

Your fun and easy guide to
starting a successful business!

Entrepreneurship

FOR DUMMIES[®]

**A Reference
for the
Rest of Us!**

Kathleen Allen, Ph.D.
Professor of Entrepreneurship,
University of Southern California

Discover the
secrets of a
winning business
plan



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***Entrepreneurship For
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by Dr. Kathleen Allen



Wiley Publishing, Inc.

Entrepreneurship For Dummies®

Published by

Wiley Publishing, Inc.

111 River St.

Hoboken, NJ 07030-5774

www.wiley.com

Copyright © 2005 by Wiley Publishing, Inc.,
Indianapolis, Indiana

Published by Wiley Publishing, Inc., Indianapolis, Indiana

Published simultaneously in Canada

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Library of Congress Control Number: 00-105667

ISBN: 978-0-7645-5262-5

Manufactured in the United States of America

15 14 13 12 11 10 9 8

1O/RV/QV/QY/IN



About the Author

Kathleen R. Allen Ph.D.

Dr. Allen is an authority on entrepreneurship and small business technology and is the author of *The Complete MBA For Dummies* (with Peter Economy), *eBusiness Technology Kit For Dummies* (with Jon Weisner), *Entrepreneurship and Small Business Management*, *Launching New Ventures*, and *Growing and Managing an Entrepreneurial Business*, as well as several other books. She has also written for popular business magazines and newspapers (*Inc.*, *Los Angeles Times*, *Los Angeles Business Journal*, and *The New York Times*) and is called upon by the *Wall Street Journal*, CNN, CNBC, and a variety of other media, for expert opinion in the field of entrepreneurship.

As a professor of entrepreneurship at the Lloyd Greif Center for Entrepreneurial Studies at the Marshall School of Business at the University of Southern California, she helps hundreds of young entrepreneurs start new ventures. Allen is actively involved in academic research, most recently in issues related to the unique environment of high tech start-up companies. She is also a founding member of the Entrepreneurship Research Consortium, a national research organization consisting of leading universities around the world, which is conducting groundbreaking research on nascent entrepreneurs.

At the University of Southern California, she is leading an initiative to form an alliance between the business and engineering schools to commercialize intellectual property developed at the university. She has developed a number of courses in the area of technology commercialization and serves on the university's technology board.

As an entrepreneur, Allen has been involved in commercial real estate development for the past ten years, having cofounded a development firm specializing in apartment, office, and industrial space; and a brokerage — American Pacific Investments — which she sold. She is presently the cofounder and CFO of Gentech Corporation, a technology-based manufacturing company that recently launched a line of patented, intelligent, industrial power source machines. She is also consulting to a number of technology-based ventures, including three medical technology companies with patented products.

In the past three years, with the assistance of Microsoft Corporation, Allen has been working to educate small business owners and entrepreneurs on the value of technology as a competitive advantage, and to educate software manufacturers and resellers to the mindset and needs of small business owners.

Dedication

To my students at the Greif Entrepreneurship Center at the University of Southern California, who never cease to amaze me with their entrepreneurial efforts.

Author's Acknowledgments

I would like to give my sincere thanks and appreciation to the talented publishing team at Wiley, particularly Mark Butler, Norm Crampton, Neil Johnson, and Pam Mourouzis. I would also like to thank my family for their unconditional love and support during a time when I was doing two books at once.

Publisher's Acknowledgments

We're proud of this book; please send us your comments through our online registration form located at www.dummies.com/register

Some of the people who helped bring this book to market include the following:

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Contents

Title

Introduction

[How Entrepreneurship Has Changed](#)

[How Entrepreneurs Define Success](#)

[About This Book](#)

[Foolish Assumptions](#)

[How This Book Is Organized](#)

[How to Use This Book](#)

Part I : Getting Started in Entrepreneurship

Chapter 1: What's an Entrepreneur, Anyway?

[Understanding Entrepreneurship](#)

[Tasting the Many Flavors of Entrepreneurship](#)

[Deciding to Become an Entrepreneur](#)

Chapter 2: Moving at the Speed of E-Business

[Everyone Runs an E-Business](#)

[The Internet Gives You an Edge](#)

[Breaking the Link between Information and Things](#)

[Sharing Information \(And Everything Else\)](#)

[Everyone's Value Chain Is Shorter](#)

[Making Yourself Obsolete \(Before Someone Else Does It for You\)](#)

[Changing the Way You Buy Things](#)

[Deconstructing the Company](#)

[Technology Disrupts; That's Good](#)

[Chapter 3: Preparing to Hear When Opportunity Knocks](#)

[Starting to "Cook" on an Idea](#)

[Spotting Obstacles in Your Path](#)

[Clearing Away the Obstacles](#)

[Growing Ideas with Outside Help](#)

[Finding Opportunity in Failure](#)

[Finding Opportunity in the Unconventional](#)

[Finding the Right Place for Innovation](#)

[Chapter 4: Testing an Opportunity Before You Leap](#)

[Starting with a Personal Assessment](#)

[Turning an Opportunity into a Business Concept](#)

[Quick-Testing Your Concept](#)

[Getting Serious: Doing Feasibility Analysis](#)

[Part II : Developing Your Business Concept](#)

[Chapter 5: Listening to What Your Industry Tells You](#)

[Understanding Your Industry](#)

[Researching an Industry](#)

[Benchmarking Against the Perfect Industry](#)

Chapter 6: What Your Customers Can Tell You

Defining Your Niche

Researching Your Customers

Forecasting Demand: Tough but Crucial

Triangulating to Demand

Chapter 7: Designing Products and Services for a New Marketplace

Zeroing-in on a New Product

Thinking Realistically about Product Development

Moving Fast to Prototype Stage

The One-Minute Product Plan

Chapter 8: Protecting Your Products and Services

Patenting Your Better Mousetrap

Copyrighting Your Original Work of Authorship

Protecting Your Logo: A Trademark

Guarding Your Interests

Strategies for Protecting Your IP

Chapter 9: Getting Products and Services to Customers: Distribution

Outsourcing Logistics

Creating Your Distribution Strategy

Distributing through Market Channels

Using Intermediaries

Evaluating Your Channel

Chapter 10: Putting Together Your Start-up Team

[Finding Your Start-up Partners](#)

[Forming a Board of Advisors](#)

[Forming a Board of Directors](#)

[Pulling Yourself Up by the Bootstraps](#)

Chapter 11: Assessing Your Start-up Financial Needs

[Estimating How Much You Will Sell](#)

[Calculating How Much You Will Spend](#)

[Preparing Financial Statements](#)

[Planning to Break Even](#)

[Figuring How Much Money You Need](#)

[Putting It All Together](#)

Part III : Creating a Company

Chapter 12: Getting Ready to Do a Business Plan

[Drawing a Conclusion about Feasibility](#)

[Looking at the Who, What, Where, and Why of Business Plans](#)

[Getting Started with a Vision](#)

[Finding the Big Mission](#)

[Looks Count: Preparing and Presenting the Plan](#)

Chapter 13: Finding Money to Start and Grow Your Venture

[Starting with a Plan](#)

[Tapping Friends, Family, and Lovers](#)

[Finding an Angel](#)

[Daring to Use Venture Capital](#)

[Selling Stock to the Public: An IPO](#)

[Finding Other Ways to Finance Growth](#)

[Chapter 14: Starting with the Right Legal Structure](#)

[Deciding on the Best Legal Form for Your Business](#)

[Going It Alone: The Sole Proprietorship](#)

[Choosing a Partner: The Partnership](#)

[Going for the Gold: The Corporation](#)

[Looking for Flexibility: The S Corporation, the LLC, and the Nonprofit Corporation](#)

[Benchmarking Your Best Choice](#)

[Chapter 15: Developing a Business Model for a Digital World](#)

[Producing Several Models from One Product or Service](#)

[Looking for Another Gillette](#)

[Improving on the Bricks-and-Mortar Model](#)

[Flying High and Fast with Internet Models](#)

[Part IV : Growing a Company](#)

[Chapter 16: Planning for Growth](#)

[Identifying Factors That Affect Growth](#)

[Starting with Some Basic Growth Strategies](#)

[Growing within Your Current Market](#)

[Growing within Your Industry](#)

[Diversifying Outside Your Industry](#)

[Going Global to Grow](#)

[Growing as a High Tech Company](#)

[Chapter 17: Organizing Your Business for Growth](#)

[Moving from Entrepreneurship to Professional Management](#)

[Organizing for Speed and Flexibility](#)

[Finding and Keeping Great People](#)

[Chapter 18: Reaching the Customer](#)

[Marketing to Customers, One at a Time](#)

[Creating a Marketing Plan](#)

[Keeping Your Best Customers](#)

[Chapter 19: Proving You Can Make Money: The Financial Plan](#)

[Identifying the Components of a Successful Financial Plan](#)

[Building the Financial Statements](#)

[Using Financial Ratios to Judge Performance](#)

[Cash Planning: Managing Your Working Capital](#)

[Chapter 20: Planning for Things That Go Bump in the Night](#)

[Preparing for the Unknown: When Bad Things Happen to Good Companies](#)

[Harvesting the Wealth with a Graceful Exit](#)

[When You Think You Can't Exit Gracefully](#)

[Stepping Back from the Brink](#)

[Part V : The Part of Tens](#)

[Chapter 21: Ten Reasons Not to Start a Business](#)

[Because Everyone Is Doing It](#)

[Because You Want to Be a Millionaire](#)

[Because You're Looking for a Secure Job](#)

[Because You Don't Want to Work for Someone Else](#)

[Because You Just Came into Some Money](#)

[Because If the Kid Down the Street Did It, So Can You](#)

[Because You Want to Give Everyone in Your Family a Job](#)

[Because You've Got a Great Idea](#)

[Because It's Too Risky](#)

[Start a Business Because It's What You Most Want to Do](#)

[Chapter 22: Ten Ways to Spark Your Entrepreneurial Spirit](#)

[Start Reading about Great New Businesses](#)

[Join a Community Business Organization](#)

[Hang around a University Business School](#)

[Tell a Friend](#)

[Do a Feasibility Study](#)

[Leave Your Job \(or Get Laid Off\)](#)

[Discover an Industry](#)

[Spend Time with an Entrepreneur](#)

[Find a Mentor](#)

[Do Something — Anything](#)

[Chapter 23: Ten Ways to Use the Internet to Grow Your Business](#)

[Get Started Quickly](#)

[Become a Virtual Business](#)

[Join a Network of Business Colleagues](#)

[Stay in Touch with Your Customers](#)

[Communicate with Your Strategic Partners](#)

[Gather Competitive Intelligence](#)

[Promote Your Company](#)

[Reach Global Customers](#)

[Create an Intelligent Company](#)

[Develop New Products and Services](#)

[Chapter 24: Ten Best Resources for Gathering Competitive Intelligence](#)

[Pounding the Pavement](#)

[Shopping Your Competitors' Turf](#)

[Skimming the Industry Journals](#)

[Surfing the Web](#)

Introduction

Entrepreneurship is a personal thing. It isn't really about money or starting businesses — sure, entrepreneurs like to make money and start businesses, but that's not the reason they are entrepreneurs. It's much more than that. For entrepreneurs, it's about having a passion for doing something you love; that's the entrepreneurial spirit.

Entrepreneurs like to do things that excite the world, bend the rules a bit, and make us look at something in an entirely new way. They are opportunistic, finding new possibilities at every turn. So entrepreneurship is also about creativity, innovation, and change.

Although stereotyped as risk takers, the truth is that entrepreneurs take calculated risks — they are not the gamblers people make them out to be. In their businesses, they assess their options and choose their course based on their probability of success. They're not afraid to fail because they tend to measure their real success by how many times they learn from their mistakes and go on to try again. Entrepreneurship involves challenge, persistence, and planning.

These days, finding any aspect of life that isn't in a state of change is difficult. In the world of business, you discover companies going in and out of business, customer loyalty as ephemeral as the wind, jobs

disappearing overnight and replaced by jobs that never existed before, and technology changing the way we do things in every aspect of our lives. Times are exciting if you enjoy change and know how to deal with it. Dealing with change is one of the important things entrepreneurs do best. They thrive on it because they know that with change comes opportunity. Those kinds of opportunities are among the many reasons to think about developing the entrepreneurial spirit and mindset.

How Entrepreneurship Has Changed

For the past two decades or longer, entrepreneurship has been viewed simply as a process for starting new businesses. Only recently have those of us who study this phenomenon concluded that entrepreneurship is more importantly about an opportunistic mindset and spirit. That's a significant distinction, because it means that everyone has the potential to benefit from understanding the mind of the entrepreneur. Whether you work in a large corporation, own a business, run a nonprofit organization, or are at home raising children, you can find opportunities to improve your situation by applying this way of thinking to your life and work.

So, my approach to entrepreneurship starts with a mindset and spirit. Then it guides you in discovering the strategies, skills, and tools you must find and use to turn

ideas into opportunities and opportunities into successful business concepts. You find out that being small and flexible has distinct advantages in the new digital economy, that you can have a global presence with the click of a mouse button, and that it's customers who define what a business is, what products and services it produces, and how successful it becomes.

How Entrepreneurs Define Success

If I ask you to describe a successful entrepreneur, chances are you'll point to the size of his or her business, how much money it makes, how much its investors earn. Those certainly are ways to describe a successful business, but entrepreneurs typically take a much more personal view when defining success. Ask Wally Amos of Uncle Noname Cookies, and he tells you that success is "turning lemons into lemonade." Others say that being happy with what you're doing and feeling like you're accomplishing something is a measure of success. Every entrepreneur's definition of success is different and personal, but in the listing below I categorize the more common responses so you can see that success is not always about money.

✓ **Purpose:** Entrepreneurs must feel a sense of purpose or direction in what they're doing. Success is a journey not a destination, but knowing the

direction you're heading and why seems to be a common component of success.

✓ **Failure — the other half of success:** No one denies that life is full of ups and downs. Most entrepreneurs experience failure of one sort or another, but knowing that failure is a possibility doesn't frighten them. If trying something doesn't have the potential for failure, it isn't worth doing because no risk is attached to it. Anyone can try something that is guaranteed to be a success. That's why entrepreneurs find opportunity where no one else does; they're not afraid to go where the risk is.

✓ **Sense of satisfaction:** Most successful entrepreneurs are doing what they love, so it doesn't feel like work.

✓ **No free lunch:** Success comes from hard work. Even entrepreneurs you read about, you know, the ones who seem to have appeared out of nowhere to become hugely successful, have spent years you don't hear about struggling to become that overnight success.

In *Entrepreneurship For Dummies*, you discover that entrepreneurship is an exciting, sometimes scary, roller-coaster ride — a way of life that you may decide to enjoy.

About This Book

Entrepreneurship For Dummies contains practical information, tips, and checklists that can be used by anyone who aspires to start a business, work as an

entrepreneur inside a large corporation, or just become more opportunistic by acquiring an entrepreneurial attitude. It doesn't matter whether you have ever owned a business or even have any business experience. You can use this book to think about the world of the entrepreneur and decide if it's right for you.

This book is definitely grounded in the real world. It is based on research I have conducted in the field of entrepreneurship, the work I have done with hundreds of entrepreneurs starting new ventures, and my own experiences as an entrepreneur, so there are no hypothetical situations here. I have pulled together the best information, the best tips, and the best examples of how to make entrepreneurship work for you.

Entrepreneurship For Dummies is a guide to everything you ever wanted to know about the entrepreneur and the entrepreneurial process. Don't know where to get started? I'll help you. Don't know how to find an opportunity and test it? I'll give you the information you need to put yourself in a position to find that great business idea and then test it in the marketplace before you commit to starting a business to turn that idea into reality.

This book is organized so that whatever you're looking for is easy to find.

- ✓ Suppose you want to figure out how much money you need to start your business. Just go to that chapter and the specific section you need, and you'll find exactly what you're looking for.
- ✓ Or, if you really want to get serious about becoming an entrepreneur, you can start on page one and work your way to the end.

Whichever route you choose, I'm certain that this book and its real-world examples are going to inspire you to think about entrepreneurship as a way of life.

Foolish Assumptions

Before I began this book, I made some assumptions about you — the reader. (I know that's not always wise, but I'm an entrepreneur — I'm not afraid to take a risk!) I assumed that you want to understand what entrepreneurs do to create those exciting e-businesses you read about and see on TV. And I also assumed that you're ready to make an investment in your future. Finally, I assumed that you want to know how to use entrepreneurial skills and attitudes in whatever endeavor you decide to undertake.

Icons Used in This Book

I use little pictures, called icons, next to blocks of text throughout the book. They're designed to draw your attention to things I want you to remember.



A good idea, trick, or shortcut that can save you time and money.



A piece of information you shouldn't forget.



A tip that can help you avoid disasters.



An example from the real world to illustrate my point.

How This Book Is Organized

Entrepreneurship For Dummies is organized into five parts, and each chapter within a part goes into detail on a specific topic. This organization makes it easier for you to find what you're looking for. I think I've covered everything you need to know to put together a winning entrepreneurial strategy.

Part I: Getting Started in Entrepreneurship

In this part, you get an introduction to the world of the entrepreneur and the new environment in which businesses are being started. You also consider how entrepreneurs discover those great opportunities and find out how to increase your creative abilities so you can become more opportunistic yourself. Finally, this part deals with how to turn an opportunity into a great business concept that you can test in the marketplace.