
Small Business Management

A Guide to Entrepreneurship



Siropolis

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PREFACE

This book is for those men and women who someday may go into business for themselves and for those who are already in business for themselves but who wish to strengthen their entrepreneurial and managerial skills. It is designed expressly for courses and programs called Small Business Management, Starting a New Venture, and the like, offered by two-year community and technical colleges and four-year colleges and universities.

Although many colleges require an Introduction to Business course as a prerequisite, others do not. This means that for some students a course in entrepreneurship — or small business management — will be their first and perhaps only exposure to the business world. For this reason, the text is written in such a way that the material can be grasped by students having little or no background in business.

The book is divided into three parts. The first three chapters give an overview of entrepreneurship. The next seven chapters discuss the problems of launching a new venture, and the remaining ten chapters deal with the problems connected with managing an ongoing venture. Each of the twenty chapters contains ten discussion questions, two short cases, and one comprehensive case.

The sixty cases are based on actual experiences of entrepreneurs and people in small business. The comprehensive cases describe how the entrepreneurs began their ventures, how they progressed with them, and the directions in which they are moving with their ventures. These cases have financial plans, including ones that show how the entrepreneurs financed their ventures at the start. Many of the cases also show examples

from business plans used by the entrepreneurs. Students generally like the case method of instruction because it focuses, not on memorization, but on thinking through true-to-life business problems and opportunities.

This book is by no means the work of one person. Many have contributed to its development. Let me mention just a few:

- ☐ The entrepreneurs who gave so freely of their time and energies to supply me with case material.
- ☐ The faculty and staff at Cuyahoga Community College, who enabled me to create an accredited curriculum devoted to entrepreneurship. I am especially indebted to Darl Ault, Elizabeth Boyer, Mildred Brown, John Coleman, Walter Johnson, Kenneth Killen, Kermit Lidstrom, Joseph Malone, Robert Parilla, George Plavac, Robert Sexton, Richard Shapiro, Booker Tall, and Lowell Watkins.
- ☐ The Greater Cleveland Growth Association, where I first got the idea to create an entrepreneurship curriculum. In particular, I am indebted to Melvin Roebuck, with whom I have had a long professional relationship. Others that I am indebted to are Michael Benz, John Robinson, and Ramesh Shah.
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PART ONE

An Overview of Small Business

1

Small Business in a Free Enterprise Society

If America is to be civilized, it must be done by the business class.

Alfred North Whitehead

Small business enjoys a tradition of infinite variety and solid achievement. It thrives everywhere. Most of us deal with small businesses several times a day. So vital is small business that few, if any, parts of our economy could go on without it, without its products and services.

Small business is also a civilizing influence. It rises above dollars and cents to enrich the lives of people the world over. Few other professions match its record of achievement. In this introductory chapter, we will discuss:

- ☐ The place of small business in history
- ☐ The definition of small business
- ☐ Small business performance as compared with that of big business
- ☐ Our economy's dependence on small business
- ☐ The future of small business

Place of Small Business in History

In the vast sweep of human history, small business has received scant attention. Few historians have bothered to record the contributions to society made by small business. In fact, it was only 4,000 years ago that the first known piece of small business writing appeared. It described how a

banker loaned money at interest. Since then, small businesspeople have spent countless hours pouring out products and services for the benefit of consumers.

Small business flourished in almost all ancient cultures. The Arabs, Babylonians, Egyptians, Jews, Greeks, Phoenicians, and Romans excelled as small businesspeople. But their products and services were often shoddy and slipshod. Consumers were often cheated and defrauded. The result was that small businesspeople became objects of scorn.

Into this controversy stepped Hammurabi, King of Babylon. In 2100 B.C., he drafted a code of 300 laws to protect consumers and small businesspeople, especially against fraud. Carved on marble columns 8 feet high, the original code now resides at the Louvre Museum in Paris, though much of it has been erased by time. A sampling of Hammurabi's laws follows:

If outlaws hatch a conspiracy in the house of a wineseller and she does not arrest them and bring them to the palace, that wineseller shall be put to death.

If a builder has built a house for a man and does not make his work perfect; and the house which he has built has fallen down and so caused the death of the householders, that builder shall be put to death.¹

These two laws indicate the truth of the saying that "the more times change, the more they stay the same." Indeed, the need to protect consumers from businesspeople and businesspeople from consumers is as great today as in Hammurabi's time. Note that the first law deals with businesswomen and their social responsibilities toward government.

Although crowded with achievement, small business history has never fired the public mind. Greek and Roman historians virtually ignored small business. In their view, ideas and military deeds were the stuff of history. Yet it was largely through small business that civilization was spread to all four corners of the then-known world. Small businesspeople brought to the have-nots such things as the Jewish calendar, Roman law, Greek philosophy, and Babylonian astronomy.

In the centuries that followed, even the Roman Catholic Church held small businesspeople in low esteem. In fact, until the nineteenth century, the Church often spoke out against the practice of charging interest on loans. The Church also branded retailers as sinners because they did nothing to improve a product, yet they charged a higher price than did the maker of the product.

Although now held in higher esteem than ever before, small business remains overshadowed by other professions such as medicine and law. In her classic history of businesses big and small, Miriam Beard points out:

Physicians are now wrapped in such dignity that the public forgets how recently they occupied the status of barbers. Lawyers have climbed from the

¹G. R. Driver and John C. Miles, *The Babylonian Laws* (Oxford: The Clarendon Press, 1955), vol. 2, p. 83.