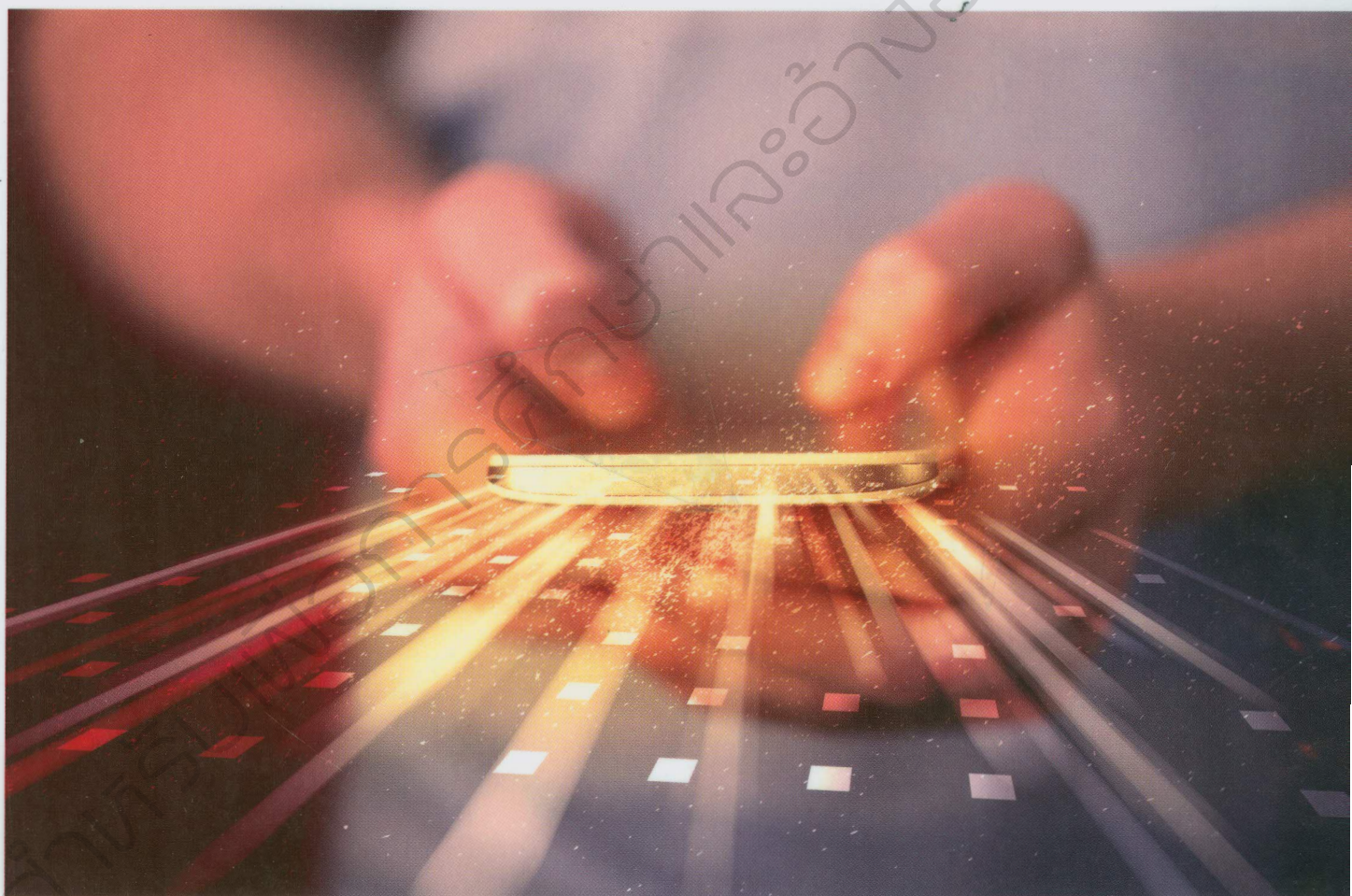


This International Student Edition is for use outside of the U.S.

THIRD EDITION

ENTREPRENEURSHIP

The Art, Science, and Process for Success



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Crafting the third edition of this book was both a pleasure and a challenge. The overwhelming goal of the book is to emphasize three core tenets to starting an entrepreneurial venture:

1. *Science* of practice as the heart of starting and running a successful entrepreneurial venture.
2. *Art* of turning an entrepreneurial venture into a success.
3. *Processes* that tie these two areas together into a coherent and organized business.

The first tenet is that the *science* of practice is central to your success as an entrepreneur. There is an inherent belief by many potential entrepreneurs that they know what needs to be done. However, extensive research suggests that one of the biggest causes of entrepreneurial failure is a lack of knowledge about how to design and build a business. The business that seems so clear to the entrepreneur at founding turns out quite differently. The result is that a lack of knowledge leads to the entrepreneurial venture running out of cash and time.

This book presents a systematic and thorough means for students and potential entrepreneurs to think through their venture and the rich range of concerns around it. Extensive research has been going on in this area for decades, and we know a lot more about what works and what does not work. One of the significant goals of this text is to provide you with information about what really works. Without trying to overwhelm the reader with research citations, but also ensuring that the student has well-researched information, this text is grounded in the academic research with a practitioner view to everything that is done.

The second tenet is that there is a lot of *art* to the concept, design, and implementation effort required to start a new business. To teach the art we present what other entrepreneurs have done in the past, so students can consider what they would like to have as their own approach. In this text we provide a great variety of real-world examples.

To fulfill this real worldview of entrepreneurship as an art, you will find that each chapter starts with a story about a successful entrepreneur and how he or she grew their business. Additionally, you will find throughout the text two running cases that provide direct, applicable context to the chapter contents. The first running case is Kosher Home, which was created by two friends to provide an Internet food service based on kosher food. The second running case is a business called YrFurn: An App for Furniture. This running case follows the development, design, troubles, and start-up of a business that is a Software as a Service (SaaS) firm, a firm that has no physical product. Finally, we have included fourteen MiniCases at the end of the book where we personally interviewed entrepreneurs about their story. Each MiniCase finishes with advice from the entrepreneur and questions to consider about applying the MiniCase learning to the development of your own business.

The third tenet of our approach involves the *processes* of conceptualizing, designing, starting, and running a new business. Hundreds of things must be considered, analyzed, and completed to take an idea to a successful business. We firmly believe that these processes are crucial steps along the way and have built this book in a manner that allows the reader to build upon each concept by developing a process that results in a fully crafted plan by the time you finish the book.

The ability to apply the science, art, and process of entrepreneurship developed here, we argue, will lay the foundation for succeeding in entrepreneurship. We say proudly that the overarching desire of this book, *Entrepreneurship: The Art, Science, and Process for Success*, is that students establish highly successful and very profitable businesses. We believe that following and acting on the issues we lay out here will establish the foundation for that success.

Entrepreneurship Is Not a Scary Word

If you are taking this course, you have at least some level of desire to be your own boss one day by establishing an entrepreneurial venture. You have a plan to start (and succeed) at your own business venture, and you see this course as groundwork for that plan. Beyond a personal desire to be an entrepreneur, there are real, applicable reasons to take this course. Today, 50 percent of all U.S. employees work for entrepreneurial businesses. Even if you do not ultimately start an entrepreneurial venture, the odds are at some point in your career you will work for one. Entrepreneurial businesses are everywhere. They include a wide range of visible firms on the Internet. These firms are the makers and sellers of a myriad of other goods plus providers of services that impact our daily lives. Understanding the components of success and failure for your future employer makes you a better employee.

Book Outline

To develop the understanding necessary to design, start, and manage an entrepreneurial business, we have organized the book into fourteen chapters that are, in turn, organized into five major sections. The first section lays the groundwork needed prior to developing a new business idea. Many individuals have considered starting a new business when an opportunity was presented to them or when they were frustrated by their current positions. However, prior to this step there are several areas that demand examination. Chapter 1 introduces the students to the text with a fun and engaging look at the twenty-first-century entrepreneur. Chapter 2 examines the potential entrepreneur's personal propensities or willingness to take on risk, a core aspect of entrepreneurship. Chapter 3 focuses on how to generate ideas and perform an initial evaluation for a new business.

The second section of the text is entitled "Due Diligence on the Business Idea." In the last chapter of section one, the potential entrepreneur has generated a business idea. In this section there is due diligence on that idea. Due diligence is a process of examining the environment around the new business to establish the opportunity for the new business and then using that knowledge to craft the approach. Chapter 4 launches the first step in the due diligence process by developing a set of methods for examining the external environment in which the new business might operate to understand if there is an opportunity for such a business. Chapter 5 develops the crucial steps necessary for the development of a strategy, including the firm's mission.

A key element in the success of the entrepreneurial venture is the financial foundation of the venture; no matter how good the idea, without a solid financial foundation the business will likely fail. Accordingly, Section 3 is titled "Establishing a Financial Foundation." The chapters in this section include Chapter 6, which establishes how to analyze the cash flow of the

firm. Chapter 7 discusses methods that the entrepreneur can use to analyze the financial health of the new business.

The fourth section of the text is titled “Building the Business” and focuses on putting the new venture in operation. Chapter 9 discusses marketing the business. Chapter 10 reviews the legal frameworks for a new business, including the many approaches that are available to protect the business. Chapter 11 details human resource management. Chapter 12 rounds out this important section of the book by discussing the business operations design.

The last section of the book is titled “Important Issues for Entrepreneurs” and examines two other issues critical for an entrepreneur to consider as the entrepreneur starts a business. Chapter 13 examines both exiting the business and the need to turn the firm around if performance is not as great as desired. Chapter 14 examines two means to buy into a business rather than starting it from scratch. They are buying an existing business and franchising.

Features New to This Third Edition

- The opening vignettes to each chapter have been changed from the prior edition to include cutting-edge entrepreneurial companies including Bull and Beard, Tatcha, Scholly, TerraCycle, Hello Alfred, and Rad Power Bikes, among others.
- Two new running cases are in each chapter in the revised text. Each chapter follows Kosher Home and YrFurn: An APP for Furniture as they moved from idea to successful businesses. Each running case is tied to the chapter material.
- In addition to Review Questions in the end-of-chapter material, every chapter also includes a section called Business Plan Development Questions. The goal of these questions is to turn the material in the chapter into actions for the business plans being developed by the students. Also, both Individual and Group Exercise sections have been added to help students develop their entrepreneurial skills individually as well as within a group.
- Fourteen MiniCases are now included at the end of the text. Each case is based on interviews by the authors and provides context and entrepreneurial advice simply not available in any other text. These include: Cuba Educational Travel, Great Clips, JITA Printing, Value Connect, GaGa Ball Pits, and American Meltdown.
- A Business Plan (The Fraudian Slip) has been carried forward from the previous edition and annotated by the authors as an example of how this is all pulled together by students in a course.

Additional Changes by Chapter

Chapter 1 The Twenty-First-Century Entrepreneur

- New Opening Vignette: Bull & Beard.
- Updated to provide a more engaging and fun introduction to the text.
- Every statistic brought forward to 2016.
- Redesigned how the Business Plan is developed.
- New one-page pitch sheet example titled The ToolGym.

Chapter 2 Individual Leadership and Entrepreneurial Start-Ups

- New Opening Vignette: Home Instead and Ray Corkran.
- Kosher Home running case is introduced. This case develops in each chapter through the rest of the text. It follows the design, start-up, and running of a business with friends as business partners.
- YrFurn: An APP for Furniture running case is introduced. This case develops in each chapter through the rest of the text. It follows the design, start-up, and running of a business that is strictly a Software as a Service (SaaS) firm, a firm that has no physical product.

Chapter 3 Business Idea Generation and Initial Evaluation

- Updated Vignette: Uber Changes the Business (the wildly fast-growing ride-sharing business)

Chapter 4 External Analysis

- New Opening Vignette on Mo's Bows and Mozia Bridges, our youngest entrepreneur.
- Introduced the concept of applications and its definition and nature in the industry.

Chapter 5 Business Mission and Strategy

- New Opening Vignette: Tatcha (luxury skincare).

Chapter 6 Analyzing Cash Flow and Other Financial Information

- New Opening Vignette: Partpic (a visual recognition technology company).

Chapter 7 Financing and Accounting

- New Opening Vignette: Scholly.
- Section on crowd funding, a popular entrepreneurial finance mechanism.

Chapter 8 Business & Financial Analysis

- New Opening Vignette: TerraCycle (a recycling company).
- Added a section on the use of Hypothesis-Driven Analysis.

Chapter 9 Legal Issues with a New Business

- New Opening Vignette: Hello Alfred (your own personal butler).
- Everything was updated to reflect changes in the law.

Chapter 10 Human Resource Management

- New Opening Vignette: Moosh Walks (a sock company).
- The chapter includes the dramatic changes in recruiting methods that have occurred in the past few years.

Chapter 11 Marketing

- New Opening Vignette: Rad Power Bikes.
- New key terms Software as a Service (SaaS) and Search Engine Optimization (SEO) are introduced and explained.

Chapter 12 Establishing Operations

- New Opening Vignette: Weedmaps: The Yelp of Marijuana Buying. This formerly appeared in Chapter 9 and has been updated.

Chapter 13 Exit/Harvest/Turnaround

- New Opening Vignette: Evernote (a note-taking app).

Chapter 14 Franchising and Purchasing an Existing Business

- New Opening Vignette: Chocolate Works.

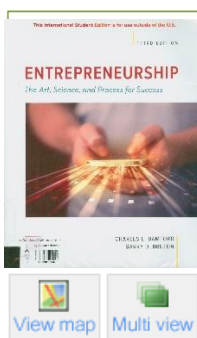
Outcomes

Our ultimate goal is that students will leave this class not only with a much greater appreciation for what it takes to start a business but with the foundations necessary to actually start that business. The entrepreneurial businesses that surround you every day did not come into operation or stay in operation by chance. Instead, it took tremendous effort and work for these businesses to exist and succeed.

We expect that students will be able to take what we present here as a foundation for your own business. Entrepreneurs are the economic backbone of this nation and the central hope for its future.

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