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Entrepreneurship and Beyond

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Timothy S. Hatten

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Sixth Edition**

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Preface

Are you thinking about starting your own business some day? For many students, preparation for small business ownership begins with a course in Small Business Management. My goal as a teacher (and the purpose of this text) is to help students fulfill their dreams of becoming entrepreneurs and achieving the independence that comes with small business success.

The theme of this book revolves around creating and maintaining a *sustainable competitive advantage* in a small business. Running a small business is difficult in today's rapidly evolving environment. At no other time has it been so important for businesses to hold a competitive advantage. Every chapter in this book can be used to create your competitive advantage—whether it be your idea, your product, your location, or your marketing plan. Running a small business is like being in a race with no finish line. You must continually strive to satisfy the changing wants and needs of your customers. This book can help you run your best race.

The writing style is personal and conversational. I have tried to avoid excessive use of jargon by explaining topics in simple, understandable language. The book is written in the first person, present tense, because I, the author, am speaking directly to you, the student. I believe that a good example can help make even the most complex concept more understandable and interesting to read. To strengthen the flow of the material and reinforce important points, examples have been carefully selected from the business press and small business owners I have known.

New to This Edition

In preparing this sixth edition, I incorporated suggestions from teachers and students who used the previous edition. In addition, an advisory board of educators from around the country was consulted to help me determine the best ways to meet the needs of students in this course. Here are some of the changes that have been made in this edition:

- You know all the material that is normally called “end-of-chapter”? We didn't leave it at the end of the chapter—questions for review, discussion, and critical thinking have been moved to the section where the content is covered. We call the approach of blocking Learning Objectives, content, examples, review, and assessment material together “Concept Modules.” We hope you like them.
- Topics critical to small business have been added/updated. For example, a very popular (and valuable) practice of building a Business Model before writing a Business Plan has come into vogue, so it is covered here. Entrepreneurial skills are being found more in areas other than just for-profit businesses, so increased coverage has been paid to Social Entrepreneurship.
- Highlight boxes—they are great for focusing attention, but we understand that there should not be too many of them, nor should they be too long. The best examples of small business practices have been presented in chapter-opening vignettes and feature boxes, then discussed further in the body of the text.
- Every effort has been made to prevent “new edition bloat.” Attention has been paid to items to delete and not just to add to stay current and streamlined.

Highlight Feature Boxes

To highlight important issues in small business management, four types of boxed features are used: *Entre-perspectives*, *What Would You Do?*, *Reality Check*, and *Trep Connections*. In this edition, the number of boxes was reduced to avoid reader confusion, and the length of boxes was shortened to hold the reader's attention. (Believe it or not, a rumor exists that some students actually skip reading these highlight boxes. Of course, you would never do this and risk missing some of the juiciest stories.) Here is what to expect in each type of highlight box:

Entre-perspectives New to this sixth edition, these boxes provide a peek “behind-the-curtain” stories of people who have created some very interesting businesses.

What Would You Do? As part of our effort to build Concept Modules in the sixth edition, these boxes provide students with a scenario similar to the content they are reading at that moment and are asked to describe, well, what they would do. Clever, eh?

Trep Connections Another brand new box contains cutting-edge information of how entrepreneurs (or ‘treps’) use social media and other technology to build their businesses.

Reality Check These real-world stories come from streetwise business practitioners who know how it's done and are willing to share the secrets of their success. Some notable examples of small business owners (some of which have businesses that are no longer small, but they started that way):

- Nick Woodman—GoPro
- Elon Musk—a man with many visions
- Jim Koch—beer entrepreneur
- Sara Blakely—Spanx
- Jacob Castillo/John McKinney—Panda Bicycles
- Roni and Ken DiLullo—Doggles
- Jon Kourn/Brian Acton—WhatsApp
- Megan Cox/Miguel Salinas—Wink Natural Cosmetics
- Jorge Oden—Wow, you HAVE to read about the devise this auto mechanic created to solve the problem of childbirth deaths in developing countries.
- Don Sadoway—this Chemistry professor developed a radical new battery (and business) that can store power from alternative energy sources like solar and wind.
- Ellie Sawits—who uses Facebook to market her chocolate that fights acne.
- Wu-Tang Clans unusual distribution strategy

Examples of some stories, examples, and issues facing small businesses include:

- Small business startups on campus
- Green can be gold
- Build a business model

- Analyzing what you would do if you created a tattoo removal cream
- Crowdfunding examples via Indiegogo and Kickstarter
- Impact on small business of legislation like the Affordable Care Act
- How Online Audience Optimization replaces SEO
- High-tech analysis for new business locations
- Anchors, bumps, and charms in product pricing
- Spotify pricing for college students
- How OtterBox protects your most prized possession
- How Five Guys Burgers and Fries competes in saturated markets
- How LinkedIn is your most valuable connection to potential employees
- How a small company uses ping-pong in its hiring process

Effective Pedagogical Aids

The pedagogical features of this book are designed to complement, supplement, and reinforce material from the body of the text. The following features enhance critical thinking and show practical small business applications:

- *Chapter opening vignettes, Reality Checks*, and extensive use of examples throughout the book show you what *real* small businesses are doing.
- Each chapter is broken into Concept Modules each with its own *Learning Objective*, which directly correlates to the topic coverage. These same objectives are then revisited and summarized at the end of the Concept Module.
- A *running glossary* in the margin brings attention to important terms as they appear in the text.
- *Questions for Review & Discussion* allow you to assess your retention and comprehension that have been built into the Concept Modules.
- *Questions for Critical Thinking* prompt you to apply what you have learned to realistic situations that have also been built into the Concept Modules.
- *What Would You Do?* highlight boxes are included to stimulate effective problem solving and classroom discussion in the Concept Modules.
- *Chapter Closing Cases* present actual business scenarios, allowing you to think critically about the management challenges presented and to further apply chapter concepts.

Complete Package of Support Materials

This edition of *Small Business Management* provides a support package that will encourage student success and increase instructor effectiveness.

CourseMate. This new and unique online Web site makes course concepts come alive with interactive learning, study, and exam preparation tools supporting the printed text. CourseMate delivers what students need, including an interactive eBook, dynamic flashcards,

interactive quizzes and video exercises, student PowerPoints, and games that test knowledge in a fun way.

- **Engagement Tracker**, a first-of-its-kind tool, monitors individual or group student engagement, progress, and comprehension in your course.
- **Interactive video exercises** allow students to relate the real-world events and issues shown in the chapter videos to specific in-text concepts.
- **Interactive quizzes** reinforce the text with rejoinders that refer back to the section of the chapter where the concept is discussed.

Instructor Companion Site. The Instructor Companion Site can be found at www.cengage.com/management/hatten. It includes a complete Instructor Manual, Word files from both the Instructor Manual and Test Bank, and PowerPoint slides for easy downloading.

Student Companion Site. The Student Companion Site includes interactive quizzes, a glossary, crossword puzzles, and sample student business plans. It can be found at www.cengagebrain.com. At the home page, students can use the search box at the top of the page to insert the ISBN of the title (from the back cover of their book). This will take them to the product page where free companion resources can be found.

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There are so many people to thank—some who made this book possible, some who made it better. Projects of this magnitude do not happen in a vacuum. Even though my name is on the cover, a lot of talented people contributed their knowledge and skills.

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Timothy S. Hatten

About the Author



Timothy S. Hatten is a professor at Colorado Mesa University in Grand Junction, Colorado, where he has served as the chair of business administration and director of the MBA program. He is currently co-director of the Entrepreneurial Business Institute. He received his Ph.D. from the University of Missouri–Columbia, his M.S. from Central Missouri State University, and his B.A. from Western State College in Gunnison, Colorado. He is a two-time Fulbright Scholar. He taught small business management and entrepreneurship at Reykjavik University in Iceland and Copenhagen Business Academy in Denmark and business planning at the Russian-American Business Center in Magadan, Russia.

Dr. Hatten has been passionate about small and family businesses his whole life. He grew up with the family-owned International Harvester farm equipment dealership in Bethany, Missouri, which his father started. Later, he owned and managed a Chevrolet/Buick/Cadillac dealership with his father, Drexel, and brother, Gary.

Since entering academia, Dr. Hatten has actively brought students and small businesses together through the Small Business Institute program. He works closely with the award-winning Business Incubator Center in Grand Junction, CO. He approached writing this textbook as if it were a small business. His intent was to make a product (in this case, a book) that would benefit his customers (students and faculty).

Dr. Hatten is fortunate to live on the Western Slope of Colorado where he has the opportunity to share his love of the mountains with his family.

Please send questions, comments, and suggestions to thatten@coloradomesa.edu.

PART 1

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The Challenge

When most people think of American business, corporate giants like General Motors, IBM, and Walmart generally come to mind first. There is no question that the companies that make up the Fortune 500 control vast resources, products, and services that set world standards and employ many people. But as you will discover in these first two chapters, small businesses and the entrepreneurs who start them play a vital role in the American economy. **Chapter 1** illustrates the economic and social impact of small businesses. **Chapter 2** discusses the process and factors related to entrepreneurship.

CHAPTER 1
Small Business: An Overview

CHAPTER 2
Small Business Management,
Entrepreneurship, and Ownership

CHAPTER

1

Small Business: An Overview



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CHAPTER LEARNING OUTCOMES

After reading this chapter, you should be able to:

- LO 1 Describe the characteristics of small business.
- LO 2 Recognize the role of small business in the U.S. economy.
- LO 3 Understand the importance of diversity in the marketplace and the workplace.
- LO 4 Suggest ways to court success in a small business venture.
- LO 5 Name the most common causes of small business failure.

You may not have heard of Nick Woodman, but if you love to surf in SoCal, ski the Rocky Mountains, or longboard urban streets—bet you know his product. We don't film our adventures anymore, we GoPro them. Creating a product whose name becomes a verb is pretty cool and that is exactly what Woodman did.

If you're not familiar with GoPro cameras, they are small, wearable, mountable, and affordable made to capture first-person angled shots that had been impossible previously. The unassuming little boxes shoot HD video and still pictures with surprising quality. This quality combined with the growth of social media captures a lot of eyeballs and interest online to pull viewers into the action. Woodman says, "It's like a teleportation device."

Creating the world's leading activity image capture company has been a long strange trip for Woodman. After graduating



David Paul Morris/Bloomberg/Getty Images

from college he started a venture-backed Web marketing company that failed during the famous dot-com bubble burst in 2001, losing almost \$4 million of investors' money. Woodman decided to plan his new direction by taking a backpacking/surfing trip across Australia and Indonesia. It was on this adventure that he wanted to take pictures of himself and friends in surfing action.

Woodman started nurturing his idea seed when he returned to Southern California with marathon prototype development sessions, experimenting with straps, disposable cameras, and casings. Motivated by his vision and fear of failure due to his first entrepreneurial flop, he vowed to build this business without outside money. He pooled \$165,000 from personal and family sources and did not accept venture capital until 2011. Nick and future wife, Jill (along with friend Neil Dana) did about everything themselves—sewing, designing, creating marketing materials, building networks of retailers.

GoPro's first big break came with an order of 100 units at the 2004 Action Sports Retailer Show. Revenues for their first year of sales were about \$350,000 and held steady until launching their first video camera in 2009. When people started posting videos of themselves in extreme sports, GoPro's sales exploded.

In 2014 Nick Woodman is 37 years old, looks 27, and acts 17. He is also one of America's newest and youngest billionaires, amassing a \$2.5 billion net worth from GoPro—and did it with one of the simplest business building models—doing what he loves.

CONCEPT MODULE 1.1

1-1 WHAT IS SMALL BUSINESS?

LO 1 Describe the characteristics of small business.

As the driver of the free enterprise system, small business generates a great deal of energy, innovation, and profit for millions of Americans. While the names of huge Fortune 500 corporations may be household words pumped into our lives via a multitude of media, small businesses have always been a central part of American life. In his 1835 book *Democracy in America*, Alexis de Tocqueville commented, “What astonishes me in the United States is not so much the marvelous grandeur of some undertakings as the innumerable multitude of small ones.” If de Tocqueville were alive today, aside from being more than 200 years old, he would probably still be amazed at the contributions made by small businesses.

The U.S. Small Business Administration (SBA) Office of Advocacy estimates that there were 27.9 million businesses in the United States in 2006. Census data show that 21.5 percent of those 27.5 million businesses have employees, and 78.5 percent do not.¹ The IRS estimate may be overstated because one business can own other businesses, but all of the businesses are nevertheless counted separately. What a great time to be in (and be studying) small business! Check out the following facts. Did you realize that small businesses:

- Represent more than 99.7 percent of *all* employers?
- Employ half of all private sector employees?
- Pay 43 percent of total U.S. private payroll?
- Created 64 percent of net new jobs over the past 20 years?
- Represented 98 percent of all identified exporters and produced 33 percent of the known export value in FY 2007?

- Produce 16 times more patents per employee than large firms?
- Create more than 50 percent of private gross domestic product (GDP)?
- Hire 40 percent of high-tech workers (such as scientists, engineers, and computer programmers)?
- Are 52 percent home based and 2 percent franchises?²

Small businesses include everything from the stay-at-home parent who provides day care for other children, to the factory worker who makes after-hours deliveries, to the owner of a chain of fast-food restaurants. The 27.9 million businesses identified by the SBA included more than 9 million Americans who operate “sideline” businesses, part-time enterprises that supplement the owner’s income.³ Another 12 million people make owning and operating a small business their primary occupation. Seven million of these business owners employ only themselves—as carpenters, independent sales representatives, freelance writers, and other types of single-person businesses. The U.S. Census Bureau tracks firms by the number of employees. These data show that approximately 5.9 million firms hire employees, and 22 million firms exist with no employees.⁴ The firms included in the census figures are those that have a tangible location and claim income on a tax return. Figure 1-1 shows that 61 percent of employer firms (established firms with employees) have fewer than 5 employees. Slightly more than 100,000 businesses have 100 employees or more. Most people are surprised to learn that of the millions of businesses in the United States, only approximately 18,500 businesses have 500 or more workers on their payroll.

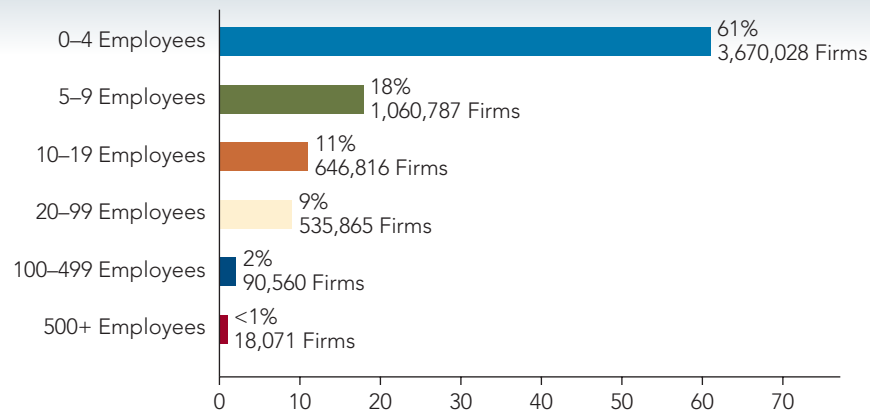
1-1a Size Definitions

Small business

A business is generally considered small if it is independently owned, operated, and financed; has fewer than 100 employees; and has relatively little impact on its industry.

The definition of **small business** depends on the criteria for determining what is “small” and what qualifies as a “business.” The most common criterion used to distinguish between large and small businesses is the number of employees. Other criteria include sales revenue, the total value of assets, and the value of owners’ equity. The SBA, a federally funded agency that provides loans and assistance to small businesses, has established definitions of business size that vary by industry. These definitions are based on annual sales revenues or number of employees, and they vary by industry codes assigned by the North American Industrial Classification System (NAICS).

FIGURE 1-1
Almost All
Established
Firms Are Small
Businesses



Source: U.S. Census Bureau, Statistics of the U.S., “Number of Firms, Number of Establishments, Employment, and Annual Payroll by Employment Size of the Enterprise—Totals 2006,” www.census.gov/econ/susb.

The SBA's Size Policy Board makes recommendations of business size eligibility based on economic studies. In establishing and reviewing business size standards, it considers the following factors:

- Industry structure analysis
- Degree of competition
- Average firm size
- Start-up cost
- Entry barriers, distribution of sales, and employment by firm size
- Effects of different size standard levels on the objectives of SBA programs
- Comments from the public on notices of proposed rule making⁵

Small business size standards vary by the industry within which the business operates: construction, manufacturing, mining, transportation, wholesale trade, retail trade, and service. In general, manufacturers with fewer than 500 employees are classified as small, as are wholesalers with fewer than 100 employees, and retailers or services with less than \$6 million in annual revenue. Table 1-1 details more specific size standards.

Why is it important to classify businesses as big or small? Aside from facilitating academic discussion of the contributions made by these businesses, the classifications are important in that they determine whether a business may qualify for SBA assistance and for government set-aside programs, which require a percentage of each government agency's purchases to be made from small businesses.

TABLE 1-1 Small Business Size Standards

Range of Size Standards by Industry

Construction: General building and heavy construction contractors have a size standard of \$33.5 million in average annual receipts. Special trade construction contractors have a size standard of \$14 million.

Manufacturing: For approximately 75 percent of the manufacturing industries, the size standard is 500 employees. A small number have a 1,500-employee size standard, and the balance have a size standard of either 750 or 1,000 employees.

Mining: All mining industries, except mining services, have a size standard of 500 employees.

Retail Trade: Most retail trade industries have a size standard of \$7 million in average annual receipts. A few, such as grocery stores, department stores, motor vehicle dealers, and electrical appliance dealers, have higher size standards. None exceed \$29 million in annual receipts.

Services: For the service industries, the most common size standard is \$7 million in average annual receipts. Computer programming, data processing, and systems design have a size standard of \$25 million. Engineering and architectural services have different size standards, as do a few other service industries. The highest annual receipts size standard in any service industry is \$35.5 million. Research and development and environmental remediation services are the only service industries with size standards stated in number of employees.

Wholesale Trade: For all wholesale trade industries, a size standard of 100 employees is applicable for loans and other financial programs. When acting as a dealer on federal contracts set aside for small business or issued under the 8(a) program, the size standard is 500 employees, and the firm must deliver the product of a small domestic manufacturer.

Other Industries: Other industry divisions include agriculture; transportation, communications, electric, gas, and sanitary services; finance; insurance; and real estate. Because of wide variations in the structures of the industries in these divisions, there is no common pattern of size standards. For specific size standards, refer to the size regulations in 13 CFR § 121.201 or the table of small business size standards.

Source: Small Business Administration, "Guide to SBA's Definitions of Small Business—Summary of Size Standards by Industry Division," www.sba.gov/size/indexguide.html.

1-1b Types of Industries

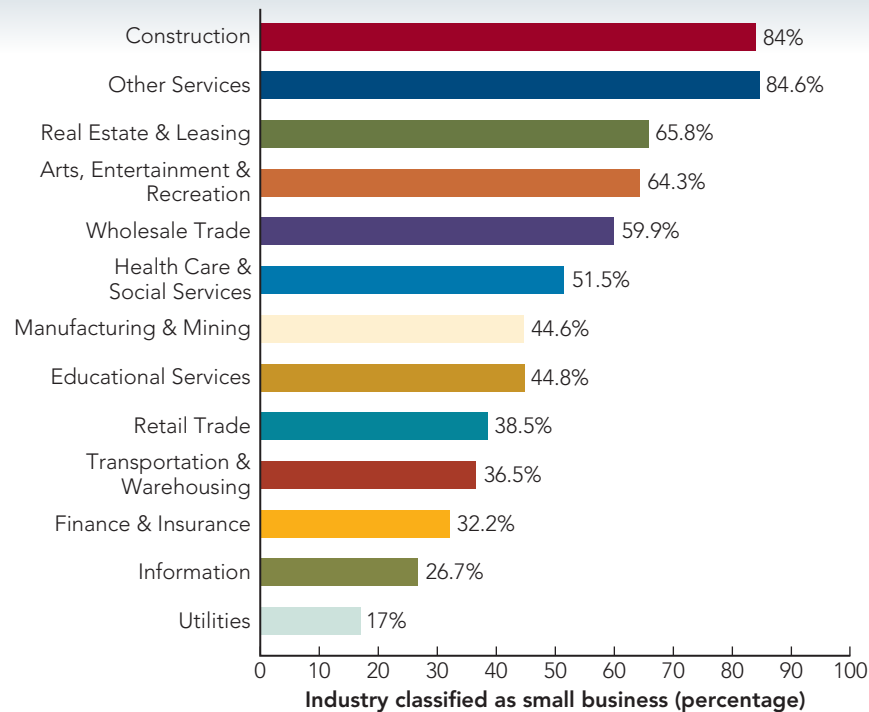
Some industries lend themselves to small business operation more than others do. In construction, for instance, over 80 percent of companies in the industry are classified as small by the SBA. Manufacturing and mining industries have long been associated with mass employment, as well as mass production, yet SBA data show that over 40 percent of manufacturers and mining companies are classified as small. More than 65 percent of all real estate businesses are small. More than two thirds of every four arts, entertainment, and recreational service businesses are small.⁶

The industry that employs the largest number of people in small business, however, is services. Seventy-one percent of all service businesses are small. More than 28 million people are employed by small businesses that provide a broad range of services from restaurants to lawn care to telecommunications. As indicated by industry percentages and by sheer numbers of employees, small businesses are important to every industry sector (see Figure 1-2).

For purposes of discussion in this book, we will consider a business to be small if it meets the following criteria:

- *It is independently owned, operated, and financed.* One or very few people run the business.
- *It has fewer than 100 employees.* Although SBA standards allow 500 or more employees for some types of businesses to qualify as “small,” the most common limit is 100.
- *It has relatively little impact on its industry.* Tesla Motors had annual revenue of \$413 million for 2013. Although this is an impressive figure, the firm is still classified as a small business because it has little influence on Toyota or General Motors, which had 2013 sales of \$234 billion and \$152 billion, respectively.⁷

FIGURE 1-2
Small Business
Employment Share
of NAICS Industries



Source: Small Business Administration, Office of Advocacy, “Research Publications—Small Business GDP,” by Kathryn Kobe, January 2012.

LO 1 Describe the characteristics of small business.

Small businesses include a wide variety of business types that are independently owned, operated, and financed. Although specific size definitions exist for each type of business, manufacturers with fewer than 500 employees, wholesalers with fewer than 100 employees, and retailers or services with annual revenues less than \$3.5 million are typically considered small. By itself, each individual small business has relatively little impact in its industry.

1-1 CONCEPT CHECK QUESTIONS

1. How would you define *small business*?
2. Name a company that seems large but might be classified as small because it has relatively little impact on its industry.

CONCEPT MODULE 1.2**1-2 SMALL BUSINESSES IN THE U.S. ECONOMY****LO 2 Recognize the role of small business in the U.S. economy.**

Until the early 1800s, all businesses were small in the way just described. Most goods were produced one at a time by workers in their cottages or in small artisan studios. Much of the U.S. economy was based on agriculture. With the Industrial Revolution, however, mass production became possible. Innovations such as Samuel Slater's textile machinery, Eli Whitney's cotton gin, and Samuel Colt's use of interchangeable parts in producing firearms changed the way business was conducted. Factories brought people, raw materials, and machinery together to produce large quantities of goods.

Although the early manufacturers were small, by the late 1800s businesses were able to grow rapidly in industries that relied on economies of scale for their profitability. *Economy of scale* is the lowering of costs through production of larger quantities: The more units you make, the less each costs. During this time, for example, Andrew Carnegie founded U.S. Steel, Henry Ford introduced the assembly line for manufacturing automobiles, and Cornelius Vanderbilt speculated in steamships and railroads. Although these individuals had begun as entrepreneurs, their companies eventually came to dominate their respective industries. The costs of competing with them became prohibitively high as the masses of capital they had accumulated formed a barrier to entry for newcomers to the industry. The subsequent industrialization of America decreased the impact of new entrepreneurs over the first half of the twentieth century.⁸ Small businesses still existed during this period, of course, but the economic momentum that large businesses had gathered kept small businesses in minor roles.

The decades following World War II also favored big business over small business. Industrial giants like General Motors and IBM, and retailers like Sears, Roebuck and Co., flourished during this period by tapping into the expanding consumer economy.

In the late 1950s and early 1960s, another economic change began. Businesses began paying more attention to consumer wants and needs, rather than focusing solely on production. This paradigm shift was called the **marketing concept**—finding out what people want and then producing that good or service, rather than making products and then trying to convince people to buy them. With this shift came an increased importance ascribed to the service economy. The emphasis on customer service by businesses adopting the marketing concept started to provide more opportunities for small business. Today, the **service sector** of our economy makes up about 60 percent of total U.S. jobs, producing services for customers rather than tangible products. The growth of this sector is important to small businesses because they can compete effectively in it.

By the early 1970s, corporate profits had begun to decline, while these large firms' costs increased. Entrepreneurs such as Steve Jobs of Apple Computer and Bill Gates of Microsoft

“Managers began to realize that bigger is not necessarily better and that economy of scale does not guarantee lower costs.”

Marketing concept

The business philosophy of discovering what consumers want and then providing the good or service that will satisfy their needs.

Service sector

Businesses that provide services, rather than tangible goods.

started small businesses and created entirely new industries that had never before existed. Managers began to realize that bigger is not necessarily better and that economy of scale does not guarantee lower costs. Other start-ups, such as Walmart and The Limited, both of which were founded in the 1960s, dealt serious blows to retail giants like Sears in the 1970s. Because their organizational structures were flatter, the newer companies could respond more quickly to customers' changing desires, and they were more flexible in changing their products and services.

A new term entered the business vocabulary during the 1990s that continues to affect the business world today—**downsizing**. Downsizing can involve the reduction of a business's workforce to shore up dwindling profits. It can also stem from a business's decision to concentrate on what it does best. Any segment of a business in which its owner does not have special skills can be put up for sale, eliminated, or sent out for someone else to do (*outsourced*). The effects of downsizing and outsourcing on small business are twofold. First, many people who lose their jobs with large businesses start small businesses of their own. Second, these new businesses often do the work that large businesses no longer perform themselves—temporary employment, cleaning services, and independent contracting, for example. While downsizing and outsourcing are often painful to the displaced individuals, they ultimately enhance the productivity and competitiveness of companies.⁹

The global economic crisis that began in 2007 has had a tremendous impact on small business. Disruption of small business financing is significant due to the close connection between the business and owner—including home second mortgages and lines of credit, putting the small business owner's home in play in case of loan default. Tactics for small business owners to deal with the credit squeeze revolve primarily around protecting cash flow to decrease dependence on external funding. As of 2014, small business funding has remained tight. Tactics for small businesses to weather the economic storm will be found in several chapters of this new edition, including:

- Finding opportunities that are recession resistant
- Jettisoning the bottom 10 percent of problem customers
- Protecting cash—in multiple ways
- Enhancing small business image
- Building and enhancing relationships
- Cross-training employees
- Getting pricing correct

1-2a Increased Business Start-ups

Indeed, the rate of small business growth has more than doubled in the last 30 years. In 1970, 264,000 new employer businesses were started.¹⁰ In 1980, that figure had grown to 532,000; it reached 585,000 in 1990, 574,000 in 2000, 670,100 in 2006, falling to 518,000 in 2009.¹¹ Although a lot of attention tends to be paid to the failure rate of small businesses, many people continue going into business for themselves. New businesses compared with closures are consistently close in number. For example, in 2005 there were 670,100 new starts and 599,300 closures—each representing about 10 percent of the total.¹² The extended economic recession has taken a toll with 518,500 new employer firms in 2009 and 680,716 business deaths.

1-2b Increasing Interest at Colleges and Universities

The growing economic importance of small business has not escaped notice on college and university campuses. In 1971, only 16 schools in the United States offered courses in entrepreneurship. By 2013 that number had grown to 2,000.¹³ In 2011, 16 percent of new graduates started businesses upon graduating up from 5 percent in the early 1990s. Other evidence

“In 1971, only 16 schools in the United States offered courses in entrepreneurship. By 2010 that number had grown to 2,000.”

Downsizing

The practice of reducing the size of a firm's workforce.

of increased interest in entrepreneurship education at U.S. colleges and universities and those in other countries is the proliferation of centers for entrepreneurship, student-run business incubators, and endowed faculty entrepreneurship positions—406 in the United States and 563 worldwide.¹⁴

What can explain this phenomenal growth of interest in small business at educational institutions? For one thing, it parallels the explosion in small business formation. For another thing, since mistakes made in running a small business are expensive in terms of both time and money, many prospective business owners attend school to make those mistakes on paper and not in reality.

Some students don't wait for graduation to take advantage of hot college trends—such as Ryan Dickerson, a junior at Syracuse University, who found his dorm room to be more than a little cramped. But the son of an interior designer knew he just needed a little creativity in optimizing the space. Dickerson created the “bed transforming pillow” to convert his single bed into a couch during the day, calling his business Rylaxing. Both the three-foot-long halfback and the six-foot fullback come in a variety of colors (including cheetah print). After a year selling on his own campus, Ryan plans to sell at colleges across the country.¹⁵

ENTRE-PERSPECTIVES



Elon Musk—A Man with Many Missions

Entrepreneurs are people who often think big . . . they occasionally end up making a change in the world . . . and they usually have a lot of confidence. Elon Musk is a guy who does all of the above—and he's still in his thirties. Musk is co-founder and chairman of Tesla Motors, maker of the world's only pure electric, high-performance cars. Most alternative fuel vehicles are thought of as being both style and performance challenged. Not the Tesla. The initial model, a two-seater roadster, goes from zero to 60 miles per hour in a screaming 3.7 seconds while producing zero emissions. It also sports a very cool carbon-fiber body and will travel over 300 miles between charges. The four-door family-oriented model still goes from zero to 60 in 5.7 seconds. Not bad for a grocery hauler.

In addition to Tesla Motors, Musk is chief technology officer for SpaceX, one of the most advanced private companies building rockets for space transportation—ultimately aiming to establish a colony on Mars. The U.S. government takes Musk seriously: as the National Aeronautics and Space Administration (NASA) phases out the space shuttle program, it awarded SpaceX a \$1.6 billion contract to haul cargo



Robyn Beck/AFP/Getty Images/Newscom

to the space station. Oh, and by the way, Musk is also building professionalism and efficiency into the home solar energy systems with his company SolarCity.

How does a person accomplish so much so young? Musk has always been an entrepreneur. At 12 years of age, growing up in South Africa, Elon created a video game titled Blaster and sold it to a computer magazine for the unheard of sum of \$500. Later in life, after graduating with bachelor degrees in finance and physics, he was headed for grad school at Stanford