

Small Business Management

Entrepreneurship and Beyond

THIRD EDITION



Hatten

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Entrepreneurship and Beyond

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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 third 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:

- Coverage of small business ownership by women and minorities has been increased in Chapter 1 and throughout the text.
- Because student learning and comprehension are so important, questions have been added at the end of each chapter in a section called *Test Prep*.
- Expanded coverage of competitive advantage—the major theme of the book—has been moved forward to Chapter 3, the Strategic Planning section.
- We listened to adopters and reviewers who told us that highlight boxes are great for focusing attention, but that there should not be too many, and they should not be too long. The best examples of small business practices have been brought into chapter opening vignettes and feature boxes, and integrated into the body of the text.
- New *Profile in Entrepreneurship* boxes put the spotlight on those who have created new products and businesses, from Thomas Edison to Shepard Fairey.
- New Small Business Administration size standards are covered.
- Coverage of topics such as negotiation, workers' compensation, business valuation, business harvest, venture capital and angel financing, and industry analysis has been added or expanded.

Important Boxed Features

To help highlight important issues in small business management, several different boxed features are included. (Believe it or not, a rumor exists that some students actually skip reading these highlight boxes. Of course, you would never do this, as you would miss some of the juiciest stories.) 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. We chose not to include highlight boxes in the first chapter, but you will find them spread throughout the rest of the text. Here are the boxes you will find and some examples of each:

Profile in Entrepreneurship. New to this third edition, these boxes reveal fascinating behind-the-scenes stories of people who have created some very interesting businesses.

- Rock Star
- More Than Rice and Beans
- Über Inventor—Old School
- Dream It, Build It, Sell It
- A Petunia by Any Other Name
- Advantage by Location
- Hot Tchotchkes
- Smooth Operator

Creating Competitive Advantage. One of the most important (if not *the* most important) things you create in your small business is your competitive advantage—the factor that you manage better than everyone else. There are many ways to create a competitive advantage, and these boxes point out some of the most interesting.

- Inner-City Action
- Competition, Please
- Do . . . Due Diligence
- Keep Creativity Alive
- Goin' Downtown
- Guppy in a Shark Tank
- Motivating More with Less
- Hiring Right
- Benchmarking Your Way to Competitive Advantage

Manager's Notebook. These features include specific tips, tactics, and actions used by successful small business owners.

- Entrepreneur Quiz
- The Buy-Sell Agreement
- Playing Hardball
- Franchise Red Flags
- Computerized Accounting Packages
- What to Do Before You Talk to Your Banker
- Keeping a Trademark in Shape
- Employee Theft: What's Walking Out the Back Door?
- Firing an Employee

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.

- Strategy Matters
- Startup Myths and Realities
- Do You Have a Business or a Hobby?
- Open-Book Management
- Plastic Finance—Tempting, but Risky
- Hitch Your Wagon to a Star—and Then Hang On
- Slotting Fees: Ripping Off Small Businesses?
- Leavin' Money on the Table
- The Point Is . . . Profit
- The Loan Ar-ranger
- Work Hard, Play Hard

@ e-biz. Small business owners need to be online savvy, and these boxes can help.

- Cool B-Plan Tools
- Shopping for a Business Online
- Thanks for the Pay, Pal
- Finding Financing Online
- Online Marketing
- Wadda Ya Lookin' At?
- Your Page Goes All Over
- Any Portal in a Small Business Storm?

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:

- *Part openers* provide a concise description of the material to follow, helping you to better understand how chapters within each part are correlated and how each part of the text fits within the whole.
- *Chapter opening vignettes*, *Reality Checks*, and extensive use of examples throughout the book show you what *real* small businesses are doing.
- Each chapter begins with *Learning Objectives*, which directly correlate to the chapter topic headings and coverage. These same objectives are then revisited and identified in each *Chapter Summary*.
- 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 of the chapter concepts.
- *Questions for Critical Thinking* prompt you to apply what you have learned to realistic situations.
- End-of-chapter *What Would You Do?* exercises are included to stimulate effective problem solving and classroom discussion.
- End-of-chapter *Experience This . . .* exercises are for student experiential practice.

- *Chapter Closing Cases* present actual business scenarios, allowing you to think critically about the management challenges presented and to further apply chapter concepts.
- *Test Preps* assure that chapter material is firmly implanted in your gray matter via matching, multiple-choice, true/false, and fill-in-the-blank questions.
- *Two complete business plans in the Appendix*, one for a retail business and one for a service business, provide you with excellent examples to follow in creating your own business plan.

Complete Package of Support Materials

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

Student Support Materials

GoVenture CD. This fun and exciting business simulation program allows you to virtually experience the challenges and satisfactions of small business management. As you take on the role of entrepreneur/manager, you are faced with the myriad decisions that must be made—from what type of business you will launch, to what your measures of success will be, to how to keep control of inventory. So much real-life detail is built into this program that you feel you are indeed going through a dry run of the day-to-day realities of small business management.

Student Web Site. This valuable resource includes “Searching the Internet” exercises and links to help you find out more about small business management. Online self-tests for each chapter give you immediate feedback on your progress in remembering and understanding material. Also included are additional sample business plans that can be used as reference materials, as well as longer case studies that can be easily downloaded to help you complete assignments.

Instructor Support Materials

Blackboard™ and WebCT Support. Houghton Mifflin provides specific assistance for instructors who want to create and customize online course materials for use in distance learning or as a supplement to traditional classes. This service helps instructors create and manage their own web sites to bring learning materials, class discussions, and tests online. Houghton Mifflin provides all the necessary content for the course in *Small Business Management*.

Instructor’s Web Site. This password-protected site includes valuable tools to help instructors design and prepare for the course. Downloadable PowerPoint slides, lecture outlines, and a sample syllabus help teachers plan effective classroom sessions. Comments on the “Searching the Internet” exercises are also provided.

PowerPoint® Slide Presentations. New author-created PowerPoint slides were specially developed for this edition. The package contains over 350 slides, providing a complete lecture for each chapter and including key figures from the text. Instructors

with Microsoft PowerPoint can use the presentations as they are, or they can edit, delete, or add to them to suit their specific classroom needs.

Instructor's Resource Manual. The comprehensive *Instructor's Resource Manual*, written by the text author, presents learning objectives for each chapter, a brief chapter outline, comprehensive lecture outlines, answers to *Questions for Review & Discussion*, and teaching notes for the *Questions for Critical Thinking*, *What Would You Do?* incidents, and *Chapter Closing Cases*.

Test Bank. The *Test Bank* was also author-created and contains over 1800 items. Each chapter contains a variety of true/false, multiple-choice, and short-answer essay questions. To ensure quality, the *Test Bank* was thoroughly checked and reviewed by small business management instructors.

Computerized Test Bank. This electronic version of the printed *Test Bank* allows instructors to generate and change tests easily on the computer. The program prints an answer key appropriate to each version of the test you have devised, and it allows you to customize the printed appearance of the test. A call-in test service is also available. The program also includes an Online Testing System, which makes it possible for instructors to administer tests via a network system, modem, or personal computer. A Gradebook feature grades the tests and allows instructors to set up a new class, record grades, analyze grades, and produce class and individual statistics.

HM Class Prep® CD-ROM. This software package, with HM Testing™, provides all the tools instructors need to create customized multimedia lecture presentations for display on computer-based projection systems. The software makes available lecture outlines from the *Instructor's Resource Manual*, figures and tables from the text, the PowerPoint slides, and a link to the Web. Instructors can quickly and easily select from and integrate all of the components and prepare a seamless customized classroom presentation.

Videos. A diverse collection of professionally produced videos can help instructors bring lectures to life by providing thought-provoking insights into real-world companies, products, and issues. A Video Guide accompanies the program and is designed to help instructors integrate text content with the video series.

Acknowledgments

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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About the Author

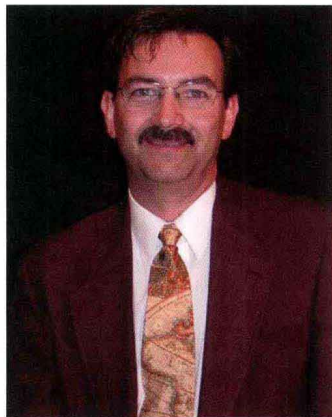


Photo by Brittany Hatten

Timothy S. Hatten is Associate Professor at Mesa State College in Grand Junction, Colorado, where he has served as Chair of Business Administration and Director of the MBA program. He is currently Director of the Dixon Center for Entrepreneurial Development. 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 Fulbright Scholar. He taught Small Business Management and Entrepreneurship at Reykjavik University in Iceland 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 counsels and leads small business seminars through the Western Colorado Business Development Corporation. 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@mesastate.edu.

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