TT TEXTBOOK TESTBANKS

Solutions Manual for Entrepreneurship 7th Barringer

SOLUTIONS MANUAL SAMPLE PREVIEW

PUBLISHER
Pearson

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2025

RESOURCE TYPE
Solutions Manual

ISBN
9780138287696

CHAPTER 1

INTRODUCTION TO *ENTREPRENEURSHIP*

LEARNING OBJECTIVES

After studying this chapter students should be ready to:

1. Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.
2. Discuss three main reasons people decide to become entrepreneurs.
3. Identify four main characteristics of successful entrepreneurs.
4. Explain five common myths regarding entrepreneurship.
5. Discuss the three types of startup firms.
6. Discuss the changing diversity of new entrepreneurs.
7. Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.
8. Explain the entrepreneurial process.
9. Learn how understanding entrepreneurship and the entrepreneurial process can facilitate your career success.

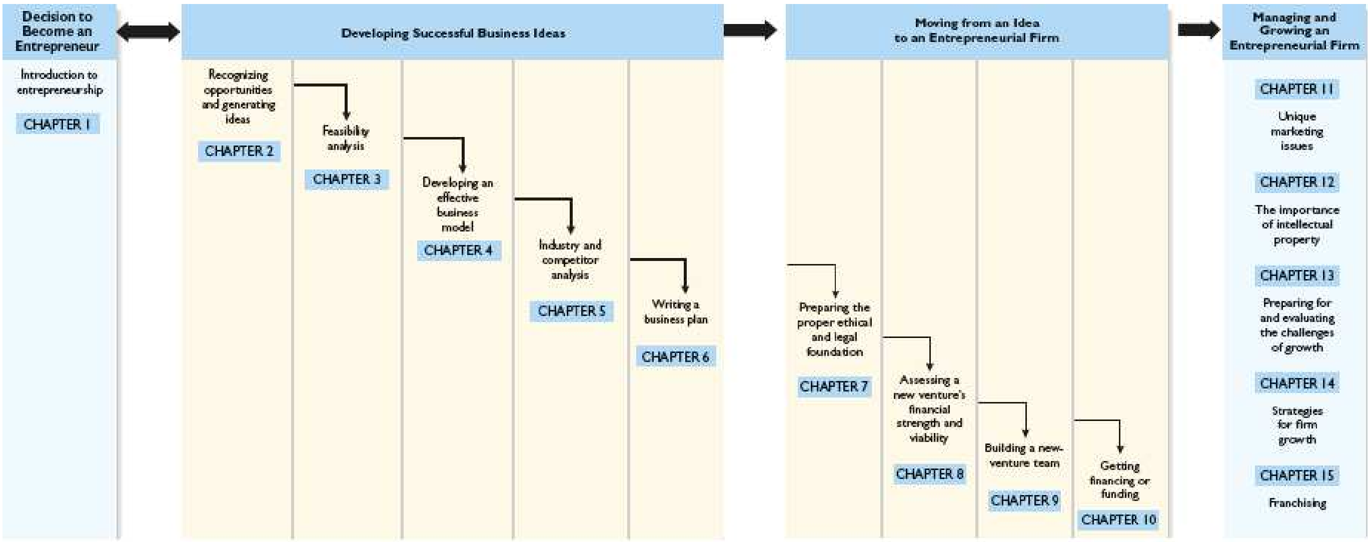
CHAPTER OVERVIEW

This chapter (1) introduces the book, (2) provides an overview of the entrepreneurial process, and (3) introduces a conceptual model that shows how the entrepreneurial process typically unfolds. The model, which is shown at the top of the next page, depicts the entrepreneurial process as a 10-step process, beginning with the decision to become an entrepreneur. The chapters of the book follow the model. We hope that this approach provides your students a nice visual way of understanding how the entrepreneurial process unfolds.

The chapter focuses on why people become entrepreneurs, the characteristics of successful entrepreneurs, the changing demographics of entrepreneurs, and the importance of entrepreneurship to the economy and society. The three boxed features, which appear in every chapter, are introduced. The chapter ends with a brief discussion of each of the major sections of the book.

The chapter, like the rest of the book, is written in an upbeat yet realistic manner.

Basic Model of the Entrepreneurial Process
The Model Parallels the Chapters in the Book



CHAPTER OUTLINE

I. Introduction to Entrepreneurship
II. What Is Entrepreneurship?
III. Why Do People Become Entrepreneurs?
   A. Be Their Own Boss
   B. Pursue Their Own Ideas
   C. Pursue Financial Rewards
IV. Characteristics of Successful Entrepreneurs
   A. Passion for the Business
   B. Product/Customer Focus
   C. Tenacity Despite Failure
   D. Execution Intelligence
V. Common Myths About Entrepreneurs
   A. Myth 1: Entrepreneurs Are Born, Not Made
   B. Myth 2: Entrepreneurs Are Gamblers
   C. Myth 3: Entrepreneurs Are Motivated Primarily by Money
   D. Myth 4: Entrepreneurs Should be Young and Energetic
   E. Myth 5: Entrepreneurs Love the Spotlight
VI. Types of Startup Firms
VII. Who Is the Entrepreneur?
   A. Women Entrepreneurs
   B. Entrepreneurs of Different Races/Ethnicities
   C. Foreign-Born Versus U.S.-Born Entrepreneurs
   D. Gen Z Entrepreneurs
VIII. The Positive Effects of Entrepreneurship and Entrepreneurial Firms
   A. Economic Impact of Entrepreneurial Firms
   B. Entrepreneurial Firms' Impact on Society

C. Entrepreneurial Firms' Impact on Larger Firms

IX. The Entrepreneurial Process
   A. Decision to Become an Entrepreneur (Chapter 1)
   B. Developing Successful Business Ideas (Chapters 2–6)
   C. Moving from an Idea to an Entrepreneurial Firm (Chapters 7–10)
   D. Managing and Growing an Entrepreneurial Firm (Chapters 11–15)

X. Developing Skills for your Career

CHAPTER NOTES

I. Introduction to Entrepreneurship

- There is tremendous interest in entrepreneurship around the world.
- Although the highest rates of entrepreneurial start-up activity occur in low-income countries, where good jobs are not plentiful, the rates are also impressive in high-income countries. According to the GEM Study, one out of every six (16.5%) of American adults is actively engaged in starting a business or is the owner/manager of a business that is less than three-and-a-half years old.

II. What Is Entrepreneurship?

- Entrepreneurship is defined as the process by which individuals pursue opportunities without regard to resources they currently control.
- Established firms with an orientation toward acting entrepreneurially practice corporate entrepreneurship.
- All firms fall on a conceptual continuum that ranges from highly conservative to highly entrepreneurial.
- The position of a firm on this continuum is referred to as its entrepreneurial intensity.

III. Why Do People Become Entrepreneurs?

A. Be Their Own Boss. Many entrepreneurs want to be their own boss because either they have had a long-term ambition to own their own business or they have become frustrated working in traditional jobs.

B. Pursue Their Own Ideas. Some people are naturally alert, and when they recognize ideas for new products or services, they have a desire to see those ideas realized.

C. Pursue Financial Rewards. People start their own firms to pursue financial rewards. This motivation, however, is typically secondary to the first two and often fails to live up to its hype.

IV. Characteristics of Successful Entrepreneurs, (See Figure 1.1)

A. Passion for the Business. The number one characteristic shared by successful entrepreneurs is passion for the business. This passion typically stems from the entrepreneur's belief that the business will positively influence people's lives. (See Table 1.2)
B. Product/Customer Focus. An entrepreneur's keen focus on products and customers typically stems from the fact that most entrepreneurs are, at heart, craftspeople.
C. Tenacity Despite Failure. Because entrepreneurs are typically trying something new, the failure rate associated with their efforts is naturally high. Developing a new business may require a certain degree of experimentation before success is attained. Setbacks and failures inevitably occur during the process. The litmus test of entrepreneurs is their ability to persevere through setbacks and failures.
D. Execution Intelligence. The ability to effectively execute a business idea means developing a business model, putting together a new-venture team, raising money, managing finances, leading employees, and so on.

V. Common Myths About Entrepreneurs

A. Myth 1: Entrepreneurs Are Born, Not Made. This myth is based on the mistaken belief that some people are genetically predisposed to be an entrepreneur. (See Table 1.3)
B. Myth 2: Entrepreneurs Are Gamblers. Entrepreneurs are usually moderate risk takers, as are most people.
C. Myth 3: Entrepreneurs Are Motivated Primarily by Money. It is naïve to think that entrepreneurs don't seek financial rewards. As discussed previously, however, money is rarely the primary reason entrepreneurs start new firms.
D. Myth 4: Entrepreneurs Should Be Young and Energetic. Although it is important to be energetic, investors often cite the strength of the entrepreneurs (in terms of business experience, skill, and talent) as their most important criterion in the decision to fund a new venture. (See Table 1.4)
E. Myth 5: Entrepreneurs Love the Spotlight. While some entrepreneurs are flamboyant, the vast majority of them do not seek or attract public attention. Typically those that are working on proprietary products or services avoid public notice.

VI. Types of Startup Firms, (See Figure. 1.2)

A. Salary-Substitute Firms. Are small firms that afford their owner or owners a similar level of income to what they would earn in a conventional job.
   1. Examples of salary-substitute firms are dry cleaners, convenience stores, restaurants, accounting firms, and hairstyling salons.

B. Lifestyle Firms. Provide their owner or owners the opportunity to pursue a particular lifestyle and earn a living while doing so.

1. Examples of lifestyle firms include ski instructors, golf pros, and tour guides.

C. Entrepreneurial Firms. Bring new products and services to market by creating and seizing opportunities. The essence of entrepreneurship is creating value, which refers to worth, importance, or utility.
   1. Examples of entrepreneurial firms are Airbnb, Facebook, and Uber.

VII. Who Is the Entrepreneur?

A. Women Entrepreneurs. Although men are still more likely to start businesses than women, the number of women-owned businesses is increasing. According to the Kauffman Foundation's 2020 report, women accounted for 40.5 percent of new business owners in 2020.

B. Entrepreneurs of Different Races/Ethnicities. Looking at the most current data alone, in 2020, new entrepreneurs were 55.6 percent White, 21.7 percent Latinx, 13.1 percent African American, and 6.7 percent Asian American.
   1. An increasing number of African Americans and Latinx who are becoming entrepreneurs is encouraging in that entrepreneurship is a path to success for all, regardless of their background.

C. Foreign-Born Versus U.S.-Born Entrepreneurs. According to Kauffman Foundation data, the share of foreign-born new entrepreneurs more than doubled from 1996 to 2018 (from 13.3% to 26.8%).

D. Gen Z Entrepreneurs, See Table 1.5. According to and Ernst & Young survey in 2021, Gen Z is the most racially diverse generation and has strong convictions about the future. According to the survey, 49 percent of Gen Z report being very or extremely likely to start their own business.
   1. Additional survey findings: digital acceleration, intentional consumerism, purpose and environmental, social & governance, and workplace culture.
   2. Organizations that help students learn about entrepreneurship. (See Table 1.6)

VIII. The Positive Effects of Entrepreneurship and Entrepreneurial Firms

A. Economic Impact of Entrepreneurial Firms. For two reasons, entrepreneurial behavior has a strong impact on an economy's strength and stability.
   1. Innovation. Innovation is the process of creating something new, which is central to the entrepreneurial process. Data from the National Science Foundation show that small businesses that engage in R&D generate more patents per employee than larger businesses that engage in R&D.
   2. Job creation. According to the SBA, small businesses create a substantial number of net new jobs in the United States. Firms with 500 or fewer employees created 66 percent of private-sector new jobs in the United

States. However, small firms suffered job losses during the COVID-19 pandemic.

B. Entrepreneurial Firms' Impact on Society. The innovations of entrepreneurial firms have a dramatic impact on society. Think of all the new products and services that make our lives easier, enhance our productivity at work, improve our health, and entertain us. Many of these products and services were conceived and brought to market by entrepreneurial firms.

C. Entrepreneurial Firms' Impact on Larger Firms. In addition to the impact entrepreneurial firms have on the economy and society, entrepreneurial firms have a positive impact on the effectiveness of larger firms.
   1. For example, some entrepreneurial firms are original equipment manufacturers, producing parts that go into products that larger firms manufacture and sell.
   2. Thus, many exciting new products are not solely the result of the efforts of larger companies with strong brand names. They were produced with the cutting-edge component parts or research development efforts provided by entrepreneurial firms.
   3. The evidence shows that many entrepreneurial firms have built their entire business models around producing products and services that help larger firms be more efficient or effective.

IX. The Entrepreneurial Process

- Figure 1.3 in the book (and reproduced earlier in this review) models the entrepreneurial process. This process is the guide or framework we use to develop this book's contents.

A. Decision to Become an Entrepreneur (Chapter 1). As discussed earlier, people become entrepreneurs to be their own boss, to pursue their own ideas, and to realize financial rewards.

B. Developing Successful Business Ideas (Chapters 2–6). Many new businesses fail not because the entrepreneur didn't work hard but because there was no real opportunity to begin with.
   1. Developing a successful business idea includes opportunity recognition, feasibility analysis, developing an effective business model, industry and competitor analysis, and writing a business plan.

C. Moving from an Idea to an Entrepreneurial Firm (Chapters 7–10). This is a critical stage in the entrepreneurial process.
   1. This section deals with preparing the proper ethical and legal foundation, assessing a new venture's financial strength and viability, building a new-venture team, and getting financing or funding.

D. Managing and Growing an Entrepreneurial Firm (Chapters 11–15). Given today's competitive environment, all firms must be managed and growth properly maintained to ensure their ongoing success. This is the final stage of the entrepreneurial process.
   1. This section deals with unique marketing issues, the importance of intellectual property, preparing for and evaluating the challenges of growth, strategies for growth, and franchising.

X. Developing Skills for your Career

A. Whether you want to be an entrepreneur or not, the contents of this book address a number of "employability" skills that are critical to have a successful career in organizations. Key among these skills are business ethics and social responsibility, critical thinking, collaboration, and data literacy.

BOXED FEATURES: QUESTIONS FOR CRITICAL THINKING

Note: Each boxed feature in the textbook is followed by four questions. The questions can be used for individual or group assignments or can be used to stimulate classroom discussion. The following are suggested answers for the questions at the end of each boxed feature.

What Went Wrong?
Prim: How a Lack of Passion and Resolve Can Kill a Business

1. Why is passion such a critical part of entrepreneurial success? Prim's founders were apparently passionate about building a company but not the laundry business specifically. In what ways is this combination problematic?

   Answer: The number one characteristic shared by successful entrepreneurs is a passion for their business. The passion typically stems from the entrepreneur's belief that the business will positively influence people's lives. Prim's founder may have mistakenly developed a passion for starting a business rather than a passion for the business they started. This is problematic because once the initial excitement of starting the business was over (and the business started experiencing challenges), the founders were left with the day-to-day grind of running the business and may have found that they weren't as interested in the (laundry) business as they originally thought they would be. One way to check whether one's passion is real is to work in the industry your firm will participate in (over an extended period of time, if possible) to see if you like it. Some franchise organizations, for example, require prospective franchisees to work in one of the company's franchise outlets for a period of time, just to ensure that they like the work before they become franchisees.

   As illustrated throughout the book, starting a business is a rewarding yet challenging process. There will be many ups and downs. A person's passion for the business that he or she starts is what sustains one during the challenging periods.

2. How could Prim's co-founders have better anticipated that laundry services would eventually see Prim as siphoning off their own business and be reluctant to work with them?

   Answer: Students will vary in terms of their answer to this question. One thing Prim's co-founders could have done prior to starting the business is complete a thorough feasibility analysis. This topic is addressed in Chapter 3. By talking to laundry services in advance, the founders may have gained an awareness that their business model was not viable.

3. Rather than employ its own drivers to pick up and deliver laundry for its customers, Prim relied on the use of third-party delivery services. In what ways do you think this approach could have limited Prim's growth in other markets?

   Answer: Prim was not developing core competencies in the logistics of its operations. At its heart, Prim was a pick up and delivery service. It picked up its customers' laundry, took the laundry to a laundry service to have washed and folded, and then returned the laundry to the customer. If Prim had developed unique capabilities in performing this task, it could have extended its pick up and delivery service to other industries. Instead, Prim outsourced this service so it developed no core competencies in this area.

4. San Francisco, the city in which Prim launched, has several innovative laundry services. These services include LaundryLocker, where you drop your clothes in a public locker; Sfwash, a delivery service where you pay by the pound; and Sudzee, which requires special lockable bags. Spend some time studying LaundryLocker (https://laundrylocker.com), Sfwash (https://sfwash.com), and Sudzee (http://sudzee.com). Select the service that you think has the most potential and explain the rationale for your selection. Compare the service to Prim's approach.

   Answer: LaundryLocker's customers place their laundry in a locker and the customers are notified by text when the laundry is finished and returned to the locker (within two business days). Sfwash picks up your laundry (at your home or business) and returns it to the same address. The pick up and delivery times are done within agreed upon windows of time. Sudzee offers two options. It offers home pick up and return, similar to Sfwash. It also offers a service where customers can place their laundry in a large secure container in a Sudzee bag. Sudzee will notify the customer when the laundry is done. The laundry can be retrieved from the container via a secure four-digit code. Pricing seems to be similar across the companies. Sudzee seems to be the best—capturing the advantages of both Sfwash, which offers a pick up and delivery service, and LaundryLocker, which offers a dropoff and retrieval service as explained. It also beats out Prim, which offered only the pick up and delivery service.

Savvy Entrepreneurial Firm

Start-Up Incubators and Accelerators: A Smart Way of Gaining Access to Mentors, Partners, Investors, and Other Critical Start-Up Resources

1. If you were starting a new venture, do you think you would benefit from participating in a business incubator or accelerator program? If so, what do you think the primary benefits would be?

   Answer: Most students will say they would benefit from participating in a business incubator or accelerator program. The obvious benefits are gaining access to mentors and advisors. Start-up incubators and accelerators are also fertile places for entrepreneurs to meet potential co-founders, business partners, and equity investors.

2. Find an example of a start-up incubator or accelerator at the college or university you are attending or in the town you live in or a nearby city. Describe the program. Which one of the programs mentioned in this feature does it resemble the most?

   Answer: Answers will vary for this question. Many university entrepreneurship programs support a start-up incubator or accelerator, as do many towns and cities. The incubators and accelerators will vary in terms of the programs and terms they offer, but the benefits are similar across locations.

3. If you have a promising business idea, what can you do while you're in college to improve your chances of being admitted to a prestigious start-up incubator or accelerator program when you graduate?

   Answer: Answers will vary to this question. Most students will say that involvement in the following college activities will boost their chances of being accepted into an incubator:
   - Coursework in entrepreneurship.
   - Participation in entrepreneurship-related activities, such as pitch competitions and business plan competitions, and winning awards in those activities.
   - Participating in a college or university-sponsored incubator.
   - Networking (to the extent that the student could ask several high-profile entrepreneurs or investors to write letters of support).
   - Make good headway on a business idea, so the student is partway down the runway prior to applying for admittance to the incubator.

4. Make a list of the types of mentors that a participant in a start-up incubator or accelerator program might encounter.

   Answer: There are a number of partnership opportunities that are likely to emerge from participating in an accelerator program. They include:

   - Identifying a potential co-founder for a business.
   - Identifying potential channel partners.
   - Identifying potential investors.
   - Identifying potential advisory board members and other mentors and advisors.

Partnering for Success
Partnering with College Students via Campus Ambassador and Campus Rep Programs

1. As part of your college experience, do you think you would benefit from participating in a campus ambassador or campus rep program? Why or why not?

   Answer: Most students will say they would benefit from participating in a campus ambassador or campus rep program. These are more like paid internships and so the obvious benefits are gaining access to prospective employers and gaining experience at the same time. In addition, such positions also help to defray living costs.

2. In what ways would participating in a campus ambassador or campus rep program help you prepare to own your own business someday?

   Answer: The main way is that a campus ambassador or a campus rep becomes an evangelist for the product. This helps when marketing the product of one's own business. It also helps in creating a network which would be useful in helping a start-up succeed.

3. Why do you think companies such as Apple, Amazon, and Red Bull sponsor campus ambassador or campus rep programs? How do the companies benefit?

   Answer: The companies benefit because they get low-cost grassroots marketing. Also, when a company's target market is young people, this allows for peer-to-peer selling. Finally, it helps these companies in their recruitment process.

4. What types of start-ups would benefit the most from starting campus ambassador programs?

   Answer: It is likely that such programs help companies that sell a product or a service to consumers and not businesses. In addition, if the target demographic is young people, these programs help in grassroots marketing.

REVIEW QUESTIONS

1-1. Do you anticipate that entrepreneurship will continue spreading throughout the world, or do you think its appeal will subside over time?

Answer: All indicators point to entrepreneurship continuing to spread throughout the world. The primary reasons are: (1) the downsizing of large firms, which have placed a large number of people off the job market that would rather start their own firm than work for another large firm; (2) the push for improved efficiency and effectiveness on the part of firms and individuals, which has provided entrepreneurs the opportunity to meet needs; (3) the rapid pace of change that is taking place worldwide, which provides entrepreneurs additional opportunities to meet needs; and (4) the increasing recognition that entrepreneurship is the engine that fuels economic growth and prosperity worldwide. Most students will argue that there is no reason to think the appeal of entrepreneurship will subside over time. The need to solve problems and meet unmet needs is universal worldwide.

1-2. What key insights does the GEM study provide us about entrepreneurship?

Answer: The key insight provided by the GEM study is that entrepreneurial activity is taking place across the world. In addition, although the highest rates of entrepreneurial start-up activities occur in low-income countries, where good jobs are not as plentiful, the rates are also impressive in high-income countries such as France, United Kingdom, and the United States. The GEM study also identifies whether its respondents are starting a new business to take advantage of an attractive opportunity or because of necessity to earn an income. The majority of people in high-income countries are drawn to entrepreneurship to take advantage of attractive opportunities. The reverse is true of people in low-income countries, who tend to be drawn to entrepreneurship primarily because of necessity.

1-3. What does evidence show us about the rate of failure associated with entrepreneurial ventures?

Answer: One criticism of entrepreneurship, which is often repeated in the press, is that the majority of new businesses fail. It simply isn't true. The often used statistic that 9 out of 10 businesses fail in their first few years is an exaggeration. According to the Bureau of Labor Statistics, over half the businesses started are still in existence five years later.

1-4. What is entrepreneurship?

Answer: The standard definition for entrepreneurship is that it's "the process by which individuals pursue opportunities without regard to resources they currently control." It can occur at the individual level, the team or group level, or at the corporate level. There are other definitions of entrepreneurship. Fred Wilson, a venture capitalist, defines entrepreneurship as "the art of turning an idea into a business." Both definitions focus on behaviors. In general, entrepreneurship is associated with the task of identifying opportunities and putting useful ideas into practice.

1-5. In what ways is an entrepreneur who just launched a restaurant different from someone who just took a job as the general manager of a restaurant owned by a major restaurant chain?

Answer: Entrepreneurial firms, which are the focus of this book, bring new products and services to market by seizing opportunities. The person who just launched a restaurant is bringing a new product or service to market, and is assuming the risk associated with doing that. The person who just took a job as the general manager of a restaurant isn't bringing something new to market. Although the person is assuming employment risk, they aren't assuming the risk of owning a business.

1-6. What are the three main attributes of firms that pursue high levels of corporate entrepreneurship?

Answer: Entrepreneurial firms are typically proactive, innovative, and not averse to taking risks.

1-7. What are the three primary reasons people become entrepreneurs?

Answer: The three primary reasons that people become entrepreneurs and start their own firms are to (1) be their own boss, (2) pursue their own ideas, and (3) realize financial rewards.

1-8. Of the three primary reasons people become entrepreneurs, which one is given most commonly and why?

Answer: Be their own boss. The reason this is the most common motivation for becoming an entrepreneur is either because some people have a long-standing ambition to be their own boss or because they become frustrated working in traditional jobs. For many people, a traditional job may be too confining and they yearn for the freedom that entrepreneurship brings.

1-9. Why is passion such an important characteristic of successful entrepreneurs?

Answer: The passion that an entrepreneur feels for their business typically stems from a belief that the business will positively influence people's lives. It is important that this passion exist because the process of starting and building a new firm is demanding.

1-10. What is it about passion that makes it particularly compatible with the entrepreneurial process?

Answer: Passion is particularly important because, although rewarding, the process of starting a firm or building a business is demanding. Absent passion, the demands would outweigh the potential rewards for people who are not passionate about what they're doing.

1-11. Why is product/customer focus an important characteristic of successful entrepreneurs?

Answer: Although all parts of the entrepreneurial process are important, ultimately if a new business does not have a successful product that is directed toward a receptive market the business will fail. A product/market focus also involves the diligence to spot product opportunities and to see them through to completion.

1-12. What is it about "tenacity" that makes it such an important characteristic for entrepreneurs?

Answer: Because entrepreneurs are typically trying something new, the possibility of failure exists. The litmus test for entrepreneurs is the tenacity that they have to persevere through setbacks and failures.

1-13. What are the five common myths of entrepreneurship?

Answer: The five common myths of entrepreneurship are as follows:

Myth 1: Entrepreneurs are born, not made.
Myth 2: Entrepreneurs are gamblers.
Myth 3: Entrepreneurs are motivated primarily by money.
Myth 4: Entrepreneurs should be young and energetic.
Myth 5: Entrepreneurs love the spotlight.

1-14. What is the evidence that debunks the myth that entrepreneurs are born, not made?

Answer: The consensus of many hundreds of studies on the psychological and sociological makeup of entrepreneurs is that entrepreneurs are not genetically different from other people.

1-15. What are the four distinctive parts of the entrepreneurial process and what is the relationship among the parts?

Answer: The four distinct parts of the entrepreneurial process are as follows:

Part 1: Decision to become an entrepreneur.
Part 2: Developing successful business ideas.
Part 3: Moving from an idea to an entrepreneurial firm.
Part 4: Managing and growing an entrepreneurial firm.

Each part is intimately interrelated and interdependent with one another.

1-16. How would you characterize the risk-taking propensity of most entrepreneurs?

Answer: Most entrepreneurs are not risk-takers.

1-17. What factors that are important to Gen Z individuals may influence entrepreneurial firms' priorities in the future?

Answer: The factors that are important to Gen Z individuals include: digital acceleration, intentional consumerism, purpose and environmental, social & governance, and workplace culture.

1-18. What did Joseph Schumpeter mean by the term *creative destruction*?

Answer: The need for ongoing product and process innovation to replace outdated ones is creative destruction.

1-19. In general, what effects does entrepreneurship have on economies and societies throughout the world?

Answer: Entrepreneurship has a positive effect on both economies and societies throughout the world. For two reasons, entrepreneurial behavior has a strong impact on an economy's strength and stability. The reasons are innovation and job creation. According to the Small Business Administration Office of Advocacy, small innovative firms are more productive than larger innovative firms in terms of patents per employee. Small firms also create a substantial number of new jobs in the United States. In regard to the impact of entrepreneurial firms on societies, the new products and technologies created by entrepreneurial firms have a dramatic impact. Think of all the new products and services that make our lives easier, enhance our productivity at work, improve our health, and entertain us. Many of these products and services were created by entrepreneurial firms.

1-20. What are the changes to the demographic makeup of entrepreneurs in the United States that are described in this chapter?

Answer: Over the past 10 years, the demographic makeup of entrepreneurial firms has changed in the United States and around the world. Of all the businesses in the United States, a growing number are owned by women, minorities, seniors, and young people. The changing demographic makeup of entrepreneurs is changing for two reasons. First, the United States itself is changing, and is becoming a much more diverse society. As a result, the changing demographic makeup of entrepreneurs reflects society as a whole. Second, pursuing an entrepreneurial career is an exciting career choice, which is open to people across all demographic groups. As the ability to enter an entrepreneurial career becomes available to a larger number of people, it is not surprising that people across all demographic groups would be drawn to this alternative.

APPLICATION QUESTIONS

1-21. After rereading the opening case, identify all of the effective or smart moves Ellen Symes made in the early days of building The Bee Corporation.

Answer: The following is a list of smart or effective moves that Ellen Symes made in the early days of building The Bee Corporation:

- She started small and scaled up after essentially testing her idea.
- She adapted.
- She used research and development.
- She focuses on execution. She is not a hands-off owner.
- She is willing to learn and adapt based on market feedback
- She has a passion for the business, product/ customer focus, tenacity despite failure, and execution intelligence, the four primary characteristics of successful entrepreneurs

1-22. Assume that you are the dean of a business school and that you are interested in more entrepreneurship courses being offered in your school. Surprisingly to you, some professors are resisting the idea of offering these courses on the basis of their view that entrepreneurship is a skill that can be learned only through experience. Using materials in this chapter, develop an argument suggesting that entrepreneurship can be taught in academic settings.

Answer: First, there are many examples of entrepreneurs that launched successful firms without prior entrepreneurial or business experience. Zach Schau and his founding team at Pure Fix Cycles is an example. So it's not fair to argue that entrepreneurship can be learned only through experience. Second, the four-step entrepreneurial process, introduced in the chapter, depicts the sequential nature of starting a new business. Anyone who "learns" this process and studies each step in the process is better equipped to start a business than someone who is not familiar with the process. As a result, entrepreneurship clearly can be “taught.

1-23. Aldona Bartosz is a computer science student in her last semester. She just completed a class on how to build smartphone apps. The last day of class, Aldona’s professor pulled her aside and told her that she has excellent aptitude for building smartphone apps and that she should pursue doing so instead of taking a job with an existing company following graduation. Aldona really respects her professor and is now thinking about accepting this recommendation. She is confident that she can build successful smartphone apps and has previously thought about being an entrepreneur. The downside is that she isn’t especially passionate about building smartphone apps. If Aldona asked you for your advice, what would your response be?

Answer: If Aldona is not passionate about building smartphone apps, she should think long and hard about pursuing that path, regardless of her aptitude for building apps. Building a business is an entirely separate challenge from producing the product or service the business will sell. It’s a difficult and challenging process. Unless Aldona has a specific passion for building a business that sells smartphone apps, she will find it to be a difficult and exhausting process.

1-24. One question that is often asked by people thinking about launching an entrepreneurial venture is “what should first-time entrepreneurs know before they launch?” Based on information featured in this chapter, what should entrepreneurs know before they commit to launching their firm?

Answer: Students will vary in terms of their answer to this question. A lot of things have to go right for a business start to be successful. Each step in the entrepreneurial process must be accomplished with a degree of proficiency. As a result, first-time entrepreneurs should acquaint themselves with each step in the process prior to launching a business. The front-end of the entrepreneurial process is particularly important. Special care should be devoted to completing the steps involved with “Developing Successful Business Ideas” in a deliberate and thoughtful manner.

1-25. Assume you have a friend who is thinking about starting a business to sell jewelry that he has been making only for friends for several years. Your friend is coming to talk to you because he knows that you are pursuing a degree in entrepreneurship. Your friend says, “I am worried that I may lack the skills to effectively operate a business if I decide to establish one.” Given your knowledge of “execution intelligence” as discussed in this chapter, what advice would you give to your friend about how to successfully operate a firm on an ongoing basis?

Answer: Your friend is correct in recognizing that execution intelligence is key. It is one of the four characteristics of entrepreneurial firms discussed in the chapter. Prior to launching his business, your friend should find mentors and advisors who are willing to work with him on the execution-related issues that will be involved with his business. He may also want to work for a business that is similar to the one he is thinking about starting before starting his own firm. That way he will have execution-related experiences in his area before he launches his own firm.

1-26. Aniyah Sabella, a friend with whom you went to high school and now college as well is talking to you about her interest in becoming an entrepreneur. In a way, this does not surprise you in that, your friend, has always wanted to be her own boss. However, in discussing her interest to start a themed restaurant, Aniyah tells you that earning a substantial income is the primary reason she is thinking about becoming an entrepreneur. She asks you if wanting to earn a significant amount of money is the main reason most, if not all, entrepreneurs start their firms. Using information included in this chapter, how would you respond to Aniyah's question?

Answer: Although there is nothing inherently wrong with trying to make money, it is usually a secondary reason people start businesses. The primary reasons are to be their own boss and pursue their own ideas. In addition, people often have unrealistic expectations about how much money they'll make as a business owner, opposed to pursuing a traditional career. The average entrepreneur does not make more money than someone with a similar amount of responsibility in a traditional job.

YOU BE THE VC EXERCISE

Note: The "You Be the VC Exercise" is short for "You Be the Venture Capitalist." Each "You Be the VC" feature provides an example of a real-life entrepreneurial firm. Each firm is young and its business concept hasn't been fully proven or developed. As a result, an effective way to use these exercises is to ask students to read them (and study the firm's website if you'd like to extend the exercise), and say, "You Be the VC. If you were a venture capitalist, would you offer this firm funding? Why or why not?"

We have used these exercises and have found that they stimulate fascinating classroom discussion. By evaluating these young firms, students are forced to think about the same issues that venture capitalists think about. The exercises also make good individual and group assignments.

There are two "You Be the VC" exercises at the end of each chapter of the textbook. We provide our take on each of the "You Be the VC" exercises as shown below.

COMPANY: Incredible Eats

Business Idea: Replace plastic silverware with edible utensils that are delicious, healthy, and eco-friendly.

1-27. Based on the material covered in this chapter, what questions would you ask the firm's founder before making your funding decision? What answers would satisfy you?

Answer: Questions:

- What is the strength of the new-venture team?
- What is the strength of the opportunity?
- What is the strength of the industry?
- What is the strength of the business model?

1-28. If you had to make your decision on just the information provided in the pitch and on the company's website, would you fund this company? Why or why not?

Answer: Answers will vary. We would not fund for two reasons. The company's vision is to reinvent the way people eat by replacing all plastic utensils with edible alternatives. First, we're not confident that people will be willing to eat the utensils they use. It represents a substantial change of behavior. Also, we are not how this company can create a "moat" for itself when competition enters. Its model is replicable.

COMPANY: Digital Robots

Business Idea: Design and build robot assistants that help people with chores so they can focus on the work they care about the most.

1-29**.** Based on the material covered in this chapter, what questions would you ask the firm's founders before making your funding decision? What answers would satisfy you?

Answer: Questions:

- What is the strength of the new-venture team?
- What is the strength of the opportunity?
- What is the strength of the industry?
- What is the strength of the business model?

1-30. If you had to make your decision on just the information provided in the pitch and on the company's website, would you fund this company? Why or why not?

Answer: Yes. There is a shortage of nurses, and the robot Moxi helps hospitals run 24/7 by assisting clinical staff with non-patient-facing tasks like: running patient supplies, delivering lab samples, fetching items from central supply, distributing PPE, and delivering medications. "Moxi stands out for being a socially intelligent robot that can aid nurses without making humans feel uncomfortable." Source: https://www.diligentrobots.com/moxi

CASES

Case 1.1
Allbirds: A Classic Entrepreneurial Tale
DISCUSSION QUESTIONS

1-31. Which of the characteristics of a successful entrepreneur, discussed in the chapter, do you see in Tim Brown? To what degree do you think these characteristics have contributed to Allbirds's success?

Answer: Two of the four characteristics of successful entrepreneurs, product/customer focus and execution intelligence, are seen in Tim Brown, and these characteristics have no doubt contributed to Allbirds's success. The founder approached business from a problem perspective and attempted to "solve" the problem via their venture to make shoes that are simpler in their design and make them using natural materials. But what really accounts for Allbirds's success was that the founder executed their idea really well.

1-32. How does Allbirds "add value" for its customers?

Answer: No woolen fabric existed that was strong enough for footwear. So, with the help of a world leading textile lab, Brown created one. The result is a patent pending fabric that's allowed Allbirds to create the first woolen running shoe." Allbirds, provides consumers the opportunity to opt for shoes made from natural sustainable materials, which is good for Allbirds and good for the planet.

1-33. To what degree do you think that "listening to customers" contributes to Allbirds' success? Provide an example of how listening to customers changed the way Allbirds marketed its products.

Answer: Allbirds's success results from listening to the customer and measuring customer satisfaction, soliciting feedback, and improving the firm's products. Listening techniques include: NPS Surveys, social media, meet and greet, observational research, and data analytics. An example of listening to customers is that initially Allbirds had blue shoes for men and pink shoes for women. The company received quite a bit of negative chatter on social media about gender stereotyping because of its color choices. As a result, all Allbirds shoes are now in neutral colors.

1-34. How do Brown and Zwillinger's actions debunk the myth that entrepreneurs launch and run ventures just for the money? Provide at least two concrete examples.

Answer: Allbirds debunks the myth that entrepreneurs run ventures just for the money because Allbirds' founders have had to raise money through crowdfunding and fundraising campaigns. Allbirds experienced supply chain disruptions during the COVID-19 pandemic and has only 11 percent brand awareness in the United States. It also has several competitors, who offer similar products, pursue a similar mission, and demonstrate a similar commitment to sustainability.

Case 1.2
Aura Bora: How a Sparkling Water Startup Started from Scratch and Is Now in over 4,000 Stores
DISCUSSION QUESTIONS

1-35. Which of the characteristics of successful entrepreneurs, discussed in this chapter, do you see in Maddie Voge and Paul Voge? To what degree do you think those characteristics contributed to Aura Bora's success?

Answer: A desire to pursue their own ideas. Also, a desire to make a positive difference in people's lives. Maddie and Paul preferred flavored water and considered the available drinks uninspiring. They saw trends in the beverage industry, such as craft beers that differentiated themselves through fun, quirky new flavors. They wondered if they could do the same with water. Maddie and Paul showed curiosity and motivation.

1-36. How does Aura Bora's product, herbal sparkling water, "add value" to the lives of its customers?

Answer: They added new flavors to sparkling water. Maddie and Paul improved their drinks. Their friends eventually told them that their sparkling water was better than anything on the market and urged them to start selling it.

1-37. On a scale of 1 to 10 (10 being highest), how would you rate Aura Bora in terms of customer/market focus?

Answer: Answers will vary. I rate it as an eight. Siddhi Capital said, "Aura Bora continues to provide superb flavor profiles and unique customer engagement strategies, and Siddhi Capital is thrilled to be the lead investor in this round." The firm intends to use the newly raised capital to enhance operational capabilities, to expand in retail, and enhance brand awareness.

1-38. If you were an investor, would you invest in Aura Bora? Why or why not?

Answer: Yes. One thing Paul and Maddie learned, which was good news for Aura Bora, is that while people have definite preferences for some food items, they are open to trying new things in the beverage aisle. This observation gives Paul and Maddie the opportunity to create new flavors of water and appeal to existing and new customers.

Writing Assignments

1. What are the four primary traits and characteristics of successful entrepreneurs? Of the four traits, which ones are the most descriptive of Ellie Symes and Wyatt Wells, the entrepreneurs whose experiences and successes are described in this chapter's "Opening Profile"?

   Answer: Passion for the business, product/ customer focus, tenacity despite failure, and execution intelligence are the four primary characteristics of successful entrepreneurs. Of these four, being passionate about the firm the entrepreneur intends to launch is the most common. Passion for the business is the most descriptive characteristic of Ellie Symes and Wyatt Wells, the entrepreneurs whose experiences and successes are described in this chapter's "Opening Profile"?

2. What is execution intelligence? Use your understanding of this concept to think about the execution intelligence displayed by Prim, the focus of the "What Went Wrong?" feature" in this chapter. On a scale of 1 to 10, with 10 representing "outstanding execution intelligence," what rating do you ascribe to Prim in terms of execution intelligence and why.

   Answer: The ability to fashion a solid idea into a viable business is a key characteristic of successful entrepreneurs. This ability is called execution intelligence Execution intelligence is often the factor that determines whether a startup is successful or fails., Starting a business is a rewarding yet challenging process Prim's passion for the business is what could have sustained the firm during challenging periods. Prim's founders were passionate about building a company but not the laundry business specifically. An example of Prim's lack of excution intelligence is the failure to develop core competencies in logistics. If Prim had developed unique capabilities in performing this task, it could have extended its pick up and delivery service to other industries. Instead, Prim outsourced this service so it developed no core competencies in this area. A rating of 5 is given for the reasons outlined above, Answers will vary.