

**College Guild**  
PO Box 696, Brunswick, Maine 04011

# Introduction to Business

## Unit 6 of 6

### Entrepreneurship

In this unit, we will define some of the most common reasons people start their own business, discuss some of the harsh realities of being an entrepreneur, and explore some of the key first steps to starting a company.

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Important! Most questions in this course are essay questions and have no single correct answer.

#### Glossary of Terms:

1. **Business Plan** – a roadmap outlining a company's goals, strategies, products/services, marketing/operational plans and financial projections.
2. **Runway** – the number of months a new business can operate before running out of cash.
3. **Scrappy** – determined, resourceful, and willing to fight for success despite limited resources or tough circumstances.

#### Part 6: Entrepreneurship

The dictionary defines an “entrepreneur” as: a person who organizes and operates a new business. While technically accurate, there is a key element missing – operating a new business involves significant risk. As mentioned back in Unit 1, 1 out of 5 new businesses fail in the first two years, and only ½ of new businesses survive until their 5th year. Running a small business successfully is very hard!

And yet, starting a business is a very popular thing to do in America. In 2023, 5.5 million new business applications were filed in the United States – this is an all-time record! There are more than 33 million small businesses (defined as fewer than 500 employees) in the US today, and these businesses combined make up about ½ of the total US economy and about ½ of non-government jobs in the country.

1. **Why do you think so many people are drawn to starting and running their own business?**
2. **What makes entrepreneurship so difficult?**

What does it take to start and operate a new business successfully? What kind of person is well-suited to be an entrepreneur? And what are the risks and potential rewards of doing this? We will dive into these questions and more in this module.



Bill Watterson, *Calvin and Hobbes*

### Why Start My Own Business?

On the surface, owning and running your own business can sound like a fantastic idea. The Small Business Administration (SBA) is a group in the US government that provides assistance to small businesses. The SBA polled many entrepreneurs, and the most common reasons they started a business were the following:

- To be my own boss and have professional freedom
- To set my own working lifestyle (where you work, what days/hours, etc.)
- To achieve financial independence
- To get personal satisfaction, doing something I love

Sounds great, right? But there is something strange about this list – wouldn't *everybody* probably say they want these things? Yet, not everyone actually tries to become an entrepreneur. Starting a new business is risky, and there are several factors that hold most people back from trying to start a business, including:

- No business idea – many people simply don't know what sort of business they want to start. New businesses don't need to be based on ground-breaking technology, but they should focus on how to provide a product or service that is different or better in some way. In other words, what will be the business's competitive advantage?
- Not enough money – all new businesses need some investment to get off the ground, to pay for upfront marketing, equipment and setup costs, not to mention any wages for employees and purchasing initial inventory (if a physical product company). Most businesses fail simply because they don't have enough cash to sustain operations in the early phases.
- Lack of stability – many people don't want to sacrifice a steady paycheck that comes from a nine-to-five job. Many entrepreneurs don't even pay themselves for the first year or two of operating a new business, in order to keep costs low and to use that money for something else.
- Competition – there are countless brands and choices available in the market today, for pretty much any product or service. To win with a new business, you have to beat out competitors – many people don't know how to distinguish their business from similar ones that already exist.

One or a combination of these factors convince many people that entrepreneurship is not for them. If you are set on starting a new business, you must simply see these as obstacles to overcome through creativity and careful planning.

3. Does the thought of being an entrepreneur appeal to you? What would be the best and worst parts of starting and running a small business?
4. Suppose you come up with an idea to start a mobile car wash service, and you calculate you need \$5,000 to start up the business and pay for three months of operations. How would you think about getting the money you need?

### The Realities of Entrepreneurship

Starting a business is not for everyone: it can be very exciting, and offers several advantages such as being your own boss, setting your own schedule, and making a living doing something you enjoy. But there are numerous obstacles to overcome, and becoming a successful entrepreneur requires a lot of planning, creativity, and hard work.

So how do you know if you are suited to become a successful entrepreneur? Start by asking yourself the following questions:

- 1) Are you comfortable taking risks? Starting your own business involves uncertainty. You have to make many tough decisions, often without much information to base them on. You must be comfortable taking calculated risks, and not second-guessing them.
- 2) Are you resilient? Business owners generally stand alone. You must be able to trust your instincts and make difficult decisions, and not be afraid of failure every now and then. Starting a small business may be the most challenging thing you try to do; you need to have the resolve and toughness to overcome constant hurdles.
- 3) Are you persuasive? It is not enough to have a fantastic business idea. You must also be able to persuade customers, employees, vendors, and potential investors to believe in you and your vision. Do you enjoy public speaking, connecting with new people, and convincing others with arguments based on facts? If so, these are good signs you have the ability to persuade, influence and negotiate with others.
- 4) Can you be scrappy and think creatively? With constant challenges coming your way, you will need to come up with new ways to solve problems. Entrepreneurs must be able to think creatively on the fly. Entrepreneurship may be a good fit if you have insights on how to take advantage of new opportunities.
- 5) Lastly, can you learn quickly? In previous modules of this course, we talked about the multiple functions necessary to operate a business: Marketing, Operations, Finance, Accounting, Management, Strategy. That's a lot! You may not know everything about business today, but can you learn quickly to evolve your knowledge and skills to improve how you manage your business over time?

If you answered "yes" to most or all of these, you may be well-suited to becoming an entrepreneur! But there are some realities you should be aware of before you take that leap.

5. **Your mobile car wash company is doing well, in fact it's busier than you can handle. You just signed a new customer that would require you to hire three more washers in the next three days, otherwise you may lose the customer. How would you find people to hire as your new washers? What skills or qualities would you look for in your new potential employees?**
6. **Would you offer them full time jobs? How would you decide how much to offer to pay them?**
7. **What if the people you want to hire are already employed elsewhere – what would you do or say to convince them to join your company?**

### Realities of Entrepreneurship

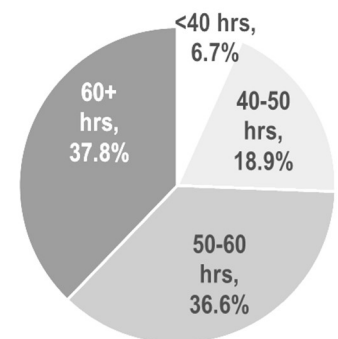
You have already read about some of the reasons that people choose to start a small business, but there are some harsh realities you should also consider.

**Financial risk:** again, the investment needed to start and grow a business can be huge. You may need to commit years of savings, or even go into debt to start a business. If things don't go well, there is no guarantee you will get that money back. As the owner, there might be times when the business isn't generating enough cash for you to live on. While the financial rewards of owning a business can be significant, the risks are equally large.

**Unpleasant duties:** when you start a business, you will be responsible for either doing or overseeing pretty much everything that needs to be done. Unless you have enough money to pay employees to do those things, you as the owner will inevitably be doing stuff you don't enjoy, whether it's cleaning equipment, answering calls from angry customers, or firing employees. As the business owner, the buck stops with you.

**Time commitment:** people often start businesses thinking that they will have more flexibility with their work schedule. The reality is often very different: running a business is extremely time-consuming, particularly in the early years. In theory, you have the freedom to take time off, but in reality, you may not be able to do that. What if an important customer calls during your "day off?" You will probably have less free time than you would have if you were working for someone else. For many entrepreneurs, a forty-hour workweek is a myth. As you can see in the chart to the right, most entrepreneurs work 50 hours or more each week. Vacations will be difficult to take and will often be interrupted by work matters.

How many hours per week do Entrepreneurs work?



Source: [Inc.com](http://Inc.com)

**Stress:** as a business owner with complete responsibility for the company, there is so much to worry about: competition, bills, equipment breakdowns, customer problems. One of the biggest stressors will be your employees. Are they doing a good job? Do we have enough money to pay them this month? What do I do if my best employee gets hurt or decides to quit tomorrow?

It's important to recognize that the fantasy of what entrepreneurship looks like does not always match reality, particularly in the early stages of a small business.

8. As the owner of the mobile car wash service, what do you imagine are some of the most unpleasant tasks you would have to take on?
9. Suppose you are working 60-70 hours as the car wash business owner, meaning 9-10 hours every day including weekends. How long do you think you could manage that kind of work schedule?

## Getting Started

You are now at least somewhat aware of the risks and rewards of starting your own small business. Let's say you even have an idea for a new business. Where do you go from here? There is no perfect answer, but the below steps are the actions you should take *at a minimum* before launching a new business:

- 1) Conduct market research – you need to understand your market: who are the target customers and what do they want, who are your competitors, and are there any significant industry trends to be aware of. This knowledge will help you identify opportunities to refine your business idea for greater competitive advantage.
- 2) Create a Business Plan – develop a roadmap outlining your business goals, strategies, and operational plans. The business plan should contain:
  - Business description: what will it sell, who are the target customers, what makes it different from competitors
  - Market analysis: industry research, information on who makes up your target customers, who are the key competitors, any important market trends (basically, sum up your research from step 1)
  - Organization / management: what is the structure of the business (ownership, leadership team), roles and responsibilities of key people
  - Product / service descriptions: what are the company's key offerings, including features, benefits, and differentiation from competitors
  - Marketing strategy: what is the plan to attract new customers and keep loyal ones, what is the pricing strategy, distribution channels, and promotional activities
  - Financial projections: forecasted sales, costs and profits for the next 3-5 years, including assumptions used in the projections. Understanding competitor sales can be incredibly useful here.

The Business Plan is a critical document to communicate your business vision to potential investors and partners – it should show an impressive (but achievable) growth opportunity to get investors excited.
- 3) Secure Funding – determine your startup costs and monthly operating costs, explore funding options such as personal savings, loans, grants, or investors, and secure the money you need. A few things to consider here:
  - You should secure at least enough investment to cover startup costs and 3-6 months of runway – “runway” is the number of months your business can operate without significant sales or additional investment. So, if your car wash business needs \$10,000 in startup costs, and you expect it to have \$2,000 in monthly operating costs, you should aim to secure at least \$16,000 to cover three months of runway.
  - Many different loan and grant programs exist for small businesses – more on this below.
  - Friends and family can be great potential sources of investment because they often care most about your success (but consider also what might happen if your business doesn't work out and they don't recoup their investment).
- 4) Build a Support Network – starting a small business is incredibly challenging, and often very lonely work. Seek out and build a “cheering section” of people who will give you wisdom, advice, or simply encouragement as you take this on. Family, friends, other small business owners, old teachers and bosses, investors, business coaches – these people can be valuable mentors and resources for you. You will need to stay positive and overcome countless challenges as you start and get your business going – having a support network to provide positivity and guidance can make all the difference.

These are just some of the important steps required: you will also need to choose a business name, research and choose a business structure (options like sole proprietorship, LLC, and others), register your business with your state, and obtain any necessary licenses and permits needed for your business.

**10. For your mobile car wash service Business Plan, you are doing market analysis. How would you go about doing research on the car wash industry in your area?**

**11. How would you come up with projected sales for your car wash business, for the next 3 years?**

This is a lot! Thankfully, there are numerous resources that help would-be entrepreneurs with valuable resources, guidance, or even access to funding – here are some worth investigating:

- The **US Small Business Association (SBA)** supports small businesses through loans, grants, counseling, and training to help them start, grow, and succeed. The [SBA.gov](http://SBA.gov) website itself has a wealth of great references, and the Office Of Entrepreneurial Development can be contacted here:
  - o SBA Office of Entrepreneurial Development  
409 3rd St. SW, Suite 6200  
Washington, DC 20416
- **Grants.gov** is an online platform where individuals and businesses can find and apply for federal funding opportunities from various U.S. government agencies.
- The **Community Development Financial Institutions (CDFI) Fund** is a government program that promotes financial inclusion and economic opportunity in areas that lack access to traditional financial services. The CDFI is run by the US Department of Treasury, and can be contacted here:
  - o U.S. Department of the Treasury  
Community Development Financial Institutions Fund  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220
- Various non-profit groups, like **Inmates to Entrepreneurs** and **Prison Entrepreneurship Program**, are dedicated to helping former inmates get training, resources and support to become entrepreneurs. Their mailing addresses are:
 

<ul style="list-style-type: none"> <li>o Inmates to Entrepreneurs 219 Raleigh Street Holly Springs, NC 27540</li> </ul>	<ul style="list-style-type: none"> <li>o Prison Entrepreneurship Program P.O. Box 2767 Houston, TX 77252-2767</li> </ul>
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Business and Entrepreneurship are no easy things. Starting a small business may be the most challenging thing you try to do in your life. Finishing this course by no means guarantees that you will be successful in starting a new business, or even that doing so is the right course for you. But hopefully this gives you a taste for what it takes to succeed in business, and perhaps an initial hint as to whether entrepreneurship is right for you.

### Case Study: Soul Daddy



Soul Daddy New York Restaurant, [Flickr.com](https://www.flickr.com/photos/148111111/148111111/)

In 2011, Detroit-native and cook Jamawn Woods joined twenty other aspiring restaurant entrepreneurs on the NBC reality television show, *America's Next Great Restaurant*. Woods originally developed his restaurant idea when he cooked and served chicken wings and waffles out of his home, in order to support his wife and three children while between jobs. For the television show, Woods evolved his concept into *Soul Daddy*, which would prepare healthy versions of soul food in a fast, convenient setting, to target the many Americans who want food that is both delicious and nutritious.

Over the course of the show's ten episodes, Woods beat all the other contestants to win the grand prize: more than \$2 million in investment and training + staffing support from the Chipotle Mexican Grill to open and run three Soul Daddy restaurants in New York City, Los Angeles and Minneapolis. Chipotle would become majority owner of Soul Daddy as a result, and Woods would be a minority owner. The show's finale aired on May 1, 2011, and the next day the three Soul Daddy locations opened for business. By June 15, the New York and Los Angeles locations were closed, and the Minneapolis location closed on June 28 – none of the three were open for even two full months. Woods himself was notified of the Minneapolis restaurant closure by email.

While the restaurants were open, reviews of Soul Daddy's food were mediocre as many diners were not thrilled by "healthy" versions of soul food classics like fried chicken, biscuits, and waffles. After they closed, Woods highlighted that Chipotle had supplied him with very inexperienced management who were unfamiliar with running fast-paced new restaurants, and had no experience with soul food either. And the real estate costs for the three locations were incredibly high, making it very difficult to make a profit without constant lines out the door. Still, some believe that the amount of money invested should have sustained Soul Daddy for much longer than eight weeks, and there was something strange in how those funds were used.

Regardless, it was an incredibly quick end to a business that started with so much fame and promise.

- 12. What do you think Woods did well as an entrepreneur? What could he have done differently?**
- 13. Do you think Woods getting investment from Chipotle (and giving up majority ownership) was a good thing? Why or why not?**

### Self-Reflection Exercise

- 14. What was the most interesting thing you learned about Entrepreneurship?**
- 15. How do the lessons of Entrepreneurship apply to your own life?**

**16. Do you see yourself starting a business in the future? Why or why not?**

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*Remember: First names only & please let us know if your address changes*

**Appendix  
Introduction to Business: Unit 6 of 6**

**Sources:**

<https://www.uschamber.com/small-business/new-business-applications-a-state-by-state-view>

<https://advocacy.sba.gov/wp-content/uploads/2023/03/Frequently-Asked-Questions-About-Small-Business-March-2023-508c.pdf>

<https://www.sba.gov/>

<https://inmatestoentrepreneurs.org/>

<https://www.pep.org/>

<https://ew.com/article/2011/05/03/soul-daddy-americas-next-top-restaurant/>