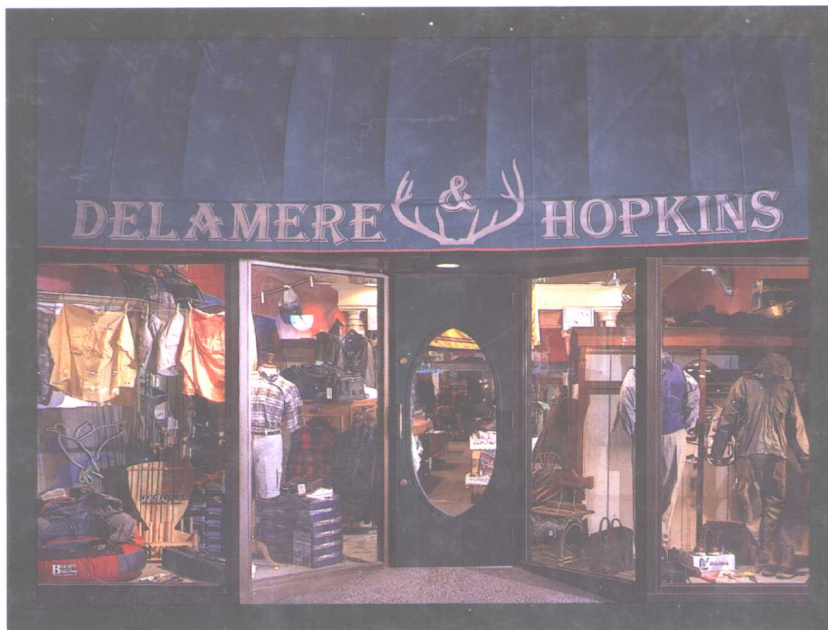


Longenecker, Moore, Petty

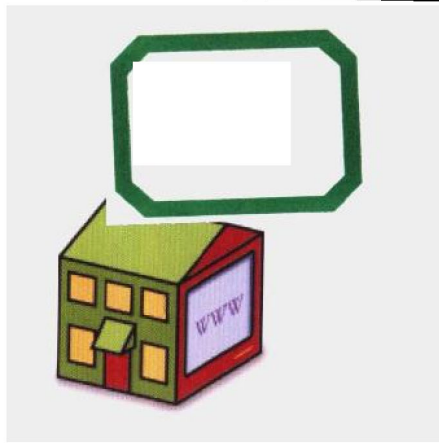


SMALL BUSINESS MANAGEMENT

AN ENTREPRENEURIAL EMPHASIS



11th
EDITION



ELEVENTH EDITION

SMALL BUSINESS MANAGEMENT

An Entrepreneurial Emphasis

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A Guided Tour

What We Do and How We Do It

Before you open the door and step
inside this new edition of
*Small Business Management:
An Entrepreneurial Emphasis*
turn over the next few pages. See the
work, hear the stories, meet the people,
and get a sense of what small business is
all about. Our history is rich and eventful.
Our door is your point of entry. Our goal is
to transfer our knowledge to you.



Integrated Learning System

Chapter 2

Family Business Opportunities

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LOOKING AHEAD

After studying this chapter, you should be able to:

- 1 Discuss the factors that make a family business unique.
- 2 Explain the cultural context of a family business.
- 3 Outline the complex roles and relationships involved in a family business.
- 4 Identify management practices that enable a family business to function effectively.
- 5 Describe the process of managerial succession in a family business.

Joining the family business is one route to entrepreneurship. Many sons and daughters have the option of entering a firm founded by their parents or grandparents. In fact, family leaders may strive for continuation of a family business over several generations, thereby creating opportunities for children or other relatives to pursue entrepreneurship in the business. Often during their college years, young family members must decide whether to prepare for a career in the family business. Ideally, this decision should be based on an understanding of the dynamics of such a business. This chapter examines the distinctive features that characterize the family business as one type of entrepreneurial alternative.

THE FAMILY BUSINESS: A UNIQUE INSTITUTION

A family firm differs from other types of small businesses in many ways. Its being, for example, involves a mixture of family and business values. This section examines some characteristics of this unique institution.

What Is a Family Business?

A family business is characterized by ownership or other involvement by members of the same family in its life and functioning. The nature and involvement vary. In some firms, some family members work part-time. In fact, for example, one spouse may serve as host and manager, the other books, and the children may work in the kitchen or as servers.

A firm is also recognized as a family business when it passes from one generation to another. For example, Thompson's Plumbing Supply is now headed by Bill, son of the founder, who is deceased. Bill Thompson III has started to visit floor, after serving in the stockroom during his high school years. He is the one who will someday replace his father. People in the community recognize Thompson Supply as a family business.

Most family businesses are small. However, family considerations may be important even when such businesses become large corporations. Companies such as Levi Strauss, Ford Motor Company, and Marriott Corporation are at least to some extent, as family businesses.

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Part 1

Entrepreneurial Opportunities

of the women interviewed had previously worked in other organizations, and had developed their identities as businesswomen, they discovered that when they joined the family business they were torn between their roles as daughter and their business roles. They found their relationships with the boss transformed, since the boss was not only the boss, but the father as well. These daughters reported that they often found themselves reduced to the role of "daughter" or "little girl" and, in a few cases, "mommy's little girl" in spite of their best intentions.¹⁴

At the root of many such difficulties is a lack of understanding between parent and child. They work together without a map showing where they are going. Children in the business, and also their spouses, may have expectations about progress that, in terms of the founder's thinking, are totally unrealistic. The successor tends to sense such problems much more acutely than does his or her parent. But many of the problems could be avoided if a full discussion of the development process took place early in the process.

Transfer of Ownership

A final and often complex step in the traditional succession process in the family firm is the transfer of ownership. Questions of inheritance affect not only the leadership successor but also other family members having no involvement in the business. In distributing their estate, parents typically wish to treat all their children fairly, both those involved in the business and those on the outside.

One of the most difficult decisions is determining the future ownership of the business. If there are several children, for example, should they all receive equal shares? On the surface, this seems to be the fairest approach. However, such an arrangement may play havoc with the future functioning of the business. Suppose that each of five children receives a 20 percent ownership share, even though only one of them is active in the business. The child active in the business—the leadership successor—becomes a minority stockholder completely at the mercy of relatives on the outside.

Tax considerations are relevant, of course, and they tend to favor gradual transfer of ownership to all heirs. As noted, however, transfer of equal ownership shares to all heirs may be inconsistent with the future efficient operation of the business. Tax advantages should not be allowed to blind one to possible adverse effects on management.

Ideally, the founder has been able to arrange his or her personal holdings to create wealth outside the business as well as within it. If that case, he or she can leave a sizeable parable share to all heirs while allowing business control to remain active in the business.

Planning and discussing the transfer of ownership is not enough, however. Over a period of time, the owner must reflect on his or her interests as they relate to the future of the firm. The plan for transfer must be firm and modified as necessary when it is discussed in potential ways.

LOOKING BACK

- 1 Discuss the factors that make a family business unique.
- 2 Explain the cultural context of a family business.
- 3 Outline the complex family roles and relationships involved in a family business.
- 4 Identify management practices that enable a family business to function effectively.
- 5 Describe the process of managerial succession in a family business.

- Family members have a special involvement in a family business.
- Business interests (production and profitability) overlap family interests (care and nurturing) in a family business.
- Entrepreneurial "too difficult" demands of business and family.



Chapter 2

Family Business Opportunities

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- The advantages of a family business include the strong commitment of family members to the success of the firm and a focus on customer service, quality, and long-term goals.
- 2 Explain the cultural context of a family business.
 - Special patterns of belief and behavior constitute the family business culture.
 - The founder often leaves a deep impact on the culture of a family firm.
 - The cultural configuration includes business patterns, family patterns, and governance (or board of directors) patterns.
 - Change in culture often occurs as leadership passes from one generation to the next.
- 3 Outline the complex family roles and relationships involved in a family business.
 - A primary and sensitive relationship is that between founder and son or daughter.
 - Some couples in business together find their marriage relationship strengthened, while others find it weakened.
 - Sons, daughters, in-law, and other relatives may either enjoy cooperation or engage in family quarrels as they work together in a family business.
 - In-law play a crucial role in the family business, either as direct participants or as valuable observers.
 - The role of the founder's spouse is especially important, as he or she often serves as a mediator in family disputes and helps present the children for possible careers in the family business.
- 4 Identify management practices that enable a family business to function effectively.
 - Good management practices are as important as good family relationships in the successful functioning of a family business.
 - Family members should be treated fairly and consistently in accordance with their abilities and performance.
 - Motivation of nonfamily employees can be enhanced by open communication and fairness.
 - Family members bring all family members together to discuss business and family matters.
 - Family councils provide a formal framework for the family's ongoing discussion of family and business issues.
- 5 Describe the process of managerial succession in a family business.
 - The quality of available family leadership talent determines the extent to which competent outside managers are needed.
 - Succession is a long-term process starting early in the successor's life.
 - The succession process begins with the probusiness stage and includes part-time jobs and full-time managerial work.
 - Succession often occurs between the founder and the potential successor as the latter gains experience.
 - Transfer of ownership involves issues of fairness, taxes, and management control.
 - Planning and discussing the transfer of ownership is sometimes difficult but usually desirable.

KEY TERMS

- family business, p. 27
- cultural configuration, p. 32
- family council, p. 48
- transfer of ownership, p. 44
- organizational culture, p. 32
- family interest, p. 31
- stages in succession, p. 41

DISCUSSION QUESTIONS

1. How are family businesses and other types of small businesses similar or different? Explain what makes a business a family business.
2. Suppose that you, as founder of a business, have a recent sales manager position. You realize that sales may suffer somewhat if you promote your son from sales representative to sales manager. However, you would like to use your son to make some progress and earn a higher salary to support his wife and young daughter. How would you go about making this decision? Would you promote your son?
3. What benefits result from family involvement in a business?
4. Why does a first-generation family business tend to have a personalistic business pattern and a paternalistic family pattern?



A Truly Integrated Network

Student Learning Guide

Our integrated learning system offers students and instructors a truly integrated network of solutions, designed to help you tackle small business issues and study efficiently. Our *Student Learning Guide* is organized around the text's learning objectives, letting you isolate and focus attention on just that material most troublesome to you before moving ahead. If, after working through the learning guide's summaries of key concepts and exercises, you still feel a little shaky about some concepts, you can easily locate all applicable chapter content by simply looking for the appropriate numbered objectives in the text. Like the in-text "Looking Back" summaries, the *Student Learning Guide* provides a useful indicator of lessons learned versus lessons not quite mastered. Then it gives you any extra help you may need to overcome hard-to-digest material by testing and re-testing content knowledge across a variety of formats: true/false, multiple choice, fill-in, and essay.

1 Entrepreneurship In The New Millennium

LEARNING OBJECTIVES

1. Discuss the role of entrepreneurs in the new millennium and give examples of successful entrepreneurial ventures.
 - Entrepreneurs are the decision-makers who will help shape the free-enterprise economic system of the new millennium.
 - Much of the motivation for change, innovation, and progress in our economy will come from entrepreneurs.
 - There are many opportunities for entrepreneurs throughout the world.
 - Entrepreneurs serve the economy by providing jobs and producing goods and services around the world.
 - Dell Computer Corporation was started by a college student and grew to a position of industry leadership in about ten years.
 - VisaNet is an example of entrepreneurial success based on technological expertise.
 - C&B Industrial Safety, Inc. is an example of an entrepreneur who starts and operates successfully on a relatively small scale as a result of the energy of the founder.
 - Glory Foods, a leader in supplying southern-style food products, was started because an entrepreneur observed the marketplace and found an unmet need.
 - Entrepreneurs in the new millennium must recognize opportunities and possess the abilities and strong desire necessary for success.

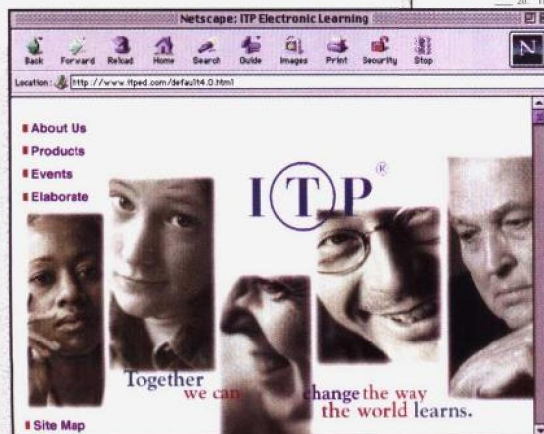
2. Discuss the rewards and drawbacks of entrepreneurship. Also, discuss business structures that produce entrepreneurs.

- Entrepreneurs expect a return that will not only pay them for the time and money they invest but also reward them with profits.
- Entrepreneurs work independently in another reward of entrepreneurship.
- Freedom that is obtained when entrepreneurs own their own business.
- Free the political, religious, or economic constraints of their homeland to the bureaucratic environment of big firms by going into business for
- Personal authority, gender discrimination, household responsibilities, or academic environment.
- Entrepreneurship.
- Failure is a concern of entrepreneurs.
- Time and sacrifice of time is a drawback to entrepreneurs.

TRUE/FALSE QUESTIONS

Mark each statement with a T, if it is true, or with an F, if it is false.

1. Discuss the role of entrepreneurs in the new millennium and give examples of successful entrepreneurial ventures.
 - ___ 1. Some individuals begin their entrepreneurial careers because of disappointing experiences as employees.
 - ___ 2. An important ability of entrepreneurs is to recognize an opportunity.
2. Discuss the rewards and drawbacks of entrepreneurship. Also, discuss business structures that produce entrepreneurs.
 - ___ 3. The profit incentive is the least powerful motivator for entrepreneurs.
 - ___ 4. Many entrepreneurs use their independence to achieve flexibility in their personal lives and work habits.
 - ___ 5. Starting one's own business is usually not very difficult.
 - ___ 6. Firms that become very large are often called lifestyle businesses.
 - ___ 7. Foreign refugees are individuals who escape the political, religious, or economic constraints of their homeland by crossing national boundaries.
 - ___ 8. Individuals who leave small firms to join the bureaucratic environment of big business are called corporate refugees.
 - ___ 9. The feminist refugee starts her own business to free herself from household responsibilities.
 - ___ 10. The educational refugee tires of a formal academic program and decides to go into business.
3. Describe entrepreneurs and entrepreneurial ventures.
 - ___ 11. Entrepreneurs are very similar people with common businesses.
 - ___ 12. There is a negative correlation between the need for achievement and entrepreneurial activity.
 - ___ 13. Entrepreneurs must be willing to take risks.
 - ___ 14. Entrepreneurs who believe that their success depends on their own efforts have an external locus of control.
 - ___ 15. The number of women becoming entrepreneurs has declined during the last two decades.
 - ___ 16. Founders may be inventors who initiate business on the basis of new or improved products or services.
 - ___ 17. Franchises differ from general managers in the degree of their independence.
 - ___ 18. Firms that have great prospects for growth are called gazelles.
 - ___ 19. The education of the artisan entrepreneur is limited to technical training.
 - ___ 20. The opportunistic entrepreneur has supplemented technical education by also studying non-technical subjects.
 - ___ 21. Entrepreneurial firms are declining in popularity in ventures of substantial size.

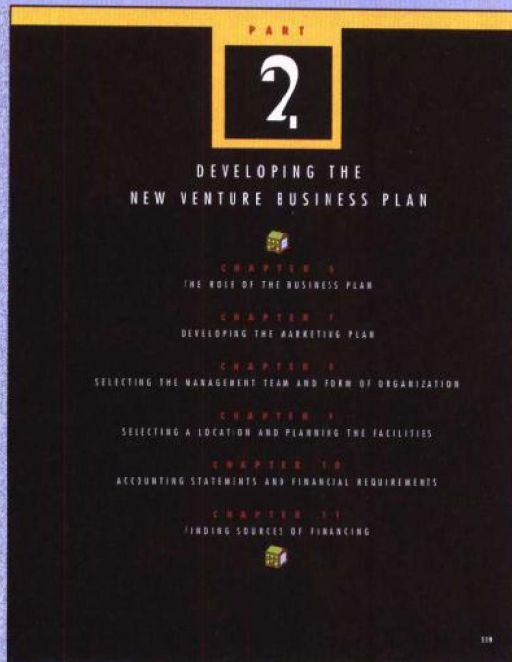


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Build Your Own Business Plan



Developing the New Venture Business Plan

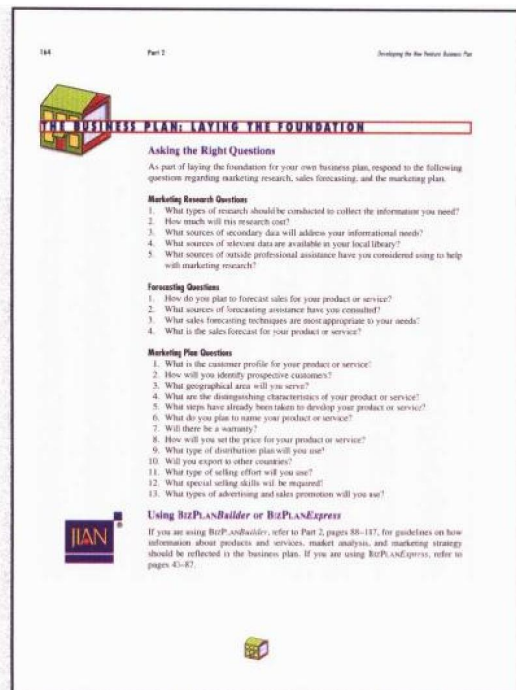
A fundamental task in getting a business opportunity off the ground is developing a sound and detailed business plan. Each chapter in Part 2 of the text covers a major component in building a business plan, giving you not only ample opportunity to pull the pieces of your own plan together but also a comprehensive model on which to base your decisions.

Using BIZPLANBuilder and BIZPLANExpress

Software from JIAN, a leading developer of software applications for small businesses, provides pre-formatted spreadsheet and word-processing document files for recording your business plan decisions and lends your finished plan professional polish. Special sections on using the software appear in the text at the end of all "Laying the Foundation" sections.

Asking the Right Questions

Designed around a series of questions, end-of-chapter "Asking the Right Questions" exercises lead you through the process of building a business plan by prompting you to reflect on critical issues that impact small businesses. What is your company's distinctive competence? How do you plan to forecast sales for your product or service? What types of research must be conducted to collect the information you need? Who are the members of your management team? These questions, and others that we document for you, may be difficult to answer, but by thinking through your responses to them you will increase immeasurably your understanding of a business opportunity and thereby strengthen your resolve to succeed.



Appendix: Sample Business Plan

The appendix shows you a real business plan. Use this example to see how the pieces come together. Refer to it as you build your own plan—either now as a class project or, later, when you are ready to go into business!

APPENDIX: SAMPLE BUSINESS PLAN

Ph: 409-383-0000 SBoW
Beverage Corporation
P.O. Box 1927
202 Simmons Way
Jasper, Texas 75951-1927
1-800-755-0000 Fax: 409-383-0000

Executive Summary

The "New Age" beverage market is the result of a spectacular boom in demand for drinks that have nutritional value, are made from environmentally safe ingredients, and use water that comes from deep, clear, clean springs free of chemicals and pollutants. SBoW Beverage Corporation ("SBoW") will produce and market a full line of sparkling fruit drinks, flavored waters, and sports drinks of the highest quality and purity. These drinks have taste appeal similar to that of soft drinks, while using the most scrupulous fruit juices, natural sugars, and the purest spring water—the hallmark of the New Age drink market.

New Age beverages are relatively new in the \$26 billion soft drink market, growing in sales from \$1.7 million (wholesales) in 1985 to over \$1 billion in 1996. The industry has grown tenfold in sales in less than 2 years, and demand has simply outpaced supply. The product is distinguished by rich natural fruit concentrates, spring waters, and all natural ingredients. A New Age drink is defined as a beverage that is perceived by consumers as (1) healthy, allowing consumers to feel good about themselves, and (2) a natural product, free of artificial ingredients, preservatives, and flavors.

SBoW projects gross sales and earnings as follows:

	1997	1998	1999
Gross sales	\$1,044,720	\$1,982,207	\$8,095,875
Pre-tax income	\$5,189,719	\$5,302,146	\$1,261,702

SBoW proposes to finance its building and land, located in the Jasper Industrial Park, with an acceptable Jasper Bank, using a financial guarantee from the Jasper Economic Development Corporation (JEDC). The following business plan details SBoW's projected operations to support JEDC's guarantee.



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Part 2

Developing the New Venture Business Plan

THE BEST ADDRESS IN NEW YORK

Technology has helped boost the chains that the prospective entrepreneurs in corporate settings. This has been the experience of 26-year-old Omar Watson, who operates a Web site—design firm from his Brooklyn, New York apartment.

"In the high-tech (arena), there's more freedom to be different," says Watson. "There are going to be lots of businesses based on somebody making smart decisions about some niche industry. And all you need is a good mind and a home computer." It will describe "new" as a kid.

Watson has grown his home-based business, New York Online, to seven employees and yearly sales approaching \$1 million.

"We have a lovely office atmosphere, and that appeals to employees and clients who don't want a middle-of-the-road product," says Watson. "In programming, we have a saying: If there's a bug you can't get rid of, call it a feature. In some ways, that's precisely what we've done. Rather than think of running a business out of an apartment as a limitation, it's something we take pride in and celebrate."

Watson is currently considering moving to a larger apartment.

Source: "New York Web + Revolution," Home Office, February 1998, pp. 86-87.

More recently, new technology has allowed long-distance calls to be placed over the Internet through special computer software. Once a Web phone is set up, dialing a call is much like surfing the Web. Cardie Yoder, owner of Image Stream Internet Solutions in Plymouth, Indiana, has cut her company's long-distance phone bill in half by using the new technology. She says "I thought about using e-mail more, but people prefer a human voice. So, I decided to see if a Web phone could save us money. It did."

Banking via computer also supports home-based businesses. Electronic banking is expanding each year, as customers come to expect more convenience and time-saving services from financial institutions.

DESIGNING THE PHYSICAL FACILITIES

3 Explain how efficiency can be achieved in the layout of a physical facility.

A business plan should describe the physical space in which the business will be housed. Although the plan may call for a new building or an existing structure, ordinarily a new business occupies an existing building, with minor or major remodeling. Therefore, the following discussion will focus on designs for existing facilities.

Functional Requirements

When specifying building requirements, the entrepreneur must avoid committing to a space that is too large or too luxurious. At the same time, the space should not be too small or too austere for efficient operation. Buildings do not produce profits directly; they merely house the operations and personnel that do so. Therefore, the ideal building is practical, not pretentious.

The general suitability of a building for a given type of business operation depends on the functional requirements of the business. For example, a restaurant should ideally be on



In the Trenches

Each chapter on building business plans is enhanced with examples of how real companies deal with the practical problems of starting and running a small business. The ways different businesses respond to the critical issues they face—such as where to locate the business—create opportunities for some and roadblocks for others. Business plans force entrepreneurs to deal with their limitations either by eliminating them or by turning them into something positive.



A View from the Trenches

CHAPTER

5

COMPETITIVE ADVANTAGE IN THE MARKETPLACE

In the Spotlight

The section cap business is beginning to get sticky! Just ask Arthur Berry, president of Presto Galaxy Suction Caps, Inc. From his office in Brooklyn, New York, the self-described "king of suction caps" is plotting strategy to improve the firm's competitive position against its rivals—most notably arch rival Adams Manufacturing located in Portersville, Pennsylvania. The weapons the firm wield in order to achieve competitive advantage in this industry include price, quality, and . . . well . . . smelly fumes.

The two competitors could not be more different, and that is by design. Bill Adams, president of Adams Manufacturing, sums up the essence of the firm's product strategy:

"The suction caps should be as invisible as possible," he says. "They're not gaudy, they're not decorative.



They're there to do a job." He was sticking it to Mr. Berry. "If Mac Stewart were going to buy a suction cap, she'd buy ours."

In contrast to Adams, Presto caters to children and other segmented interests, for example, Presto's glow in the dark, scented and hologram suction caps have all been a Presto also offers decorative suction caps of "Sonic Sucking" and "San Smelly" fumes.

office with sports and holiday themes. So which approach is better? It's hard to tell, since both seem to be working.

Chapter 1

Entrepreneurship in the New Millennium

YOUNG ENTREPRENEURS EXUDE SELF-CONFIDENCE

Twenty-somethings who shun the Generation X stereotypes of unshowered slickers and self-absorbed cell phone addicts, David Hertz, a graduate of Michigan State University, and her brother Kenny Hertz, a graduate of the University of Texas and a culinary school in Paris, opened a business selling low-fat, low-calorie muffins and other baked goods. They set up operations in the kitchen of one of their father's restaurants in Chicago and sold their products to coffeehouses and espresso bars. Starting with \$2,000 in initial capital in 1993, the Hertz siblings had \$2.5 million in revenues in 1998. It moved into a larger facility and, in 1997, introduced a line of traditional bakery products with a different twist to avoid confusion with its original line.

Their self-confidence greatly exceeded any fear that might have afflicted them as young entrepreneurs. Hertz underscores the fact that many youthful entrepreneurs lack fear.

"There was never a fear factor involved," she says of starting the company with her brother. "What's the worst thing that could happen? If we failed, we would go out and get a job."

added burden of discrimination. Loan officers point out that female applicants often lack a track record in financial management and argue that this creates problems in loan approval. Women entrepreneurs have also found that some male loan officers still have stereotypical ideas of what women can accomplish.

Another barrier for some women is the limited opportunity they find for business relationships with others in similar positions. It takes time and effort to gain full acceptance and to develop informal relationships with others on local, mostly male, business and professional groups. Women are dealing with this problem by increasing their participation in predominantly male organizations and also by forming networks of their own—the female equivalent of the "old boy network."

Founders and Followers

Although the three categories tend to overlap, entrepreneurs may be classified into three types: founders, general managers, and franchisees.

FOUNDERS Generally considered to be the "pure" entrepreneurs, founders may be inventors who initiate businesses on the basis of new or improved products or services. They may also be artisans who develop skills and then start their own firms. Or they may be enterprising individuals, often with marketing backgrounds, who draw on the ideas of others in starting new firms. Whether acting as individuals or as part of a group, founders bring firms into existence by surveying the market, raising funds, and arranging for the necessary facilities.



In the Trenches: Confronting Ethical Issues

Chapter 3

Franchising Opportunities

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HERE TODAY, GONE TOMORROW

One somewhat unusual approach to analyzing a franchise is for the prospective franchisee to first become an employee of that business! Laura Drescher used this strategy when she and partner Wayne Flejzer were investigating the purchase of an American FACTSUGARS franchise. Drescher took a job with an existing FACTSUGARS store with the sole purpose of researching the business. After several months, she resigned and, with Flejzer, purchased a FACTSUGARS franchise for a new Skaneateles, Washington store. Referring to her research strategy, Drescher says, "I highly recommend it. It gives you a chance to see if it's a good match. And if you buy a franchise, it gives you a leg up on operating your own store."

Flejzer appreciated Drescher's "be-an-employee-first" research approach, because he had previously purchased a fast-food franchise, without having worked in the business. As a consequence, he quickly became unhappy when he found his day-to-day operations to be a "less-than-perfect fit" with his personality.

When you hire "your own, done deal," you are in a better position to assess the fit between personal skills and the requirements of the business. This method does place a proper emphasis on the need for thorough investigation. However, this type of franchise research is not an infallible ethical question. Is it okay to take a job in a business for the sole purpose of getting experience?

Source: Rebecca Maxwell, "Choosing a Franchise," *Waller's Business*, Vol. 24, No. 10 (October 1996), p. 56. Reprinted by permission, Arthur's Business, October 1996. Copyright 1996, U.S. Chamber of Commerce.

www.factsgo.com



is a useful directory of hundreds of franchises. Also, a comprehensive listing of franchisors can be found in the *Franchise Opportunities Guide*, which is published by the International Franchise Association (IFA). The information in Figure 3-3 is taken from this publication. (Note the entry for TWO MEN AND A TRUCK.) The IFA, which refers to itself as "the voice of franchising," is a nonprofit trade association founded in 1966, whose membership comprises franchisors, franchisees, and suppliers. The IFA sponsors legal and government affairs symposiums, franchise management workshops, franchise/franchisee relations seminar, and trade shows. The IFA is highly selective, and not all companies applying for membership are accepted.

www.franchise.org

FIGURE 3-6

TWO MEN AND A TRUCK
Assessment



TWO MEN AND A TRUCK
The Company That On The Move.

Ranked in the Top 155 Franchises in the U.S.
Call and find out how you can join the team 800-345-1070

Source: Materials provided by TWO MEN AND A TRUCK.



In the Spotlight opening vignette

In the Trenches: Entrepreneurship in the New Millennium

In the Trenches: Building Customer Loyalty

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Part 1

Entrepreneur Opportunities

IN THE TRENCHES Building Customer Loyalty

NEVER TIRE OUT

Chris Zama has considered numerous ways of giving his entrepreneurial venture the edge it needs to survive in the competitive world of brick-and-mortar. He has examined the merits of continuous learning, the benefits of surprise derived from guerrilla marketing, and the advantages of community-relations marketing. But the 31-year-old Zama has determined that "doing anything to attract and keep customers" will continue to be the missing link since the success of Zama's Caffe, the largest independent specialty coffee shop in the New Haven, Connecticut market. Zama gains and maintains customers' loyalty by keeping in contact with them over time.

He offers free coffee and soft drinks to waiting customers. "A lot of our customers will now come in on Saturday mornings to have coffee, hang out for 15 or 20 minutes, read the paper, and leave," says Zama. When Zama did this from many business people is that he thinks of such customers in terms of relationships, not transactions. The transaction-oriented business person might look at the Saturday-morning coffee drinkers and see only freeloader, says Zama. Zama sees people who have bought from him in the past and will buy from him again.

Zama has much more to encourage long-term relationships than offer free coffee. He offers free delivery service for each bag of purchased at the store. He does not sell a bag... but to get purchases of bags to send their friends to Zama's, too.

The formula is working. Chris Zama has been growing his business at 25 percent a year, with anticipated revenues of more than \$2.25 million in 1999. The advantage begins with a unique point of view. As Zama puts it, "The attitude [must change] from 'The customer is inconveniencing you and preventing you from doing your job' to 'The customer is your job.'"

Source: Michael Sauter, "See The End," *Entrepreneur*, Vol. 15, No. 10 (April 1997), pp. 11-18, and personal communication with Chris Zama, March 1997. Copyright 1997, U.S. Chamber of Commerce.



www.zama.com

In the Trenches: Exploring Global Opportunities

Chapter 7

Developing the Marketing Plan

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CRUISING FOR CRACKERS IN U.S. SUPERMARKETS

One way to analyze consumer behavior is simply to watch customers as they shop. This type of observational research was used by Peter Shomer as he set up the U.S. subsidiary of his company, Biba Bread.

Shomer, the firm's vice president of marketing, went to New York City in 1995 to launch a U.S. subsidiary to sell the product. Before he could even assume that a market existed for their product, the owners asked Shomer to discover how the average American shopped for crackers. Although Shomer met with distributors and brokers, he also wanted to make direct observations. So he cruised the cracker aisles of supermarkets in disguise.

"The average consumer took about 10 seconds to find the cracker they wanted," says Shomer. "Biba Bread would clearly not get noticed in the cracker aisle of one of the big markets." But gourmet health food, and cracker sales proved to be a better match for his product. Even the full-line of the larger markets held more promise, there, consumers were more likely to linger in search of new products.

"We already knew we had a good cracker," says Shomer, "but the research let us know where to put it."

Based largely on Shomer's efforts, Biba Bread is sold in specialty and gourmet stores in 30 states. U.S. revenues are projected to reach \$1 million by the end of 1998. When it comes to staying up with global markets, small business should take notice of competitors from abroad. At the experience of Sky is the U.S. show, even competition for our daily bread is now a global prospect.

Source: Adapted with permission of the magazine, *Entrepreneur*, Vol. 15, No. 10 (April 1997), pp. 11-18, and personal communication with Peter Shomer, March 1997. Copyright 1997, U.S. Chamber of Commerce.

www.globalsources.com/biba-bread

IN THE TRENCHES Exploring Global Opportunities

Another example of maintaining a niche market can be seen in the efforts of Sheri Poe. Poe had tried almost every brand of athletic shoes during years of working out, only to suffer severe lower back and knee pain. She concluded that existing women's athletic shoes were only sized-down versions of men's shoes. Poe believed that an entrepreneur could carve out a niche that larger companies had overlooked. Her company, Ryka, developed a fitness shoe built specifically for women, a patented design for better shock absorption and durability, and introduced the shoe at a trade show in 1983. Poe says, "As a new manufacturer in a big industry, we had a realistic fear that established companies would target us and market to right out of business." The strategy Ryka used to combat the threat was one that challenged the established shoe companies not on all fronts but only in a narrow niche. Ryka started with shoe design for several applications, including running and tennis. However, Poe cut back to aerobic shoes not only because the firm's budget had to build several different markets at once, but also because she recognized that the key to success is to target a strong niche and stay focused. As an indicator of the success of this strategy, sales at Ryka exceeded \$7 million for the first half of 1997. This business venture shows how niche marketing can work for a small firm, allowing it to step into the land of giants.²²

In the Trenches: Utilizing New Technology

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Part 2

Developing the New Venture Business Plan

IN THE TRENCHES Utilizing New Technology

NO HORSEING AROUND

With thousands of mail catalogs already targeting consumers' purchases, it is difficult for a new catalog business to get started. Nevertheless, in only its third year of operation, the Denver, Colorado company of Gail and Lynn Wolf—Black in the Saddle—has successfully ridden into the homes of horse lovers with its catalog and Internet marketing. In 1992, after spending 15 years away from her position of horseback riding, Lynn Wolf returned to the saddle for the sport. This activity led her and her husband to consider the catalog business as a way to sell products and gifts for horse enthusiasts. They researched horse-related information from libraries, collected associations, and questioned neighbors. Their research was especially important when it came time to create a prototype of a catalog—and other exclusive—product, ranging from riding clothes and grooming supplies to jewelry, books, and toys.

Their company has now expanded its distribution to the Internet, giving customers another way to communicate with Black in the Saddle and to order merchandise from their homes. While the print catalog's life span is around six months, the Internet catalog can be updated every month (or sooner). By using the Internet to increase the frequency of contact with their customers, Gail and Lynn Wolf hope to see their customers back in the saddle again and again.

Source: Rebecca Hayward, "Selling by the Saddle," *Entrepreneur*, Vol. 15, No. 10 (April 1997), pp. 11-18, and the Web site of Black in the Saddle at www.blackinsaddle.com, accessed on November 3, 1998.



www.blackinsaddle.com

YOU NEED The first step in marketing research is to identify and Although this step may seem too obvious to mention, the fact is that many surveys without pinpointing the specific information. For example, an entrepreneur contemplating a location survey to ascertain customer menu preferences and reasons for more relevant information would be better off residents of a far they are willing to drive to eat at a restaurant. If Jones has or her information need correctly, the survey can that specific need. Later in this chapter you will see a survey a car wash owner to ascertain customer satisfaction. The entrepreneur identified a determining customers' satisfaction their car had been cleaned.

DATA Information that has already been compiled is known as gathering secondary data is less expensive than gathering a new, small business should exhaust available sources of secondary data into the research process. Marketing decisions can often

secondary data market information that has been previously compiled

facts. Methods of summarizing and simplifying information for users include tables, charts, and other graphic methods. Descriptive statistics such as the mean, mode, and median are most helpful during this step in the research procedure. Inexpensive personal computer software is now available to perform statistical calculations and generate report-quality graphics. Some of these programs are identified in Chapter 20.

It should be re-emphasized that formal marketing research is not always necessary in launching a new venture. Bill Madway, founder and president of Madway Business Research, Inc. in Mahan, Pennsylvania, says "Sometimes you cannot answer a question with research... you just have to test it. Then the question is whether you can afford to test something that might not work. If there's very little risk involved or you can test it on a very small scale, you might decide to jump in. But the bigger the risk, the more valuable advance information becomes."²³

ESTIMATING MARKET POTENTIAL

3 Explain the term market and methods of forecasting sales.

A small business can be successful only if an adequate market exists for its product or service. The sales forecast is the typical indicator of market adequacy. Forecasting is particularly important prior to starting a business. An entrepreneur who enters the marketplace without it is much like a high diver who leaves the board without checking the depth of the water. Many types of information from numerous sources are required to determine market potential. This section examines market components and the forecasting process.





Learning by Doing

To be a successful small business manager, you need to practice. Without giving you opportunities to act as a decision maker, *Small Business Management: An Entrepreneurial Emphasis* would just whet your appetite without bringing you any closer to the table. Practical information ready to be put to use is presented in every chapter, but to ensure active learning, each chapter concludes with application exercises designed to put you to the test.

Chapter 1

Selecting a Location and Planning the Facilities

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KEY TERMS

enterprise zones, p. 181
Empowerment Zone/Enterprise Communities (EZ/EC), p. 192
business incubator, p. 194

home-based business, p. 196
zoning ordinances, p. 199
process layout, p. 201
product layout, p. 201

grid pattern, p. 201
free-flow pattern, p. 201
self-service layout, p. 201
general-purpose equipment, p. 202

special-purpose equipment, p. 202

DISCUSSION QUESTIONS

1. What are the key attributes of a good business location? Which of these would probably be most important for a retail location? Why?
2. What is the special appeal of an enterprise zone to an entrepreneur seeking the best site for his or her business?
3. Which resource factors might be most vital to a new manufacturing venture that produces residential home furniture? Why?
4. Is the hometown of the business owner likely to be a good location? Is it logical for an owner to allow personal preferences to influence a decision about business location? Explain your answer.
5. Under what conditions would it be most appropriate for a new firm to buy rather than rent a building for the business?
6. What factors should an entrepreneur evaluate when considering a home-based business? Be specific.
7. In a home-based business, there is typically some competition, if not conflict between the interests of the home and those of the business. What factors determine whether the risk is greater for the home or the business?
8. What legal issues should one consider before starting a home-based business?
9. When should a small manufacturer utilize (a) a process layout? (b) a product layout? Explain.
10. Discuss the conditions under which a new small manufacturer should buy (a) general-purpose equipment and (b) special-purpose equipment.

YOU MAKE THE CALL

SITUATION 1

A husband and wife operate small department stores in two midwestern towns with populations of about 2,000 each. Their clientele consists of the primarily blue-collar and rural population of these two areas. After several years of successful operation, they have decided to open a third store in a town of 5,000 people. Most of the businesses in this larger town are located along a six-block strip—now commonly referred to as the “downtown.” One attractive site for the store is in the middle of the business district, but the rental fee for that location is very high. Another available building, vacated several years earlier by Montgomery Ward, is located on a block at one end of the business district. Other businesses on the same block include a television and appliance store and some service businesses. Two clothing stores are located in the next block—close to the center of town. The rent for the former Montgomery Ward store is much more reasonable than that for the downtown site, a three-year lease is possible, and a local bank is willing to loan sufficient funds to accomplish the necessary remodeling.

Question 1 Does the location in the middle of the business district seem to be substantially better than the other site?

Question 2 How might these owners evaluate the relative advantages of the two sites?

Question 3 To what extent would the department store benefit from having the service businesses and the television and appliance businesses in the same block?

Question 4 What other market or demographic factors, if any, do the owners consider before opening a store in this town?



STEVE'S OLYMPIC TEES Jump-Starting a Business

“I thought it was a great idea. After all, how often do the Olympics come to town?” mused Steve, as he pondered his decision to open a tee-shirt shop. Steve opened Steve's Tees in March 1996, a few months before the start of the 1996 Summer Olympic Games in Atlanta, Georgia.

Several years earlier, just after the announcement had been made that the Summer Olympic Games would be held in Atlanta, entrepreneurs began to make plans to capitalize on this momentous event. The Atlanta Olympic Committee had projected that more than 1.4 million people would come to the area over a 17-day period. The economic impact of the Olympics was estimated at more than \$5.1 billion—the economic equivalent of 31 Super Bowl games! Further, an impact study commissioned by the Atlanta Committee for the Olympic Games, projected that the economic benefit would be diffused into the surrounding region because many of its Olympic venues were in other areas of the state, including the cities of Athens, Buford, Conyers, and Savannah.

A major event like the Olympics has the potential to attract less-than-scrupulous business operators hoping to get rich quick. Therefore, prospective Olympic vendors had to complete an application and agree to meet specific requirements, as well as pay the required fees for real space within a defined Olympic area. Vendors selling products with the Olympic logo were also required to obtain permission and to pay a fee for use of the logo.

Steve had no desire to go through the Olympic bureaucracy or become an official Olympic vendor. However, he thought that he could still capitalize on the games—that they would provide a good chance for him to start a business. Why should big businesses, and people

from outside the state, be the only ones to benefit from this once-in-a-lifetime opportunity? After all, a native-born Steve—should he be in a better position than others to begin a business in the area.

STEVE'S BACKGROUND AND QUALIFICATIONS

Steve had grown up in the north Georgia town of Dahlonega, a small historic settlement in the foothills of the Appalachian Mountains. Atlanta, the state capital, was only about 55 miles to the southwest. In addition to being a thriving community, Dahlonega was also a favorite vacation spot for campers and hikers. The town was adjacent to the Chattahoochee National Forest, an area replete with wildlife, waterfalls, and native plants and trees. The first gold rush was sparked in Dahlonega in 1828, and visitors could still visit old gold mines and pan for gold in the cool mountain streams. Over the past few years, the downtown square had been revitalized and had become a thriving retail center, with coffee houses, unique restaurants, and boutiques selling local arts and crafts. Dahlonega was also the home of North Georgia College and State University, a four-year senior university within the Georgia system of colleges and universities. The main university campus was situated on

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Part 2

Developing the New Venture Business Plan

SITUATION 2

A business incubator rents space to a number of small firms that are just beginning operations or are fairly new. In addition to supplying space, the incubator provides a receptionist, computer, conference room, fax machine, and copy machine. In addition, it offers management counseling and assists new businesses in getting reduced advertising rates and reduced legal fees. One client of the incubator is a jewelry repair, cleaning, and remounting service that does work on a contract basis for pawn shops and jewelry stores. Another is a home health-care company that employs a staff of nurses to visit the homes of elderly people who need daily care but who cannot afford or are not yet ready to go to a nursing home.

Question 1 Evaluate each of the services offered by the incubator in terms of its usefulness to these two businesses. Which of the two businesses seems to be a better fit for the incubator? Why?

Question 2 If rental costs for incubator space were similar to rental costs for space outside the incubator, would the benefits of the services offered seem to favor location in the incubator? Why or why not?

SITUATION 3

Entrepreneur Karen Moore wants to start a catering and decorating business to bring in money to help support her two young children. Moore is a

single parent who works in the banking industry but has always had the desire to start a business. She enjoys decorating for friends' parties and frequently told “You should do this professionally. You have such good taste, and you are so nice to people.”

Moore has decided to take this advice but is unsure whether she should locate in a commercial site or in her home, which is in rural central Texas. She is leaning toward locating at home because she wants more time with her children. However, she is concerned that the home-based location is too far away from the city, where most of her potential customers live. Initially, her services would include planning for wedding receptions and other special events, designing flower arrangements, decorating the site, and even cooking and serving meals.

Question 1 What do you see as potential problems with locating Moore's new business at home?

Question 2 What do you see as the major benefits for Moore of a home-based business?

Question 3 How could Moore use technology to help her operate a home-based business?

EXPERIENTIAL EXERCISES

1. Search for articles in business periodicals that provide rankings of states or cities as business sites. Report on your findings.
2. Identify and evaluate a local site that is now vacant because of a business closure. Post up the strengths and weaknesses of that location for the former business, and comment on the past location may have played in the closure.
3. Interview a small business owner concerning the strengths and weaknesses of that business's location. Prepare a brief report summarizing your findings.
4. Visit three local retail stores and observe the differences in their layout and flow of customer traffic. Prepare a report describing the various patterns used and explaining the advantages of what you consider to be the best pattern.

EXPLORING THE WEB

NEED HELP? GET IT ONLINE AT tongbooker.swcollege.edu

1. Do a word search on the Web for “home-based business.” Report on five of the references you find in your search.
2. Access two of the Web addresses provided in the margins of this chapter. Report on your findings.
3. Go to www.burton.com and, from the information provided, profile how the site is a possible site for a business. Be specific about the types of information contained on the Web site.



You Make the Call

These scenarios place you in the role of decision maker and ask you, as the owner/operator of a small business, what you would do.

Cases

The twenty-four cases located at the end of the book are brief but substantive. Designed to give you practice in analyzing, evaluating, and making recommendations to resolve real business problems, these cases, as you will discover, delve into a wide variety of issues that impact small businesses, providing lots of opportunity to sharpen problem-solving skills.

Experiential Exercises

Designed to connect “book learning” to the real world, these exercises often send you into your community to gather information and ideas from small business managers. They also encourage you to draw on your own experiences to flesh out chapter concepts.

With a Special Emphasis on the Internet

- URLs where you need them, right alongside text discussion, tie Web sites to businesses and organizations featured in the text.
- The role that technology, including Internet technology, is playing in the lives of small businesses is integrated throughout the text, as is practical advice about the advantages that technology offers small firms. How can a small business use technology to deliver better customer service, expand a home-based operation, manage its operations, and find sources of financing? All these questions, and more, are posed and answered.

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Small Business Administration (SBA)
money provided directly by the Small Business Administration

SBA loan program
SBA program that provides money from large investors (such as pension funds) and then uses the proceeds to make small business loans

Small Business Investment Company (SBIC)
a company that administers the SBA's SBIC loan program

www.sba.gov

Small Business Investment Company (SBIC)
private equity bank, regulated by the Small Business Administration, that supply capital to small businesses

www.sba.gov/regulatory/sbic.html

Small Business Investment Company (SBIC)
In 1958, Congress passed the Small Business Investment Act. This act established privately owned capital banks, or small business investment companies (SBICs), whose purpose is to provide long-term loans and equity capital to small businesses. SBICs are licensed and regulated by the SBA. They may obtain a substantial part of their capital from the SBA at attractive rates of interest.

Small Business Investment Company (SBIC)
Although SBICs may either lend funds or supply equity funds, the Small Business Investment Act places a strong emphasis on equity financing. An SBIC that provides equity financing does so either by directly purchasing a small firm's stock or, more commonly, by purchasing the firm's convertible debentures (certificates of debt), which may be converted into stock at the option of the SBIC.

Small Business Investment Company (SBIC)
In 1993, Congress voted to increase the size of the Small Business Investment Research (SBIR) program to an estimated \$1.4 billion. This program helps finance small firms that plan to transform laboratory research into marketable products. Eligible for the program is based on the potential profitability of a venture than on the likelihood that the firm will provide a product of interest to a particular federal agency.

STATE AND LOCAL GOVERNMENT ASSISTANCE
State and local governments are becoming increasingly active in financing new businesses. The nature of the financing varies, but each program is generally granted to augment other sources of funding.

STATE AND LOCAL GOVERNMENT ASSISTANCE
California was one of the first states to create a business and industrial development corporation to lend money to new businesses. Minnesota provided \$50 million to create Minnesota Technology, a source of financing for new technology companies located in the state. Massachusetts, Pennsylvania, and Maryland are among the states that have designated funding for local startups. Maryland, in cooperation with three public employee pension funds (mutual funds that invest the retirement savings of state employees), has committed over \$19 million to a venture trust.¹¹

STATE AND LOCAL GOVERNMENT ASSISTANCE
Some large cities also provide funds for new business ventures. For example, Des Moines, Iowa has established a Golden Circle Loan Guarantee Fund to guarantee bank loans of up to \$250,000 to small companies.

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TRY BOOTSTRAPPING IT
Many entrepreneurs finance their firm in its early years in part by "bootstrapping"—that is, getting the money any way they can. Here are a few examples of successful bootstrappers:

MICHAEL DELL Putting little money down, Michael Dell started selling computer components from his college dorm room in 1983. When his sales grew to high as \$80,000 a month, he dropped out of school and put all his energy into the business. Dell Computer Corporation's sales in 1997: \$7.6 billion.

TOM MONAGHAN The founder of Domino's Pizza, Inc., Tom Monaghan, bought a small pizza parlor with his brother for \$9000 in 1960 and expanded according to a simple strategy: Locate stores near college campuses or army bases, and deliver within half an hour.

PHILIP KNIGHT Nike, Inc. has its roots in Philip Knight, who, along with his college track coach, sold imported Japanese sneakers from the trunk of a station wagon. Startup costs totaled \$1,000. In 1997, the firm's sales exceeded \$9 billion.

Source: Robert A. Mundt, "Power of Poverty," Inc., Vol. 15, No. 11 (August 1993), p. 41.

www.dell.com

www.dominos.com

www.nike.com

Microloans
funds provided by wealthy private individuals to high-risk ventures, such as startups

Microloans
a private investor who focuses new, risky, and ventures

financing has come to be known as **informal capital** because no established marketplace exists in which these individuals regularly invest. Somewhat appropriately, these investors have acquired the label **business angels**. They represent the oldest and largest segment of the U.S. venture capital industry, which consists of more than two million individuals, typically, with an average net worth in excess of \$1 million (excluding personal residences). The majority of these individuals are self-made millionaires, who have substantial business and entrepreneurial experience.¹² A few of the better recognized business angels are Ken Olson, founder of Xerox Corporation; Paul Allen, co-founder of Microsoft Corp.

FIGURE 31-1

434 Part 4 Managing Small Business Operations

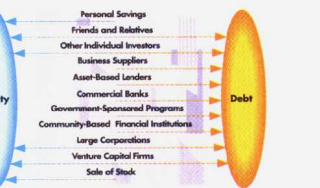
EXPERIENTIAL EXERCISES

1. Outline the operations process involved in your present educational program. Be sure to identify inputs, operations, and outputs.
2. Outline, in as much detail as possible, your customary practices in studying for a specific course. Include the methods you use, and specify changes that might improve your productivity.
3. Using the ABC inventory analysis method, classify some of your personal possessions into three categories, include at least two items in each category.
4. Interview the manager of a bookstore about the type of inventory control system used in the store. Write a report in which you explain the methods used to avoid building of excessive inventory and any use made of inventory turnover ratios (ratios that relate the dollar value of inventory to the volume of sales).

EXPLORING THE WEB

NEED HELP? GET IT ONLINE AT longman.com/entrepreneur

1. To answer the following questions, consult the Web site of the American Society for Quality at www.asq.org.
 - a. Choose the link for "Standards and Certification." What is the nature of ISO 9000 international certification for a small manufacturing company, and what organizations sets the standards for such certification?
 - b. Select two of the "Standards FAQs" featured on this page and briefly summarize the answers to these questions.
 - c. Identify three other sites listed and describe the types of quality information available at these sites.
2. To answer the following questions, examine the Web site for the National Institute of Standards and Technology at www.quality.nist.gov.
 - a. List the seven criteria categories for the Malcolm Baldrige National Quality Award, and point out how each one is related to quality performance.
 - b. Read the profile of three winners, and write a one-paragraph summary of each.
 - c. Find the home page of one of the winners and describe the information presented there.
3. To answer the following questions, examine the customer service information given in "Business Builders" at Entrepreneurial Edge Online at www.entrepreneur.com.
 - a. Print out the sample customer service survey under "Measure Customer Satisfaction." Then, select a particular business and prepare a survey form tailored to the features or that business.
 - b. List five other sources of customer service information available to small firms.
 - c. To locate suppliers, you may search the Web rather than consult the yellow pages.
 - i. Examine the online version of Thomas Register at www.thomasregister.com. Read the "FAQ" and explain how many companies are included, what countries are represented, and how many different product categories are identified.
 - ii. Track down and list suppliers for a product of your choice, using Yahoo! at www.yahoo.com this time. For example, to find a source of hamburger buns for a restaurant, you could click "Business & Economy," "Companies," "Food," "Baked Goods," and then choose "Bread."



- "Exploring the Web" exercises, expanded and enhanced, prompt you to explore, explain, describe, compare, contrast, summarize, and analyze small business practices in a real-world context online. At the same time, they encourage you to make extensive use of the Internet as part of the learning process.
- An end-of-book listing of useful Internet addresses puts valuable online resources at your fingertips and allows instructors to develop new Internet-based assignments easily and quickly.

Thomas Edison discouraged his friend Henry Ford from pursuing his fledgling idea of building a motorcar. Convinced of the worthlessness of the idea, Edison invited Ford to come and work for him. Ford, however, remained committed and tirelessly pursued his dream. Although his first attempt resulted in a vehicle without a reverse gear, Ford knew he could make it happen—and, of course, he did. Benjamin Franklin was admonished to stop experimenting with electricity. What an absurd waste of time, trying to improve on the fabulous oil lamp! Thank goodness Ford and Franklin dreamed dreams and believed they could accomplish them.

This textbook is about turning dreams into reality—dreams that can make a difference by leading to new or better products and/or services, creating jobs, and creating value for owners and investors. Owning and managing a small firm has allowed many people to make their dreams come true. It is our hope that what we have written will contribute to that goal, either directly or through the wise counsel of a teacher who has selected this book for his or her students.

Our Goals for this Edition

In the tradition of earlier editions of *Small Business Management: An Entrepreneurial Emphasis*, the 11th edition incorporates current theory and practice relating to starting and managing small firms. We have attempted to provide well-balanced coverage of critical small business issues, and we believe that our diverse backgrounds have contributed to that goal. In developing this book, we kept three primary goals in mind. First, we gave readability a high priority by continuing to write in the same clear and concise style that students have appreciated over the last 10 editions. Second, we included numerous real-world examples to help students understand how to apply the concepts discussed in the text. And, finally, we incorporated material to help students explore small business issues in the amazing world of the Internet.

What's New for You and Your Students

Major aims of the revision effort were to incorporate new topics and expand discussion of areas of particular importance in small business management, as well as to improve the arrangement of chapter material. Here are a few highlights:

- Greater attention has been focused on the Internet, including its use in marketing and financing. Internet resources are invoked throughout the text, with many addresses included for easy access to relevant Web sites.
- Effective strategies that entrepreneurial firms can use to compete effectively with superstores and other giant corporations are spelled out in Chapter 1.
- The development of strategic alliances is introduced in Chapter 8 as a strategic tool for small firms. It is further discussed in Chapter 14 as a method of increasing sales.
- In Chapter 9, the material on home-based businesses has been expanded, reflecting the increasing number of entrepreneurs who choose to operate new ventures from their homes.
- In Chapter 10, the presentation of how to measure cash flows—one of the most criti-

cal financial issues for a small firm—now focuses on how the small business owner should understand cash flows, rather than the way an accountant thinks about cash flows.

- In Chapter 12, the discussion about customer loyalty has been expanded to include information on the use of technology in providing customer service.
- The functions of purchasing and inventory control have been incorporated into Chapter 19 in order to provide a more comprehensive treatment of quality management and the operations process.
- Material on legal issues confronting small firms has been integrated into the appropriate chapters.
- Chapter 24, “Exit Strategies and Beyond,” is a new chapter. It examines plans for cashing out of successful ventures and discusses some of the challenges of turning over management to others.

Text Features That Facilitate Learning

In preparing the 11th edition, we retained the most effective teaching tools from the previous edition, which help instructors plan the course, and added current concepts and real-world examples to pique students' interest. A description of some of these features follows.

Integrated Learning System. We retained the integrated learning system, which was so well received in the 10th edition. This system structures the text and supplements around the learning objectives. The numbered objectives are identified in the “Looking Ahead” section, and each is precisely addressed in the “Looking Back” section at the end of the chapter. These same objectives introduce related exercises in the *Student Learning Guide*. If students are having trouble with certain concepts, they can easily locate related materials in the text and in the *Student Learning Guide* simply by looking for the appropriate objective.

For you, the instructor, the integrated learning system makes lecture and test preparation easier. The lecture notes in the *Instructor's Manual* are grouped by learning objective and identify the appropriate acetates, masters, and *PowerPoint* slides to display as you cover each objective. Questions in the *Test Bank* are grouped by objective as well. A correlation table at the beginning of each *Test Bank* chapter will help you select questions that cover all objectives or emphasize those objectives you believe are most important.

Building a Business Plan. We devote six chapters in Part 2 to business plan components. At the end of each of these chapters, a section called “The Business Plan: Laying the Foundation” helps students identify important questions to ask in preparing their own business plans. We include a complete sample business plan in the Appendix.

In the real world, small business owners-managers often use software specifically designed for business plan writing. To bring this realism into the classroom, we have partnered with JIAN to offer its commercially successful *BIZPLANBuilder* software to your students at a reduced price. If you want your students to use software but find that time is limited, try *BIZPLANExpress*. This abridged version of *BIZPLANBuilder* was designed specifically for student use. Ask your South-Western/Thomson Learning sales representative about bundling this popular software with the textbook. A special “Using *BIZPLANBuilder* or *BIZPLANExpress*” section at the end of each chapter in Part 2 directs students to the appropriate place in *BIZPLANBuilder* or *BIZPLANExpress*, where they can work on the portion of the plan discussed in that chapter. For more about this software, see the JIAN home page on the Internet at www.jian.com.

Exploring the Web. To familiarize students with resources on the Internet, we have included at the end of each chapter exercises called “Exploring the Web,” which send students to specific locations on the World Wide Web, such as the home pages for the Small Business Administration and Dun & Bradstreet. Specific questions require students to search and evaluate the small business–related information found there. In addition, this textbook has its own home page at longenecker.swcollege.com.

Additional Features. The “In the Spotlight” and “In the Trenches” features highlight small firms that have applied concepts developed in the chapter. Almost all of the material is new to this edition. Web addresses are included for those firms maintaining a home page.

Definitions of key terms appear in the margins and in the Glossary. A list of each chapter’s important terms and concepts appears at the end of the chapter, with corresponding page references.

The “Looking Ahead” learning objectives and “Looking Back” summary in each chapter are designed to keep students focused on the most important points. To simplify review, we continue to organize the summaries as bulleted key points.

At the end of each chapter, “Discussion Questions,” “Experiential Exercises,” “Exploring the Web,” and the real-world decision-making situations in “You Make the Call” offer students practice in applying chapter concepts. A total of 24 short cases illustrating realistic business situations are provided. End-of-chapter references list cases appropriate for each chapter.

Updated Teaching Supplements

All of the package supplements that accompany *Small Business Management: An Entrepreneurial Emphasis*, 11th edition, are designed to fit a variety of teaching styles and classroom situations. We have expanded the supplements in order to better support teaching of the accounting and financial topics covered in the text. You now have the opportunity to choose the resources that best suit your teaching style and your students’ needs. The following supplements are available.

Student Learning Guide. This supplement presents the key points of each text chapter, brief definitions of key terms, and a variety of self-testing materials, including true/false, multiple-choice, fill-in-the-blank, and essay questions. It allows students to pursue self-study of text material.

BIZPLANBuilder and BIZPLANExpress. With BIZPLANBuilder and BIZPLANExpress, students use the world’s most popular business plan software to plan and develop winning proposals. Comprehensive word-processing and spreadsheet templates lead users through narrative and financial sections, which, once complete, can be edited, updated, and refined to grow and change as a business grows and changes.

Instructor’s Manual. This supplement contains lecture notes, sources of audio/video and other instructional materials, answers to the “Discussion Questions,” comments on “You Make the Call” situations, and teaching notes for the cases. Transparency masters are also provided for each chapter.

Instructor’s Manual on Disk. To help you customize your lectures, the *Instructor’s Manual* is available on disk in Word for Windows® format. You can quickly and easily adapt our lecture materials to include your own notes, examples, and ways of presenting the materials in class.

Acetates. Acetates for each chapter are provided free to adopters. Notes in the lecture outlines of the *Instructor's Manual* suggest when to use them and provide discussion prompts for each one. If you want handouts, you can use the transparency masters in the *Instructor's Manual* as photocopy masters for all non-text transparencies.

Microsoft® PowerPoint®. The complete transparency package is now available on *PowerPoint*. Computer-driven projection makes it easy to use these colorful images to add emphasis and interest to your lectures. All you need is Windows to run the *PowerPoint* viewer and an LCD panel for classroom display.

Videos. A diverse selection of custom-produced videos, part of South-Western College Publishing's *BusinessLink* video library, is available to introduce topics, supplement lecture material, and stimulate discussion. Featuring companies such as Ben & Jerry's, Valassis Communications, Burton Snowboards, and the Vermont Teddy Bear Company, video segments show businesses at work dealing with real-world issues.

"Something Ventured" telecourse videos, available from INTELECOM Intelligent Telecommunications, cover a range of topics, including startup capital, marketing, franchising, distribution, staffing, risk management, and accounting. For more information, contact INTELECOM at 1-800-576-2988 or visit the INTELECOM Web site at www.intelecom.org.

Test Bank. A comprehensive *Test Bank* includes true/false, multiple-choice, and discussion questions. A correlation table at the beginning of each chapter in the *Test Bank* helps you prepare tests with the coverage and types of questions appropriate for your students.

Computerized Test Bank. The Test Bank is also available in a computerized Windows®-compatible format—Thomson Learning Testing Tools™—a fully integrated software suite of test creation, delivery, and classroom management tools.

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