



JUMP START

Gloria and Delia spend time on the Internet and in the local library researching ideas for their new business. As a result, they come up with several ideas. Now they have to decide what to do with these ideas. As they discuss their options, Gloria says, “You know, Delia, we can talk about these ideas, but we really need an organized system that will help us make the very best decisions for our business.” “Yes,” Delia responds, “You are right. I remember reading about a problem-solving model that aids the decision-making process. Let’s learn more about it and see if we can adapt it for our use!” How do you think a problem-solving model can be useful in making decisions?

GOALS

List the six steps of the problem-solving model
Describe ways to improve your problem-solving skills

KEY TERMS

problem-solving model, p. 23
brainstorming, p. 26



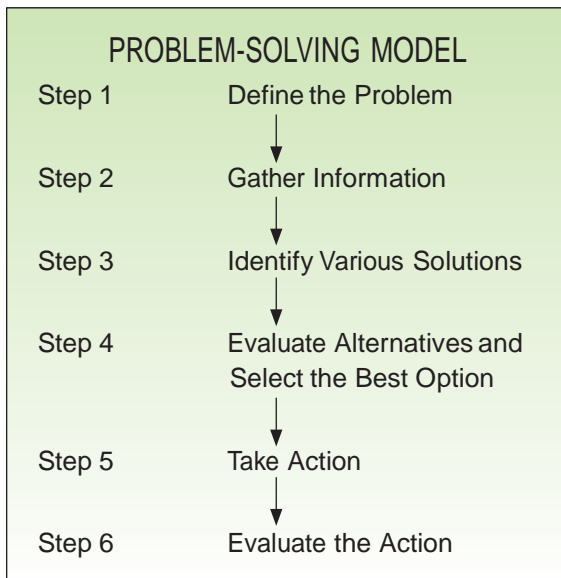
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Use the Problem-Solving Process

As an entrepreneur, you will be faced with making decisions and solving problems every day. Whether or not to become an entrepreneur is a big decision. Many entrepreneurs make decisions casually or base them on intuition. As a result, their decisions are based on faulty assumptions or illogical thinking. The best entrepreneurs use formal problem-solving models to gather information and evaluate different options.

A formal **problem-solving model** helps people solve problems in a logical manner. The model consists of six steps.

Step 1 Define the Problem



Before you can solve a problem, you need to diagnose it. Write down what the problem is. Try to quantify it also. For example, you may be trying to decide whether to start your own business or work for another company. If you accept the job offer, your income would be \$30,000 a year. If you reject the job offer, you would lose that income. Quantifying the problem helps you figure out how much it is worth to you to solve it.

Dan knows what his problem is: Should he start a website design company? He took many computer courses throughout high school, and he is now attending college. He has worked in the food industry throughout high school and college. Dan enjoys working at restaurants and has gained valuable customer service and management experience. In addition, he also volunteers his web design skills on projects for his university and local community programs. He will be graduating in the next few months with a degree in Computer

Science. Dan is considering starting his own website design business, but he is not sure whether that is the right choice for him.

Step 2 Gather Information

Once the problem has been defined, you need to gather information that could help solve it. Relevant information may be obtained from many sources, including company records, industry data, and trade magazines. It is also a good idea to interview other people in the industry to find out what their experiences have been and to learn how they have solved similar problems.

In Dan's case, it would be helpful for him to take a closer look at himself. He should do a self-assessment to determine his strengths and weaknesses. He also needs to consider his skills, experience, and interests. Does he have the characteristics of a successful entrepreneur? He also needs to examine the advantages and disadvantages of running a website design company. He should talk to other professionals in the business and read trade magazines to gather information about running a website design business. Dan needs to explore every aspect of starting and running a website design company.

Step 3 Identify Various Solutions

Most problems can be solved in various ways. Identify all possibilities before you settle on a particular solution. Dan comes up with several possible solutions to his problem.

1. Work as an employee in a position that utilizes his customer service skills and management experience.
2. Work as a website designer for another company to gain more experience and then start his own business in three to five years.

3. Pursue his interests in the food industry and open his own restaurant.
4. Start his own website design company upon graduation.

Step 4 Evaluate Alternatives and Select the Best Option

The decision maker next needs to evaluate the alternatives to determine the best solution. In some cases, it may be possible to quantify the costs and benefits of each alternative. In other cases, quantifying each alternative may not be possible, and the decision maker may simply have to rank each alternative.

Dan ranks option 1 the lowest because of his strong desire to be his own boss. All of the information that Dan gathered indicates that he has a strong chance of succeeding as an entrepreneur. He ranks option 3 next to lowest. Dan has considerable experience in the food industry and enjoys that type of work, but he decides he would rather pursue his interests in website design. He ranks option 2 second because he is already confident in his level of computer knowledge and experience. After evaluating all of his alternatives, Dan decides option 4 is the best solution.



What are some ways to evaluate alternatives to help you make a decision?

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Step 5 Take Action

Once you have selected the best solution to the problem, you need to take action to implement it. Dan begins putting together a business plan and spreading the word about his new venture.

Step 6 Evaluate the Action

The problem-solving process is not complete until you evaluate your action since even a well-thought-out solution may not work. After being in business for six months, Dan evaluates whether he is achieving his financial and nonfinancial goals. It seems that Dan made the right decision because his business is profitable and he is enjoying his work. Dan will continue to use the problem-solving model to make the most effective decisions for his new business.

CheckPOINT

What are the six steps in the problem-solving process?



TEAMWORK

Working as a team, identify some benefits to using a formal problem-solving method that are not given in the text. Provide some examples of how entrepreneurs might use the problem-solving model in their business.

Problem-Solving Skills

The problem-solving model will become a valuable tool to you throughout your career. However, there are a few other things you can do to improve your problem-solving skills.

Communicate

Good communication is important in the problem-solving process. When trying to resolve problems and make decisions, you most likely will have to interact with others. You may have to ask questions, request information, and express your ideas and opinions. On such occasions, it is important that you communicate clearly and confidently. You must also be a good listener. You must carefully listen to information, opinions, and suggestions from others. Listening to others' input can help you make informative decisions.

Brainstorm

Brainstorming is a creative problem-solving technique that involves generating a large number of fresh ideas. Brainstorming is often done in a group setting, but it is a very useful activity for an individual as well. Brainstorm by writing down as many possible solutions to your problem as you can think of. Do not be afraid to write down any idea you have. The point of brainstorming is not to judge your ideas as good or bad but to come up with as many ideas as possible. Once you have made a list of ideas, you can use the problem-solving model to determine the best alternatives.

Learn from Mistakes

If you want to become an entrepreneur, you cannot be afraid to make mistakes. Mistakes are likely to happen, but you should view them as a learning experience. Mistakes can help you learn what to do or what not to do, which proves to be valuable in the problem-solving process.

Some of the nation's most famous entrepreneurs failed before they came up with a winning idea. Colonel Sanders of KFC fame is a good example. He held many jobs and owned a motel chain, service stations, and other restaurants that were unsuccessful. Eventually, he developed his secret recipe chicken. In 1952, at the age of 62, he began traveling by car across the country selling his chicken. By 1964, there were 600 KFC restaurants in the United States and Canada, and Colonel Sanders sold KFC for \$2 million.

CheckPOINT

How can you improve your problem-solving skills?

Think Critically

1. Must the six steps in the problem-solving model be performed in the order described? Why or why not?

2. How do you think strong communication skills can improve the problem-solving process? Provide specific examples of how a business owner might use communication skills to resolve a problem.

Make Academic Connections

3. **Math** In the *Identify Various Solutions* stage of the problem-solving model, you list a variety of possible solutions to a problem. For the four options Dan came up with on pages 24–25, assign a percentage weight to each based on Dan’s reasoning. Give the decimal equivalent for each percentage. What must the decimal value of the four options total?

4. **Problem Solving** You own a successful shop that buys, sells, and services bicycles. In January, the owner of the building you now lease tells you that she has found a buyer for the property and plans to sell it in six months. Using the six-step problem-solving model, develop a plan for how to proceed.

Chapter Summary

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|---|---|
| 1.1 All about Entrepreneurship | A. Entrepreneurship is the process of running a business of one's own. The person who owns, operates, and takes the risks of a business venture is called an entrepreneur.
B. Factors that contribute to a new business's success include adequate capital, a product or service that meets customer needs, and the owner's education level and business experience. |
| 1.2 Is Entrepreneurship Right for You? | A. Successful entrepreneurs tend to be independent, self-confident, determined, goal-oriented, and creative.
B. Entrepreneurs must have good team-building skills and be able to work well with others.
C. To determine whether entrepreneurship is right for you, you will need to assess your strengths, weaknesses, interests, and aptitudes. |
| 1.3 Explore Ideas and Opportunities | A. Ideas for new businesses can come from your hobbies and interests, your past experiences, and from a discovery or invention.
B. You may investigate business opportunities through the Internet and public library, the SBA, trade shows, and other entrepreneurs.
C. Entrepreneurs should set SMART goals, which are specific, measurable, attainable, realistic, and timely. |
| 1.4 Problem Solving for Entrepreneurs | A. A problem-solving model consists of six steps: define the problem, gather information, identify various solutions, evaluate alternatives and select the best option, take action, and evaluate the action.
B. There are several ways to improve problem-solving skills including communicating, brainstorming, and learning from mistakes. |

Vocabulary Builder

Choose the term that best fits the definition. Write the letter of the answer in the space provided. Some terms may not be used.

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| _____ 1. People who work for someone else
_____ 2. Evaluation of your strengths and weaknesses
_____ 3. Possibilities that arise from existing conditions
_____ 4. Special meetings at which companies display their products
_____ 5. People who own, operate, and take the risk of a business venture
_____ 6. Thoughts or concepts that come from creative thinking
_____ 7. The ability to learn a particular kind of job
_____ 8. The process of running a business of one's own | a. aptitude
b. brainstorming
c. employees
d. entrepreneurs
e. entrepreneurship
f. ideas
g. opportunities
h. problem-solving model
i. self-assessment
j. trade shows |
|--|--|

Review Concepts



9. How are entrepreneurs different from employees?

10. Why do some people go into business for themselves?

11. Why are entrepreneurial companies important to our economy?

12. What are the eight characteristics of a successful entrepreneur?

13. Name four different kinds of entrepreneurial businesses and describe what each produces.

14. Why is it important for a beginning entrepreneur to perform a personal assessment?

15. Why should entrepreneurs take past experiences into account when deciding to start their own business?

16. Why is it important to have an aptitude for the business you decide to own?

17. Name some key factors that aid an entrepreneur's commitment to a business.

18. List the four advantages and the four disadvantages of entrepreneurship.

19. What resources can you use to research business opportunities?

20. Why should you set both financial and nonfinancial goals for yourself as an entrepreneur?

Apply What You Learned

21. The categories of entrepreneurial businesses include manufacturing, wholesaling, retailing, service, agricultural, and mining and extracting. In small groups, brainstorm specific industries and companies that belong to each category of business. Try to list at least one green business for each category. Make a list of industries and companies for each type. Share your results with the class.

22. Think of a problem, perhaps at home or school, that you need to solve. Use the six-step problem-solving model to reach the best solution. Write a one-to two-page report describing how you completed each step.

23. What is the relationship between interest in and aptitude for a particular field? Can interests and aptitudes be the same? Why or why not?

24. Why is setting realistic financial goals important to creating a successful business?

Make Academic Connections

25. **History** Use the Internet to research how entrepreneurship today is different from entrepreneurship in colonial time. Write a one-page report describing what you learn.
26. **Math** Ellen Greenberg loves to make and fly kites. Ellen is planning to open a shop selling custom-made kites. She asks for your advice to help her set financial goals. Ellen estimates that after expenses, she can make a \$15 profit on each kite she sells. If her annual income goal is \$15,450, how many kites will she have to sell? Is this goal realistic?

27. **Research** Find information on the life and career of a famous historical entrepreneur. Find out information such as birthplace, the type of business started, and what effect the person had on the economy and history. Is the business still operating? If so, what changes have taken place in the company since it started? Write a short report about your findings.

Ethical Dilemma

28. Nancy and Gary had been best friends since elementary school. During their senior year, Nancy told Gary about an idea she had for a business in the local community. She had done some research and thought that her idea had a good chance of turning into a profitable business. After high school graduation, Nancy went away to college while Gary stayed home and went to the local community college. Since Nancy had not acted on her business idea before leaving for college, Gary decided that he would try to open a business using Nancy's idea. What do you think about Gary's actions? Is he doing the right thing?