



JUMP START

Gloria and Delia realize that although there are many advantages to owning their own business, there are many challenges that a business owner faces. Gloria knows that she and Delia have their work cut out for them, but she has confidence they can do it if they put their minds to it. She also knows that they really need to have a good idea and be certain that there are people who are willing to pay them for the product or service they want to sell. "How do we decide what kind of business we should have?" Delia asks Gloria. "There are so many businesses in our community," Gloria responds. "We have to come up with just the right idea!" How do people come up with ideas for new businesses? How do you think they decide if the idea is worth pursuing?

GOALS

Identify sources for new business ideas
Evaluate different business opportunities
Identify your own personal goals

KEY TERMS

opportunities, p. 17
ideas, p. 17
trade shows, p. 19

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Look for Ideas

Millions of entrepreneurs in the United States start their own businesses. You may wonder how they decided what businesses to operate? They may have acted on a new idea or an opportunity. An idea is different from an opportunity. **Opportunities** are possibilities that arise from existing conditions. **Ideas** are thoughts or concepts that come from creative thinking. Ideas can come from many different sources.

Hobbies and Interests

Many people get business ideas from their hobbies or interests. Bill had always enjoyed working with his grandfather on the farm and had helped to build

and maintain many farm structures. He built a garage and added a sunroom to his own home. He also was able to make plumbing, electrical, and carpentry repairs around the house. He started doing this for others in his spare time. Soon he had so many people calling on him for these services that he decided to start a general contracting business. Identifying your hobbies and interests can help you decide what business is right for you.

Past Experiences

Analyzing past experiences and jobs can help you come up with ideas for a business you would enjoy owning and operating. People who excel at their

jobs have generally learned much about their profession and how to satisfy customer needs. They also see how successful marketing is conducted. Through their work, they can build a network of potential customers, suppliers, employees, and distributors. When they feel confident that they can offer a product or service to this market more effectively than their current employer, they can start a new business.

David worked as a computer network administrator for a large company. Recognizing that he could perform the same computer services for other companies, David started his own computer consulting service. He currently earns less money than



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How can past experiences help you succeed as an entrepreneur?

he did working for a large company, but he enjoys working flexible hours and meeting new people.

Discovery or Invention

Sometimes a business opportunity arises from a discovery or invention. Someone may invent a new tool that works better than tools that are currently available. The next step would be to research and find out if the idea can be patented, who the competition is, what the manufacturing process would be, and who the target market is.

Chandra enjoyed working in her garden, but she did not like any of the tools she had for removing weeds from around the plants. She modified one of her tools and found that it worked perfectly. After several friends tried out the tool and liked it, Chandra decided to investigate obtaining a patent for it.

CheckPOINT

Where do new ideas for businesses come from?



Tech Literacy

SBA ON THE INTERNET

The Internet can be a very valuable resource for entrepreneurs because it contains thousands of web pages tailored to entrepreneurs. The Small Business Administration (www.sba.gov) has a great deal of helpful information for entrepreneurs. The Small Business Planner link has information that will help you decide if entrepreneurship is right for you as well as information on how to write a business plan, start your business, and manage it. There are also links to community resources that can be helpful to a new business owner. In addition, the SBA offers free newsletters and publications.

THINK CRITICALLY

What type of information on the SBA website do you think would be useful if you were starting a business?

Investigate Opportunities

People often do research to determine what is missing in a particular market—what needs exist that are not being met. By conducting this research, they hope to find the perfect business opportunity.

Utilize Resources

The Internet and the library have resources that can help you examine different opportunities. These include books on entrepreneurship, magazines for entrepreneurs, industry trade magazines, and government publications. *County Business Patterns* is an annual series of publications providing economic profiles of counties, states, and the United States as a whole. Data include employment, payroll, and the number of establishments by industry.

This is not the only place to investigate opportunities. The Small Business Administration (SBA) is an organization that exists to help small businesses and their owners. It publishes information that may be helpful. Talking to other entrepreneurs and attending professional events and **trade shows**, which are special meetings where companies of the same or a related industry display their products, can also be beneficial.

Compare Different Opportunities

Once you find appealing business opportunities, you need to identify which ones have the best chance for success. Now is the time to assess each business opportunity by asking yourself the following questions.

1. Is there a market in my community for this kind of business? Will people buy my product or service?



Write a letter to the Small Business Administration. In your letter, indicate your interest in starting a small business. Be specific about the type of business you wish to start. Ask what specific services the SBA provides to people who wish to start this type of business.



TEAMWORK

Working with classmates who have similar interests, come up with an idea for a business. Brainstorm a list of resources for finding information about similar businesses.

2. How much money would it take to start this business? Will I be able to borrow that much money?
3. How many hours a week is it likely to take to run this business? Am I willing to commit that much time?
4. What are the particular risks associated with this business? What is the rate of business failure?
5. Does my background prepare me to run this kind of business? Do most people who own this kind of business have more experience than I do?
6. How much money could I make running this business? Could I make a profit after paying expenses?

CheckPOINT

How can you find out about various business opportunities?

Set Goals

For everything you do in life, you set goals. Goals help you stay on track and follow through with your plans. The best goals are SMART. Smart goals provide more direction as shown below.

SMART GOALS

Specific	Goals should be specific and answer “What?” and “How?”
Measurable	Goals should establish ways to measure your progress
Attainable	Goals should not be too far out of reach
Realistic	Goals should represent things to which you are willing to commit
Timely	Goals should have a timeframe for achievement
Goal	I will learn more about starting my own business.
SMART	I will learn more about starting my own catering business by obtaining information from the Small Business Administration and talking with the owners of three local catering businesses by the end of the month.
Goal	

As an entrepreneur, you will need to set many goals. Goals can be categorized as financial and nonfinancial.



Business Math Connection

Mo Yang wants to start a mail-order business for model trains, planes, and cars. His income goal is \$27,000 per year. He can buy the models for \$10 and plans to sell them for \$19. How many models would he need to sell to meet his income goal?

SOLUTION

To determine the number of models he would need to sell, Mo Yang divided his income goal by the profit for each model.

$$\$19 - \$10 = \$9 \text{ profit}$$

$$\$27,000 \div \$9 = 3,000 \text{ models per year}$$

Mo Yang would have to sell 3,000 models to meet an income goal of \$27,000 per year. This showed Mo that he would have to lower his income goal or find another business idea because he would probably not be able to sell that many models.

Financial Goals

Set specific financial goals before starting a business. Financial goals can include how much money you will earn and how quickly you will pay off debts. Make sure your goals are realistic. Goals should also be measurable and easily attainable in the time allotted. If one of your goals is to make a large sum of money early on, you almost certainly will be disappointed. It usually takes time for businesses to become well established and profitable. Setting SMART financial goals will help you develop a realistic plan for earning a profit.

Nonfinancial Goals

Most people who own their own businesses do so for more than just monetary gain. They are looking for personal satisfaction. They may serve a community need, do something they like, or enjoy the personal independence of being an entrepreneur. You will want to specify what nonfinancial goals you want to achieve by being an entrepreneur. For example, you may want to offer support to a charitable organization, either by making monetary donations or by offering your business's services. Setting and meeting nonfinancial goals can help an entrepreneur live a more satisfying and fulfilling life.

CheckPOINT

Name some nonfinancial goals an entrepreneur may have.

Think Critically

1. Think about a business opportunity that appeals to you. For this business, write your answers to the six assessment questions listed in this lesson. Is this a realistic choice for you? Why or why not?

2. In terms of annual income, what financial goals have you set for yourself for five years after you graduate? What nonfinancial goals have you set that you might be able to fulfill by becoming an entrepreneur?

3. Your friend has set the following goal: I plan to start a lawn care business. Is this a SMART goal? Explain why or why not. What suggestions would you make for improving it?

Make Academic Connections

4. **Math** You live near the beach and have a passion for snorkeling. Your dream is to give snorkeling lessons. You estimate that after expenses, you can earn \$10 per lesson. Each lesson will be one hour long, and you plan to offer lessons five days a week. Your income goal is \$15,000 per year. How many lessons do you need to give to achieve this goal? Is this goal realistic?

5. **Social Studies** Write a personal nonfinancial goal involving your local community that you would like to achieve through entrepreneurship. Be sure the goal is SMART. Write an outline for a detailed plan you can follow to achieve this goal. Explain how it would benefit your community.