



Entrepreneurship

2nd Edition

by Dr. Kathleen Allen

for
dummies[®]
A Wiley Brand

Contents at a Glance

Introduction	1
Part 1: Getting Started in Entrepreneurship	5
CHAPTER 1: Understanding Entrepreneurship	7
CHAPTER 2: Entrepreneurship in the 21st Century	25
CHAPTER 3: Preparing to Seek Opportunity	45
CHAPTER 4: Testing an Opportunity Before You Leap	61
Part 2: Testing the Feasibility of Your Business Concept	77
CHAPTER 5: Understanding Your Industry	79
CHAPTER 6: What Your Customers Can Tell You	95
CHAPTER 7: Designing Solutions for a New Marketplace	117
CHAPTER 8: Protecting Your Products and Services	137
CHAPTER 9: Putting Together Your Founding Team	161
CHAPTER 10: Getting Solutions to Customers: The Supply Chain	181
CHAPTER 11: Developing and Testing Your Business Model	193
CHAPTER 12: Assessing Your Initial Financial Needs	209
Part 3: Designing a Company	231
CHAPTER 13: Preparing a Business Plan	233
CHAPTER 14: Finding Money to Start and Grow Your Venture	257
CHAPTER 15: Starting with the Right Legal Structure	279
Part 4: Growing a Company	297
CHAPTER 16: Planning for Growth	299
CHAPTER 17: Developing a Marketing Strategy	333
CHAPTER 18: Making and Using Money Wisely: The Financial Plan	357
CHAPTER 19: Planning for Things That Go Bump in the Night	381
Part 5: The Part of Tens	397
CHAPTER 20: Ten Reasons Not to Start a Business	399
CHAPTER 21: Ten Ways to Spark Your Innovative Spirit	405
Index	411

Table of Contents

INTRODUCTION	1
Entrepreneurship Has Changed	1
About This Book	2
Foolish Assumptions	2
Icons Used in This Book	2
How This Book Is Organized	3
Where to Go from Here	3
PART 1: GETTING STARTED IN ENTREPRENEURSHIP	5
CHAPTER 1: Understanding Entrepreneurship	7
Anyone Can Become an Entrepreneur	8
Recognizing an Entrepreneurial Venture	8
Understanding the Entrepreneurial Ecosystem	12
Distinguishing Entrepreneurial Ventures from Small Businesses and Why That Matters	13
Considering the Many Ways to Be an Entrepreneur	14
The home-based entrepreneur	15
The Internet entrepreneur	16
The serial entrepreneur	16
The gig economy entrepreneur	17
The traditional entrepreneur	18
The corporate entrepreneur	18
Considering Your Personal Goals	19
Why do you want to start a business?	19
How will starting a business affect your personal life?	20
Are you in sufficient physical shape to start a business?	20
What aspects of business make you very uncomfortable?	20
How will your feelings about your business affect its potential growth?	21
Clearing Up the Myths and Stereotypes about Entrepreneurs	21
You need a lot of money	21
You need a great idea	22
You must take big risks	23
You need to be young	23
Looking Ahead	23
CHAPTER 2: Entrepreneurship in the 21st Century	25
Dealing with the Boom and Bust Economy of the 2020s	26
Finding the good news	26
Dealing with the not-so-good news	28

The Global Entrepreneurship Picture	30
A different kind of entrepreneurship	32
The need for speed	33
Scaling quickly for competitive advantage	33
Harnessing technology for competitive advantage	34
Turning information into intelligence	34
Managing the new work environment	35
Breaking the link between information and things	35
Cryptocurrency as an opportunity	36
Everyone’s value chain is shorter	37
Making yourself obsolete (before someone does it for you)	38
Facing technology disruption	38
Technology enables and disrupts constantly	39
Understanding the Latest Big Trends	40
Easier access to entrepreneurship education	40
Sustainable finance	41
DIY coding	41
Sharing what you have	41
Personalized and direct to customers	42
Using micro influencers for social media marketing	42
Investing in climate tech is hot	43
CHAPTER 3: Preparing to Seek Opportunity	45
Understanding Ideas versus Opportunities, Creativity versus Innovation	45
Starting with an Idea May Not Be the Best Idea	46
Changing an existing business	47
Solving a problem with creativity	47
Spotting Obstacles in Your Path	47
You think you’re not innovative (think again!)	48
You dislike criticism (don’t we all?)	48
You’re a creature of habit (so is everyone)	49
You lack confidence (you can do it!)	49
You’re overconfident (jumbo ego)	50
Clearing Away the Obstacles	52
Going back to familiar territory	52
Tapping your personal network	52
Designing an Environment that Inspires Creativity and Innovation	54
Making time to be creative	54
Finding the right place for innovation	56
Making your work environment friendly	56
Growing Ideas with Outside Help: Incubators and Accelerators	57
Spotting the Best Opportunities	58

	Finding opportunity in failure (yours and others)	58
	Finding opportunity for underrepresented communities	59
	Finding opportunity in things that don't go together	60
CHAPTER 4:	Testing an Opportunity Before You Leap	61
	Starting with Your First Risk: You!	62
	Turning Your Opportunity into a Business Concept	63
	Benefits versus Features: What Do Customers Buy?	64
	Why isn't money part of the concept?	65
	Trying out your business concept skills	65
	Quick-Testing Your Concept: The Lean Method	67
	Getting Serious with Feasibility Analysis and the Lean Method	68
	Feasibility versus business plan: Double the work?	71
	Introducing the feasibility analysis framework	72
	PART 2: TESTING THE FEASIBILITY OF YOUR BUSINESS CONCEPT	77
CHAPTER 5:	Understanding Your Industry	79
	Understanding Your Industry	81
	Using a Framework of Industry Structure	82
	Carrying capacity, uncertainty, and complexity	82
	Threats to new entrants	83
	Threats from substitute products/services	84
	Threats from buyers' bargaining power	84
	Threats from suppliers' bargaining power	84
	Rivalry among existing firms	85
	Understanding the Value Chain	85
	Deciding on an Entry Strategy	86
	Differentiation	86
	Niche	87
	Cost superiority	88
	Researching Your Industry	88
	Answering key questions about your industry	89
	Studying public companies	91
	Searching for data at government websites	91
	Going offline for more research	92
	Benchmarking Against the "Perfect" Industry	92
CHAPTER 6:	What Your Customers Can Tell You	95
	Conducting Customer Discovery	96
	Segmenting your market	97
	Defining your niche	99
	Discovering Your Customers	101

	Finding the data you need	101
	Looking at the total accessible market.	101
	Conducting customer discovery in the field	103
	Observing customers in their natural habitats.	104
	Building an early customer profile	108
	Identifying more important people to interview	109
	Graphing a customer segmentation matrix	109
	Competitive Intelligence: Checking Out the Competition	110
	Pounding the pavement.	111
	Buying your competitors' products.	111
	Reving up the search engines	111
	Forecasting Demand: Tough but Crucial	112
	Triangulating to demand	114
	Forecasting new product demand	115
CHAPTER 7:	Designing Solutions for a New Marketplace.	117
	Zeroing-in on a Product Solution	118
	Becoming an inventor.	118
	Teaming with an inventor	119
	Licensing an invention	119
	Moving Rapidly to a Prototype: The Minimum Viable Product.	121
	Bootstrapping Product Development	122
	Understanding the product life cycle	122
	Finding the money.	124
	Seeking government grants.	125
	Going after investor capital	127
	Crowdfunding	128
	Developing New Products: The Process.	129
	Getting the feedback you need	130
	Overcoming scarce resources with a plan.	131
	Developing in a digital world	131
	Moving Rapidly to the Prototype Stage	132
	Designing right the first time.	133
	Sourcing your materials	134
	Making your minimum viable product.	135
	The one-minute product solution plan	136
CHAPTER 8:	Protecting Your Products and Services	137
	Understanding Intellectual Property Rights	137
	Protecting Your Better Mousetrap with a Patent	139
	Timing is everything	140
	America Invents Act.	140
	Is it patentable?	141
	Types of patents	142

The patent process	143
The provisional patent application	144
Filing a provisional patent application	145
Filing a nonprovisional patent application	146
Protecting your rights in foreign countries	148
Copyrighting Your Original Work of Authorship	148
Claiming copyright	149
Things you can't copyright	149
Protecting Your Logo with a Trademark	150
Protecting Your Trade Secrets	152
Contracts	153
Nondisclosure agreements	153
Strategies for Protecting Your IP	155
Offensive strategies	156
Defensive strategies	158
International strategies	159
CHAPTER 9: Putting Together Your Founding Team	161
A Little Science Behind Founding Teams	161
Who's on First?	162
The rules with family and friends	163
Covering all the bases	163
Putting everything in writing	164
Benchmarking the perfect team	165
Forming a Diverse Board of Advisors	166
Yes, you need attorneys	166
Accountants can help you survive	168
Your banker can dispense advice, if not money	169
Don't forget your insurance broker	171
Forming a Board of Directors	172
Getting people on your board	172
Deciding when you need a formal board	173
Creating a Personal Board: Your Mentors	175
Pulling Yourself Up by the Bootstraps	175
Outsourcing savvy	175
Leasing your staff	177
CHAPTER 10: Getting Solutions to Customers: The Supply Chain	181
Understanding Supply Chains, Logistics, and Distribution Channels	182
Looking at Logistics	183
Distributing through Consumer and Industrial Market Channels	184

Consumer channels	184
Industrial channels	186
Using intermediaries	186
Evaluating Your Channel	187
The cost of the channel	188
Channel coverage	188
Distribution control	190
When Your Supply Chain Is International	190
CHAPTER 11: Developing and Testing Your Business Model	193
Understanding Business Models	193
The business model canvas approach	194
A software company business model	196
Your restaurant business model	197
A retail business model	198
Providing a service with an upside	199
Producing multiple products and services	201
Making money while you sleep	201
Evolving Digital Business Models	202
Using an advertising model	203
Using a subscription-based model	204
Growing a hybrid model	204
Thinking micro	206
Testing Your Business Model	207
CHAPTER 12: Assessing Your Initial Financial Needs	209
Touring Your Business Virtually	210
Estimating How Much You Will Sell: Demand	212
Triangulating to demand	213
Forecasting your sales	214
Forecasting How Much You Will Spend	215
Determining the cost of goods sold	215
Forecasting general and administrative expenses	216
Determining taxes	216
Preparing Financial Statements	216
Calculating profit and loss — the income statement	217
Forecasting your cash flow	219
Planning to Break Even	223
Calculating what you need to start	224
Understanding types of capital	224
Putting It All Together	226
Adjusting your estimates	228
The one-minute financial plan	229

PART 3: DESIGNING A COMPANY	231
CHAPTER 13: Preparing a Business Plan	233
Starting with a Feasible Concept.	234
Planning to Plan.	235
Addressing the needs of your stakeholders	236
Starting with your proof of concept	239
Using an outline.	242
Getting Started with a Vision	245
Identifying the Big Mission.	247
ESG for Small Companies.	248
Environmental responsibilities	249
Social responsibilities	249
Governance responsibilities.	249
Looks Count: Preparing and Presenting the Plan.	250
Making the plan look good.	250
Presenting your plan.	251
The one-minute business plan	254
CHAPTER 14: Finding Money to Start and Grow Your Venture	257
Starting with a Plan	258
Funding a traditional business	259
Funding a high-tech business	260
Tapping Friendly Money.	262
Finding an Angel Investor.	263
What are angel investors?	263
How to deal with angel investors	264
When It's Time for Venture Capital	265
Calculating the real cost of money	267
Investors can be fickle.	267
It takes money to make money.	268
Getting your plan approved.	268
Exercising due diligence	268
Crafting the deal	269
Selling Stock to the Public: An IPO	269
Considering the advantages and disadvantages of going public	270
Deciding to go for it.	271
Special Purpose Acquisition Companies: SPACs.	274
Finding More Ways to Finance Growth	275
Crowdfunding	276
Strategic alliances	277

CHAPTER 15: Starting with the Right Legal Structure	279
Choosing a Legal Form for Your Business	280
Going It Alone: The Sole Proprietorship	282
Advantages of sole proprietorships	283
Disadvantages of sole proprietorships	283
Choosing the Partnership Form	284
Forming a partnership	284
The partnership agreement	285
The Corporation	286
Enjoying the benefits	287
Weighing the risks	288
Where and how to incorporate	289
Looking for Flexibility: The S Corporation and the LLC	291
Sizing up the S Corporation	291
Comparing the S Corporation to the LLC	292
What about a B corporation?	293
Making Profits in a Nonprofit Organization	294
Benchmarking the Right Choice	295

PART 4: GROWING A COMPANY

CHAPTER 16: Planning for Growth	299
Identifying Factors That Affect Growth	300
Starting with a Basic Growth Strategy	301
Growing within Your Current Market	303
Building your customer base	303
Developing your market	303
Developing your product	305
Branding your company	305
Growing within Your Industry	307
Moving vertically in your channel	307
Moving horizontally in your channel	308
Creating a network in your industry	308
Diversifying Outside Your Industry	308
Capitalizing on the synergy of like businesses	309
Acquiring an unrelated business	309
Going Global to Grow	310
Deciding if you're ready	310
Finding great global markets	311
Getting help	312
Using the Internet to go global	313
Growing as a High-Tech Company	315
Finding early adopters	315
Getting to mainstream adoption	315
Surviving mainstream adoption	316

	Moving from Founding Team to Professional Management	317
	Identifying your company's culture.	318
	Developing a human resource policy.	320
	Organizing for Speed and Flexibility.	322
	Organizing around teams.	323
	When You Need an Experienced CEO	329
CHAPTER 17:	Developing a Marketing Strategy	333
	Understanding Product/Service Adoption Patterns.	334
	The customer journey from awareness to purchase.	335
	Creating a marketing strategy based on adoption patterns.	335
	Marketing to Customers, One at a Time	336
	Creating a Marketing Plan	337
	Preparing to plan.	337
	Writing a one-paragraph marketing plan	338
	Defining your customer	340
	Doing your market research	340
	Building and protecting your brand	341
	Using Customers to Check Your Market Strategy.	344
	Using Technology to Build Your Market Strategy.	345
	Using the Internet to Build Your Market Strategy	346
	Using information to brand your company.	346
	Creating positive public relations	347
	Providing customer service	347
	Creating your image	348
	Understanding Customer Acquisition Costs (CACs)	348
	Retaining customers	349
	Creating your promotional mix.	350
	Building relationships	352
CHAPTER 18:	Making and Using Money Wisely:	
	The Financial Plan	357
	Identifying the Components of a Successful Financial Plan	358
	Starting with goals.	359
	Budgeting for capital expenditures (CAPEX)	359
	Budgeting for operations	360
	Running financial forecasts and ratios.	363
	Building the Financial Statements.	364
	Building the income statement.	365
	Developing the balance sheet	366
	Creating the cash flow from an operations statement	368
	The bottom line on cash.	371
	Using Financial Ratios to Judge Performance	372
	Liquidity ratios	373

Profitability ratios	373
Leverage ratios.....	374
Cash Planning: Managing Your Working Capital.....	375
Planning for accounts receivable	375
Managing your accounts payable.....	378
CHAPTER 19: Planning for Things That Go Bump in the Night.....	381
Preparing for the Unknown: When Bad Things Happen to Good Companies	382
Identifying Potential Risks and Their Impact.....	383
Doing a risk assessment and impact analysis.....	383
Protecting your company from lawsuits	384
Handling a sharp, sudden decline in sales	385
Surviving the loss of a key employee	387
Dealing with the economy and Uncle Sam	388
Coping with product liability	388
Harvesting the Wealth with a Graceful Exit.....	389
Selling your business	390
Selling out but staying involved.....	391
Restructuring your company.....	392
Being acquired.....	392
When You Can't Exit Gracefully.....	393
Facing bankruptcy.....	393
Avoiding bankruptcy.....	395
Stepping Back from the Brink	396
PART 5: THE PART OF TENS.....	397
CHAPTER 20: Ten Reasons Not to Start a Business.....	399
Because Everyone Is Doing It.....	399
Because You Want to Be a Millionaire	400
Because You're Looking for a Secure Job.....	400
Because You Don't Want to Work for Someone Else	400
Because You Just Came into Some Money	401
Because You're Not Ready to Retire.....	401
Because If the Kid Down the Street Did It, So Can You	402
Because You Want to Give Everyone in Your Family a Job	402
Because You Have a Great Idea	402
Because You Have Passion for a Cause	403
Instead: Start a Business Because It's What You Most Want to Do	403

CHAPTER 21: Ten Ways to Spark Your Innovative Spirit	405
Read about Entrepreneurs.	405
Learn from Innovation Hubs	406
Find a Difficult Problem and Solve It	407
Spend Time Daydreaming	407
Save All Your Ideas	407
Make an Existing Idea Better	408
Spend Time in Airports or Shopping Centers	408
Use Your Five Senses to Discover a New Industry	408
Talk to Potential Customers.....	408
Find a Mentor.....	409
 INDEX	 411