



ENTREPRENEURSHIP

FOURTH EDITION

HISRICH PETERS

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**Mc
Graw
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Boston, Massachusetts Burr Ridge, Illinois Dubuque, Iowa
Madison, Wisconsin New York, New York San Francisco, California St. Louis, Missouri

Irwin/McGraw-Hill

A Division of The McGraw-Hill Companies



ENTREPRENEURSHIP

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This book is printed on acid-free paper.

2 3 4 5 7 8 9 0 DOW/DOW 9 0 9 8

ISBN 0-256-23478-7

Vice president and Editorial director: *Michael W. Junior*

Publisher: *Craig S. Beytien*

Sponsoring editor: *Karen Mellon*

Editorial coordinator: *Christine Scheid*

Marketing manager: *Kenyetta Giles*

Project manager: *Karen J. Nelson*

Production supervisor: *Karen Thigpen*

Designer: *Kiera Cunningham*

Compositor: *Carlisle Communications, Ltd.*

Typeface: *10/12 Berling*

Printer: *R. R. Donnelley & Sons Company*

Library of Congress Cataloging-in-Publication Data

Hisrich, Robert D.

Entrepreneurship / Robert D. Hirsch, Michael P. Peters -- 4th ed.

p. cm.

Includes index.

ISBN 0-256-23478-7. -- ISBN 0-07-115323-3 (international ed.)

1. New business enterprises. 2. Entrepreneurship. 3. Business planning. 4. Business enterprises—Finance. 5. Success in business. I. Peters. Michael P. II. Title

HD62.5.H577 1998

658.4'21--dc21

97-25010

INTERNATIONAL EDITION

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The International Edition is not available in North America.

When ordering this title, use ISBN 0-07-115323-3

<http://www.mhhe.com>

*To our wives, Tina and Debbie,
and daughters Kary, Katy, Kelly, Christa, and Kimberly,
and their supportive entrepreneurial spirit*



Preface



Starting and operating a new business involves considerable risk and effort to overcome the inertia against creating something new. In creating and growing a new venture, the entrepreneur assumes the responsibility and risks for its development and survival and enjoys the corresponding rewards. The fact that consumers, businesspeople, and government officials are interested in entrepreneurship is shown in the increasing research on the subject, the large number of college courses and seminars on the topic, the more than two million new enterprises started each year despite a 70 percent failure rate, the significant coverage and focus by the media, and the realization that this is an important topic for industrialized, developing, and once-controlled economies.

Who is the focus of all this attention—who is willing to accept all the risks and put forth the effort necessary to create a new venture? It may be a man or a woman, someone from an upper-class or lower-class background, a technologist or someone lacking technologic sophistication, a college graduate, or a high school dropout. The person may have been an inventor, manager, nurse, salesperson, engineer, student, teacher, homemaker, or retiree. It is someone able to juggle work, family, and civic responsibilities while meeting payroll.

To provide an understanding of this person and the process of creating and growing a new venture, this fourth edition of *Entrepreneurship* is divided into four major sections. Part I—The Entrepreneurial Perspective introduces the entrepreneur and the entrepreneurial process from both a historical and a research perspective. The role and nature of entrepreneurship as a mechanism for creating new ventures and affecting economic development is presented, along with its career aspects and future direction. The characteristics and background of entrepreneurs are discussed, as well as some methods for individual self-assessment and the various aspects of international entrepreneurship.

Part II—Creating and Starting the Venture focuses on all the elements in the entrepreneurial process that are a part of creating a new venture. After a discussion of creativity and obtaining the right business area, the legal issues—such as intellectual property protection and product safety and liability—are addressed. Important aspects of the business plan are then presented, and a chapter is devoted to each of the major components of the business plan: the marketing plan, the financial plan, and the organizational plan.

One of the most difficult aspects of creating and establishing a new venture is the focus of Part III—Financing a New Venture. After a discussion of the alternative sources of capital, specific attention is given to two primary financing mechanisms: informal risk capital and venture capital.

Part IV—Managing, Growing, and Ending the New Venture presents material related to establishing, developing, and ending the venture. Particular attention is paid to managing the new venture during growth, early operations, and expansion. Managerial skills that are important to the successful performance and growth of a new venture are included in this section. This part also addresses going public—the

goal of many entrepreneurs when starting the entrepreneurial process—as well as methods for ending the venture. Specific topics examined include mergers and acquisitions, franchising, leveraged buyouts, negotiation, and time management.

To make *Entrepreneurship* as meaningful as possible, each chapter begins with a profile of an entrepreneur whose career is especially relevant to the chapter material. Chapter objectives follow, and numerous examples occur throughout. Important websites to assist the reader in getting started, as well as *Inc.* and Ethics boxes, are also included in this fourth edition. Each chapter concludes with discussion questions, a list of key terms, and selected readings for further information.

Many people—students, business executives, entrepreneurs, professors, and publishing staff—have made this book possible. Of great assistance were the detailed and thoughtful comments of our reviewers: Steve Dunphy (Northeastern Illinois University), Michael Gallagher (Mesa State College), Patricia Greene (Rutgers University), Robert Gulovsen (Washington University), Ram Kesavan (University of Detroit), Ralph Parrish (Colorado State University), Bryan Toney (Georgia Institute of Technology), Godwin Wong (Golden Gate University), and Frederick Young (Salem State College). Particular thanks go to Bill Wetzel for helpful comments on Chapter 12 “Informal risk, C Capital and Venture Capital,” and to Lynn Moore for comments on Chapter 16 “Going Public.” Special thanks are given to Jason Barone for preparing the manuscript so competently, and to Elly Sieberkohl, Emeric Solymossy, and Bostjan Antoncic for providing research material and editorial assistance for this edition. Also thanks to our supplement authors, Gayle Ross Emeric Solymossy, and Steve Dunphy, for their wonderful work on the Instructor’s Manual and PowerPoint slides, respectively.

We are deeply indebted to our spouses, Tina and Debbie, whose support and understanding helped bring this effort to fruition. It is to future entrepreneurs—our daughters Christa, Kary, Katy, Kelly, and Kimberly and the generation they represent—that this book is particularly dedicated. May you always beg forgiveness rather than ask permission.

Robert D. Hisrich
Michael P. Peters



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