

Business Fundamentals

By:
Global Text Project

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C O N N E X I O N S

Rice University, Houston, Texas

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Chapter 1

The business eco-system: Your path to finding the pot of gold at the end of the rainbow!

1.1 The business eco-system: Your path to finding the pot of gold at the end of the rainbow!¹

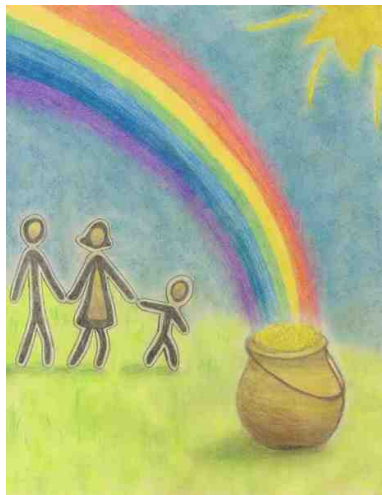


Exhibit 1.1: Striking gold

Image created by: Taissia Belozeroova, Graphic Designer, Artist, MBA Candidate at Pepperdine University Class of 2009

¹This content is available online at <<http://cnx.org/content/m35298/1.4/>>.

Dedication: In Memory of Nancy Wachs who believed in everyone's Startup time!

There are many ways to live your life. One of the most exciting yet challenging ways to live your life is to start your own business or work for someone who has their own startup. People who start their own businesses are known as entrepreneurs. Entrepreneurs throughout the world are extremely enthusiastic individuals who devise visionary methods to accomplish their new venture ideas while simultaneously convincing others to help.

*Merriam-Webster Online defines the term "entrepreneur" as follows: "Etymology: French, from Old French, from *entreprendre* to undertake — more at *enterprise* Date: 1852 : one who organizes, manages, and assumes the risks of a business or enterprise"*²

1.1.1 Are entrepreneurs born or made?

There is a long-standing discussion throughout the world that delves into whether you are born predisposed to become an entrepreneur or is it necessary for you to work and study hard to make yourself into one. There are many examples of individuals who were told they would never amount to anything and yet they went on to become very successful entrepreneurs. So, if you think that you are unlikely to be an entrepreneur, please realize it is possible for you to become an entrepreneur and to, potentially, even become a very successful one. With that said, there are characteristics and an overall mindset you can adopt that will help "predispose" you to having a greater opportunity of becoming a successful entrepreneur. Some of the most common characteristics of an entrepreneur include the following attributes:

1.1: "The Mindset of an Entrepreneur"

Vision: Able to create and communicate an easily understandable mission for what the new venture does in order to successfully launch a new business. This is accomplished while inspiring others to join you in your new enterprise.

Creativity: Ability to inject imagination and uniqueness into a new business venture. It takes skill and ingenuity to create a new venture equipped with strategies to outsmart the competition.

Focus: Able to maintain the vision of the company with unwavering diligence. It's very easy to get sidetracked especially if you find it necessary to evolve the original vision. Ironically, we have encountered many successful entrepreneurs who get bored easily...

Passion: Desiring to succeed under your own steam [initiative] on a business venture...

Drive: Possessing intrinsic energy to accomplish the business goal even in the face of adversity.

Perseverance: Able to keep going even when faced with seemingly insurmountable obstacles.

Opportunistic Nature: Sees the possibilities even before they exist. Can take advantage of an upcoming trend or unite unrelated processes to create a unique business venture...

Problem Solving Ability: Thrives on coming up with solutions to complex challenges...

Self-discipline: Able to be organized and regimented in pursuit of a successful business venture.

Frugality: Knows how to stretch every cent so that expenditures are as low as possible.

Empathy: Able to put yourself in another's shoes and therefore able to show sensitivity and understanding of what others are communicating in the startup environment...

Social Responsibility: Ethics, caring and humanitarianism are characteristics that are commonly found in today's entrepreneurs...

Spirituality: We have found that successful entrepreneurs have often devoted time to spirituality development. Meditation and positive affirmations are two common examples of spirituality.

Good Timing: Able to identify a market opportunity and know when it's the optimum time to launch a new venture or expansion of an existing enterprise.

²Merriam-Webster's Online Dictionary, "Merriam-Webster Online," <http://www.merriam-webster.com/dictionary/entrepreneur> (<<http://www.merriam-webster.com/dictionary/entrepreneur>>) (Assessed, August 30, 2008).

Luck: Can a person be predisposed to be lucky: Is luck a human behavior or a karmic universal predisposition?”³

Read on: Section 2.1 is dedicated to this topic and delves deeply into “The mind of an entrepreneur”.

Blog Back 1: Mindset

Blog Back: Is an entrepreneur born or made?

What characteristics are necessary for an entrepreneur to be successful and why? What additional entrepreneurial mindset characteristics could be added to the list and why?

Go to: <http://www.Mentorography.com>⁴ and make your case.

1.2 The business eco-system: The business eco-system⁵

1.2.1 The business eco-system

Whether you possess the characteristics of an entrepreneurial mindset, or work for someone who does, you can still be instrumental in starting a new venture by understanding the business eco-system. What is a business eco-system? A business eco-system is a set of business components that form the foundation of a new venture’s creation. Figuratively, the business eco-system is like a wheel that rolls your new venture forward which is why we represent the business eco-system in a wheel-shaped model .

³“The Mindset of an Entrepreneur” is reprinted and adapted with permission from Mentorography, Inc. ©2008. All Rights Reserved. Entrepreneurial Marketing; Real Stories and Survival Strategies by Molly Lavik and Bruce Buskirk, introduction pages xxviii-xxx.

⁴<http://www.Mentorography.com>

⁵This content is available online at <<http://cnx.org/content/m35300/1.5/>>.

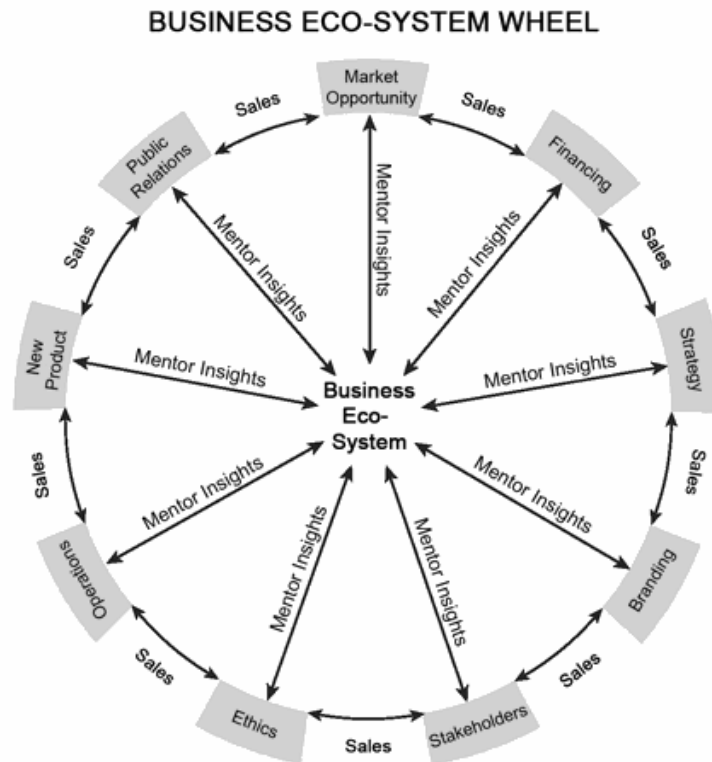


Exhibit 1.2: Business eco-system wheel

The Business Eco-system Wheel is reprinted and adapted from the Entrepreneurial Marketing Wheel with permission from Mentorography, Inc. ©2008. All Rights Reserved. Entrepreneurial Marketing; Real Stories and Survival Strategies by Molly Lavik and Bruce Buskirk, Preface, page xxii.

1.3 The sun rise of your new business Accessing market opportunity: the initial rim of the wheel ⁶

1.3.1 The sun rise of your new business Accessing market opportunity: the initial rim of the wheel



Exhibit 1.3: Rising sun

Image created by: Taissia Belozeroва, Graphic Designer, Artist, MBA Candidate at Pepperdine University Class of 2009

Market Opportunity is positioned at the top of the Business Eco-system Wheel for a reason. Every new venture starts with a single seed or kernel of an idea to do something in business that will result in money being exchanged. Since there is always some risk associated with starting a new business, you will have to take special care to plant the idea seeds of your new venture in a way that allows these seeds to some day bloom into a successful venture.

1.3.1.1 When to plant your market opportunity seeds

Without a doubt it's challenging to know when to move forward and plant your new venture ideas in the "business garden" where you want to grow your career.

Entrepreneurs who are considering moving forward with a new venture idea can utilize the following questions and the "Stop and Go Signs for Accessing Market Opportunity Matrix."

1.2: "Stop and Go Signs for Accessing Market Opportunity Matrix"

"Is there a customer for this product or service? Is there someone who will buy the product or service you're considering selling? You can't effectively answer this question until you have personally spoken to the potential customer and ascertained that this person will buy your product. You need to know as much about this customer as the customer knows about himself: What are

⁶This content is available online at <<http://cnx.org/content/m35304/1.4/>>.

the demographics of this customer? What influences his buying behavior? What factors could lead to this customer changing his mind about buying the product or services? What will be the impact of a crisis during an emerging trend?

What will it cost to make a sale to this customer? If there is a common pitfall for entrepreneur, it's greatly underestimating the cost to acquire and repeatedly sell to a customer. The entrepreneurial marketer must account for every last expense it will take to make the sale. Commonly missed expenses include: staff time, travel and related expenses, overhead for office, payroll taxes, social security employer matching expenses (which occurs in the United States so your countries' equivalent,) unemployment payroll related expenses, marketing expenses, and the overall amount of time it takes to make a sale.

Is my timing right for this market opportunity? You will have a brief window of opportunity to launch your new venture or expansion of an existing enterprise. Misjudging your timing is often the difference between success and failure with assessing market opportunity. If you are too early, you have the right product or service but your market is not ready for it yet. If you are too late, giant competitors may have acquired a loyal following, blocking new entries to the market.

Can I sell this product or service for a profit? Even if you have an existing customer, and have accurately estimated what it will cost you to acquire that customer; you might not have a sustainable business model until revenues outweigh the expenses...You need to find the incremental steps you can take to get to profitability. This is not easy. Again, there is no road map, but remember that patience is needed to reach profitability." (One solution that is becoming a common practice throughout many parts of the world is micro-financing. Micro-financing is where a small loan is made available to an entrepreneur in a developing country. While micro-financing is arguably one form of financing micro-financing has been documented to be a more sustainable form of financing because the amount of the loan is made in such a small (micro) amount that the recipient of the loan does not have to leverage the startup's best interests and assets in order to pay the loan back. The small amount of money loaned to the entrepreneur can usually be paid back from the revenues that the new venture is generating. Check out this micro financing website: <http://www.acion.org>⁷ .)

"Be open and flexible and recognize that along the way to profitability you might stumble on to a product or service that is in higher demand than the original concept.

When do I give up on my product or service? When should I pull up the roots of my new venture?

In the characteristics of an entrepreneur...perseverance was listed. There is a point, however, where you need to "pull the plug" and refocus your energies. You know you have reached this point when:

You have run out of resources and can't further leverage any of the methods suggested in this book.

The customers who said they would buy your product during your research phase are no longer interested.

You can't effectively market to your customer.

It costs you more than you make to sell your product or service.

During market opportunity assessment, there are times when the entrepreneur needs to "hit the brakes" and stop. Not stopping fast enough can lead to a failed business and/or bankruptcy. There are also times when an entrepreneur should "step on the accelerator" and drive on to new market opportunity territories. Knowing when to stop and go in your new venture market opportunity assessment isn't easy.

To help you decide when to move forward with and when to forego an opportunity, please see the "Stop and Go Signs for Assessing Market Opportunity Matrix." It's common for an entrepreneurial marketer to get caught up in what seems like a great idea or business concept. This matrix is a concise, easy to reference and somewhat simplistic way to make decisions on judging market

⁷<http://www.acion.org>

opportunity. This matrix suggests four major causes for a new venture to not find a profitable market opportunity.

Recognizing when you are on the verge of going through a Stop Sign without braking is critical. You can refer back to these stop signs in this matrix as constant reminders of when to turn your market opportunity strategy in another direction.”

Stop and Go Signs for Assessing Market Opportunity Matrix

No Customers for the Product	Customers' Purchase Motivations Unknown	Unprofitable Sales of the Product	Resources Running Out
			
Trends Indicate Emerging Market Opportunity	Timing Right to Attract Customers for the Product	Total Costs for Selling the Product Known	Sales to Customers Yield Sustainable Profitable Results
			

Exhibit 1.4: Stop and Go Signs for Assessing Market Opportunity Matrix “When to Access Market Opportunity” text and “Stop and Go Signs for Assessing Market Opportunity Matrix” adapted and reprinted with permission from Mentorography, Inc. ©2008. All Rights Reserved. Entrepreneurial Marketing; Real Stories and Survival Strategies by Molly Lavik and Bruce Buskirk, Mini Module on Assessing Market Opportunity, pages xxxix-xli.

If you encounter any of the four Go Signs when you are assessing market opportunity, don't take time out to pat yourself on the back. This is because if you look over your shoulder you may see someone else realizing what you have discovered. Keep “driving on” if you are encountering all Go Signs.”⁸

Read on: Section 3.1 and discuss market opportunity in greater detail.

Blog Back 2: Go Signs

Blog Back: Analyze your new venture's market opportunity; do you have all “Go” signs? If you have all or some “Stop” signs what can you do to remove the roadblocks that are causing your “Stop” signs? Enter your strategy for obtaining all “Go” signs at <http://www.Mentorography.com>⁹ .

⁸“When to Access Market Opportunity” text and “Stop and Go Signs for Assessing Market Opportunity Matrix” adapted and reprinted with permission from Mentorography, Inc. ©2008. All Rights Reserved. Entrepreneurial Marketing; Real Stories and Survival Strategies by Molly Lavik and Bruce Buskirk, Mini Module on Assessing Market Opportunity, pages xxxix-xli.

⁹<http://www.Mentorography.com>

1.4 Sales: the essential rim of the wheel ¹⁰

1.4.1 Sales: the essential rim of the wheel

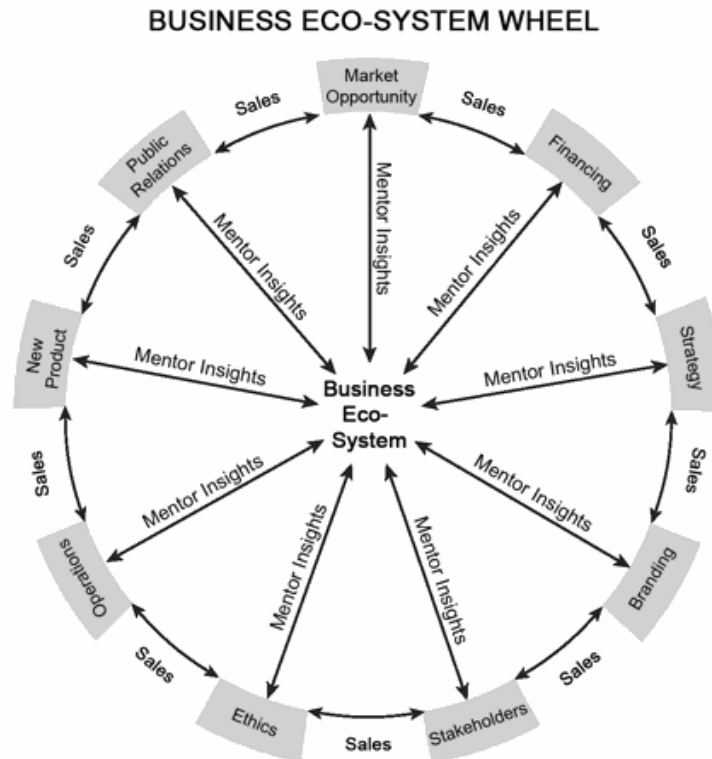


Exhibit 1.5: The Business Eco-System Wheel and sales

1.4.1.1 What will I sell?

You can sell a product or service. A product is a physical item while a service is something you would implement or execute on behalf of someone else.

Product ideas to consider selling

- Hand-crafted art and artifacts for exporting
- Fruit for selling at a fruit stand or using in the production of cosmetics
- Honey that you produce as a bee keeper
- Mustard condiments produced from mustard seeds
- Handcrafted furniture
- Paintings by emerging artists
- Recycled goods made into products such as purses made from recycled juice and soda containers

¹⁰This content is available online at <<http://cnx.org/content/m35307/1.5/>>.

- A restaurant that offers food menus that others enjoy eating
- Yogurt served in containers that are edible

Ideas for services to consider offering

- Providing education to children as well as adults in a school
- Purifying water at the site of wells that may be tainted with arsenic
- Providing guide services to travelers
- Developing marketing campaigns for local businesses
- Running food stands for others
- Providing tailoring services
- Manufacturing furniture for businesses and residences
- Offering cooking services to families
- Selling wireless phones for phone corporations
- Providing people to build buildings, houses, roads and or bridges
- Offering out-sourced from other countries call center services
- Providing computer consulting services

1.4.1.2 Places for inspiration

"**Kiva** (www.kiva.org¹¹) is the world's first person-to-person micro-lending website, empowering individuals to lend directly to unique entrepreneurs in the developing world."¹² Kiva provides a list of entrepreneurs who seek loans and a description of these entrepreneurs' business concepts. Visit the Kiva website to read the inspirational stories of these entrepreneurs. <http://www.kiva.org/app.php?page=businesses>.¹³

"**Aid to Artisans** (ATA), (<http://www.aidtoartisans.org>¹⁴) an international nonprofit organization, is a recognized leader of economic development for the craft industry. By linking artisans to new markets and buyers to culturally meaningful and innovative products, ATA provides needed economic opportunities to artisans while preserving the beauty of global handmade crafts."¹⁵

1.4.1.3 Financing: the fundamental rim on the wheel

One of the greatest talents that most successful entrepreneurs possess is the ability to persuade others to invest funds and resources in a startup during the idea creation phase of a new venture. You are not alone if you have major concerns about attracting the finances you need to get your startup idea "off the ground". If you are reading this and thinking you do not know anyone who would consider investing in your startup we suggest transforming your thinking into a more constructive thought process in which you believe in yourself and your own ability to achieve financing.

Financing opportunities

- **Micro-financiers** (Do a Google search at www.google.com using the key word "micro-finance" to find potential micro-financiers that you may want to research as one method of financing your startup costs.)
- **Family** traditionally is the first place to look for funds to pay for some of the startup costs associated with a new venture. Even if your family has no resources to offer you can still talk to family members about introducing you to people they know who might be able to help. More money than you can imagine has been raised in this manner.

¹¹<http://cnx.org/content/m35307/latest/www.kiva.org>

¹²Kiva, "About: What is Kiva?," <http://www.kiva.org/about> (<<http://www.kiva.org/about>>) (Accessed January 11, 2009).

¹³Kiva, "Lend," <http://www.kiva.org/app.php?page=businesses> (<<http://www.kiva.org/app.php?page=businesses>>) (Accessed January 11, 2009).

¹⁴<http://www.aidtoartisans.org>

¹⁵Aid to Artisans, "About Us," <http://www.aidtoartisans.org> (<<http://www.aidtoartisans.org>>) (Accessed January 12, 2009).

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