

BUS 423
ENTREPRENEURSHIP
Guided Study
Fall, 2003

STUDY GUIDE
by
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CATALOG DESCRIPTION

Understanding the skills and motivation required for entrepreneurial success. Examination of start-up requirements; legal, financial, and human resources considerations. Emphasis on formulation of an effective marketing strategy in a small business environment.
Prerequisite: ECB 301, 321. 3 credits.

INSTRUCTOR'S DESCRIPTION

This course is designed for students who have an interest in entrepreneurship and believe that they may pursue an entrepreneurial career in the future.

The focus of the course will be on thoroughly researching a viable idea for an entrepreneurial project that the student actually could pursue someday. A major product will be a professional quality business plan that the student would be proud to present to an actual funding source. This plan is expected to be well researched and complete (see below under "Unit 6" for details).

MAJOR OBJECTIVES

Upon completion of the course, the student will:

- be able to choose and develop an innovative idea for a new venture;
- be able to recognize the entrepreneurial personality;
- know how to select an appropriate form of ownership;
- know how to build a powerful marketing plan;
- know how to conduct financial planning and cash budgeting;
- know where to seek funding for new ventures;
- understand the importance of operational planning;
- know how to present a business plan persuasively - both orally and in writing.

TEXTBOOK

Coulter, Mary, *Entrepreneurship in Action*. Prentice Hall, 2000.

EVALUATION

Participation in orientation	5%
Orientation assignment*	5

during the current term.

Orientation

Foundations of Entrepreneurship

Reading assignment: First two chapters of textbook

Commentary: At our first and only meeting as a class, we will be introduced to the course, the mechanics of getting your assignments in on time and the instructor's requirements and expectations. We will seek answers to such questions as:

- What is entrepreneurship?
- What does it take to be an entrepreneur?
- What is the role of the entrepreneur in our society?

- What personality characteristics do successful entrepreneurs tend to have?
- Why isn't everyone an entrepreneur?
- What are the benefits of entrepreneurship? The drawbacks?
- Why do so many small businesses fail?

We will also use a brainstorming process to generate a large number of ideas for your projects. Time permitting, we will process many of these ideas and begin to zero in on specific topics. Notice that you will be submitting a preliminary choice of a topic as part of the orientation assignment and the final choice of a topic as part of the unit 1 assignment.

Another emphasis during the orientation session will be the term project. Your business plan will be submitted as part of Unit 6. Although Unit 6 is several weeks away, you should begin thinking about it today. Read ahead in the textbook; begin to outline your business plan. When the time to complete Unit 6 comes, you should be ready and eager to put your final plan together. Everything you do in the course from now until the end of the term should be aimed at creating a superb business plan.

During our orientation meeting, we will also discuss the option of working in a team to prepare a business plan.

Orientation Assignment

1. Start reading the text carefully. Continue to reflect on all the issues that were explored during the orientation session.
2. During the next several days, concentrate on selecting a topic for your term project. Look through the entire text for ideas. Make entrepreneurship a major topic of conversation with all your acquaintances. Read through the Wall Street Journal, Business Week, Forbes, and other business periodicals in searching for ideas. Consult closely with classmates in

this and other classes you are taking. Feel free to call the instructor at 503-691-2698, or e-mail him at bellross@aol.com. Read, brainstorm, get creative. You are to submit your preliminary idea(s) for a topic along with your other written work for this assignment. You will submit your final choice of a topic as part of the unit 1 assignment (see below under "Unit 1"). Let's get started on this all-important task of choosing a topic right away.

3. In addition to thinking long and hard about your term project, write a cogent essay on the following topic:

WHY I WANT TO BE AN ENTREPRENEUR.

Your essay should be at least two pages (double spaced) in length. Typewritten or word-processed essays are expected. Be thorough, use plenty of examples wherever appropriate and pay careful attention to the basics of college-level English usage.

4. Although not a formal requirement, the recent movie, Tucker (available at most local video stores), is an excellent portrayal of a famous entrepreneur of an earlier generation. It is highly recommended, both as a work of art and as a realistic introduction to the joys and sorrows of entrepreneurship. Another good movie is Start-up.Com.

This initial assignment is to be postmarked on or before the deadline date. Include a pre-addressed envelope of adequate size.

Mail to:

Dr. Eugene Bell
10290 SW Casteel Ct.
Tualatin, OR 97062

Due date for orientation assignment:

Monday, September 22

UNIT 1

Strategic Management and the Entrepreneur
and Forms of Ownership

Strategic Management and the Entrepreneur

Reading assignment: Continue studying the text

Commentary: continue to explore the concept of competitive advantage and the role of new, small businesses in revitalizing the economy. Begin to focus on how to create a strategic plan and why every business, even the smallest, needs to think strategically. You need to develop an understanding of the three basic strategic alternatives a small business has: low cost, differentiation, or focus. Review the concept of mission, i.e. a cogent statement of the business's overall purpose.

Do you recall how to conduct a SWOT analysis (strengths, weaknesses, opportunities and threats)? Make sure you understand the basic goal-setting process.

Write a persuasive essay (about two pages) on this topic:

WHY PLANNING IS ESSENTIAL TO THE SUCCESS OF A NEW VENTURE.

The grader expects typed or word-processed papers. If you do not have access to either a typewriter or a word-processor, please write out your responses neatly and in ink. The suggested length of two pages for the essay refers to double-spaced typewritten copy, or its equivalent in hand-written work.

Submit your essay at the completion of Unit 1 (see below).

Forms of Ownership and Franchising

Reading assignment: Textbook and other sources

Commentary: One major decision every entrepreneur must make is to select a form of ownership. Explore the advantages and

disadvantages of three forms: sole proprietorship, partnership and corporation. Research the major features of the S corporation, the limited liability company, the professional corporation and the joint venture.

What is a franchise, and how does this specialized business form offer entrepreneurs opportunities? What are the benefits and drawbacks of buying a franchise? What are some of the laws governing franchising? What are some of the current trends in franchising?

Write an essay of at least two pages on this topic:

MY PRELIMINARY CHOICE OF A BUSINESS FORM

In addition to the two essays specified above, include a formal statement of your final choice of a project idea.

UNIT 1 DEADLINE:

Friday, Oct. 3

Mail your two essays and statement of project choice to:

Dr. Eugene Bell
10290 SW Casteel Ct.
Tualatin, OR 97062

Your unit assignment is to be postmarked no later than the deadline date. You may submit your work at any time before the deadline, if you choose. Please provide a pre-addressed envelope of adequate size to facilitate the prompt return of graded work.

The grader will attempt to return your graded work as quickly as possible, but do not wait until you receive your work back before beginning the next unit.

Unit assignments and your final business plan must all be completed by the end of the term in order for you to avoid receiving an incomplete as a grade for the course. Make every attempt to keep to the schedule (or, better, ahead of it). Your grade will be lower if you fall behind and then try to catch up in a flurry toward the end. Indeed, on-time submission of all work is expected and is one

of the factors used in determining your grade.

UNIT 2

Building a Powerful Marketing Plan and Submission of Preliminary Marketing Plan

Reading assignment: Textbook and other sources

Commentary: Effective marketing, more than any other business function, separates successful businesses from mediocre or failed businesses. Many entrepreneurs have superb, highly innovative ideas for new businesses and yet fail. Why? More often than not, they do not appreciate the critical importance of marketing. Let's really examine the vital topics of marketing planning, market research, target marketing, and customer focus. Remember the four P's of marketing? You will be expected to dig much deeper.

To be a successful entrepreneur requires that you become a highly competent marketing strategist. Because marketing is so crucial to success, you need to demonstrate at least a basic level of marketing competence before proceeding to the other topics in the course. Therefore, as your assignment for this unit, prepare a preliminary marketing plan for your term project.

This preliminary plan need not be a polished document, but it should cover all the bases of the marketing section of a persuasive business plan, as they apply to your project. The preliminary marketing plan should be at least three pages in length. It is to be a preliminary plan and doubtless will have to be modified before it becomes a part of your final business plan. You will not have had time to complete all the necessary market research, strategic planning, etc. before preparing this preliminary marketing plan. Many changes are expected in it between now and the end of the term.

A serious effort, however, is expected, as evidenced by the weight that the preliminary plan is given in your final grade.

You should have begun a preliminary outline of the entire

business plan. Although you will not be submitting your outline of the entire business plan, having it handy will help you stay focused. Refer to the appendix to the text for guidance, pp. 316-319. You do not need to follow the suggested format and you do not need to include all the sections and sub-sections in the appendix.

UNIT 2 DEADLINE:

Friday, Oct. 17

As before, you may submit your work earlier. Also as before, be sure to include a pre-addressed envelope of adequate size for the prompt return of your work. Do not wait until you receive your graded work back before going on to the next Unit.

UNIT 3

Managing Cash Flow and
Creating a Successful Financial Plan

Managing Cash Flow

Reading assignment: Textbook and other sources.

Commentary:. Some of the important things you must know before preparing a financial plan are: the difference between cash and profits, cash budgeting, management of receivables and payables, inventory control, and avoiding the cash crunch of most small, under-capitalized businesses.

A one-year cash flow summary will be required as part of the financial section of your business plan. Being sufficiently thorough and having all the numbers add up may be a challenge for you. This course is not part of the accounting curriculum, and your financial statements may not be perfect. What is required, however, is that you make a conscientious effort to produce a thorough, realistic and business-like set of financials. You will be asked to submit a preliminary financial plan as part of unit 4 (the next unit); therefore, as part of this unit, start trying to relate what you study to your project. Start thinking ahead to what you will be doing as part of unit 4; for now, emphasize identifying the

technical aspects of financial planning.

Write an essay (at least one page) on the following topic:

HOW A PROFITABLE BUSINESS CAN BE CASH POOR

Creating a Successful Financial Plan

Reading assignment: as before

Commentary: Continue focusing on the importance of financial planning, which is a close second in importance to marketing planning. Review how to prepare a pro forma balance sheet and an income statement. In your financial plan (due at the end of the course), you will be responsible for preparing balance sheets for pre-opening of the business and for the state of the business at the end of each of the first three years of operation. You will also have income statements for each of the first three years of the business. The last part of the financial plan will be a month-by-month cash flow statement for the first year of operation. Your preliminary financial plan (due as part of unit 4) need not, of course, have nearly as much detail as the final plan. More detail of the requirements for the preliminary plan will be given below under the instructions for unit 4; you will also want to refer to your outline for the entire business plan.

Have you learned --and do you remember-- the basics of ratio analysis? Some knowledge of ratio analysis is useful to the entrepreneur, because lenders use such a process in determining the credit worthiness of an applicant for financing.

There is at least one other basic tool of financial planning, break-even analysis. At a minimum, a borrower must establish the value of the security, i.e. the new company, that she or he is offering the lender. Be assured that the prospective lender will expect a realistic break-even analysis as part of the application. New businesses rarely are profitable in the first year, but they are expected to have a reasonable chance of breaking even at an early date.

Write a cogent essay (at least one page) on this topic:

WHEN SHOULD A LENDER EXPECT BREAKEVEN FOR A NEW VENTURE?

UNIT 3 DEADLINE:

Friday, Oct. 31

Mail your two essays to the Instructor before or by the deadline date. Provide a pre-addressed envelope of adequate size in order to receive prompt feedback.

UNIT 4

Sources of Funds: Equity and Debt
and Submission of a Preliminary Financial Plan

Reading assignment: as before

Commentary: It is now time to write your preliminary financial

plan. You need to learn the differences among the three types of capital small businesses require: fixed, working and growth. Know the advantages and disadvantages of both equity and debt capital.

Where are you going to get the money? Since few of us have readily available the thousands of dollars that every business will require for starting up a new business, we will have to rely on attracting other people's money. In addition to reviewing all the usual suspects, be sure to learn what an "angel" is. Although it is rare that a new business is so successful in its first year or two that "going public" is a realistic option, the ambitious student of entrepreneurship will dream about an IPO.

Write an essay (at least one page in length) on this topic:

WHERE CAN TODAY'S ENTREPRENEURS GET FUNDING?

Submit your essay, along with your preliminary financial plan, by the unit 4 deadline given below.

Preliminary Financial Plan

Prepare and submit a preliminary financial plan for your project. It should contain at least two pages of text and cover all relevant topics. In addition to studying the text, you need to prepare preliminary pro forma financial statements. These need not be as highly detailed as they will be for the final business plan. Prepare balance sheets for pre-operation and the end of the first year, an income statement for the first year, and a monthly cash flow statement for the first three months of operation. You only need to have a dozen or so lines on the financials. This assignment is often difficult for many students. The instructor understands that most students in this course are not accounting or finance majors. Do the best you can. You do not have to be a skilled financial analyst to do an acceptable job, particularly on this preliminary financial plan. First year accounting is adequate preparation for doing this task. What is important is that you demonstrate your ability to make a reasonable sales forecast and to anticipate the major expenses that your business would incur. Combine those with basic bookkeeping knowledge and you should be

able to complete this assignment without too much trouble.

UNIT 4 Deadline:

Friday, Nov. 14

Mail your essay and your preliminary financial plan before or on the deadline date. Remember to include a pre-addressed envelope large enough for the instructor to return graded work.

UNIT 5
 Choosing a Location and Layout
 and Purchasing, Quality and Inventory Control

Choosing a Location and Layout

Reading assignment: as before

Commentary: One might argue that this chapter belongs more appropriately nearer the beginning of the course; after all, shouldn't where you are going to operate be determined early on? You have probably learned by now that entrepreneurship is highly interrelated. You cannot complete your financial plan until you have a hard sales forecast. You cannot estimate costs until you have an operating plan. You cannot finalize your organization until you know how much money there will be for payroll. So it goes. Doubtless, when you have made a final determination of where and how you will operate, you will learn something about marketing and finance that you had not considered before but that will affect how you do your finances and/or how you market your products or services. Those preliminary plans you worked so hard will have to be revised, as well as polished.

For example, one key consideration is how to choose a location for a retail business. If your project involves retail operations, you could well find a critical factor on site selection that you had overlooked when doing preliminary financial planning.

Write an essay on this topic:

THE SITE OF MY BUSINESS OPERATIONS: WHERE AND WHY

Purchasing, Quality and Inventory Control

Reading assignment: as before

Commentary: The relevance of these topics, of course, depends on the particular project. Purchasing, for example, is a vital topic for many businesses; a relatively minor one to others. Still, the notion that the vendor's product with the cheapest price may not be the best supplier is a valuable lesson for every businessperson to learn.

Likewise, a solid understanding of TQM is important for every businessperson, no matter what your product or service may be. The concepts of economic order quantity, discounting, reorder points, vendor analysis, inventory control and JIT can be of critical importance for a given company. Use your judgment in deciding which topics are most relevant to your project and, therefore, warrant close study.

Write a cogent essay on:

IMPORTANT OPERATIONAL FACTORS IN MY NEW VENTURE

UNIT 5 Deadline:

Mon, Dec. 1

As before, submit written work before or by the deadline. You should include, as always, a pre-addressed envelope with your submission. Begin Unit 6 before you receive back your graded submissions for Unit 5.

UNIT 6

Creating a Winning Business Plan

Reading assignment: as before

Commentary: This is the pay-off. All the other units covered in the course lead up to this one. Everything we have studied to date will apply to understanding, and preparing, the final business plan.

Planning is the key to entrepreneurial success. Indeed, unless you write an effective business plan, you will have virtually no chance to attract the capital that is necessary to launch your project. Further, the plan will continue to be your indispensable guide to navigating through the perils confronting the new business operator.

Submission of Final Business Plan

Let's put everything we have learned in this course together

into a winning business plan. The final plan will probably be at least eight pages in length, exclusive of exhibits and financial schedules. You will have to prepare your own outline for the business plan. Refer to the appendix to the text, pp. 316-318 for guidance. You do not have to include all the items mentioned in the appendix, but, at a minimum, you should have the following major sections:

- Executive Summary
- Marketing Plan
- Financial Plan
- Operations Plan
- Summary

Begin with an executive summary covering all the relevant points in your outline (no more than one page).

The preliminary marketing plan that you will have submitted will provide you with a substantial head start on this crucial part of the business plan. This section will probably cover approximately 30-40% of the total plan.

Almost equal in importance to the marketing part of the business plan is the financial. It may not consume as much volume of the plan's text as the marketing plan, but its importance

demands careful writing. As in the case of the marketing plan, much of the content of the financial part will have been covered in the preliminary version previously prepared.

You are required to include pro-forma financials covering the first three years of operation and a monthly cash flow statement for the first year. These are not formal accounting documents designed to stand a careful audit. You only need to use a dozen or so accounts for each of the financial exhibits.

There was not time this term to require submission of a preliminary operations plan, but the Unit 5 assignment will prove useful in finalizing this section of your business plan. You may choose to put the operations section first, before those on marketing and finance. Simply relate what your business is going to look like: where, what, who, when and how. Two pages should be ample.

The summary should be a brief conclusion, stating why you deserve funding for this venture. This is your last chance to be

persuasive.

UNIT 6 Deadline:

Monday, Dec. 15

Meeting this deadline is essential. The Instructor needs time to grade your final plan and prepare your grade in the course. Missing this deadline will result in receiving an incomplete in the course.

As always, include a pre-addressed envelope to facilitate return of your graded work.

GOOD LUCK. WRITE A GREAT PLAN THAT PERSUADES THE INSTRUCTOR THAT YOU COULD BUILD THIS BUSINESS. EARN THE COVETED TITLE: ENTREPRENEUR.