A Compilation of Scholarly Articles On Entrepreneurship

Entrepreneur: Putting Theory Into Practice Every Day

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Published by:

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You have to see failure as the beginning and the middle, but never entertain it as an end. (Jessica Herrin)

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Introduction

Entrepreneurship is the new mechanism of global partnerships. Shark Tank and Beyond The Tank's Lori Greiner says, "Entrepreneurship is the way we take control of our lives in a tough economy." While that isn't the motivation for all entrepreneurs, her comments will hold sway with many.

We've seen life change before our eyes with the recent COVID-19 pandemic. Business owners had to think of innovative strategies to keep business going while under quarantine and maintain customer satisfaction in the process. Despite this, we're still experiencing a global economic downturn due to the extended period of reduced activity to deal with the Coronavirus.

Personally speaking, my online business grew in global interactions and has seen a marked increase in client uptake than it ever has since 2017 when I started it. I have forged partnerships in India, Nigeria and Ghana and connected with many potential clients and partners in other global communities. Unfortunately, some didn't fare as well. Many small businesses have suffered. Some had to close their doors due to inability to cope with the stringent government-imposed restrictions.

The emotional and psychological strain from an uncertain fiscal landscape has created a sense of anxiety, fear, hopelessness and loss for numerous households. I decided to create this eBook as a symbol of hope for entrepreneurs to stay focused throughout the lockdown process.

The content is a compilation of scholarly articles that I wrote while undertaking my Master of Business Administration studies at the University of Liverpool. I've published some writings in other media, however, these are being published for the first time in this ebook.

The entrepreneurial market plays an integral role in mitigating the challenges of unemployment and political instability during this unprecedented time. That is why it is necessary to continue to devise innovative ideas and strategies while we have the time.

We are living in the era dubbed, The Fourth Industrial Revolution, and the only companies that will survive post-Corona are those who adapted quickly and continue to learn and invent new ways of doing business. Therefore, the blooming of the entrepreneurial market is beneficial globally, as this would be the engine to new job creation opportunities to strengthen the economic infrastructure and quality of life for world citizens.

Increase Your Chances of **Success**

Canada's online small business magazine, About.com, has this to say about entrepreneurs; "Essentially, an entrepreneur is a person who starts a new business venture. However, we tend to think of entrepreneurs as people who

have a talent for seeing opportunities and the abilities to develop those opportunities into profit-making businesses".

If this is true then using the word failure in relation to an entrepreneur would be an oxymoron. However, being reasonable individuals we know the reality of the challenges that many entrepreneurs face in building a successful business. (Continued on Page 12)

Repurposing the Business Plan

A business plan is a document containing a list of planned activities of a new or corporate venture which includes financial, departmental and managerial information.

Susan Ward of Canadian Business Online summarizes a business plan definition as follows, “A business plan is a document that summarizes the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realized”.

Other important information contained in the business plan is the products or service that will be offered, a marketing plan, risk assessment strategies and a schedule of planned activities.

The Purpose of the Business Plan

The purpose of the business plan is to be a communication tool that is used to provide relevant business information to investors and customers.

Essentially a business plan is the roadmap of planned business activities used to outline the intended goals and plans of the business. One important aspect of a business plan is that it explains how the business plans to meet its goals.

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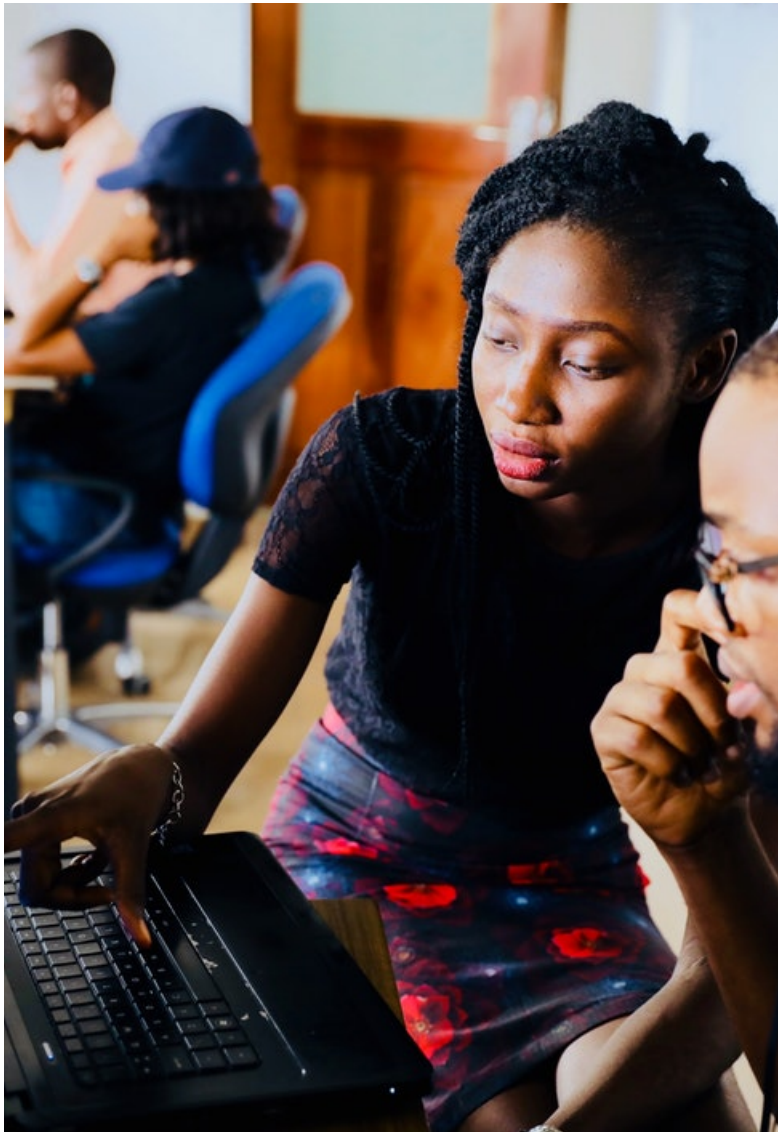

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Business Plan

The business plan can be used as a tool to measure progress i.e. what are the milestones and are they being achieved?

This is probably the single most important piece of documentation that investors must review when the entrepreneur goes in search of financing for the venture.

Timmons and Spinelli (2007) suggest two uses for the business plan:

1. Inducing someone to (give money to)
2. Guiding the policies and actions of the firm over a number of years.

Here again we see a recurring theme of the business plan as a tool used in obtaining capital and achieving business goals.

How To Identify the Best Team Members?

Human capital has to be available in the establishment of any new venture. Studies seem to suggest that a new venture has a greater chance of survival the more employees it has.

"...based on a cross-section off all new firms, one year survival rates for new firms increase steadily as the firm size increases. The rates jump by 19% when number of employees increase from twenty four to one hundred or more". (Timmons et al, p87) (Continued on page 13)

Franchise Life

Franchising provides entrepreneurs with an alternative to starting a business from scratch, by aligning with an already established business entity whose products or services are established in the market.

The word franchise (franch-eez) derived from the French means freedom, as in freedom of a city. Other meanings attributed to the French version of this word are exemption, frankness, openness, plain speaking. (Harrap's, 1980)

This latter definition reflects the subject matter for discussion in this document. According to FranChoice "franchising is a long-term cooperative relationship between two entities—a franchisor and one or more franchisees.

The franchisor grants the franchisee the right to use a developed concept, including trademarks and brand names, production, service and marketing methods and the entire business operation model, for a fee. The franchisee then provides the time, capital, and desire to utilize the brand and services provided by the franchisor to build a thriving business".

Some of the types of businesses or industries more likely to be associated with franchising are:

- Health care
- Auto service centres
- Ticket selling agencies
- Restaurants

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Idea or Opportunity?

Opportunity: (1) A combination of circumstances, time, and place suitable or favourable for a particular activity or action; (2) an advantageous circumstance or combination of circumstances especially when affecting security, wealth, or freedom; a time or place favouring advancement or progress.

Ideas abound in the human mind, but how do we know which one will become the foundation for a successful business? Or how does one turn an idea into an opportunity?

One may have to ponder the motivation behind the idea and perform preliminary analysis to determine if it is worth pursuing. Some questions that could be asked are:

- Why am I doing this?
- Is this a "get rich quick" scheme?
- Am I doing this due to dire economical needs?
- Is there a market for my idea (product, service)?
- How do I get others to believe in my idea?

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Increase Your Chances For Success

Research indicates that at least 75% of small businesses fail within the first two years therefore it seems that an entrepreneur needs a proven formula for success if he or she is to beat the odds.

The Wall Street Startup Journal (2007) offers great advice to entrepreneurs on pitfalls to avoid if they want to start and maintain a successful venture. I suggest good preparation as one of the keys to achieving a successful business.

This includes preparation of a “detailed business plan” comprising “timeframes, objectives, costs and expenses”. (Coombes, 2007)

In addition, having a good network provides much needed expert advice that will assist with areas of uncertainty and help to bolster confidence. In other words the entrepreneur needs as much help as he or she can get.

Knowing and understanding the market is also important in driving a successful venture. When one understands the market that they are trying to penetrate he or she will have an advantage in strategically positioning the product or service within that market segment.

At the outset the entrepreneur may not be able to invest in a marketing strategy, however having some knowledge of the competition is always useful.

"...decide where to position your product on quality and price"

Business startups run a high risk of failure. The average failure rate of startups across industries is over 46%.

This knowledge will assist with knowing what segment of the market to target and helps with setting appropriate pricing comparable to the competitors.

Kotler and Keller (2006) write that “The (business) must decide where to position its product on quality and price when entering the market”. Investing in a good marketing strategy may also be of great benefit to the business over the long term.

The business should have adequate checks and balances in place to be flexible and adaptable to changes in the market. This fits right in with Timmons and Spinelli’s (2007) Six Dominant Themes.

Smart business owners know that they should have a sufficient and sustainable source of capital to maintain the business, especially in the first couple of years.

If business is slow getting off the ground there will still be bills and other expenses that need to be paid.

Depending on the type of business that is being created location could play an important role in its well being.

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...Business Plan

Does this mean that businesses with less than twenty employees are doomed to failure? That would be a no. Analysts report that "businesses with fewer than 20 employees account for 90 percent of all U.S. firms and are responsible for more than 97 percent of all new jobs, according to a new report by the Small Business Administration". (Weber, 2007)

This information is based on data collected from new business ventures between the years 1988 to 2004.

The bottom line is that the right people are vital to the success of the business despite the numbers. Choosing the right people is a task that should not be taken lightly. Every effort should be made to carefully screen the individuals that will participate in this very important part of an entrepreneur's life.

The best team members are the ones who possess relevant experience in the field of the business that is being ventured into. An assessment of their past professional experiences should illuminate their skills and successes during their careers. Some questions to consider are:

- What has been their track record so far?
- Are they loyal?
- Are they team players?
- What are their salary expectations? – This could prove to be one of the most important questions asked. This is a new venture and although an individual may have the required skills, salary may be a deterrent to them joining the team.
- What is their current role and will participating in the new venture create a conflict of interest?

Choosing a Director

Choosing someone to lead the business requires as much thought and preparation as finding the right employees. As a matter of fact, this may require even more careful scrutiny as "the leadership profile is more complex. The traits you are looking for are subtle -- personality, leadership qualities, political savvy and cultural fit. Because the measures can be very subjective, it is best to rely on an outside resource or board members to help you define those values and traits that will work specifically for your company". (Kerkam, 2004)

This is the person who will be responsible for moving your business forward. It is therefore imperative that this person has the right skill sets to perform in the capacity of company Director. Using a recruiter in this instance may prove to be a valuable investment.

Questions to help in the screening process could be:

- Does he or she have prior directorial experience?

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...Business Plan

- Does he or she have the right skills or knowledge to move the business forward
- Can he or she successfully build investor relationships?
- Are they techno-savvy?
- Does he or she boast a record of growing companies in the past?

Choosing Investors

Entrepreneurs are blessed to have their choice of numerous venture capitalists that are ready to advance capital in any venture that they think will give them large returns on their investments. This could be a problem because many venture capitalists are only interested in large returns.

Entrepreneurs have other options like seeking a business loan from a financial institution or urging family and friends to become partners in the venture. There are advantages and disadvantages in all these areas.

The entrepreneur's responsibility is to ensure that they are choosing the right investors for the project. He or she should put aside enough time to meet with potential investors and get to know them. This means spending as much time with them as is possible. If an investor's values are not aligning with those of the entrepreneur, then the latter should be comfortable moving on.

To conclude the investor and the management team must work well together.

Increase Your Chances For Success

Another author, Rhiannon Williamson (2005), lists five top qualities that she thinks entrepreneurs should possess. In her article Miss Williamson suggests that the five qualities for business success are:

1. **Desire:** This is the desire to get away from the regular nine to five routine.

2. **Positivity:** According to her "an entrepreneur always maintains a positive attitude in most areas of life". This could be equated with number five in the Six Themes table found in Timmons et al (2007).

For an individual to maintain "Creativity, Self-Reliance, and Adaptability" they would need to have a positive outlook. Especially since one of the attitudes of this theme is "No fear of failure".

3. **Commitment:** This is number one in The Six Themes. Both authors seem to agree that the successful entrepreneur is in it for the long haul. They are committed to seeing the results of their hard work and will allow nothing to deter them from their goal.

4. **Patience:** In my opinion, patience here suggests tolerance. "Tolerance of Risk, Ambiguity and Uncertainty" (Timmons et al, 2007). Again the authors are in agreement that the successful entrepreneur carefully assesses risks before making decisions. A patient individual would also be tolerant of fluctuations in the market and the stress that comes along with that.

5. **Persistence:** Miss Williamson indicates that "Nothing is ever straightforward or without contradiction or change and the future is unknown". These are very clear allusions to risk, ambiguity and uncertainty. It takes a very determined and committed individual to keep a level head under such circumstances.

Small business growth is on the rise in Canada since the mid-1990s. In 2004 Canadian Imperial Bank of Commerce (CIBC) World Markets reported that, since 2002, approximately twenty five thousand small businesses began operations. Additional research into this trend cited in the same article suggests that people are starting small businesses because they want to, as opposed to doing it out of economic necessity.

At the time of writing, the majority of small business owners in Canada are men although women business owners are on the rise. This group has been slow out of the box perhaps due to the challenges they face in obtaining financing for their businesses.

The Task Force of Women Entrepreneurs, cited by Susan Ward (2007) had this to say; "...And because **women entrepreneurs are more likely than men to depend on their business earnings and personal debt for financing, women business owners are being held back".**

This brings home the point of how extremely important sustainable financing is in starting a small business. Lack of adequate financing is having such a visible impact on this demographic, that it was necessary to create a task force to ensure fair and equitable treatment in an attempt to help these entrepreneurs succeed.

In closing, there is no magic formula that one can use to ensure success in business. While a simple thought can be the foundation for starting a business, it takes guts, determination, discipline and experience to build it into a successful venture.

Franchise Life

The beauty of starting a franchise is that the entrepreneur will be able to make use of a reputable brand name to grow the business. The new entrepreneur can avail of logos and national advertising campaigns to create awareness of their franchise. Most importantly there is an already developed product and an available market for that product.

Franchising also assists with "overcoming the financial constraints of starting a new venture, offers solutions to management and allows rapid market penetration for the new venture". (Tracey et al, 2007)

Some of the key features of a successful franchise are location, building layout, standard hiring practices, a repeatable staff training model, marketing and a reliable way to get the product or service to the customer, known as the service delivery system (SDS). Timmons and Spinelli (2007) describe it as "the way in which resources are arrayed so that demand can be extracted from the marketplace".

Service Delivery Systems in a franchise venture can be the single most important feature that makes or breaks the franchise's success, therefore it is imperative that an entrepreneur research and understand the business format before investing in the venture. The business format of franchises is usually very customer-centric in that it requires "proximity to customers and involves a chain of geographically dispersed organizations". (Tracey and Jarvis, 2007)

They continue by saying "the franchisee has to run the business based on a model developed by the franchisor" which may provide an opportunity for the entrepreneur to be innovative by introducing a revolutionary new idea to that business that will improve the service delivery system and thus change the way they do business.

How Does an Entrepreneur Evaluate the SDS of a Franchise?

As with any other business opportunity, careful screening of the idea is important prior to making the decision to join a franchise. Some questions to be considered in advance are:

- Based on the entrepreneur's skills and experiences and the product offered by the franchise, is this opportunity a good fit?
- Does the business currently have a good reputation in the market?
- Are the products or services in demand?

A smart entrepreneur will also obtain a list of other franchisees that are affiliated with the business of choice and interview them to determine how well the existing business format or SDS is performing. This can be determined by reviewing the financial statements of the different franchises.

Central to this process is the kind of support that the franchisor offers to franchisees; What kind of ongoing support system is in place once the business is up and running?

In terms of location the entrepreneur should consider the following:

- What is the best location for the business based on customer demographics? i.e. are customers more likely to visit the closest location? What are their age groups or salary ranges et cetera?
- What is the proximity to the closest competitor?
- What are the hours of operations?

Once the location has been decided then the building structure should be determined. (Continued on page 17)

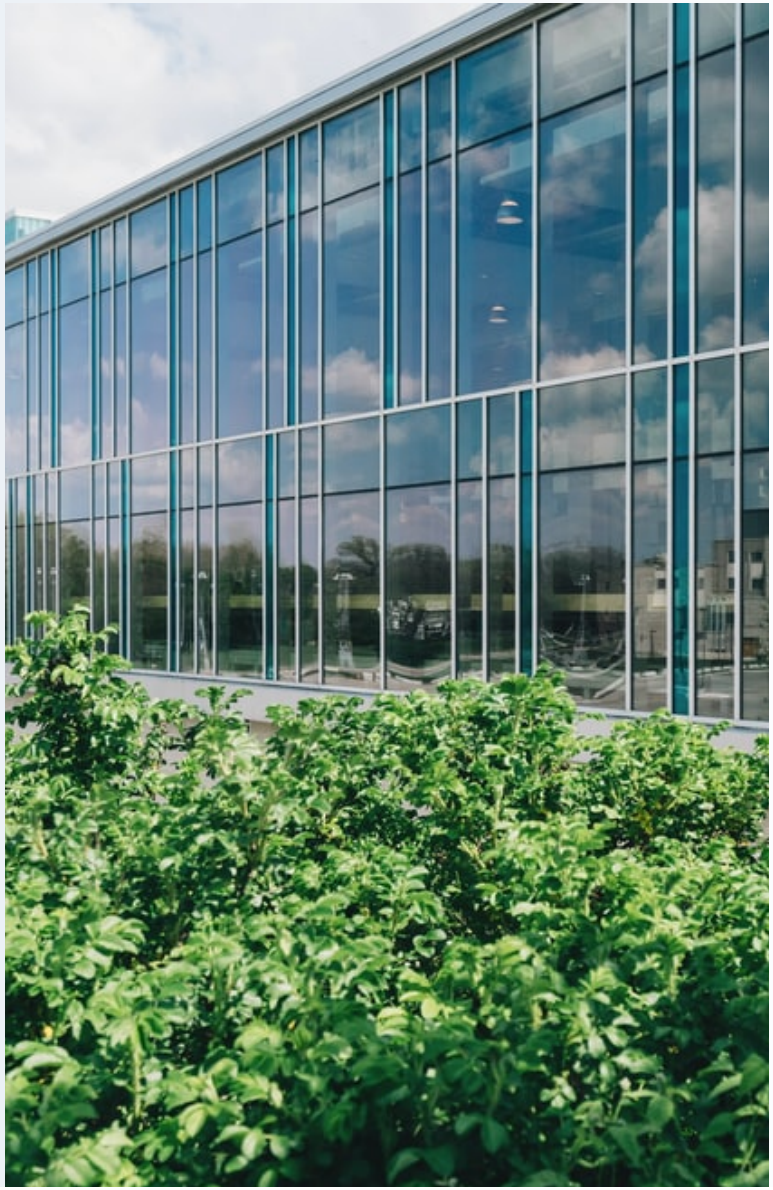
Is a permanent structure required or is this a “for hire” service that goes where the customer needs it to be?

If a permanent structure is required, the entrepreneur needs to determine the optimal size of the building, keeping in mind that larger facilities may incur more costs.

Then based on the product or service offering the most favourable response time and customer waiting times are to be decided to maximize on the number of customers, relevant to the competitor, who receive service daily. Another important question would be how can we improve on existing services to provide a competitive advantage?

The marketplace is becoming increasingly customer-centric and being able to provide in-demand quality services when the customer needs it, while reducing waiting time will help to determine the level of success of the business.

As Timmons and Spinelli put it, “The SDS is the fundamental means by which customers will be served, and the fashion, often proprietary in design, in which the service delivery resources are arrayed can create competitive advantage in the marketplace”.



Idea or Opportunity

Timmons and Spinelli (2007) opine that “A good idea is nothing more than a tool in the hands of an entrepreneur”. However, a tool is useless unless the person holding it knows how to use it.

Entrepreneurs like Colonel John Stevens, the Father of American Railroads and Michael Lee-Chin, Executive Chairman of AIC Limited knew how to use their idea (tool) to build towering empires.

From paying close attention to his competitor Robert Fulton, Colonel Stevens became aware of the success with the steamboat which birthed the idea to build a steam railroad. Unfortunately, he had to fight long and hard for the opportunity to turn his idea into reality.

John Stevens set out to build his locomotive long before modern-day This win propelled him to fame and started the era of steam engines. (Bellis, 2007)

Michael Lee-Chin is a Jamaican immigrant to Canada who has built one of the most successful fund companies in Canada to date. A Civil Engineer by profession, the entrepreneurial bug kicked in when he turned twenty-six and he entered the financial industry. He bought AIC Limited in 1987 and has taken the company from $1 million dollars in assets to over $8 billion as of this date. (AIC, 2007)

The timing was obviously right for these gentlemen to begin their new ventures. Colonel Stevens entered a new market and Mr. Lee-Chin took an existing product and made it better.

“There is a fine line between an entrepreneur and a crazy person. Crazy people see things that others don’t. What seems to differentiate the entrepreneur from the crazy person is that the former gets other people to believe in his vision.” (Roddick, date unknown)

Not only did both men have the required experience in their respective industries, but they also had a reliable team to help them attain their vision. Colonel Stevens had his sons and among others, Mr. Lee-Chin had his mentor, the well-known Warren Buffet.

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Idea or Opportunity

"If you aim at nothing, you will hit it with amazing accuracy". (Lee-Chin, 2007) What Mr. Lee-Chin is suggesting is not to dismiss your ideas when they come but to entertain them, nurture them and allow them to grow then act on the ones that have sufficient substance.

This may require that you perform preliminary market research and seek additional advice from experts in the field.

Once the idea develops in the mind it then has to be transferred to paper in the form of brainstorming to generate other ideas which are then translated into a concise business plan. The business plan then becomes the main marketing tool to raise capital for the business.

The entrepreneur should have already begun to build a team of competent individuals to move the vision forward. Taking an idea from thought to opportunity is a process that requires thorough planning and skilful execution.

So in conclusion, I advocate that an idea (concept or notion) is the result of a thought which, when implemented at the most opportune point in time, will consequently enhance "security, wealth (and) freedom".

Get Motivated

The main aim of the entrepreneur is to build a successful company and continue to improve it over time. Numerous strategies are put in place to accomplish this, among them are a good team, excellent management and appropriate reward systems.

The presence of a strong team is an asset to any entrepreneurial venture. Of all the required resources, people are by far the most important in the equation. Without the right individuals in place to help in consistently driving the venture forward, the entrepreneur would be hard pressed to progress from the idea stage to the execution stage.

The importance of a great team is highlighted during the planning stage when the business plan is being created. Venture capitalists are more likely to fund initiatives showcasing strong talent, bolstered by a solid business plan and by extension a good management plan.

The management plan describes the entrepreneurial team and the structure of the business. Therefore the information depicted therein must represent how the skills of these individuals will contribute to the bottom line.

When building the team, the entrepreneur takes into consideration, not only the skills, but the relevant experience of the team members which plays a big part in creating reward packages. A key skill of the entrepreneurial manager is "to create, through management, a climate and spirit conducive to high performance, including pressing for performance while rewarding work well done". (Timmons et al, p267)

Applebaum and Mackenzie (1996) stipulate that "the use of reward systems is...a positive action in recognition of the strategic role of compensation in furthering corporate goals".

Reward systems are many and varied per organization. There is:

1. Merit pay which rewards past performance
2. Incentive packages that reward future performance and can include, stock options, salary increase, health benefits et cetera.

It is up to the organization in question to choose the right mix of products that best fits its needs.

For a startup company the entrepreneur may offer a base salary plus profit sharing and commissions to the team, since there may be no shares to divide at this point. As the company grows and staff increases, the entrepreneur will have to adapt the reward package to meet the growing needs of the business.

Reward systems in and of themselves are useless unless employees see value in them. "Critical success criteria for individual incentive plans are that the employee is capable of performing the desired behaviour, and the employee perceives that the reward is valued and is contingent on performance". (Applebaum et al)

Whether an employee values an incentive plan or not is largely subjective, as this depends on what stage they are on Maslow's Hierarchy of Needs. Maslow opines that "the lower order needs or deficiency needs must first be met to ensure an individuals existence and security. Once these are taken care of then the growth needs have to be satisfied". (Vecchio: 75)

The most popular reward system in place is Management By Objective (MBO). This is a process whereby a manager and an employee set goals and objectives by which to measure the employee's performance. These goals are usually tied into the overall corporate strategy and therefore reflect tasks that are in line with the business plan for a specific period. In addition, they may also set personal objectives that the employee has to meet within a defined timeframe.

The incentive from this is usually monetary and reflects how well the business has done over a certain period; whether quarterly, semi-annually or annually. The employee gets a percentage of the overall revenue that the company gained during that period. If the employee has met her personal objectives, then she will receive a salary increase commensurate with her performance.

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Get Motivated

I have worked for two Fortune 500 companies that have this type of incentive package in place. In addition to the MBO, employees were presented with stock options to purchase shares in the company. If employees purchased upward of five percent of their salary in shares, this would be matched fifty percent by the employer. In other words, if an employee purchased $100 worth of shares and this equals five percent of the salary, the employer would contribute $50 to the total.

Added to this was an exceptional health benefit plan that covered one hundred percent of all medical spending and eighty percent dental. Junior staff started with two weeks paid vacation, while senior staff received three weeks. A week was added for each year worked up to five years after which the next increase would be on the tenth anniversary.

BMW has a unique way of motivating employees by rewarding mistakes. "Praised for the 'creative error of the month', (an) employee was recognized for 'outstanding and bold idea, which was well planned, (and) an excellent contribution!'", writes Kley et al (2005). The article goes on to explain that "the thinking behind having an official creative error of the month award is to avoid having a workforce that failed to challenge the status quo, rested on laurels and favoured tested strategies over innovations".

They further explain that "the idea is to remove the stigma from making a mistake at work, so a situation whereby cynical managers said "I told you so" could no longer happen". This would be a great idea for an entrepreneurial company to motivate staff to be innovative and be unafraid of making mistakes.

Another vital component of employee motivation is good management. Management styles vary with each individual. In a research of one hundred and forty-eight trainees in small and medium hotels, where entrepreneurs were divided into two groups; employee-friendly leaders and employee distant leaders, Mike Peters (2005) asserts that "in the eyes of employees, employee-friendly leaders were more creative in designing the right motivational and communication structure in the enterprise". These leaders showed "empathy and fairness which provide for higher motivation and job satisfaction for employees than their "distant" counterparts".

In summary, the best way to motivate employees to perform is to have the right combination of management skills and an adequate reward system that reflects company goals and is valued by all employees.

Financing Your Business

One of the most important aspects of the entrepreneurial process is securing financing for the business. It has been said that "cash is the lifeblood of any venture", without which a business may falter and cease to operate.

There are many sources from which one can secure financing for a business outside of venture capitalists. Entrepreneurs may use their own money or borrow from friends, family and close acquaintances. While these have the benefit of low, or no interest rates and long payback periods, money from these sources are limited. In addition, the individuals from these sources may invest only to offer support to the entrepreneur without the need for returns on their investment.

There is really no one best choice for new business financing, it is solely based on the entrepreneurs immediate and future needs. Two of my favourite choices of financing are Small Business Administration (SBA) loans and angel networks.

Small Business Administration (SBA) Loans

SBA loans are available for entrepreneurs who are having difficulty acquiring funding through conventional means. Although SBA loans are government-guaranteed, the entrepreneur still has to obtain a loan from a bank or other reputable financial institution. "SBA loans are intended for credit-worthy borrowers who have difficulty getting access to financing at reasonable terms and advance rates". (Reilly, 2007) The beauty of this program is that once these loans have been received, the government guarantees a payback of between 50% to 85% of the total, should the business fail (CSBF, 2007).

Participants in this program may borrow as little as fifty thousand dollars to as much as three million through what is called the 7a loan program. Another program, the 504 loan program, is available for businesses requiring as much as six million dollars. (Ross, 2007)

One of the drawbacks to this program is that the government does not actually provide the funding so it would be of little help to an entrepreneur who cannot receive funding. The program has come under criticism lately with many questioning whether the program still remains valid. (Continued on page 22)

Financing Your Business

Lee Conrad (2007), in his article, explain that “the loans receive no discounted interest rate (because) rates have hovered between 8 and 10.1 percent, (comparable) to regular bank loans”. Essentially then the only benefit for the borrower is the fact that a portion of the loan is guaranteed to be paid back by the government if the business does not succeed.

In addition to this Conrad reports that the process to qualify for the loans can sometimes be discouraging, sometimes lasting as long as sixty days, which leads entrepreneurs to opt out and choose credit-card financing for their business.

Business Angel Networks (BAN)

Business Angel Networks are increasingly becoming a prime source for venture capital financing. Business Angel Networks are described as “informal investors who provide risk capital directly to new and growing businesses with which they have no prior connection”. (Harrison and Mason, 1996)

In 1996 when Harrison and Mason prepared their article, most business angels were “men in their mid forties with an in-depth understanding of finances who could easily assess the associated risks of investing in a business, and therefore can avoid potential pitfalls based on their level of industry experience”. (Continued on page 23)

Financing Your Business

A more recent report out of the University of New Hampshire asserts that the angel investors has increased by 10.8% over the last ten years and “in 2006 women angels represented 13.8 percent of the angel market.

Women-owned ventures accounted for 12.9 percent of entrepreneurs seeking angel capital, and 21.5 percent of these women entrepreneurs received angel investment in 2006”. This reiterates the assumption in the first paragraph of this section. In addition, it demonstrates that not only are women entrepreneurs on the rise but that women are becoming more visible in all areas of the business landscape.

Business angels are most likely to invest anywhere from fifty thousand dollars in the UK (Harrison et al, 1996), rounding out at a quarter of a million to a maximum of one million dollars (Baker, 2007) in other parts of the world; a bit shy of the three million promised by SBA loans.

As with any other investor, BANs have their benefits and constraints. Some benefits of using angel networks are:

- They are a conduit for introducing potential investors and entrepreneurs. Research has indicated that there are more angels than opportunities to invest in. This seems to be a case of either the investor not knowing about the opportunities or the entrepreneur not presenting the opportunity in a palatable manner to get the investors’ attention.
- Not only do angels provide money, but they also provide time and much-needed advice to entrepreneurs. (Baker, 2007)

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Financing Your Business

Some constraints on BANS are:

- High risk and therefore require a high return on investment. Potential investors demand a return more than ten times the investment within a five year period.
- Potential deals have to meet specific criteria
- funded by an angel investor could mean giving away a part of your business, since some investors may want to join the Board of Directors or take on a management role (Baker, 2007). Timmons and Spinelli expound that “an entrepreneur may give up 15 to 75 percent of his or her equity for startup funding”.

Despite the source of financing used to fund the venture, Timmons and Spinelli advise entrepreneurs to do their homework before choosing a venture capitalist. Ideally, entrepreneurs should be looking for investors who:

- Have adequate capital and are looking for new proposals
- Are interested in startups
- Have intimate knowledge of the market being entered
- Can provide much-needed support and resources at this stage
- Have a successful track record with more than 10 years of experience to show.

In the end, it is better to choose someone who has a real interest in helping the business succeed than one whose main goal is to obtain high returns on the investment.

Money & The Entrepreneurial Process

What is the entrepreneurial process? This is the process of starting a new venture and Hirsch, PhD et al suggest the following four steps to this process:

1. Identification and evaluation of the opportunity
2. Development of the business plan
3. Determination of the required resources
4. Management of the resulting enterprise

Identification and evaluation

In this step, the entrepreneur is discovering things that are enjoyable and that he or she likes to do. This entails identifying strengths and weaknesses and combining them with past and present experiences to trigger sound business ideas.

Discovering societal needs that are not being met, and finding new and innovative ways to solve these problems is the next step in this identification process, after which they go on to screen the idea to determine its feasibility. It is in this first step that we determine if the idea is, in fact, a good opportunity.

Development of the Business Plan

Creating a business plan is perhaps the most important aspect of starting a new venture. It is here that the entrepreneur has the opportunity to display to potential investors and employees their managerial skills and knowledge of the industry and market that they are planning to enter. This is usually determined by the level of detail and supporting documentation contained in the business plan.

Determination of required resources

While developing the business plan, the entrepreneur is perhaps simultaneously building a management team of experienced and capable individuals to assist with growing the business. Financial and market resources are also being identified at this stage.

Management of resulting enterprise

This assumes that the opportunity was funded and the entrepreneur is ready to launch the product or service into the marketplace. He or she now faces the task of growing the business according to the business plan and selling and reaping the rewards of the product or service. A key component of this step is being able to adjust to changes in the environment in order to sustain the business and remain in operations.

Obviously there is much groundwork required before the entrepreneur should start to think about money. Timmons and Spinelli (2007) advise that "...happiness is a positive cash flow!—but think cash last".

Does this mean that cash is not important? By saying money is the least important the authors may be insinuating that the entrepreneur should go slowly and focus on researching and documenting the details of the venture first and foremost. Once the information has been collected and collated into the business plan only then should money enter the equation since he or she is now ready to shop around for investors. This is the point where money starts to become important.

In an essay dated May 4, 2007, I wrote, "...cash is the life-blood of any business and without it, survival is very unlikely. (Continued next page)

It would be extremely difficult to start a business without money regardless of size. It would be equally difficult to maintain the business without money. A business requires assets to be operational and whether they are current or non-current assets, money is required to purchase and maintain them.

Additionally, when a new business is created one of the first goals is to attract customers. (Money) is needed to educate the public about the products or services that the business is offering (by way of marketing)". (Millwood, 2007)

How much money is required depends on the type of venture. Some businesses require large sums for startup, while others do not. Timmons et al mention several entrepreneurs like Howard Head, Estee Lauder and the Disney brothers as starting their businesses with meagre finances.

Business consultants are increasingly encouraging entrepreneurs to develop their businesses by bootstrapping. **Bootstrapping or bootstrap funding is "a collection of methods used to minimize the amount of outside debt and equity financing needed from banks and investors" (Ebben and Johnsen, 2006:853)**

Instead of using the services of venture capitalists to fund their businesses, entrepreneurs may acquire loans from family members or friends, use personal credit cards and other personal resources to start.

In other instances they may "apply for federal grants, and many bootstrappers keep their day job while getting their new business off the ground. Some also find they can negotiate delayed payment plans with vendors and landlords and make some side income by consulting". (Spors, 2007)

(Continued next page)

Pankaj Arora (2007) of Entrpeneur.com offers the following five tips to successful bootstrapping:

1. Start your business out of your home
2. Think before you buy
3. Learn to barter
4. Start small
5. Be creative

Making a decision to start your business on a shoestring budget should be done with careful consideration and understanding ones personal finances will definitely help in this area. Based on personal finances the entrepreneur will know how much risk they can handle.

Self-financing your business could lead to a large amount of debt especially in the first two years of operations. The positive aspects of bootstrapping are keeping costs low and being able to reinvest revenue into the business.

All this being said I disagree with the statement that “money is the least important part of the resource equation and of the entrepreneurial process”.

While it may not be necessary during the initial stages of planning the business it becomes of utmost importance once the business plan is completed. From that point on the business will require money to sustain it if it is to grow into a successful entity.

About The Author

Karlene Millwood is a #1 Amazon bestselling author, multi-award-winning leadership strategist, screenwriter, playwright and inspirational keynote speaker who is passionate about empowering others to live their best life.

Karlene has authored four books (including two ebooks), collaborated on another two and has created several courses focused on Creative Writing, Leadership and the Entrepreneurial Mindset.

As a playwright and filmmaker, she wrote, directed and produced her first play, Forgiven, in 2014 and completed writing her second play, Diamond Life, in 2018. Karlene produced her first short film, Princess Lamp, in Vancouver in 2016, and her second, When Destiny Calls, in Toronto in 2017.

Karlene holds a Master of Business Administration (MBA) from the University of Liverpool in the United Kingdom (UK) and a Diploma for Writing For Film and Television from the Vancouver Film School.

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