direct selling as a go-to-market strategy

Solving Teaching and Learning Challenges

*Entrepreneurship: Starting and Operating a Small Business (ESOSB), Fifth Edition* is the newest edition in a line of entrepreneurship textbooks written by Steve Mariotti, founder of the Network for Teaching Entrepreneurship (NFTE). Once again, it is written with professor and entrepreneur Caroline Glackin, and it promotes entrepreneurship as a career option for college students.

This textbook is organized to follow the life cycle of an entrepreneurial venture from concept through implementation into harvesting or replication. It is a comprehensive text written in light of the reality that college students often take only one course in entrepreneurship, and the topic is covered in a multitude of ways. For instructors who will teach the course as a "business plan," *ESOSB 5e* offers step-by-step content to build a plan over a semester or a quarter, as well as cueing questions for students working through the Lean Start-up process.

Business students, as well as those from other disciplines, can benefit from *ESOSB*. For business students, it recasts their prior learning from a typical corporate context and focuses it on small and entrepreneurial enterprises. For students in such fields as hospitality, the arts, engineering, and fashion merchandising, the text introduces key business concepts and provides examples from a broad range of careers. Most importantly, *ESOSB 5e* is a balanced mix of the academic and applied components of entrepreneurship education. Students are introduced to the theories, methods, and knowledge and skills required of entrepreneurs and are immediately given practical examples and discussion opportunities. For those who focus on the management of small and entrepreneurial ventures, there is an abundance of high-quality material on the critical topics of management, human resources, marketing, and operations for such ventures. For those charged with teaching a comprehensive introductory course, all of the components are provided.

To improve student results, we recommend pairing the text content with *MyLab Entrepreneurship*, which 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 will help your students learn and retain key course concepts while developing skills that future employers are seeking in their candidates. From *Mini Sims* to *Dynamic Study Modules*, MyLab Entrepreneurship helps you teach your course, your way. Learn more at http://www.pearson.com/mylab/entrepreneurship.
The **Study Plan** gives students personalized recommendations, practice opportunities, and learning aids to help them stay on track.

This allows students to focus their study time by pinpointing the precise areas they need to review, and allowing them to use customized practice and learning aids—such as videos, eTexts, tutorials, and more—to help students stay on track.

**Mini Sims** put students in professional roles and give them the opportunity to apply course concepts and develop decision-making skills through real-world business challenges.

The simulations use each student's decisions to create various scenario paths that help them understand the impact their decisions can have on an organization.
Dynamic Study Modules use the latest developments in cognitive science and help students study chapter topics by adapting to their performance in real time.

Video Exercises are available for select chapter topics to help engage students and hold them accountable for their learning.

Chapter Learning System

One of the challenges faced by the instructors is to create an authentic experience for the students. This text provides the below tools that help students to learn to think as an entrepreneur.

Honest Tea Business Plan

This is the plan developed by founders Seth Goldman and Barry Nalebuff during Honest Tea’s first year of operations. It appears following Chapter 2 and includes a comprehensive market analysis and detailed historical financials. The business raised over $1 million at a time when sales were less than $250,000 and the company had operating losses. The Honest Tea plan is an excellent example for students and one that many of them will understand, to some extent, as customers of bottled tea.
Chapter Openers Set the Stage
Each chapter starts with an inspirational quote, an introduction, and learning objectives that provide a “road map” so readers know where they are headed. Readers connect with a story of a real business in the opening vignette that sets the stage for upcoming material.

“Step into the Shoes” of the Experts
Step into the Shoes features appear in each chapter and offer insight into the business practices of entrepreneurs and an opportunity to discuss the brief example. This feature brings the content to life with real-world application.

Matching Employers and Employees—Indeed
With over 200 million unique visitors per month, Indeed, a subsidiary of Recruit Holdings Co., Ltd., claims the top spot among job sites on the Internet. Founded in 2004 by Roni Kahan and Paul Forster, Indeed has offices in six U.S. cities and nine global cities. The service covers some 60 nations and 28 languages.

Indeed is a pay-for-performance recruitment advertising network that provides free access to jobs from company websites and job boards. It consolidates available openings into a single meta-search for job seekers. Employers pay for the service when job seekers click on job openings.

Prior to founding Indeed, Kahan and Forster were successful cofounders of jobsinthemoney.com, a site for financial professionals. They sold it to Financial News in 2003 and founded Indeed a year later.


Honest Tea, Inc.

The tea is brewed at a brewing and bottling facility located within driving range of the target market. The site was selected based on numerous criteria including capacity, reputation, quality control, production efficiency and willingness to invest in a long-term partnership with Honest Tea. All partners involved in the production process meet United States Department of Agriculture Hazard Analysis Critical Control Plant (HACCP) standards. We are in the process of obtaining Kosher certification from the Orthodox Union (“Circle U”).

In early 1999 we will be making a change in our manufacturing process that will not affect the quality of the product but will have important ramifications for our profitability. Instead of a two-step packaging process, we will consolidate the brewing and labeling under one roof. This consolidation will save Honest Tea more than two dollars a case.

Our tea leaves are provided by internationally known companies that specialize in tea buying, blending and importation. Our primary source is Hälssen & Lyon of Germany, the largest specialty tea company in the world. Another, Assam Tea Traders, has direct ties to tea estates in the Assam District of Northern India. We use in plentiful supply.

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BizFacts

BizFacts impart useful information regarding entrepreneurship statistics, company practices, or business applications.

BizFacts

Many salespeople work on commission, a percentage earned from each sale they make. A salesperson making a 10 percent commission selling cars, for example, would earn $1,000 after selling a $10,000 car.

\[0.10 \times 10,000 = 1,000\]

Entrepreneurs can use commissions to motivate sales staff. When you are starting out and cannot afford to pay sales representatives full-time salaries, you can offer commissions instead, because they get paid as you get paid and earn more as they sell more.

Entrepreneurial Wisdom

Entrepreneurial Wisdom contains insights or advice that will help students in the preparation of a business plan or management of an enterprise.

Entrepreneurial Wisdom ...

Accounting Differences between Countries

Businesses in different countries prepare and present the income statement differently and even have different names for it. In the United Kingdom, for example, the income statement is called a “group profit and loss account.” Topics where global practices can differ widely include inventory measurement methods and ways in which property and equipment are valued. Countries also have varying times regarding when a sale can be recognized as income and included on an income statement. The predominant standards are the International Financial Reporting Standards.

In the United States, United Kingdom, Denmark, Norway, Belgium, Brazil, and Japan, for instance, income from a long-term contract can only be included on the income statement as each percentage of the contract is completed. If you have done 10 percent of the work, you can show 10 percent of the income on your statement. In Germany, by contrast, you cannot include any of the income on your statement until the contract has been 100 percent completed.

Global Impact

Global Impact, featured in each chapter, provides examples of entrepreneurial ventures around the world or information that can be applied in global trade.

Global Impact ...

College Degrees for the Military

Active-duty members of the U.S. military and their families tend to relocate frequently, often internationally. This job-related relocation makes completing a college degree at a single traditional brick-and-mortar, four-year college difficult at best.

American Military University is a wholly online, private, for-profit, degree-granting program with students across the United States and in more than 100 other countries. Established by a retired Marine Corps officer, James P. Etter, the university has a well-defined target market: military members and their families. Course delivery, subjects, and content are designed with the military in mind. If they have Internet access, military students can enroll and take courses. Also, military personnel earn education benefits from the government and can use them at American Military University.

American Military University has served its global target market profitably for over 20 years.


End-of-Chapter Learning Portfolio

End-of-chapter materials help students demonstrate a working understanding of key concepts and develop critical-thinking skills.

All chapters include the following:

- **Key Terms** list.
- **Critical Thinking Exercises** that require students to consider important issues and support thoughtful responses.
Key Concept Questions that review core topics.

Application Exercises that give students a structured opportunity to reinforce chapter topics through experience.

Exploring Your Community and Exploring Online assignments that invite students to go into their business communities or search online for information.

Canvas Connections, which provide guidance for students as they evolve their Business Model Canvases during the course of the text.

BizBuilder Business Plan Questions, which guide students through the development of business plan components as they learn new information throughout the book.

Cases for Analysis, including one short case and one longer case with analytical questions. Cases cover a variety of issues and draw on real business scenarios. Examples of businesses that may be familiar to students include Foursquare Swarm, Urban Decay, and Amazon.com. Other organizations that may be less familiar include Happy Belly Curbside Kitchen, Gelato Fiasco, Anago Cleaning Systems, and AYZH. These cases reflect a diverse set of entrepreneurs, industries, and geographic locations.

BizBuilder Business Plan Worksheets and Templates

Students can build their business plans using the BizBuilder worksheets available at www.pearsonhighered.com under Instructor resources.


BizBuilder Business Plan Template provides a professional-looking format for a business plan that ties in with assignments in the text.

BizBuilder Business Plan Presentation Template guides the student through the process of creating a PowerPoint presentation for a business plan.

The BizBuilder business plan worksheets and templates are accompanied by a financial worksheet template to enable students to calculate respective results by plotting relevant data in different worksheets like startup, sales income statement, cash flow, balance sheet, alt. cashflow, and key ratios.

Appendix 2 provides students with instructions on how to use the worksheets that mirror the planning process in the book and contains more questions in some areas than are found in commercially available planning software.
Developing Employability Skills

The purpose behind writing this text was to enable students to take an idea and turn it into an entrepreneurial venture. While working on this their emphasis should be on imagination, design, creation and execution. Creating a business plan requires the student to develop competencies, knowledge, abilities, attitudes, and important skills. The text along with the MyLab helps in developing important skills. In this course, and specifically in this text, students will have the opportunity to develop and practice seven important skills based on various learning features that are summarized in the following table.

<table>
<thead>
<tr>
<th>Employability Skills Table</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills</td>
</tr>
<tr>
<td>Written and oral communication</td>
</tr>
<tr>
<td>Critical thinking and problem solving</td>
</tr>
<tr>
<td>Teamwork and collaboration</td>
</tr>
<tr>
<td>Leadership</td>
</tr>
<tr>
<td>Creativity</td>
</tr>
<tr>
<td>Ethics</td>
</tr>
<tr>
<td>Information technology skills</td>
</tr>
</tbody>
</table>

Instructor Teaching Resources

This program comes with the following teaching resources.

Supplements available to instructors at www.pearsonhighered.com

<table>
<thead>
<tr>
<th>Features of the Supplement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instructor’s Manual authored by Caroline Glackin</td>
</tr>
<tr>
<td>- New to the fifth edition</td>
</tr>
<tr>
<td>- Teaching notes</td>
</tr>
<tr>
<td>- Lecture enhancers</td>
</tr>
<tr>
<td>- Key terms</td>
</tr>
<tr>
<td>- Examples and activities not in the main book</td>
</tr>
<tr>
<td>- Solutions to all questions and problems in the book</td>
</tr>
</tbody>
</table>
# Acknowledgments

The guidance and recommendations of the following instructors and consultants helped us revise the content and features of this text. We are grateful for their reviews and truly believe that their feedback was indispensable.

- H. Lon Addams, Weber State University
- Elaine Allen, CPA, Mitchell & Titus, LLP (EY Global Limited)
- Lynn Bible, Fayetteville State University
- Stanlee Brimberg, Bank Street School for Children
- Howard W. Buffett, Jr.
- John R. Callister, Cornell University
- Carolyn J. Christensen, CPA, Westchester Community College
- John D. Christesen, Westchester Community College
- Stephen Colyer, Miami Dade College
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- Janet P. Graham, Coastal Carolina University
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- John Harris, Bristol Eastern High School
- Deborah Hoffman, CPA, Math for America
- Donald Hoy, Benedictine College

## Supplements available to instructors at www.pearsonhighered.com

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Bank</td>
<td>Over 500 multiple-choice, true/false, and short-answer questions with these annotations:</td>
</tr>
<tr>
<td></td>
<td>• Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis)</td>
</tr>
<tr>
<td></td>
<td>• Type (Multiple-choice, true/false, short-answer, essay)</td>
</tr>
<tr>
<td></td>
<td>• Learning objective</td>
</tr>
<tr>
<td></td>
<td>• 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>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Computerized TestGen</th>
<th>TestGen allows instructors to:</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>• Customize, save, and generate classroom tests</td>
</tr>
<tr>
<td></td>
<td>• Edit, add, or delete questions from the test item files</td>
</tr>
<tr>
<td></td>
<td>• Analyze test results</td>
</tr>
<tr>
<td></td>
<td>• Organize a database of tests and student results.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PowerPoints</th>
<th>Slides include all the graphs, tables, and equations in the textbook.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PowerPoints meet accessibility standards for students with disabilities.</td>
</tr>
<tr>
<td></td>
<td>Features include, but not limited to:</td>
</tr>
<tr>
<td></td>
<td>• Keyboard and screen reader access</td>
</tr>
<tr>
<td></td>
<td>• Alternative text for images</td>
</tr>
<tr>
<td></td>
<td>• High color contrast between background and foreground colors</td>
</tr>
</tbody>
</table>
I would like to thank my coauthor, Caroline Glackin, without whose talent and expertise this text would not have been possible, and Tony Towle, who from NFTE’s inception has helped me organize my thoughts and experiences. I must also single out the help of two outstanding educators: John Harris and Peter Patch. Special thanks as well to Stephanie Wall, Neeraj Bhalla, Yasmita Hota, and the rest of the team at Pearson for their professionalism and editorial assistance.

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Steve Mariotti

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Caroline Glackin
STEVE MARIOTTI, founder of the Network for Teaching Entrepreneurship (NFTE), is considered one of today’s leading experts in education for at-risk youth. In 1982, he changed career paths when he decided to leave the corporate sector and become a special education teacher in the New York City public school system.

Mariotti’s first assignment was in the East New York section of Brooklyn, and his last was in the Fort Apache section of the South Bronx. During his six and a half years of teaching, Mariotti discovered he could successfully motivate even his most challenging students by teaching them how to run a business. This experience inspired him to create a new kind of program—the first to bring entrepreneurial education to low-income youth.

In 1987, Mariotti founded the NFTE. Today, NFTE’s mission is to provide entrepreneurship education programs to young people from low-income communities around the world. NFTE’s programs have a proven track record of success, and the network is widely viewed as the thought leader in the field. NFTE is an active member of the Council on Foreign Relations. In 2013, Mariotti traveled to Southeast Asia as a guest of the U.S. State Department on a mission to spread entrepreneurial education to youth from emerging economies in the region.

Mariotti was recently nominated for a Pulitzer Prize for his work chronicling the lives of entrepreneurs worldwide for The Huffington Post and for a Nobel Peace Prize for his pioneering work in entrepreneurial education. A lifelong advocate for low-income students, Mariotti is the recipient of numerous awards, including:

■ Ernst & Young Entrepreneur of the Year Award
■ Bernard A. Goldhirsh Social Entrepreneur of the Year Award
■ National Director’s Entrepreneurship Award from the Minority Business Development Agency of the U.S. Department of Commerce
■ Association of Education Publishers’ Golden Lamp Award
■ ACE/Currie Foundation Humanitarian—Venture Award
■ America’s Top High School Business Teacher

In addition, Mariotti has been the subject of many national media profiles on such programs as ABC Evening News and 20/20.

He has authored and coauthored 34 books and workbooks on entrepreneurship, selling over 10 million copies worldwide and distributing many more for free to at-risk communities, including prisons. His popular book The Young Entrepreneur’s Guide to Starting and Running a Small Business has recently been published in a new edition by Random House and is used to teach entrepreneurship from the United States to China, India, and the Middle East. Mariotti is a regular attendee and speaker at the World Economic Forum.

Raised in Flint, Michigan, Mariotti received his B.B.A. in business economics and his M.B.A. from the University of Michigan, Ann Arbor. He has also studied at Harvard University, Stanford University, Brooklyn College, and Princeton University. He started his professional career as a treasury analyst for Ford Motor Company before founding his own company, Mason Import/Export Services.
CAROLINE GLACKIN, PH.D., is a “pracademic” who has successfully worked as a microenterprise and small business owner and manager, as an executive director of a community development financial institution, and as an academic in areas of community development finance, entrepreneurship, and management. She is entrepreneurship faculty at Fayetteville State University (University of North Carolina constituent institution). She has been assisting entrepreneurs in achieving their dreams for over 30 years.

Dr. Glackin earned a doctorate from the University of Delaware, where her research emphasis was on access to capital and microfinance. She received an M.B.A. from the Wharton School at the University of Pennsylvania and an A.B. from Bryn Mawr College. Her professional career began with the DuPont Company, American Bell, Bell Atlantic, and American Management Systems. She has consulted for businesses and not-for-profit agencies in turnaround and high-growth situations. After exiting a family business, she became the executive director of a community development financial institution serving businesses and not-for-profits.

Dr. Glackin has succeeded in leading change in the practical fields of her research and has received numerous honors and awards. These include the first Gloeckner Business Plan Award at the Wharton School, the Minority Business Advocate of the Year for Delaware from the U.S. Small Business Administration, and the She Knows Where She’s Going Award from Girls Inc. Dr. Glackin cochaired the Delaware Governor’s Task Force for Financial Independence. She has participated in the Cornell University Emerging Markets Think Tank Series and has presented her research and pedagogy at numerous professional conferences.