

Innovative Business Mindset

Innovative Business Mindset

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Introduction

This *Innovative Business Mindset* textbook is an open educational resource with CC-BY 4.0 licensing developed for entry-level business and entrepreneurial students. Content is based on the Chippewa Valley Technical College curriculum for the Innovative Business Mindset course (102-130).

This book introduces the traits and mindset of entrepreneurs, different tools to determine personal entrepreneurial traits, and a variety of innovative companies (small, social, and global), in addition to an examination of the differences between entrepreneurs and intrapreneurs. Finally, this text contains information on the development of business plans.

This book is available for free online and can also be downloaded in multiple formats for offline use. The online version is required for interaction with adaptive learning activities included in each chapter.

The following video provides a quick overview of how to navigate the online version:



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Preface

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Chapter 1: Entrepreneurship Introduction

ENTREPRENEURSHIP TODAY

As we dive into the study of entrepreneurship, let's define what we mean by the word entrepreneur. There are many definitions, but for this course, we'll think of **entrepreneur** as someone who identifies and acts on an idea or problem that no one else has identified or acted on. This combination of recognizing an opportunity to bring something new to the world and acting on that opportunity is what distinguishes an entrepreneur from a small business owner. A **small business owner** is someone who owns or starts a business that already has an existing model, such as a restaurant, whereas an entrepreneur is someone who creates something new. For example, this new creation can be a new process or product, a business that identifies a new or unique target market, or a combination of ideas that creates a new approach or method (OpenStax, 2020).

Large organizations can try to replicate this by fostering "intrapreneurship." **Intrapreneurship** encourages employees to think like entrepreneurs and develop fresh perspectives that can lead to new ideas for the company. These workers may have more freedom, but the organization still has control over the project and takes on any associated risks. We'll discuss intrapreneurship in more detail in the next chapter (Stanford, n.d.).

Entrepreneurs bring advantages to all sectors, whether it's big corporations or small businesses.

In a broader sense, what people consider an entrepreneur can vary. Some scholars strictly differentiate between entrepreneurs and small business owners. Others acknowledge that a small business owner may also be an entrepreneur—they are not mutually exclusive. Someone may

start a venture that is not a completely new idea but introduces a product or service to a new region or market.

Where does a franchise fall in this discussion? Again, there is not complete agreement, with some claiming that a franchisee and entrepreneur cannot be the same, and others arguing that a franchise is, indeed, an entrepreneurial venture. Small business owners and franchisees can be considered entrepreneurs. For the purposes of this course, we'll learn the key principles of entrepreneurship alongside the concepts, strategies, and tools needed to succeed as a small business owner or franchisee.

Entrepreneurs have many different talents and focus on a variety of different areas, taking advantage of many opportunities for entrepreneurial ventures. An **entrepreneurial venture** is the creation of any business, organization, project, or operation of interest that includes a level of risk in acting on an opportunity that has not previously been established. For some entrepreneurs, this could be a for-profit venture; for other entrepreneurs, this could be a venture focused on social needs and take the form of a nonprofit endeavor. Entrepreneurs might take a variety of approaches to their entrepreneurial venture, such as those shown in Table 1.1.

TYPES OF ENTREPRENEURS

Understanding the different types of entrepreneurs as shown in Table 1.1 is important because it helps provide the right support and resources for their specific needs. This knowledge also highlights how each type of entrepreneur uniquely contributes to the economy and society, which will be discussed in later chapters.

Table 1.1: Types of Entrepreneurs

Type of Entrepreneur	Approach to Venture
Traditional entrepreneur	Someone who identifies and acts on an idea or problem that no one else has identified or acted on in the same way
Social entrepreneur	Someone who has an interest in solving a social, environmental, or economic problem
Serial entrepreneur	Someone who starts a business and once it is up and running, they start a new business and repeat this cycle
Small business owner	Someone who owns or starts a business that already has an existing model, such as a restaurant
Solopreneur	Someone who is an entrepreneur or small business owner and is the only person working in the business
Intrapreneur	Someone who has the same mindset as an entrepreneur but acts within the confines of an existing organization (Libretexts, 2024)

TYPES OF BUSINESS OWNERSHIP

Before we continue, it's important to understand the different types of business ownership structures that exist. See Table 1.2 for a description of commonly found business ownership structures and liability information. Structures are often chosen because of their tax implications and personal liability to the owners (Bitler, 2024).

Table 1.2: Business Ownership Structure Types

Business Ownership Type	Description	Personal Liability
Sole Proprietorship	An unincorporated business entity operated by a single person; simple to set up and operate and with profits/losses passing directly to the owner.	Yes
Partnership	A business co-owned by two or more individuals, with management, profits, and liabilities depending on the type of partnership formed.	Yes (varies by type)
C Corporation	A separate legal entity from its owners, paying corporate income tax, with potential for unlimited investors and perpetual existence.	No
S Corporation	A separate entity with shareholder liability protection, avoiding double taxation by passing profits/losses through to shareholders' personal taxes.	No
Limited Liability Company (LLC)	Combines elements of sole proprietorships, partnerships, and corporations, offering liability protection and pass-through taxation without complex regulations.	No
Nonprofit Corporation	Formed for charitable, educational, religious, literary, or scientific purposes; exempt from state and federal income taxes, with profits directed toward charitable goals.	No
Franchise	A business model where an individual (franchisee) operates a business under the brand and business model of a larger company (franchisor), typically with a mix of ownership benefits and obligations.	Yes (varies by contract)

Personal liability refers to an individual's legal responsibility for the debts and obligations of their business. If a business incurs debts, is sued, or faces other financial obligations, the owner's personal assets (such as their home, car, and savings) can be used to satisfy these obligations. This concept is critical in determining the extent to which a business owner is financially exposed to risks associated with their business operations.

- ▶ While there can be much to consider, the [Small Business Administration](#) has guidance on how to structure a business, along with other resources entrepreneurs find valuable.

SOCIAL ENTREPRENEURSHIP

A **social entrepreneur** has an interest in solving a social, environmental, or economic problem. A social entrepreneur identifies a problem with a social or community focus, a concern for quality of life, or concern for our entire planet's health (OpenStax, 2020).

One such person is Angad Daryani, a young serial inventor. Daryani left school in the ninth grade to join the Media Lab at the Massachusetts Institute of Technology (MIT), where he worked on an industrial-scale air filter to clean pollutants and carcinogens out of our planet's air. Daryani's home country of India is the world's third largest emitter of carbon dioxide, according to Global Carbon Atlas, behind China and the United States (Figure 1.1).



Figure 1.1: The Mumbai Skyline Clouded by Hazy Pollution

Daryani is interested in not only solutions for air pollution, but his product will also provide financial gains and add to his personal credibility as a serial entrepreneur, or someone who starts and harvests multiple entrepreneurial ventures. Daryani describes himself as an inventor and social entrepreneur, combining his interest in improving lives through a variety of entrepreneurial ventures, including products like Sharkits (a do-it-yourself-kit company that teaches children how to build technology), the SharkBot 3D printer (an attractive, low-cost, and reliable 3D printer), and several other projects that combine technology and human needs. As each of these products advances to commercialization, the products and technology are becoming more applicable for other uses as well. For more examples of projects that Daryani is working on, take a look at his [Abgadmakes](#) website, which includes videos and articles and also highlights the international recognition he has received for his innovative work.

Entrepreneur In Action

Research Angad Daryani and his technology to remove air pollution by visiting this [CNN article](#).

- What other products besides the originally intended application of improving air quality could this technology or methodology be used for?
- What critical decisions would you anticipate that Angad will face in creating and commercializing his product?
- How would you define success for Angad or this air-cleaning company?

Pause and Reflect

Consider a social issue that you might feel compelled to take on as a passion project. Some social issues include childhood hunger, access to clean water, access to education, or opioid abuse.

 Watch [Johann Hari's Ted Talk on addiction to learn](#) more. (TEDGlobal, 2015)

- Do you have any ideas for creating an entrepreneurial venture around the idea of building quality relationships and communities?
- How would you balance a passion project with an

entrepreneurial purpose?

ENTREPRENEURIAL LIFESTYLE AND CAREER

Being an entrepreneur has become synonymous with being an innovator, a change agent, or a risk taker. Regardless of job titles or descriptive characteristics, entrepreneurship has a universal appeal for how people think and engage with the world (OpenStax, 2020).

Choosing the path of entrepreneurship requires a willingness to take on calculated risks. The difference between risk and calculated risk is conducting the necessary research and investigation to make informed decisions that minimize risk. There can be personal financial risk when starting a new venture. Some startup entrepreneurs continue with their current employment while working on the side to develop their idea into a venture that eventually will generate an income. Until the venture requires near full-time work and generates income, maintaining an outside income works well for many entrepreneurial teams.

Industry Example

Consider the eyeglass startup Warby Parker (Figure 1.2). Dave Gilboa and Neil Blumenthal, lead entrepreneurs for Warby Parker, were still working their day jobs when they approached an **angel investor** with their idea. The angel investor asked a few questions

and wasn't impressed. This investor believed that Gilboa and Blumenthal should demonstrate their solid commitment to the venture by quitting their day jobs to dedicate more time and energy to Warby Parker. Instead of following that advice, Gilboa and Blumenthal kept their day jobs while they continued to work toward building their venture, and Warby Parker eventually became highly successful. There are many paths to becoming an entrepreneur and many paths to creating a successful venture. For an entrepreneur's life and for their venture, it is crucial to identify the path that works best. This path should support their goals, unique situation, and visions.

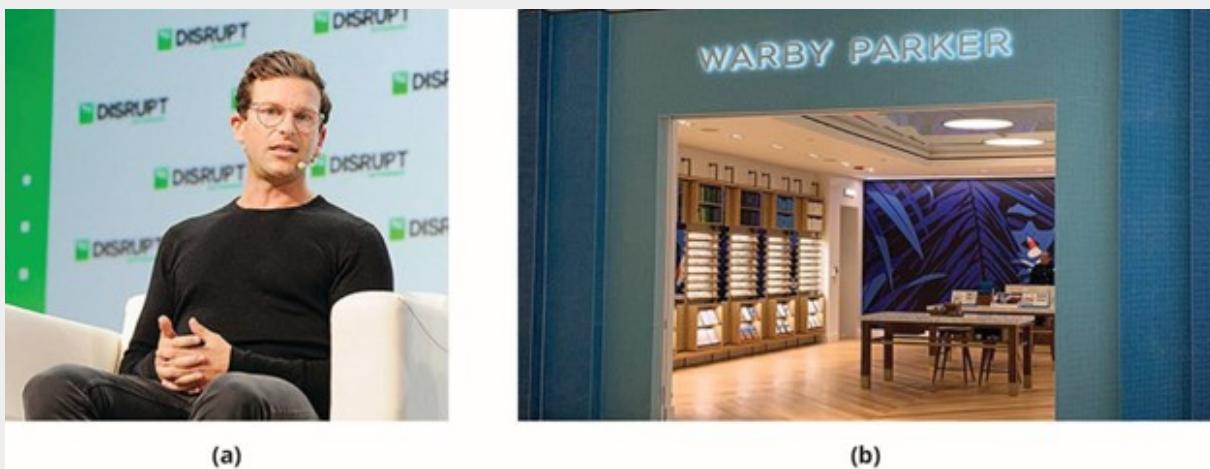


Figure 1.2: (a) Co-founder and co-CEO Dave Gilboa helped push (b) Warby Parker to become a successful entrepreneurial venture.

Pause and Reflect

Which type of entrepreneurship best fits you? What type of entrepreneurship resonates with you most? Which type best fits your professional goals? Take time to consider these questions carefully.

THE ENTREPRENEUR AS A PROBLEM SOLVER

What are some challenges you face in your life? Have you ever actively thought about how you could solve those problems? Or have you actively identified exactly what the problem is from an analytical perspective? We often rush from recognizing a problem to choosing a solution without fully understanding whether we have correctly identified the issue. Properly defining the problem and assessing the potential, innovation, and practicality of your solution are crucial for effective problem-solving. Often, when we start to explore the problem, we find that it has multiple causes, such as the following:

- The need for something to be better, faster, or easier
- The effects of changes in the world on your industry, product, or service
- Market trends based on geography, demographics, or the psychology of the customers

One characteristic of a savvy entrepreneur is recognizing the ability to identify a problem from an **opportunity-identification perspective**. We

might identify feeling hungry as a problem, but an entrepreneur would identify the problem using an opportunity-identifying perspective by determining how the problem could be translated into an opportunity to create a new venture—perhaps combining the problem of feeling hungry between meals into a street kiosk or a vending machine with food choices or creating a new snack that is nutritious, satisfying, and portable. When people have a busy day with no time or easy access to food, they often end up hungry. Rephrasing the problem, or need, from an opportunity viewpoint opens the search for a sustainable solution beyond the simple awareness of feeling hungry. We might solve this problem by opening a snack bar with offerings containing essential vitamins and proteins and is easy to transport with a long shelf life. Understanding the problem from the perspective of how to solve it for one person into how to solve it for multiple people rephrases the problem into an opportunity-identification perspective.

3M's Post-It Note

DID YOU KNOW? The Post-it note was created by Arthur Fry, an intrapreneur. He wanted to solve the problem of saving his church hymnal page without damaging it. He found that bookmarks would often fall out. He soon realized his creation could help others when colleagues kept stopping by his desk for “bookmarks.” (Bellis, 2019)

You might also have an interest in solving food-related problems on a larger scale. People trapped in a war-torn region may not be able to leave the safety of their shelters to find, grow, barter, or buy food. They may not have the money to buy food. How could you reach your target market within a war-torn area? Red Cross emergency response teams provided more than 4.5 million meals and snacks with their partners to

communities affected by disasters in 2023. Could your idea of creating a snack bar fit into a partnership with the Red Cross (American Red Cross, 2023)?

Although this might seem like a simple problem with a simple solution, recognizing a problem, finding a realistic solution, and creating a successful venture requires an entrepreneurial mindset. Every day, people become entrepreneurs as they identify and solve problems, or face new challenges or frustrations, and resolve them in creating products or services to address these issues.

Pause and Reflect

Recognizing Problems

In your daily life, what problems do you encounter? What would make your life easier? How would you finish this sentence: “If only _____ existed, my life would be better or easier”? To spur your creativity, you might research global problems to find an area that interests you and sparks your passion for living a fulfilling life. When identifying a problem, consider process-related problems, as well as service-related problems.

- What problem have you identified?
- What can you do to resolve that problem?

THE ENTREPRENEURIAL PERSONALITY

Studies of the entrepreneurial personality find that entrepreneurs share certain key traits. Most entrepreneurs have the following characteristics:

- **Ambitious:** They are competitive and have a high need for achievement.
- **Independent:** They are individualists and self-starters who prefer to lead rather than follow.
- **Self-confident:** They understand the challenges of starting and operating a business and are decisive and confident in their ability to solve problems.
- **Calculated Risk-takers:** Although they are not averse to risk, most successful entrepreneurs favor business opportunities that carry a moderate degree of risk where they can better control the outcome over highly risky ventures where luck plays a large role.
- **Visionary:** Their ability to spot trends and act on them sets entrepreneurs apart from small-business owners and managers.
- **Creative:** To compete with larger firms, entrepreneurs need to have creative product designs, bold marketing strategies, and innovative solutions to managerial problems.
- **Energetic:** Starting and operating a business takes long hours. Even so, some entrepreneurs start their companies while still employed full-time elsewhere.
- **Passionate:** Entrepreneurs love their work.
- **Committed:** Because they are so committed to their companies, entrepreneurs are willing to make personal sacrifices to achieve their goals.

This is not an exhaustive list of traits. What other traits would you add to the list above?

Pause and Reflect

How Can You Put Your Strengths to Work?

Create a list of ten strengths that you currently possess. If you need help creating your list, ask your friends or family what they believe you are good at doing. Think about what achievements you have accomplished, what compliments you have received, and what people say about you. The answers to these questions will help you identify your strengths.

- Create a list of ideas that build off your strengths or are related to your strengths.
- Analyze this list to create another list of possible businesses that you could start that relate to your strengths.

Key Takeaways

- An entrepreneur identifies and acts on a unique idea or problem, whereas a small business owner operates within an existing model. This distinction highlights the innovative nature of entrepreneurship compared to traditional business ownership.

- Entrepreneurs can be categorized into various types, including traditional, social, serial, small business owners, solopreneurs, and intrapreneurs. Each type approaches ventures differently, with intrapreneurs innovating within existing organizations.
- Social entrepreneurs focus on solving social, environmental, or economic problems. An example is Angad Daryani, who creates technologies to address issues like air pollution while achieving financial and personal success.
- Successful entrepreneurs often share traits such as ambition, independence, self-confidence, calculated risk-taking, vision, creativity, energy, passion, and commitment. These characteristics enable them to innovate and drive their ventures forward.
- Entrepreneurs excel at identifying problems and rephrasing them as opportunities for innovation. This mindset allows them to create sustainable solutions that address needs on a larger scale, transforming everyday challenges into business opportunities.

Knowledge Check

Can you match each type of entrepreneur to its definition?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://wtcs.pressbooks.pub/innovativebusinessmindset/?p=5#h5p-1>



Chapter 2: The Entrepreneurial Mindset

THE ENTREPRENEURIAL MINDSET

An **entrepreneurial mindset** is an awareness and focus on identifying an opportunity through solving a problem and a willingness to move forward to advance that idea. The entrepreneurial mindset is how entrepreneurs see the world. The entrepreneur evaluates everything in terms of their business. The business is always considered when making decisions. Most actions taken are for the benefit of the business, but sometimes it helps the entrepreneur adopt the appropriate mindset. This mindset becomes a way of life for them. See Figure 2.1 for an illustration showing the entrepreneurial mindset (OpenStax, 2020).

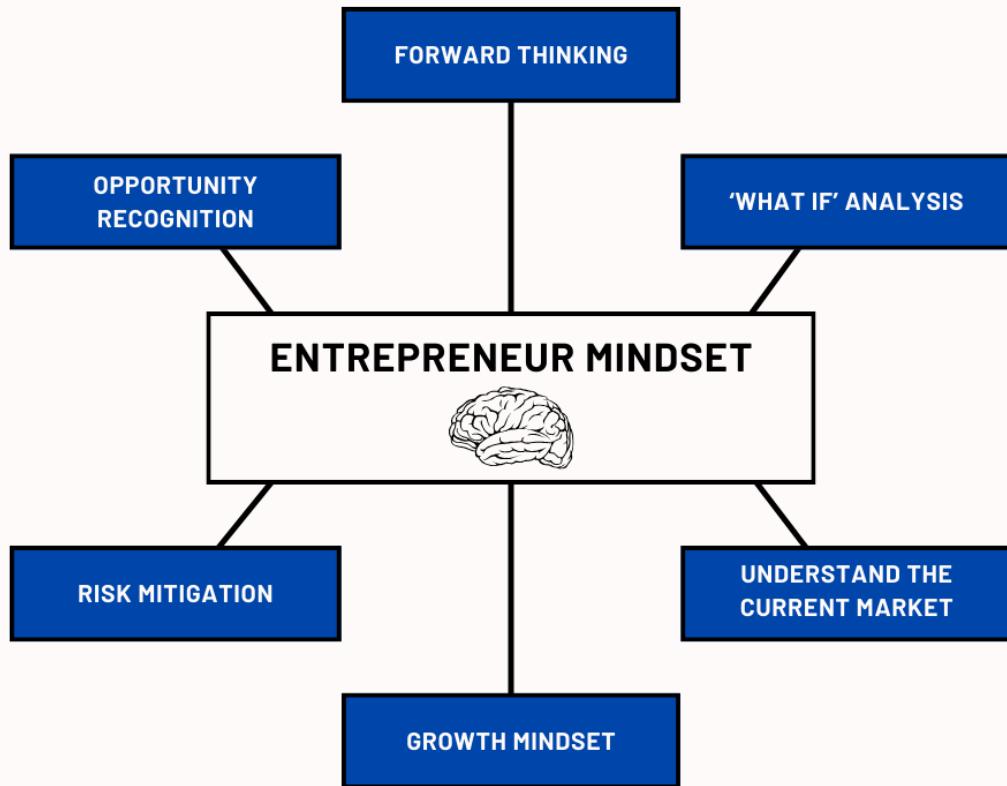


Figure 2.1: The Entrepreneurial Mindset

Entrepreneurs often are predisposed to action to achieve their goals and objectives. They are forward thinking, always planning ahead, and they are engaged in “what if” analyses. They frequently ask themselves—“What if we did this?” or “What if a competitor did that?”—and consider what the business implications would be.

Most people follow habits and traditions without being aware of their surroundings or noticing the opportunities to become entrepreneurs. Because anyone can change their perspective from following established patterns to noticing the opportunities around them, anyone can become an entrepreneur. There is no restriction on age, gender, race, country of origin, or personal income. To become an entrepreneur, one needs to recognize that an opportunity exists and be willing to act on it.

Learn More

BetterUp has an excellent article on the entrepreneurial mindset and how to develop your own.

- ▶ [Entrepreneurial mindset: What is it & how to think like an entrepreneur](#)

Many entrepreneurs start a new venture by solving a problem that is significant, offering some value that other people would appreciate if the product or service were available to them. On the other hand, some entrepreneurs begin their venture by providing a superior product, service, or both, that already exists. In any case, it is vital that the entrepreneur understands the market and target segment well, articulate a key unmet need (“pain point”), and develop and deliver a solution that is both viable and feasible. In that aspect, many entrepreneurs mitigate risks before they launch the venture.

Often, the entrepreneurial mindset includes futuristic ideas that shake up the normal, conventional processes that are grounded in experience over time. Tried-and-tested processes and products that have a proven history of success can be a formidable obstacle to new ideas. A new idea may even appear as impossible or outlandish, perhaps even an embarrassment to the steady and predictable practices established within an industry. This can create a dilemma: Do we try something new and unproven that lacks documented research? Sometimes, we must disregard our past successes and research to be open to new possibilities for success and failure.

An entrepreneurial mindset includes creativity, problem-solving skills, and a propensity to innovation. Open-mindedness is one characteristic that supports creativity, problem-solving, and innovation. Taking the time to explore new ideas, dream, reflect, and view situations from a new

perspective contributes to the entrepreneurial mindset. Some innovations can lead to disruptions within the industry or even create a new industry.

One example of a disruptive technology is Airbnb, a company that threatens the established hotel industry by connecting personal resources to people who desire those resources. If one has a spare bedroom that they aren't using, why not consider selling that space to someone who wants and needs it? We'll learn more about Airbnb below.

Growth Mindset

According to *Psychology Today*, a **growth mindset**, developed by Stanford psychologist Carol Dweck, is the belief that one's abilities and talents can improve over time. This contrasts with a **fixed mindset**, where individuals believe their capabilities are static and unchangeable. In studies, participants with a growth mindset disagree with statements like, "You have a certain amount of intelligence, and you really can't do much to change it (Psychology Today Staff, n.d.)."

Embracing a growth mindset encourages openness to learning and success, whereas a fixed mindset can lead to negative self-perceptions and a reluctance to try new things.

Companies embracing a growth mindset see employees feeling more empowered, committed, and collaborative. In contrast, fixed-mindset companies experience more cheating and deception, as employees compete for recognition, according to *Harvard Business Review* (Dweck, 2016).

A growth mindset benefits entrepreneurs by fostering resilience, adaptability, and continuous learning, enabling them to view challenges as opportunities for improvement. It encourages creative problem-solving and calculated risk-taking, which are essential for innovation and long-term success. Additionally, entrepreneurs with a growth mindset can inspire their teams, creating a culture of continuous development and collaboration, while staying attuned to customer needs for higher satisfaction and loyalty.

Entrepreneur In Action

Being aware of your surroundings and the encounters in your life can reveal multiple opportunities for entrepreneurship. We always find areas for improvement in our daily lives.

For example, you might ask, “What if we didn’t have to commute to work?” “What if we didn’t have to own a vehicle but still had access to one?” “What if we could relax while driving to work instead of being stressed out by traffic?”

These types of questions inspired entrepreneurial ventures such as ride-sharing services like Uber, the self-driving vehicle industry, and short-term bicycle access in the free bike-sharing program in Pella, Iowa.



Figure 2.2: A bike-sharing program in Pella, Iowa, allows users to access bikes at a variety of locations.

ENTREPRENEURIAL SPIRIT AND PASSION

Having an entrepreneurial spirit means possessing a mindset that enables entrepreneurs to tackle obstacles and face challenges with a can-do attitude. It could mean being passionate, purposeful, positive, bold, curious, or persistent (OpenStax, 2020).

The entrepreneurial spirit involves a passion for presenting an idea that is worthwhile and valuable and a willingness to think beyond established patterns and processes. Let's look at an example.

Airbnb

The founders of Airbnb have a passion for supporting individual rights to rent out unused space. Why should the established model of hotels prevail? Why shouldn't an individual homeowner have the freedom to rent out unused space and leverage that space into an income? The founders of Airbnb recognized that some people have unused resources and bedrooms that other people need.

Airbnb has succeeded in creating more flexible and affordable options in the space of the rapidly growing "sharing" economy. While entrepreneurial spirit is partly about fighting for individual rights and freedoms, there should be a balance between economic freedom and consumer protection. Some states and municipalities have expressed concerns regarding the regulations overseeing platforms such as Airbnb and similar services.

Airbnb had to keep in mind local laws and regulations in their quest to change those established patterns, or at least to offer alternatives to those established patterns.

Passion is a critical component of the entrepreneurial process. Without it, an entrepreneur can lose the drive to run the business. Passion can keep an entrepreneur going when the outside world sends negative messages or less-than-positive feedback. For example, if someone is truly passionate about starting an animal shelter because of their love of animals, they'll find a way to make it happen. Their internal drive to help animals in need will spur them on to do whatever it takes to make the shelter become a reality. If they aren't able to secure the financial resources needed, they could start small by fostering, for example.

The same is true of other types of startups and owners with similar passions. However, passion needs to be informed by the entrepreneur's vision and mission—passion for the sake of passion is not enough. A clear **mission statement** will guide an entrepreneur's passion and keep the business on track. Passion, vision, and mission can reinforce each other and keep the entrepreneur on the right track with the next steps for the business.

Some ideas might seem small or insignificant, but in the field of entrepreneurship, it's important to recognize that for every new startup, someone else may recognize a spin-off idea that expands on the original idea. The opportunities for identifying new possibilities are endless. Consider possible spin-off ideas around the technology that is always changing. Creating spin-off ideas fits could be thought of as **divergent thinking** or brainstorming.

Let's look at an example of a spin off idea based on technology.

Ring Doorbell

What if you could answer the front door from your phone? What if you could be there without needing to actually, you know, be there? These questions were asked by the founder of Ring. He took an everyday product – a doorbell – and combined it with existing video and app technology to create something new to the market (We're Ring, n.d.).

Jamie Siminoff, the founder who was rejected on *Shark Tank*, started with a vision:

From that very first Video Doorbell all the way up to the latest 3D Motion Detection, everything we dream, design, obsess over and engineer is fueled by the desire to bring people closer.

What started in a garage in 2012 has grown into a profitable business that was sold to Amazon.com for \$1 billion in 2018. Read more about how he started (Graham, 2021):

- ▶ [How Ring's Founder Created A Doorbell Worth \\$1 Billion To Amazon](#)

Pause and Reflect

An Entrepreneurial Mindset in Your Discipline or Field

Think about your own industry or area of study.

- What challenges come to mind? What causes frustration?
- How can these be turned into opportunities?

Key Takeaways

- Entrepreneurs focus on identifying opportunities by solving problems, viewing every decision through the

lens of their business. This mindset becomes a way of life, characterized by action, forward-thinking, and “what if” analyses.

- Anyone can become an entrepreneur by changing their perspective to notice opportunities and being willing to act on them. Entrepreneurship is inclusive, regardless of age, gender, background or race.
- Successful entrepreneurs start by solving significant problems or improving existing products/services. Understanding the market, articulating unmet needs, and delivering viable solutions are crucial.
- The entrepreneurial mindset often includes innovative ideas that challenge conventional processes. Creativity, problem-solving skills, and open-mindedness support this mindset, leading to industry disruptions.
- Embracing a growth mindset, as defined by Carol Dweck, is vital for entrepreneurs. It fosters resilience, adaptability, and continuous learning, essential for innovation and long-term success.
- An entrepreneurial spirit involves passion, purpose, and persistence. Passion drives entrepreneurs through challenges, supported by a clear mission and vision.
- Companies like Airbnb illustrate how entrepreneurial ventures can disrupt established industries by leveraging unused resources and addressing regulatory challenges with passion and vision.

Chapter 3: Intrapreneurship

WHAT IS INTRAPRENEURSHIP?

Entrepreneurial spirit doesn't only thrive in the startup world; it's also a powerful force within established businesses. This unique blend of entrepreneurship within the safety net of a larger organization is what we call **intrapreneurship**. It harnesses the creativity and passion of entrepreneurs, allowing them to innovate and drive change from within the organization they work for (LibreTexts, 2024).

The primary difference between the two types of innovators is their context—the intrapreneur acts within the confines of an existing organization. An intrapreneur is someone who operates like an entrepreneur but has the backing of an organization. See Figure 3.1 for an illustration showing the differences between intrapreneurship and entrepreneurship. Intrapreneurs and entrepreneurs both focus on innovation and take risks, but their approaches and circumstances differ significantly.

DIFFERENCES BETWEEN INTRAPRENEURSHIP AND ENTREPRENEURSHIP

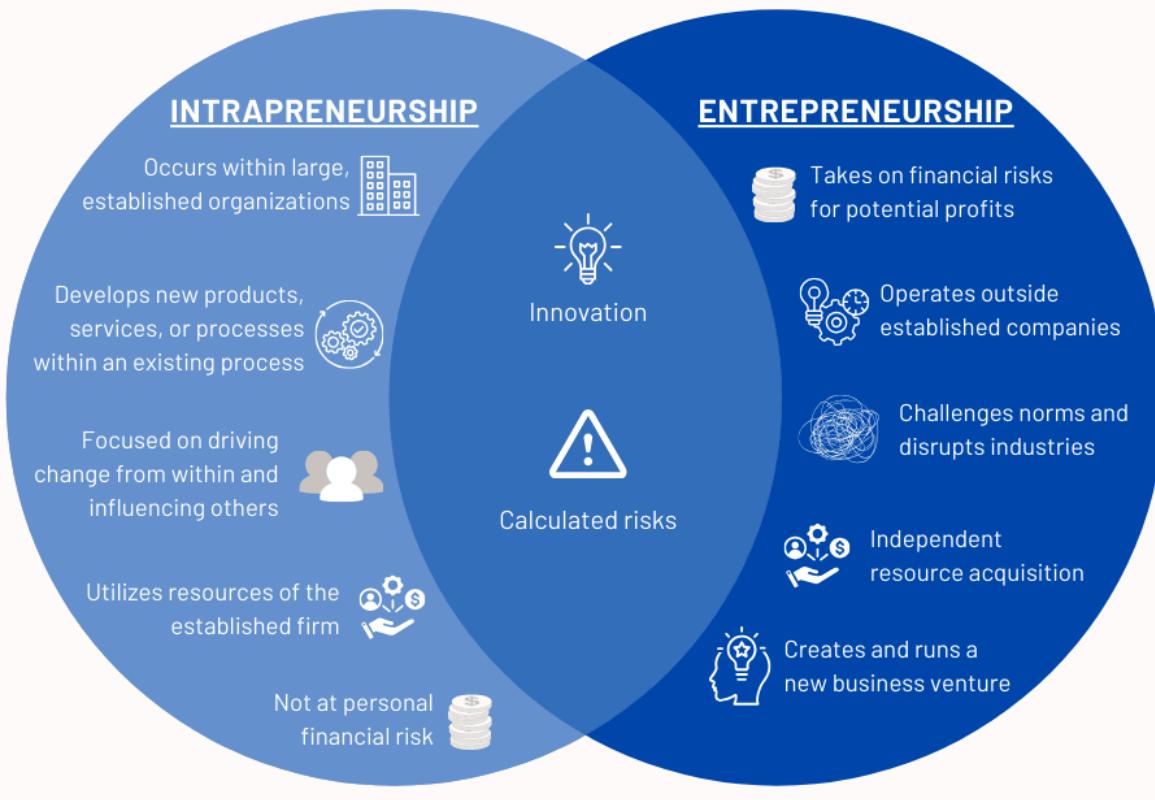


Figure 3.1: Intrapreneurship vs Entrepreneurship

In their book *Re-Inventing the Corporation*, John Naisbitt and Patricia Aburdene cited intrapreneurship as a way for established businesses to find new markets and new products.

Steve Jobs also described the development of the Macintosh computer as an intrapreneurial venture within Apple.

In 1990 the concept was established enough that Rosabeth Moss Kanter of the Harvard Business School discussed the need for intrapreneurial development as a key factor in ensuring the survival of the company in her book *When Giants Learn to Dance*.

A Short History of Intrapreneurship

Gifford and Elizabeth Pinchot coined the term “intrapreneur” in the early 1980s. They developed the concept of intra-corporate entrepreneurship. In their model, individuals interested in pursuing intrapreneurial projects had to risk something of value, like a portion of their salary. If successful, the intrapreneur could sell the project for cash bonuses and intracapital. This capital could then be used to fund future projects. The Pinchots established a school for intrapreneurs based on the success of their methods in Sweden. In 1985 they published their first book *Intrapreneuring*, combining the findings from their research and practical applications.

THE INTRAPRENEURIAL ORGANIZATION

An intrapreneurial organization is one that seeks to systematically promote the spirit of intrapreneurship in targeted parts of the organization. Firms like Merck & Co., 3M, Motorola, Newell Rubbermaid, Johnson & Johnson, Corning Incorporated, General Electric, Hewlett-Packard, Walmart, and others have impressive track records of innovation. This shows that being big does not necessarily hinder intrapreneurship.

These large firms are just a few out of thousands worldwide. Knowing the challenges faced by entrepreneurs in established firms will help them

apply their knowledge of entrepreneurship to corporate intrapreneurship.

Intrapreneurs have helped increase the speed and cost-effectiveness of technology transfer from research and development to the marketplace.

The following are some methods that have been used by businesses to foster intrapreneurship, as shown in Figure 3.2.

8 Ways Businesses Foster Intrapreneurship			
 Intrapreneurial employees can earn rewards like ownership rights in the internal enterprises they create.	 Firms treat intrapreneurial teams as profit centers, expecting them to generate revenue.	 Some companies provide intrapreneurial teams with their own internal bank accounts.	 Team members can choose their projects and alliances.
 Employees have access to training to develop new skills.	 Internal enterprises are officially recognized within the organization.	 The organization supports a system of contractual agreements between internal enterprises.	 The intrapreneurship plan includes methods for resolving disputes.

Figure 3.2: 8 Ways Businesses Foster Intrapreneurship

Companies seeking to harness the advantages of intrapreneurs establish systems to identify employees with intrapreneurial characteristics. They then provide training and incentives to aid in the development of these employees.

The intrapreneurial organization can take on one or a combination of two forms: coexistence or structural separation.

1. **Coexistence:** New venture activities are conducted within existing business units
2. **Structural separation:** New, specialized business units are developed

Sharon Nunes is a vice president at IBM Technologies. Here, in an excerpt from a 2009 *Women in Technology International* newsletter, she relates her own experience as an intrapreneur at IBM:

The fact that I'm leading IBM's Big Green Innovations group—focused on water management, alternative energy, and carbon management—isn't a coincidence. It's because I wanted to work on something I care deeply about, and I worked hard to raise awareness inside the company that this wasn't just a good idea—it was imperative.

Our Big Green Innovations initiative was started as part of a \$100 million investment in ten new businesses based on ideas generated during InnovationJam in 2006. IBM used Jams to enable broad collaboration, gain new perspectives on problems and challenges, and find important patterns and themes—all with the goal of accelerating decision-making and action. Jams are grounded in “crowdsourcing,” also known as “wisdom of the crowds.” This particular “crowd”—hundreds of thousands of IBMers, their families, and IBM customers—called resoundingly for an effort like Big Green Innovations. And so, it happened.

Pause and Reflect

1. Do you see yourself being an entrepreneur or intrapreneur? Why?
2. Do you think your skill set needs to be different for one versus the other? Why or why not?

INTRAPRENEURSHIP IN ACTION

Gifford Pinchot's book *Intrapreneuring: Why You Don't Have to Leave the Corporation to Become an Entrepreneur* provides ten commandments for intrapreneurs (LibreTexts, 2024):

1. Do any job needed to make your project work, regardless of your job description.
2. Share credit wisely.
3. Remember, it is easier to ask for forgiveness than permission.
4. Come to work each day willing to be fired.
5. Ask for advice before asking for resources.
6. Follow your intuition about people; build a team of the best.
7. Build a quiet coalition for your idea; early publicity triggers the corporate immune system.
8. Never bet on a race unless you are running in it.
9. Be true to your goals, but realistic about ways to achieve them.
10. Honor your sponsors.

Google's 20% Rule

Google lets its technical employees spend up to 20 percent of their time on projects of their own choosing. This freedom is a “license to pursue your dreams,” as Google’s Marissa Mayer, one-time VP of search products, called it in *Fast Company* magazine. In 2006 Mayer said that half of the new products and features launched by Google in the last six months of 2005 came from work done under the “20% Rule (Salter, 2008).”

Key Takeaways

- Intrapreneurship is the practice of entrepreneurial behavior within the confines of a larger, established organization, leveraging the organization's resources while fostering innovation and creativity.
- Intrapreneurship has been pivotal in major corporations, with examples like Steve Jobs describing the development of the Macintosh at Apple as an intrapreneurial effort.
- Companies such as Merck, 3M, Motorola, and others have demonstrated that large firms can successfully foster intrapreneurship by promoting innovation and systematically identifying and developing intrapreneurial employees.
- Companies foster intrapreneurship by creating systems to identify employees with intrapreneurial traits, providing them with training, and offering incentives. An example includes Google's "20% Rule," allowing employees to spend part of their time on personal projects.

Knowledge Check



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://wtcs.pressbooks.pub/innovativebusinessmindset/?p=24#h5p-2>

Chapter 4: Myths

TRUTHS AND MYTHS ABOUT ENTREPRENEURS

The late Jeffry Timmons, one of the early leaders in entrepreneurship education, noted that there are few truths about entrepreneurs but many myths. Among those truths, he said (LibreTexts, 2024):

Entrepreneurs work hard and are driven by an intense commitment and determined perseverance; they see the cup half full, rather than half empty; they strive for integrity; they burn with the competitive desire to excel and win; they are dissatisfied with the status quo and seek opportunities to improve almost any situation they encounter; they use failure as a tool for learning and eschew perfection in favor of effectiveness; and they believe they can personally make an enormous difference in the final outcome of their ventures and their lives.

The myths, however, are many. The following five entrepreneurship myths are among the most prevalent:

Myth 1: Entrepreneurs are born, not made.

The most prevalent myth about entrepreneurs is that they are born with the skills that will make them successful and that anyone who's not born with those skills will not succeed. In reality, entrepreneurship is a skill that, like any other skill, can be learned (Heyward, 2022).

The question of whether successful entrepreneurs are born or made has long intrigued scholars and industry experts. While some believe

figures like Elon Musk have an innate advantage, others argue that entrepreneurial success is not genetically predetermined. The consensus here is that entrepreneurs are made through a series of good decisions, hard work, education, and experience, rather than being born with an innate ability.

Innovation is a crucial factor in entrepreneurial success. Good entrepreneurs identify problems and offer innovative solutions, a skill that is nurtured rather than inherent. Innovation keeps businesses relevant and competitive, as seen with companies like Apple, which continuously releases new products to meet consumer expectations. Without constant innovation, businesses risk stagnation and failure.

Experience also plays a significant role in distinguishing successful entrepreneurs. Learning from past experiences and mistakes helps entrepreneurs better navigate future challenges. Whether gained through previous employment, mentorship, or trial and error, experience teaches valuable lessons that contribute to sustained business success. Successful entrepreneurs are adept at turning mistakes into learning opportunities, allowing them to refine their strategies and avoid repeating errors.

Myth 2: Entrepreneurs make more money.

Entrepreneurship offers the potential for unlimited profitability, unlike the fixed salary of a full-time job. By owning a business, entrepreneurs can create their own value and retain profits after covering operational costs, with the possibility of a significant payout if the business is sold. However, this path to wealth is not straightforward and varies widely among individuals (Bova, 2017).

Surprisingly, the typical entrepreneur earns less than that if they were working as employees. Only the top 10 percent of entrepreneurs earn more than employees (Shane, 2008).

- ▶ Read more about this in the following Guy Kawasaki article: [Top Ten Myths of Entrepreneurship](#)

A study by American Express OPEN found that over half of entrepreneurs pay themselves a full-time salary, averaging around \$68,000 a year, which is above the median household income in the US at \$52,000. This salary does not account for additional profits or earnings from selling the business, providing a general picture of an entrepreneur's financial performance.

While society often highlights the few entrepreneurs who achieve multi-billion-dollar success, this level of achievement is rare among the 28 million small business owners in the United States. Although becoming extraordinarily wealthy is possible, it is not the norm, and most entrepreneurs earn a more modest income.

Myth 3: Being original is essential.

Another entrepreneurial myth is that entrepreneurs who get to the market first gain the most (Suarez, 2008).

A **first-mover advantage** can be simply defined as a firm's ability to be better off than its competitors as a result of being first to market in a new product category. For every study proving that first-mover advantages exist, there is a study proving they do not. Research by Joe Tabet has shown that the so-called first mover advantage is a myth. Google, eBay, and Swatch are examples of successful businesses that entered markets later (Debunking Myths about Entrepreneurs, 2009). For example, Google wasn't the first search engine, and Facebook wasn't the first social media platform. If these entrepreneurs would have stopped pursuing their idea because it wasn't original, then we wouldn't have these two large companies, which are just two examples of many.

The key, Tabet says, is to find your niche and serve your customers well. Finding gaps and being better than competitors can lead to success (Bova, 2015).

Myth 4: It takes a lot of money to start a business.

Research by Scott Shane of Case Western Reserve University has shown that the average new business needs only \$25,000 in financing and that most of that money can be raised through debt. The Kauffman Foundations study states \$30,000 is needed in financing, with costs rising each year. The cost of starting a business can vary greatly depending on the industry. For example, a manufacturing company with high equipment costs may cost more money than a service-based marketing business.

Governments and organizations like the Small Business Administration help businesses secure funding. According to the SBA, business financing comes from either internal financing (family, friends, or personal savings) or external financing (bank loans). See Figure 4.1 for a breakdown of funding sources for start-ups.

According to census data, about 68% of small businesses applied for new credit from banks in 2020. These businesses heavily depend on banks for their credit needs, but that means that 32% did not (U.S. Small Business Administration, 2023).

Ramsey Solutions shares information on how to start a business debt free:

- ▶ [7 Tips for How to Run a Business Debt-Free](#)

Top Start Up Funding Sources

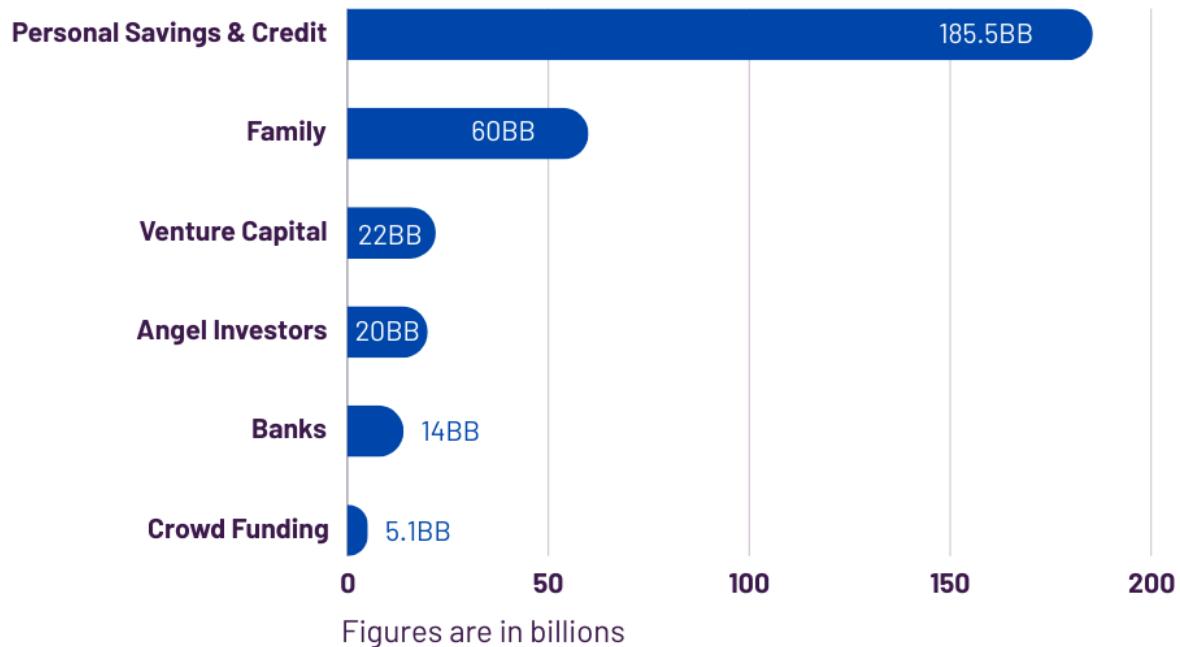


Figure 4.1: Top Start Up Funding Sources

For entrepreneurs who don't want to pursue loans and debt, bootstrapping could be an option. **Bootstrapping** is the practice of self-financing a business using its own capital, either through the entrepreneur's personal funds or the company's earnings (Miller, 2022). This method offers autonomy and control, allowing entrepreneurs to maintain equity and make major decisions without needing approval from outside investors. Additionally, bootstrapping can simplify future capital structuring if external investment is sought later and eliminates the burden of repaying high-interest loans. However, bootstrapping also presents challenges, such as slower initial growth, increased financial risk for the entrepreneur, and difficulties in securing and managing sufficient capital to maintain steady cash flow.

Myth 5: Entrepreneurs must be risk takers.

The myth that entrepreneurs are inherently risk-takers is widely accepted but fundamentally flawed and potentially harmful (Cornwall, 2009). This misconception not only encourages bad habits among aspiring entrepreneurs but also deters risk-averse individuals from pursuing entrepreneurship. Consequently, this can result in fewer job creators, stifled innovation, and unresolved universal problems. Contrary to popular belief, many successful entrepreneurs focus on eliminating risk rather than embracing it. This perspective highlights that entrepreneurship is suitable for those who prefer certainty and careful planning over taking bold risks (George, 2022).

According to this myth, entrepreneurs are good at starting businesses but can't manage them once they grow. Research by Babson College Professor Joel Shulman shows that the stocks of publicly traded companies run by entrepreneurs significantly outperform those run by non-entrepreneurs and continue to do so even after adjusting by market cap size, sector, geography, or time period.

Industry Example

Dr. Eric George, the founder and CEO of ERG Enterprises, shares his journey to entrepreneurship that was not without risk:

My path to becoming an entrepreneur didn't follow convention. I became a hand surgeon and spent the first decade of my career building my practice. A fellow surgeon offered to sell me his business after he became terminally ill. The business was profitable, yet it struggled to recruit enough physicians. I had long recognized the problem and identified a variety of solutions, which I had

voiced. I knew the business intimately, understood the market, and recognized the potential of the opportunity (both good and bad). So, I negotiated and accepted the offer. I bought the hospital with 12 other physicians and took over as CEO. Within months, we began generating significant profits.

To be clear, risk did factor into my calculus. In fact, it consumed my consideration. I devoted enough attention to vetting risk that I could account for all the factors that reinforced and mitigated it. I devoted myself to the process of “risk evaluation,” a crucial discipline I would argue all successful entrepreneurs apply. I’ve found that for those outside the profession, many tend to disassociate risk analysis and entrepreneurs. Thus, they assume entrepreneurship is only fitting for those with an idea and the bravery to bring it to fruition.

To foster more successful entrepreneurs, it’s essential to redefine entrepreneurship as a discipline that values risk elimination and careful planning. Aspiring entrepreneurs should focus on thorough risk analysis, understanding their markets deeply and developing strategies to mitigate potential risks. By doing so, they can increase their chances of success and contribute to innovation and job creation without being deterred by the fear of risk.

Pause and Reflect

1. Of the myths listed above, which surprises you the most and why?
2. What are some other myths that should be added to this list? How would you debunk them?

Key Takeaways

- The most prevalent myth about entrepreneurs is that they are born with the skills that will make them successful and that anyone who's not born with those skills will not succeed. In reality, entrepreneurship is a skill that, like any other skill, can be learned.
- Entrepreneurial skills can be learned through education, experience, and good decisions.
- While entrepreneurship offers potential for high profits, typical entrepreneurs often earn less than employees.
- Success doesn't require being first to market; many successful businesses entered markets later.
- Funding sources include personal savings, family, friends, and bank loans. Bootstrapping, or self-financing, offers autonomy and control but poses challenges like

slower growth and financial risk.

- Many successful entrepreneurs focus on eliminating and managing risk rather than embracing it. The misconception that entrepreneurship suits only risk-takers can deter potential founders.

Chapter 5: Fears and Barriers to Entrepreneurship

Entrepreneurs, despite their positive mindset, often encounter fears and barriers that can hinder their progress towards their goals. The most common fears fall into the following categories: failure, stress, risk, and ego. We are all different, so some of these fears may be more prominent than others and, of course, there may be others to add to this list. While everyone is unique and has their own fear, let's look at some of the most common fears that entrepreneurs have and examine ways to overcome them.

FAILURE

Failure is something to be cognizant of as an entrepreneur. Failure is subjective and can vary from person to person. Perspectives and statistics on the failure rate of entrepreneurial ventures differ because of this. Similarly, failure can also vary for each business. It can mean that a business doesn't make enough money to pay its bills, leading to its closure. Poor marketing initiatives, inadequate management, financing hurdles, and poor business planning can contribute to this, among other things.

However, there can be other reasons as well. Many businesses close while being profitable and financially healthy. Failure can also mean that the business is no longer operating, but it doesn't provide information about the reasons behind it. It's important to note that a business must make money to survive, so a true business "failure" could be the inability to cover expenses.

On the other hand, businesses may close for other reasons, such as

retirement, selling to someone else, or closing to start a new venture (Headd, 2018). These reasons tell a different story than low sales or lack of funding.

- ▶ Harvard Business Review wrote more about the topic:
[How Fear Helps \(and Hurts\) Entrepreneurs \(hbr.org\)](https://hbr.org/2018/01/how-fear-helps-and-hurts-entrepreneurs)

Business Failure Statistics

Based on the Bureau of Labor Statistics, only 50% of businesses survive for five years or more, and even less, 33%, make it past the ten-year mark (Chamber of Commerce Team, 2024). These statistics highlight the difficulty of starting a business. There are numerous obstacles that make it challenging to succeed, far outnumbering the factors in their favor.

Entrepreneurs don't want to start something that will intentionally lose money. However, it is important to note that the various statistics on failure may differ because of the different definitions of failure and the tendency to group all businesses together. Comparing a space exploration startup to a local bakery are two completely different businesses in two completely different industries.

Trough of Sorrow

Before a venture fails and closes its doors, or before it picks itself off the ground and succeeds, many times the entrepreneur will go through a hard time known to many as the **Trough of Sorrow**. The Trough of Sorrow is a feeling that entrepreneurs get where they feel burnt out or have depressed feeling. See Figure 5.1 for an illustration on the start-up curve. The first adrenaline rush has worn off from the launch. Perhaps they feel as though nobody likes what they're doing (customers, employees). It's

hard to know if things will work out. Entrepreneurs likely will encounter failures along their journey, and when they do, it is critical to have a plan to get out of the Trough of Sorrow and recover as quickly as possible. When one is in the Trough of Sorrow, they need a way out!

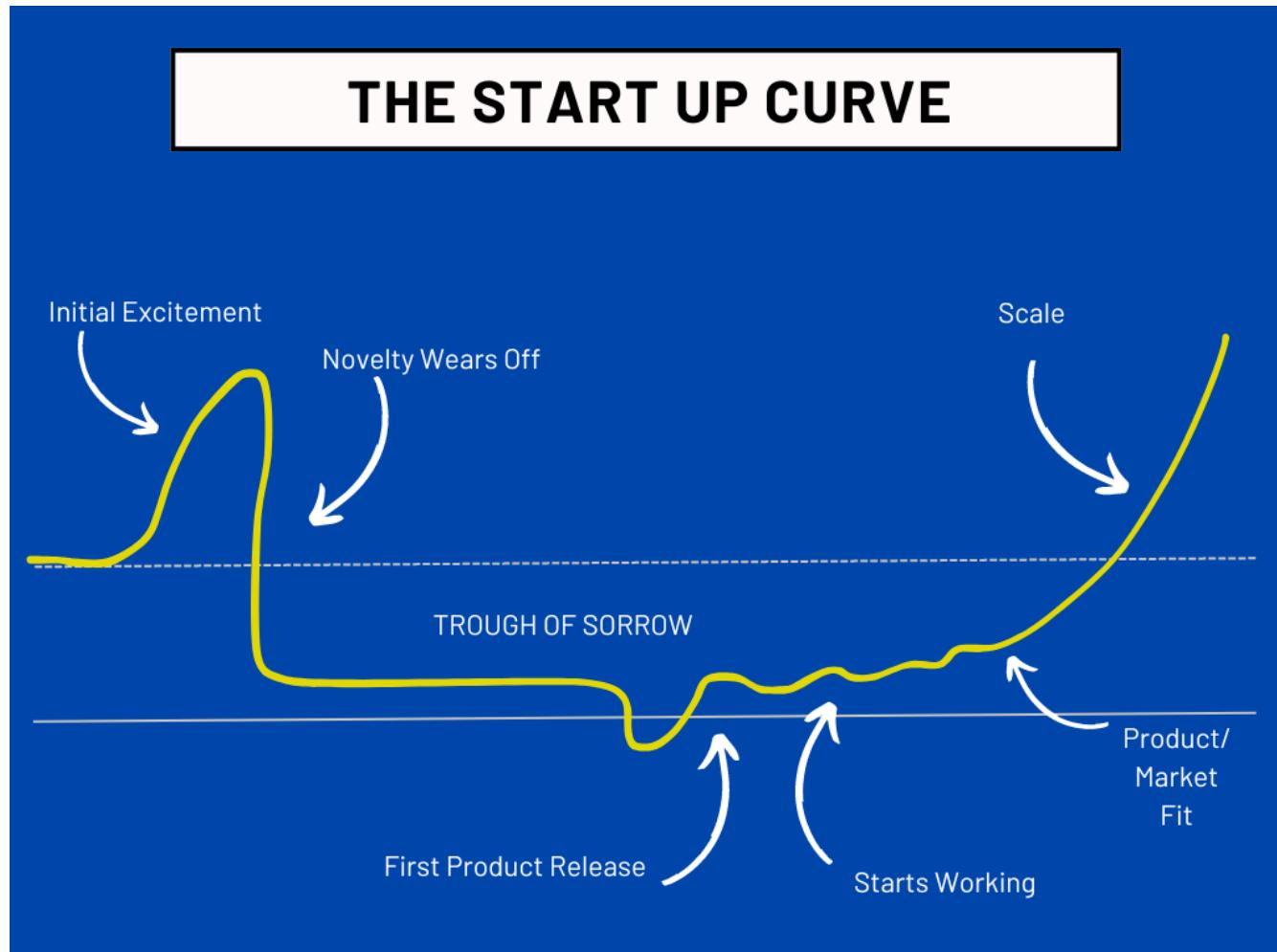


Figure 5.1: The Start Up Curve

Learning From Failure

Failure can be extremely beneficial if one takes the time to learn from it.

However, when individuals fail, they often become emotional, and these emotions hinder their ability to learn from their failures. Research shows us that when we fail, most of us focus on one of two things (Dembling, 2023):

1. **Loss orientation:** Spending time looking back on the failure itself, grieving.
2. **Restoration orientation:** Looking forward, not focusing on things related to the failure.

The studies tell us that if we continuously focus on the failure (loss orientation), negative thoughts and memories can become stronger and negatively impact us further, thus stopping us from learning from the failure (Vemanini, 2023).

Research also shows us that if we ignore and focus on nothing related to the failure, in the long run, this has the potential to lead to psychological and physical problems.

Entrepreneurs do not benefit from solely focusing on failure or solely focusing on something other than failure. So, what should they do? Research states that entrepreneurs should switch back and forth between loss orientation and restoration orientation as shown in Figure 5.2. This allows entrepreneurs to learn more from the failure experiences (Models of Grief Integration: Dual Process Model, n.d.).

LOSS-ORIENTATION VS RESTORATION-ORIENTATION

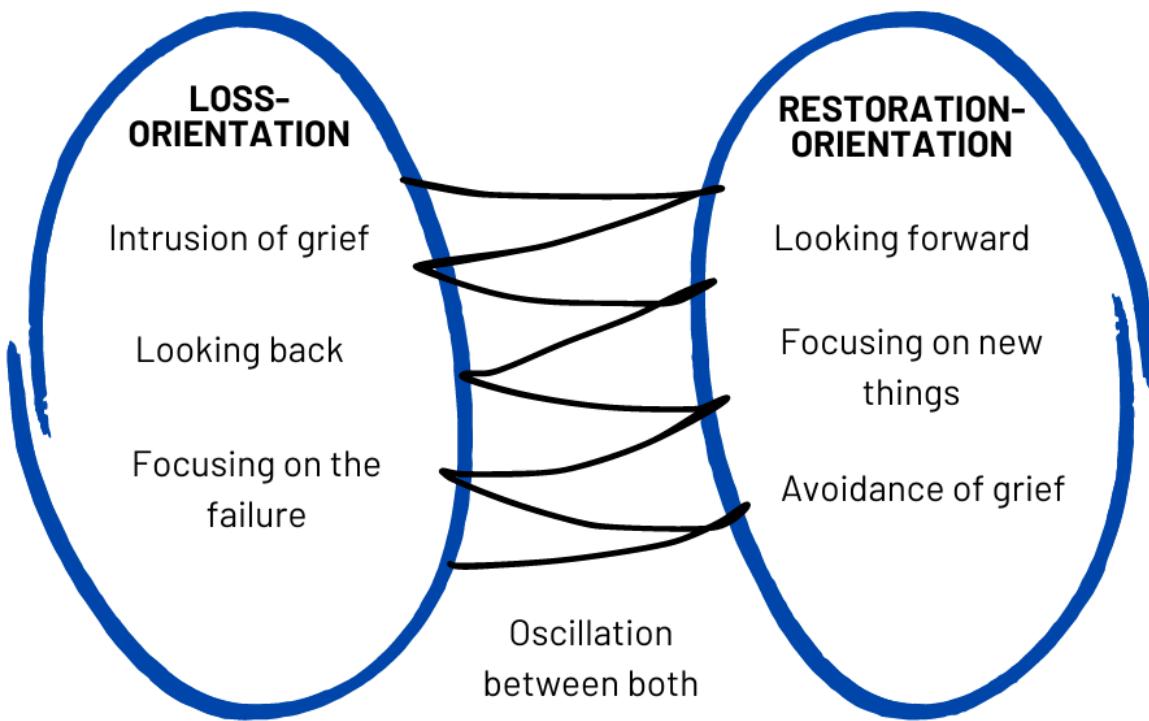


Figure 5.2: Loss-orientation Vs. Restoration-Orientation

Airbnb's Trough of Sorrow

Airbnb, initially a struggling start-up, transformed into a \$25 billion company through innovation and perseverance. Founded in 2008 by Brian Chesky, Joe Gebbia, and Nathan Blecharczyk, the company began as a simple idea to rent out air mattresses in their apartment to conference attendees. Despite early financial struggles and skepticism from investors, they persisted by leveraging creative solutions, such

as designing and selling limited-edition cereal boxes to raise funds (Agarwal, 2016).

The founders of Airbnb got out of their Trough of Sorrow and dealing with their failure by recognizing they were failing and then going out and doing something different that didn't relate to the failure, like talking to their customers. Gebbia said (Kohrmann, 2013):

We used to travel and actually stay with our customers. It was the ultimate enlightened empathy—you were so close to the people you were designing for that it informed you in a way that, you know, an online survey never would. So by being so close to our customers we were able to listen to their needs and then design a product that they loved.

By focusing on building trust within the community, implementing robust safety measures, and continuously improving user experience, Airbnb grew rapidly. Their ability to adapt, coupled with strategic marketing and leveraging technology, enabled them to disrupt the traditional hospitality industry and achieve significant success. They maximized their learning from the failure and made changes that positively impacted their company.

The most realistic entrepreneurs expect to fail and then deal with it. They continue to look for opportunities and learn from their mistakes. This is why many entrepreneurs believe that making early mistakes is key, so they can build on this foundation later.

Pause and Reflect

1. How do you define failure for a business?
2. What companies have you seen learn from their mistakes and grow?

RISK

Oftentimes, the word “risk” is associated with entrepreneurs. That word can be scary for some and may deter someone from becoming an entrepreneur. An important characteristic of entrepreneurs is that they are more comfortable with the risk, mainly because they minimize the risks that they take. To believe that all entrepreneurs are risk-takers is a myth, which is covered in the previous chapter.

Let’s explore the common fears associated with risk. While there are many sources that list a variety of risks entrepreneurs take, we will focus on the four major categories as shown in Figure 5.3.

1. Financial risk is when individuals put a large portion of their savings or resources at stake, which can result in losing them if the venture fails. It may also require entrepreneurs to personally take responsibility for the company’s obligations, potentially leading to personal bankruptcy. This is why many people are hesitant to risk everything to start a new business.
2. Career risk refers to the ability to find another job or return to a

previous job if the venture fails. This risk is usually faced by individuals who have a well-paying job with good benefits in a reputable organization.

3. Family and social risks can occur because starting a business demands significant time and energy. Having less time for family and friends may affect personal relationships. Entrepreneurs might worry about what their loved ones and social circles will think if their venture fails.
4. Psychological risk can occur when there are setbacks and failures that entrepreneurs take full responsibility for. Sometimes these mental and physical hardships can be challenging to overcome.

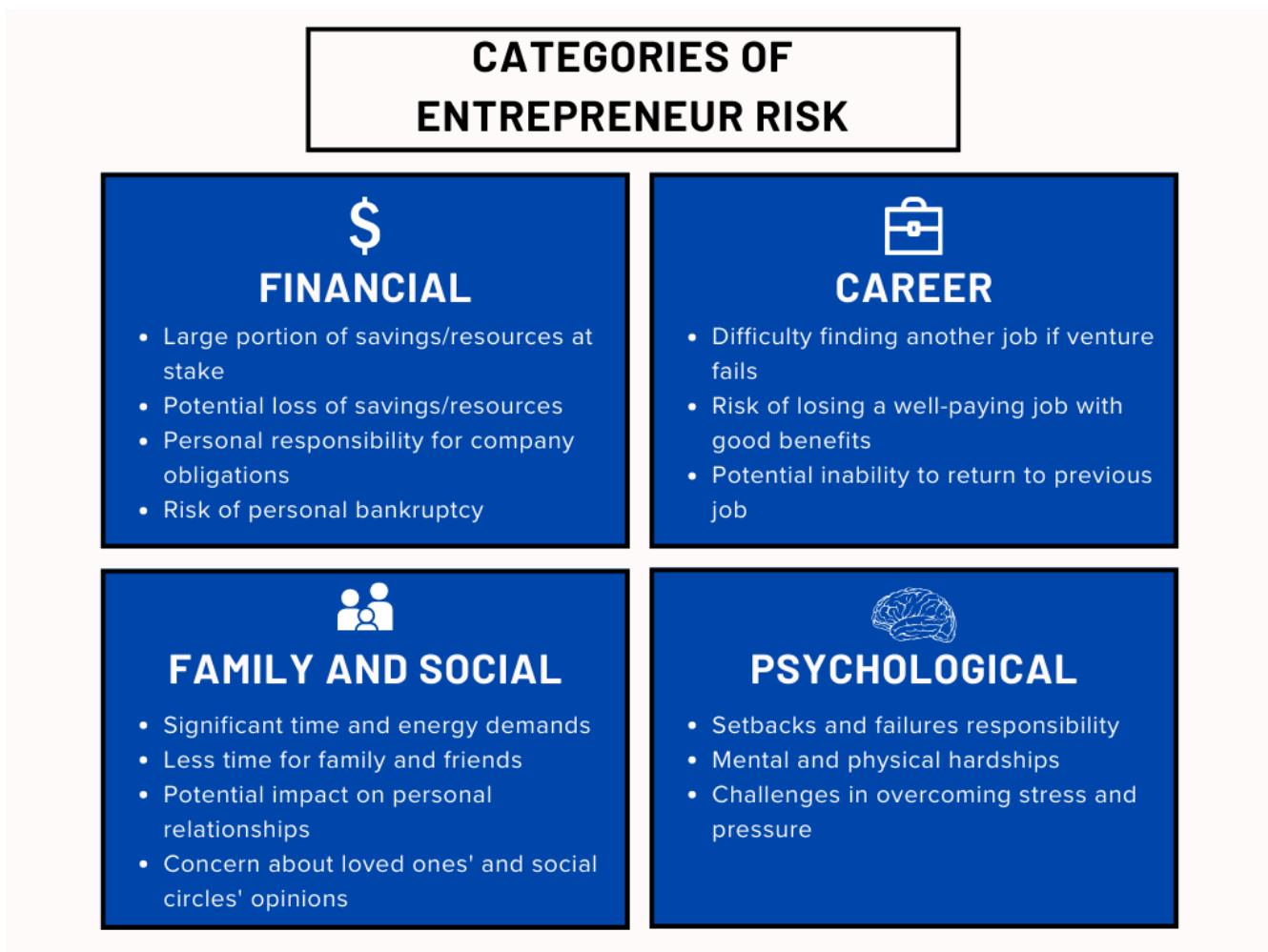


Figure 5.3: Categories of Entrepreneurial Risk

Remember, entrepreneurs understand risk and look for ways to mitigate it as much as possible. Regardless, there are still many types of risks that entrepreneurs take, and they all have the potential to cause fear.

Pause and Reflect

1. Which type of risk is most worrisome for entrepreneurs?
2. Which type of risk would worry you most?

STRESS

Some of the most common reasons someone pursues entrepreneurship is for wealth, independence, and creativity (Johansson, 2019). While these reasons sound noble and inspirational, entrepreneurs can pay a high price working to achieve these things. Start-up founders are twice as likely to have depression and three times more likely to suffer from substance abuse according to research by Michael A. Freeman (Muenster, 2019). According to research by *Frontiers of Psychology*, stress is greater for entrepreneurs than for other workers (Schroeder, 2023).

Stress is caused by external factors like financial or relationship problems or internal factors such as feelings of failure or uncertainty about the future (Pedersen, 2022).

According to Mayo Clinic, stress affects health even though we may blame other things. Headache, sleeping troubles, feeling unwell, and lack of focus are just some ways stress impacts one's body. Stress that is not

dealt with can lead to high blood pressure, heart disease, stroke, and many other conditions (Mayo Clinic Staff, 2023).

But stress in small doses can have some positive affects like increasing motivation, building resilience, and even helping to promote bonding, all of which can help entrepreneurs (Selna, 2018).

Sources of Stress for Entrepreneurs

- **Loneliness:** Entrepreneurs can feel lonely despite being surrounded by people all day. They often lack confidants and have limited time for friends and family due to long working hours. Additionally, their participation in social activities decreases, leading to a sense of isolation and loneliness.
- **Immersion in Business:** Entrepreneurs often find themselves unable to take a break from their businesses. They become fully engrossed in their work and have little time for anything else.
- **People Problems:** Entrepreneurs rely on collaborating with various individuals such as employees, customers, and bankers. However, working with others can be frustrating, as they may not do things exactly the way entrepreneurs would or work at the same pace. These differences could lead to conflicts, resulting in failed partnerships.
- **Achievement Drive:** Entrepreneurs often try to do too much and are always striving to improve their work. They are aware of the dangers, like compromising their health due to overwork, but struggle to stop because of their strong drive to achieve. They fear that if they slow down or stop, their competitors will swoop in.

Tips on Managing Stress

- **Engaging in Classic Stress Reduction Techniques:** Meditation, regular exercise, and healthy eating are behaviors that can reduce or help manage stress.
- **Acknowledging Stress:** Entrepreneurs must acknowledge their stress level and develop personal coping mechanisms.

- **Networking:** Sharing experiences with other business owners and hearing about different triumphs and errors are therapeutic. This can combat the “loneliness” source of stress.
- **Taking Breaks:** Many entrepreneurs say a holiday/vacation is a must. Even if vacations are limited because of real business constraints, short breaks should still be taken. This can combat the “immersion in business” source of stress.
- **Communicating With Employees:** Create close relationships with employees to identify staff concerns and create plans to address them. Engage employees in resolving the concerns. When they know their leader cares about them and their growth, they will work harder. This helps to reduce the “people problems” source of stress.
- **Finding Satisfaction Outside of The Company:** Entrepreneurs need to get away from the business and find something else they are passionate about. This helps to reduce the “achievement drive” source of stress.
- **Delegating:** Entrepreneurs often find it difficult to delegate. However, delegating will alleviate stress and provide opportunities for employees. Determine employees with the necessary mindset and train them to complete the tasks. This helps to reduce the “immersion in business” and “need to achieve” sources of stress.

Pause and Reflect

1. What are some ways you manage stress in your day-to-day life?

EGO

There is also a good chance that as entrepreneurs, they will experience some sort of inflated ego – as they should! They have built something from the ground up and they should be proud. So, a bit of an inflated ego is okay! There are positives and negatives to just about everything – and the entrepreneur's ego is no exception. As a matter of fact, some of the entrepreneur's ego can prove to be destructive for them.

- **Overbearing Need for Control:** Entrepreneurs have a strong need to control their own ventures and destiny. For example, they may only work in structured situations where they have created the terms. This obviously has downsides; one is they can see others as a threat, even those within their organization. Wanting to control their own destiny is good, but they must realize they can't do it alone.
- **Sense of Distrust:** To remain competitive, the entrepreneur must constantly scan the environment and act upon things seen coming on the horizon, before it is too late. However, this can result in focusing on things that don't matter and drawing them away from critical business aspects. Scanning the environment and being competitive are good and necessary, but they must be done in a realistic and big-picture fashion.
- **Overriding Desire for Success:** Entrepreneurs take a lot of pride in being successful. This may cause them to display their success through things like plush offices or fancy cars. This can be dangerous if the individual or the appearance of success becomes more important than the business itself. A desire to succeed can be good, but the entrepreneur must remain humble.
- **Unrealistic Optimism:** Optimism is key for entrepreneurs, even through bleak times. However, when taken to an extreme, it can lead to a fantasy approach to business. For example, an entrepreneur may ignore important trends, facts, and reports because they tell

themselves that everything will turn out fine even though that doesn't align with what is in front of them. Being positive is important, but the entrepreneur needs to be grounded in reality and not ignore trends, facts, and reports.

These are just some ways that having a big ego can negatively impact entrepreneurs. Note that not all entrepreneurs fall prey to these scenarios, but nevertheless, all entrepreneurs should be aware of these potential pitfalls.

INTRAPRENEURIAL SPECIFIC DIFFICULTIES

The fears and barriers that entrepreneurs face are very applicable to intrapreneurs as well. However, there are some specific barriers that intrapreneurs will face that entrepreneurs will likely not face as much because the intrapreneur is working for someone else.

In general, the obstacles that intrapreneurs will encounter usually come from people and managers acting in a more "traditional" sense and not being comfortable with innovation. There is potential intrapreneurs will face difficulties within their company if leadership doesn't support being innovative or intrapreneurial.

Those with an intrapreneurial mindset will want to find a place that values intrapreneurial ventures. Otherwise, they'll experience some difficulties such as the following:

- **Angry Coworkers:** Intrapreneurs will be trying new things and making changes to the business environment that other employees don't understand and may not like. People may say things like, "Slow down," "That's not how we do things around here," or "It worked just

fine the way it was." Being an intrapreneur can feel like being a bull in a china shop.

- **Lack of Support:** Intrapreneurs can start to lose motivation to keep going if they and their ideas keep getting shot down or they don't feel the necessary support from leadership to move their ideas forward. Intrapreneurs must feel valued for their ideas.

Entrepreneurship is often portrayed in a positive light, but it's crucial to have a realistic understanding of its challenges. By recognizing common fears and barriers faced by entrepreneurs and intrapreneurs, they can work to overcome these challenges.

Key Takeaways

- Entrepreneurs face common fears, including failure, stress, risk, and ego.
- The "Trough of Sorrow" is a difficult period where entrepreneurs may feel burnt out and uncertain.
- Learning from failure requires balancing reflection on the failure with planning for the future.
- Entrepreneurs face various risks, such as financial, career, family/social, and psychological risks.
- Entrepreneurs experience higher stress levels than other workers due to factors like loneliness and business immersion.
- Entrepreneurs must balance their ego, avoiding pitfalls like an overbearing need for control, unrealistic optimism, and a focus on superficial success.

- Intrapreneurs face unique challenges within organizations, such as lack of support and resistance from coworkers.

Chapter 6: Entrepreneurship and the Economy

SMALL BUSINESS DEFINED

Because small businesses are typically the entry point for entrepreneurs as they develop their ideas and build a customer base (*Business Employment Dynamic*, 2016), we will look deeper into the economic impact that small businesses have on our economy and communities (OpenStax, 2020).

In Chapter 1 we defined a small business owner as someone who starts a business that already has an existing business model. The Small Business Administration (SBA) established size standards to define whether a business entity is small and, therefore, eligible for government programs and preferences that are reserved for “small businesses.” Size standards are based on the types of economic activity or industry, generally matched to the North American Industry Classification System (NAICS) (U.S. Small Business Administration, 2024). For purposes of this chapter, we will use the simplified Small Business Administration (SBA) definition: A for-profit entity with fewer than 500 employees (U.S. Small Business Administration, 2021).

So, how do small businesses impact our economy?

SMALL BUSINESS IMPACT

Today, there are over 33.2 million small businesses in the United States,

making up 99.9% of all firms (U.S. Small Business Administration, 2023). Figure 6.1 shows the breakdown of small businesses by their employee size(OpenStax, 2020). There are 20,868 large businesses, a number much smaller than the total amount of small businesses in the US (U.S. Small Business Administration, 2024). Figure 6.1 shows the breakdown of small businesses by their size. According to the Bureau of Labor Statistics, entrepreneurs started 1,054,052 new businesses in the year ending March 2023 (*Table 5. Number of Private Sector Establishments by age*, n.d.).

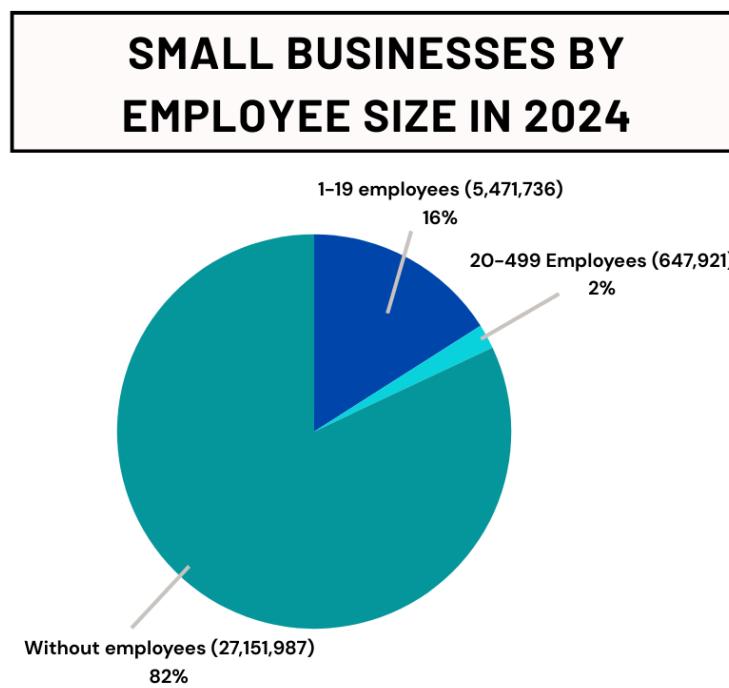


Figure 6.1: Small Businesses by Employee Size in 2024

From 1995 to 2021, small businesses created 17.3 million net new jobs while large businesses created 10.3 million. Even though the majority of small businesses operate without any employees, there is still a sizable number of small businesses that do employ staff (Main, 2024). Small businesses have accounted for 62.7% of net new job creation since 1995. These statistics were volatile in 2020, with a loss of over 15 million jobs in the second quarter of 2020. Over 8.6 million of these job losses were small business job losses. However, small business employment grew

quickly after the COVID-19 recession (U.S. Small Business Administration, 2023).

Small businesses not only create jobs but also contribute to local economies by reinvesting paychecks and taxes, supporting new businesses, and improving public services. Even with a few employees, a small business can transform a community by generating economic growth where there was none before (Rowinski, 2022).

On average, small businesses offer competitive wages, averaging \$30.42 per hour, translating to an annual income of \$63,000 (Ferguson, 2024).

SMALL BUSINESS DEMOGRAPHICS

Despite males still owning most small businesses, females now own 43.4%, reflecting progress toward gender equality in entrepreneurship. Racial minorities own 20.4% of small businesses, including 14.5% by Hispanics, while veterans own 6.1%, contributing diverse perspectives to the U.S. economy (Main, 2024), as shown in Figures 6.2 and 6.3.

SMALL BUSINESS OWNERSHIP BY DEMOGRAPHIC

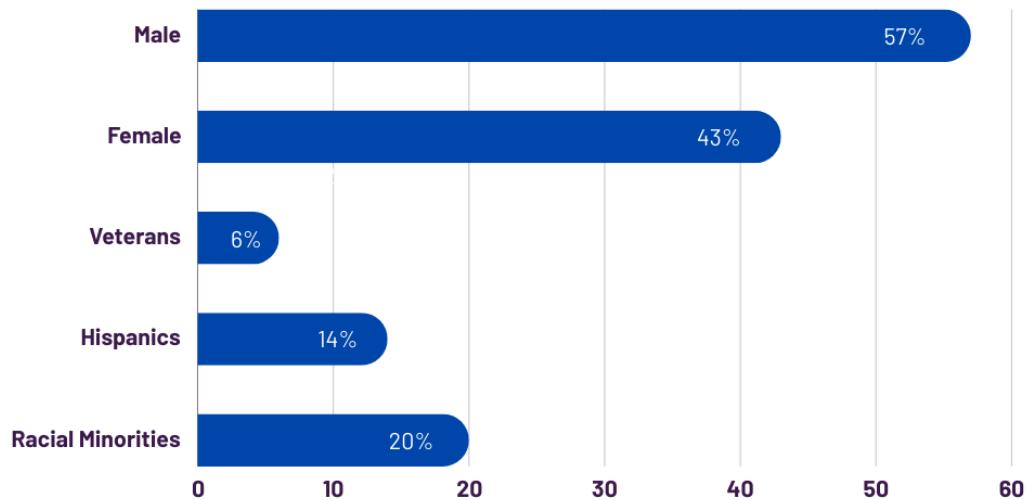


Figure 6.2: Small Business Ownership By Demographic

DIVERSITY IN SMALL BUSINESS OWNERSHIP

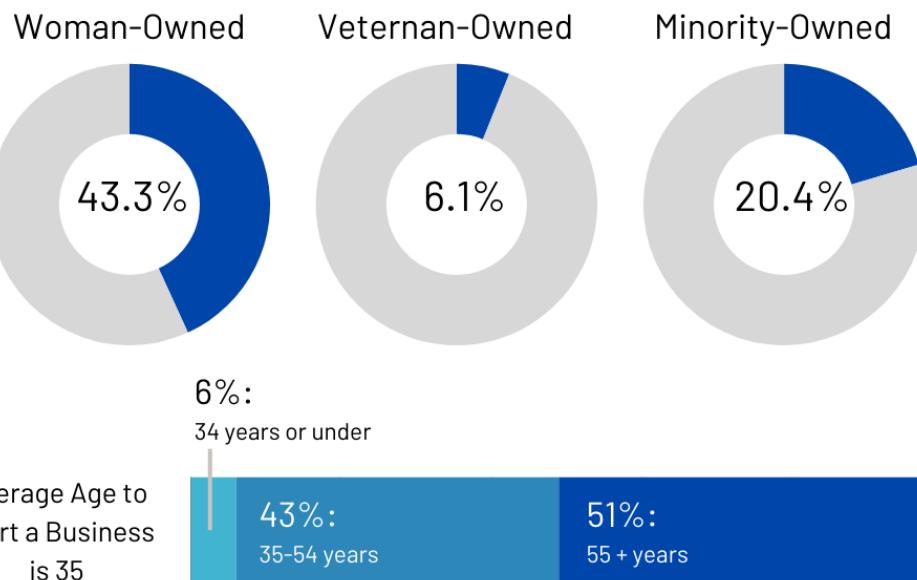


Figure 6.3: Diversity in Small Business Ownership

Collectively, Hispanic-owned businesses pay over \$100 billion annually in payroll to their 1 million workers (Ferguson, 2024).

Pause and Reflect

1. How do small businesses influence local economies?
2. What are some specific examples of their impact on your community?

ENTREPRENEURSHIP DATA AND RESOURCES

The Kauffman Foundation

One of the best sources to track U.S. entrepreneurial growth activity is the Ewing Marion Kauffman Foundation. The Kauffman Foundation is among the largest private foundations in the country, with an asset base of approximately \$2.7 billion, and focuses on projects that encourage entrepreneurship and support education through grants and research activities. They distributed over \$125 million in grants in 2022 (McCann, 2023).

The Kauffman Foundation supports new business creation in the United States through two research programs. The annual Kauffman Index of Entrepreneurship series measures and interprets indicators of U.S. entrepreneurial activity at the national, state, and metropolitan level. The foundation also contributes to the cost of the Annual Survey of Entrepreneurs (ASE), which is a public–private partnership between the foundation, the U.S. Census Bureau, and the Minority Business Development Agency. The ASE provides annual data on select economic and demographic characteristics of employer businesses and their owners by gender, ethnicity, race, and veteran status.

The Kauffman Index of Entrepreneurship series is an umbrella of annual reports that measures how people and businesses contribute to America's overall economy. What is unique about the Kauffman reports is that the indexes don't focus on only inputs (as most small-business reporting has been done in the past); it reports primarily on entrepreneurial outputs—the actual results of entrepreneurial activity, such as new companies, business density, and growth rates. The reports also include comprehensive, interactive data visualizations that enable users to slice and dice a myriad of data nationally, at the state level, and for the 40 largest metropolitan areas.

- ▶ You can find out more by visiting the [Ewing Marion Kauffman Foundation web page](#).

US Chamber of Commerce

The U.S. Chamber of Commerce produces detailed and accessible analyses of economic data and indicators to assist business leaders and policymakers in making informed decisions, competing globally, and driving growth. They provide economic insights through reports, data centers, blogs, and indices. Created by their Data Products & Insights Team, which comprises policy experts, analysts, designers, and digital producers, this work delivers comprehensive quantitative snapshots of various business sectors and topics.

- ▶ You can find out more by visiting the [U.S. Chamber of Commerce web page](#).

Small Business Administration (SBA)

The SBA puts out an [Entrepreneurial Development Impact Report](#) that studies the impact the SBA has on their clients through the services offered. They also offer access to [datasets](#) and provide links to other datasets for entrepreneurs to use.

Through its core lending programs, the SBA provided \$44.8 billion in funding to small businesses in fiscal year 2021, issuing over 61,000 loans (U.S. Small Business Administration, 2021).

Key Takeaways

- Small businesses serve as the entry point for entrepreneurs, helping them develop ideas and build customer bases, and they significantly impact local economies by creating new jobs and reinvesting in communities.
- The Small Business Administration (SBA) defines a small business as a for-profit entity with fewer than 500 employees, making these businesses eligible for various government programs and preferences.
- Small businesses comprise 99.9% of all firms in the United States, contributing to substantial job creation, with 17.3 million net new jobs generated between 1995 and 2021.
- Despite challenges like the COVID-19 recession, small businesses rebounded quickly, demonstrating their resilience and importance to economic recovery.
- Small businesses pay competitive wages, with an average hourly rate of \$30.42, which equates to an annual income of \$63,000.
- There is a growing diversity in small business ownership, with 43.4% owned by females, 20.4% by racial minorities (including 14.5% by Hispanics), and 6.1% by veterans, each contributing unique perspectives to the economy.
- Hispanic-owned businesses alone pay over \$100 billion annually in payroll to their 1 million workers.
- The Kauffman Foundation, the U.S. Chamber of

Commerce, and the SBA provide valuable resources, research, and data that support entrepreneurship and inform policymakers and business leaders, helping drive growth and economic competitiveness.

Chapter 7: Creativity, Innovation, and Invention

CREATIVITY, INNOVATION, AND INVENTION: HOW THEY DIFFER

One of the key requirements for entrepreneurial success is the ability to develop and offer something unique to the marketplace. Over time, entrepreneurship has become associated with **creativity**, the ability to develop something original, particularly an idea or a representation of an idea. Innovation requires creativity, but innovation is more specifically the application of creativity. **Innovation** is the manifestation of creativity into a usable product or service. In the entrepreneurial context, innovation is any new idea, process, or product, or a change to an existing product or process that adds value to that existing product or service (OpenStax, 2020).

How is an invention different from an innovation? All inventions contain innovations, but not every innovation rises to the level of a unique invention. For our purposes, an **invention** is a truly novel product, service, or process. It will be based on previous ideas and products, but it is such a leap that it is not considered an addition to or a variant of an existing product but something unique. The box below highlights the differences between these three concepts.

Innovation or Invention? What Do You Think?

Invention

The first ever cell phone was created by a team led by Martin Cooper, an American engineer (Gregerson, n.d.). See Figure 7.1 (a). He is regarded as the father of the cell phone, launching the first phone in 1984 called the DynaTAC (*The Invention of Mobile Phones*, 2018).

This idea was novel because phones were not mobile before. It is an example of an invention.

Innovation

Now let's compare this phone to the iPhone. The first iPhone was released in 2007, twenty-three years after the first mobile phone was available for purchase. See Figure 7.1 (b). The iPhone was the first of its kind to have a touch-sensitive multisensory interface. This made the product truly innovative. Apple took existing cell phone technology and made it better, therefore, classifying this product as an innovation.

Incremental Innovation and Creativity

As Apple continues to release new versions of the iPhone, some argue that these new phones are due to **incremental innovation** because the new versions are relatively similar to past versions, adding enhanced features. See Figure 7.1 (c). Apple must use their creativity to continue improving the iPhone and to keep up with changing customer expectations.

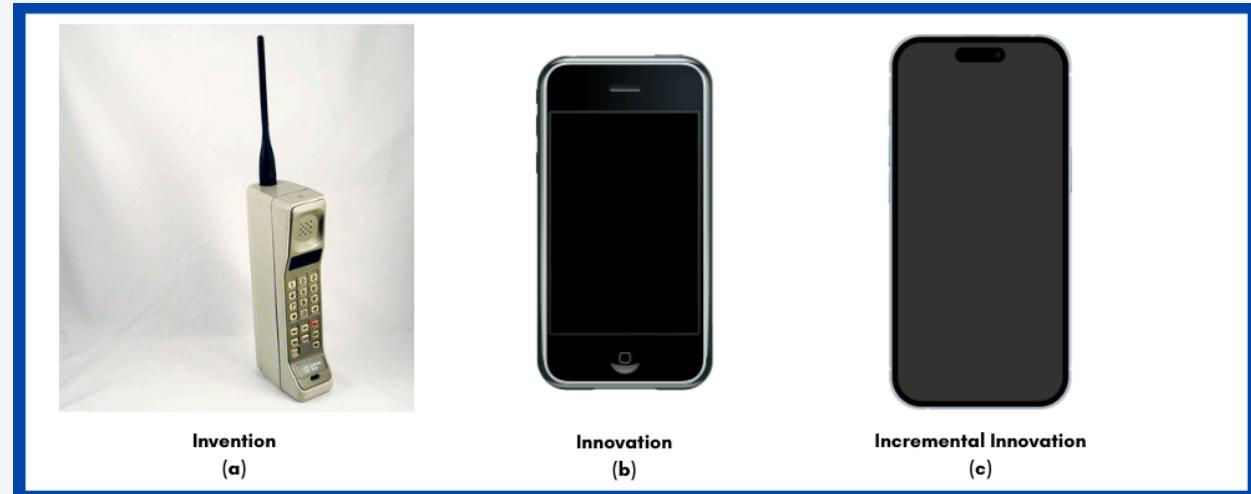


Figure 7.1: Innovation and Creativity in Cell Phone Technology. (a): First cell phone: DynaTAC. (b): First Touchscreen cell phone: iPhone 3. (c): Updated iPhone models

One way we can consider these three concepts is to relate them to design thinking. **Design thinking** is a method that focuses on designing and developing products based on customer needs. It involves an empathy-driven process to define complex problems and create solutions. This process is complex. Straightforward problems that can be solved with enough money and force do not require much design thinking. Creative design thinking and planning are about finding new solutions for problems with several tricky variables in play. Designing products for human beings, who are complex and sometimes unpredictable, requires design thinking.

How Airbnb Embraced ‘Design Thinking’

Airbnb has become a widely used service all over the world. That has not always been the case, however. In 2009 the company was near failure. The founders were struggling to find a reason for the lack of interest in their properties until

they realized that their listings needed professional, high-quality photographs rather than simple cell-phone photos.

Using a design thinking approach, the founders traveled to the properties with a rented camera to take some new photographs. As a result of this experiment, weekly revenue doubled. This approach could not be sustainable in the long-term, but it generated the outcome the founders needed to better understand the problem. This creative approach to solving a complex problem proved to be a major turning point for the company.

People who become proficient at design thinking strive to tackle different types of problems by being creative, innovative, or inventive – sometimes all three. Consider Divya Nag, a millennial biotech and medical device innovation leader, who launched a business after she discovered a creative way to prolong the life of human cells in Petri dishes. Nag's stem-cell research background and her entrepreneurial experience with her medical investment firm caught the attention of Apple. Apple hired her to run two programs dedicated to developing health-related apps, a position she reached before turning twenty-four years old, as a result of her creative, innovative, and inventive thinking.

Creativity, innovation, inventiveness, and entrepreneurship are tightly linked. As exemplified by Divya Nag, it is possible for one person to model all these traits to some degree. Additionally, developing creativity skills, a sense of innovation, and inventiveness can be done in a variety of ways. In this chapter, we'll discuss each of the key terms and how they relate to the entrepreneurial spirit.

CREATIVITY

Entrepreneurial creativity and artistic creativity are not so different. Inspiration can be found in books, songs, and paintings, or even from existing products and services. Creative inspiration can also be found in nature, in conversations with other creative minds, and through formal ideation exercises such as brainstorming. **Brainstorming**, the generation of ideas in an environment free of judgment or dissension with the goal of creating solutions, is just one of dozens of methods for coming up with new ideas. **Ideation** is the purposeful process of opening up one's mind to new trains of thought that branch out in all directions from a stated purpose or problem.

There are many benefits from setting aside time for ideation. Reserving time to let the mind roam freely while thinking about an issue or problem from multiple directions is a necessary component of the process. Ideation takes time and a deliberate effort to move beyond habitual thought patterns. Consciously setting aside time for creativity will broaden mental horizons and allow for change and growth (Kelly, 1991).

Entrepreneurs work with two types of thinking. **Linear thinking**—sometimes called vertical thinking— involves a logical, step-by-step process. In contrast, creative thinking is more often lateral thinking, free and open thinking in which established patterns of logical thought are purposefully ignored or even challenged. If logic is ignored, anything becomes possible. Linear thinking is crucial in turning an idea into a business. **Lateral thinking** allows one's creativity to solve problems that arise. Table 7.2 summarizes linear and lateral thinking.

Table 7.2: Linear vs Lateral Thinking

Linear vs Lateral Thinking	
Linear	Lateral
<ul style="list-style-type: none"> • Use of logic • Step-by-step approach • Vertical flow down a planned path for innovation 	<ul style="list-style-type: none"> • Creative thinking • Open to possibilities • Agility in problem-solving to consider better alternatives or solutions

Brainstorming Activities

Looking for new ways to brainstorm?

- ▶ Visit the [Introduction to the Essential Ideation Techniques Which are the Heart of Design Thinking web page](#) for different ways to get those creative juices flowing like mind maps, brain dumps, storyboarding, and others.

It is certainly possible for an entrepreneur to focus on linear thinking. Many viable business ventures flow logically and directly from existing products and services. However, for various reasons, creativity and lateral thinking are emphasized in many contemporary contexts in the study of entrepreneurship. Some reasons for this are increased global competition, the speed of technological change, and the complexity of trade and communication systems. These factors help explain not just why creativity is emphasized in entrepreneurial circles but also why

creativity should be emphasized. Product developers are expected to do more than simply push products and innovations a step farther down a planned path. Newer generations of entrepreneurs are expected to be path breakers in new products, services, and processes.

Examples of creativity are all around us. They come in the forms of fine art and writing, or in graffiti and viral videos, or in new products, services, ideas, and processes. In practice, creativity is incredibly broad. It is all around us, whenever or wherever people strive to solve a problem, large or small, practical or impractical. Walking out of a brainstorming session is an example of creativity.

INNOVATION

We previously defined innovation as a change that adds value to an existing product or service. According to the management thinker and author Peter Drucker, the key point about innovation is that it is a response to both changes within markets and changes from outside markets. For Drucker, classical entrepreneurship psychology highlights the purposeful nature of innovation (Drucker, 1985). Business firms and other organizations can plan to innovate by applying either lateral or linear thinking methods, or both. In other words, not all innovation is purely creative. If a firm wishes to innovate a current product, what will likely matter more to that firm is the success of the innovation rather than the level of creativity involved.

Drucker's Seven Sources of Innovation

Drucker summarized the sources of innovation into seven categories, as outlined in Table 7.3 below. Firms and individuals can innovate by seeking out and developing changes within markets or by focusing on and

cultivating creativity. Firms and individuals should be on the lookout for opportunities to innovate.

Table 7.3: Peter Drucker's Seven Sources of Innovation

Source	Description
The unexpected	Looking for new opportunities in the market; unexpected product performance; unexpected new products as examples
The incongruity	Discrepancies between what should be and what is reality
Process need	Weaknesses in the organization, product, or service
Changes in industry/market	New regulations; new technologies
Demographics	Understanding needs and wants of target markets
Changes in perceptions	Changes in perceptions of life events and values
New knowledge	New technologies; advancements in thinking; new research

One innovation that demonstrates several of Drucker's sources is the use of cashier kiosks in fast-food restaurants. McDonald's was one of the first to launch these self-serve kiosks. Historically, the company has focused on operational efficiencies (doing more/better with less). In response to changes in the market, changes in demographics, and process need, McDonald's incorporated self-serve cashier stations into their stores. These kiosks address the need of younger generations to interact more with technology and gives customers faster service in most cases (Morgan, 2017).

Another leading expert on innovation, Tony Ulwick, focuses on understanding how the customer will judge or evaluate the quality and value of the product. The product development process should be based

on the metrics that customers use to judge products, so that innovation can address those metrics and develop the best product for meeting customers' needs when it hits the market. This process is very similar to Drucker's contention that innovation comes as a response to changes within and outside of the market. Ulwick insists that focusing on the customer should begin early in the development process (Ulwick, n.d.).

Disruptive Innovation

Disruptive innovation is a process that significantly affects the market by making a product or service more affordable and/or accessible, so that it will be available to a much larger audience. Clay Christensen of Harvard University coined this term in the 1990s to emphasize the process nature of innovation. For Christensen, the innovative component is not the actual product or service, but the process that makes that product more available to a larger population of users. He has since published a good deal on the topic of disruptive innovation, focusing on small players in a market. Christensen theorizes that a disruptive innovation from a smaller company can threaten an existing larger business by offering the market new and improved solutions. The smaller company causes the disruption when it captures some of the market share from the larger organization (Larson, 2017).

One example of a disruptive innovation is Uber and its impact on the taxicab industry. Uber's innovative service, which targets customers who might otherwise take a cab, has shaped the industry as a whole by offering an alternative that some deem superior to the typical cab ride.

One key to innovation within a given market space is to look for pain points, particularly in existing products that fail to work as well as users expect them to. A **pain point** is a problem that people have with a product or service that might be addressed by creating a modified version that solves the problem more effectively (Waldo, 2016). For example, someone might be interested in whether a local retail store carries a specific item without actually going there to check. Most retailers now have a feature on their websites that allows customers to

determine whether the product (and often how many units) is available at a specific store. This eliminates the need to go to the location only to find that they are out of a favorite product.

Pioneering Innovation

A **pioneering innovation** is one based on a new technology, a new advancement in the field, and/or an advancement in a related field that leads to the development of a new product (Ali, 1994). Firms offering similar products and services can undertake pioneering innovations, but pioneering the new product requires opening up new market space and taking major risks.

Is a pioneering innovation an invention? A firm makes a pioneering innovation when it creates a product or service arising from what it has done before. Pokémon GO is a great example of pioneering innovation. Nintendo was struggling to keep pace with other gaming-related companies. The company, in keeping with its core business of video games, came up with a new direction for the gaming industry. Pokémon GO is known worldwide and is one of the most successful mobile games launched (Chamary, 2018). It takes creativity to explore a new direction, but not every pioneering innovation creates a distinctly new product or capability for consumers and clients.

Entrepreneurs in the process of developing an innovation usually examine the current products and services their firm offers, investigate new technologies and techniques being introduced in the marketplace or in related marketplaces, watch research and development in universities and in other companies, and pursue new developments that are likely to fit one of two conditions: an innovation that likely fits an existing market better than other products or services being offered or an innovation that fits a market that so far has been underserved.

Incremental Innovation

When a firm identifies a pain point in their own product or a competitor's

product, they can use creativity to find and test solutions. These solutions can help to avoid or eliminate the pain, making the innovation marketable. This is one example of an **incremental innovation**, an innovation that modifies an existing product or service (Ali, 1993).

An example of an incremental innovation is the trash receptacle found at fast-food restaurants. For many years, trash cans in fast-food locations were placed in boxes behind swinging doors. The trash cans did one job well: they hid the garbage from sight. But they created other problems. Often, the swinging doors would get ketchup and other waste on them, surely a pain point. Newer trash receptacles in fast-food restaurants have open fronts or open tops that enable people to dispose of their trash more neatly. The downside for restaurants is that users can see and possibly smell the food waste, but if the restaurants change the trash bags frequently, as is a good practice anyway, this innovation works relatively well. One might not think twice about this everyday example of an innovation when eating at a fast-food restaurant, but even small improvements can matter a lot, particularly if the market they serve is vast.

SHIFT Cyclery & Coffee Bar – Eau Claire, Wisconsin

SHIFT Cyclery and Coffee Bar, established in March 2018, was born out of the collective experiences of its four original business partners who had lived in large cities across the U.S. These cities featured successful models of combined coffee shops and bike shops, inspiring the partners to bring this concept to Eau Claire, Wisconsin. They envisioned a welcoming, inclusive space where people could indulge in their passions for both coffee and biking, while also fostering a sense of community around activism and citizenry. From its inception in 2016, the idea was to blend a café with bike repair and retail services, creating a hybrid model that offers a diverse range of experiences under one roof. There are no other business models like this in the Eau Claire, Wisconsin, area. The combination of a coffee shop and bike shop makes SHIFT Cyclery and Coffee Bar stand out. Some patrons come only for the coffee, others for bike repairs, and many appreciate the dual nature of the business. Using an established business model has an advantage for SHIFT. Owner Laura Lash shares:

One clear draw for us is that people traveling through town from larger cities find us based on our online



photos, coffee offerings, and hybrid shop model. It's either familiar to them or they are intrigued.

Despite the challenges posed by the economic climate post-pandemic, the core idea of inclusiveness and providing a friendly, safe space for all levels of coffee and biking enthusiasts has been the cornerstone of SHIFT's character and personality, contributing significantly to its success and community appeal.

- What specific elements of SHIFT Cyclery & Coffee Bar's business model demonstrate innovation?
- What specific elements demonstrate creativity?

INVENTION

An **invention** is a leap in capability beyond innovation. Some inventions combine several innovations into something new. Invention certainly requires creativity, but it goes beyond coming up with new ideas, combinations of thought, or variations on a theme. Inventors build. Developing something users and customers view as an invention could be important to some entrepreneurs, because when a new product or service is viewed as unique, it can create new markets. True inventiveness is often recognized in the marketplace, and it can help build a valuable reputation and help establish market position if the company can build a future-oriented corporate narrative around the invention (Vendelø, 1998).

Besides establishing a new market position, a true invention can have a social impact. At the social level, a new invention can influence the ways

institutions work. For example, the invention of desktop computing put accounting and word processing into the hands of nearly every office worker. The ripple effects spread to the school systems that educate and train the corporate workforce. Not long after the spread of desktop computing, workers were expected to draft reports, run financial projections, and make appealing presentations. Specializations or aspects of specialized jobs—such as typist, bookkeeper, corporate copywriter—became necessary for almost everyone headed for corporate work. Colleges and eventually high schools saw software training as essential for students of almost all skill levels. These additional capabilities added profitability and efficiencies, but they also have increased job requirements for the average professional.

Some of the most successful inventions contain a mix of familiarity and innovation that is difficult to achieve. With this mix, the rate of adoption can be accelerated because of the familiarity with the concept or certain aspects of the product or service. As an example, the “videophone” was a concept that began to be explored as early as the late 1800s. AT&T began extensive work on videophones during the 1920s. However, the invention was not adopted because of a lack of familiarity with the idea of seeing someone on a screen and communicating back and forth. Other factors included societal norms, size of the machine, and cost. It wasn’t until the early 2000s that the invention started to take hold in the marketplace (Fitzgerald, 2003). The concept of a **black box** is when activities are performed in a somewhat mysterious and ambiguous manner, with a serendipitous set of actions connecting that result in a surprisingly beneficial manner.

An example is Febreze, a chemical combination that binds molecules to eliminate odors. From a black box perspective, the chemical engineers did not intend to create this product, but as they were working on creating another product, someone noticed that the product they were working on removed odors, thus inadvertently creating a successful new product marketed as Febreze.

Did Henry Ford Invent the Assembly Line?

Very few products or procedures are actually brand-new ideas. Most new products are alterations or new applications of existing products, with some type of twist in design, function, portability, or use. Henry Ford is usually credited with inventing the moving assembly line as shown in Figure 7.2(a) in 1913. However, some 800 years before Henry Ford, wooden ships were mass produced in the northern Italian city of Venice in a system that anticipated the modern assembly line.

Various components (ropes, sails, and so on) were prefabricated in different parts of the Venetian Arsenal, a huge, complex construction site along one of Venice's canals. The parts were then delivered to specific assembly points as shown in Figure 7.2 (b). After each stage of construction, the ships were floated down the canal to the next assembly area, where the next sets of workers and parts were waiting. Moving the ships down the waterway and assembling them in stages increased speed and efficiency to the point that long before the Industrial Revolution, the Arsenal could produce one fully functional and completely equipped ship per day. The system was so successful that it was used from the thirteenth century to about 1800.

Henry Ford did not invent anything new—he only applied the 800-year-old process of building wooden ships by hand along a moving waterway to making metal cars by hand on a moving conveyor.

Opportunities to bring new products and processes to market are in front of us every day. The key is having the ability to recognize them and implement them.



(a)



(b)

Figure 7.2: (a) Workers assemble car parts on an early Ford factory assembly line. (b) The Venetian Arsenal was an early “assembly line” where workers could build a complete ship in a single day.

Pause and Reflect

1. How do you distinguish between creativity and innovation in your own work or projects?
2. Think of an invention that significantly impacted your life or industry. What were the key elements that made it truly novel and different?

Key Takeaways

- Creativity is the ability to develop something original,

particularly an idea or representation of an idea. Innovation is the application of creativity to create a usable product or service that adds value to an existing product or service. Invention is a truly novel product, service, or process that represents a significant leap from previous ideas and products.

- Incremental innovation involves small improvements to existing products, like the enhancements in successive versions of the iPhone.
- Disruptive innovation significantly affects the market by making a product or service more affordable and accessible, as exemplified by Uber's impact on the taxi industry.
- Pioneering innovation involves developing a new product based on new technologies or advancements, such as the creation of Pokémon GO.
- Design thinking is an empathy-driven process focused on developing products based on customer needs, often requiring creativity and innovation to solve complex problems.
- Entrepreneurs benefit from both linear thinking (logical, step-by-step processes) and lateral thinking (creative, open possibilities) to innovate effectively.
- According to Peter Drucker, innovation can come from unexpected opportunities, incongruities, process needs, market changes, demographics, perception changes, and new knowledge.

Knowledge Check



An interactive H5P element has been excluded from this version of the text. You can view it online here:

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Chapter 8: Business Planning Methods

THE IMPORTANCE OF BUSINESS PLANNING

Having some type of written framework that serves as a roadmap for a business venture can attribute to entrepreneurial success. *Harvard Business Review* found that entrepreneurs who write formal plans are 16% more likely to achieve viability than other non-planning entrepreneurs (Greene, 2017). Having a tangible plan allows for better tracking of progress and makes it easier to adjust strategies based on real-world feedback and changing conditions. In essence, planning on paper not only clarifies and organizes thoughts but also solidifies commitment, enhances focus, and increases the likelihood of entrepreneurial success.

The business planning process includes the business model canvas (discussed in a later chapter), a feasibility analysis, and a full business plan, which are discussed in this chapter. Each serves its own purpose.

Feasibility Analysis

Because we are not covering a feasibility analysis in detail in this text, let's look at a brief definition. As the name suggests, a **feasibility analysis** is designed to assess whether an entrepreneurial endeavor is, in fact, feasible or possible. By evaluating the management team, assessing the market for the concept, estimating financial viability, and identifying potential pitfalls, entrepreneurs can make an informed choice about the achievability of the endeavor.

A feasibility analysis is largely numbers driven and can be far more in

depth than a business plan. It ultimately tests the viability of an idea, a project, or a new business. A feasibility study may become the basis for the business plan, which outlines the action steps necessary to take a proposal from ideation to realization. A feasibility study allows a business to address where and how it will operate, its competition, possible hurdles, and the funding needed to begin. The business plan then provides a framework that sets out a map for following through and executing on the entrepreneurial vision (OpenStax, 2020).

THE BUSINESS PLAN OVERVIEW

A **business plan** is a formal document used for the long-range planning of a company's operation. It serves as a roadmap guiding the company's direction over several years. It typically includes background information, financial information, and a summary of the business. Banks and investors often request a formal business plan as it is a key element in their decision to provide funding or invest in a company. The business plan typically includes financial projections for a three-year period (OpenStax, 2020).

Although nothing in business is permanent, a business plan typically has components that are more “set in stone” than a business model canvas, which is more commonly used as a first step in the planning process and throughout the early stages of the business.

As with many aspects of entrepreneurship, there are no clear hard and fast rules to achieving entrepreneurial success. Different people may want different business plans. There are many tools entrepreneurs can use when developing their plan, from simple to high detailed plans and template plans.

TYPES OF BUSINESS PLANS

Brief or “Lean” Business Plan

A **brief business plan** is a concise document that provides a broad overview of an entrepreneurial concept, the team members involved, the methods and reasons for executing the plans, and the justification for why they are the ones to do so.

If opting for the brief business plan, the focus is primarily on articulating a big-picture overview of the business concept. Think of a brief business plan as a movie trailer, whereas the full plan is the full-length movie equivalent.

Full or “Traditional” Business Plan

A **full business plan**, or sometimes referred to as a traditional business plan, is a comprehensive document that outlines a company's goals, strategies, and financial projections. It provides a detailed description of the business, including its products or services, target market, competitive landscape, and marketing and sales strategies (Beltis, 2024). The full business plan is aimed at executing the vision concept and working out the details. Developing a full business plan will assist those who need a more detailed and structured roadmap, or those with little to no background in business.

Full business plans can vary in length, scale, and scope. Some components may differ slightly; however, there are common elements typically found in a formal business plan outline. The next section will provide sample components of a full business plan for a fictional business.

Any type of business plan aims to provide a picture and roadmap to follow from conception to creation (OpenStax, 2023).

PURPOSES OF A BUSINESS PLAN

A business plan can serve many different purposes—some internal, others external. See Table 8.1 for the differences.

Table 8.1: Purposes of a Business Plan

Internal Purposes	External Purposes
<ul style="list-style-type: none">• The business plan is the road map for the development of the business because it<ul style="list-style-type: none">◦ defines the vision for the company.◦ establishes the company's strategy.◦ describes how the strategy will be implemented.◦ provides a framework for the analysis of key issues.◦ provides a plan for the development of the business.◦ is a measurement and control tool.◦ helps the entrepreneur to be realistic and to put theories to the test.	<ul style="list-style-type: none">• The business plan is often the main method of describing a company to external audiences such as potential sources for financing and key personnel being recruited.• It should assist outside parties to understand the current status of the company, its opportunities, and its needs for resources such as capital and personnel.• It also provides the most complete source of information for the valuation of the business.

A business plan can be an organizational roadmap, that is, an internal planning tool and working plan that can be applied to the business to reach the desired goals over the course of several years. The business plan should be written by the owners of the venture because it forces a

firsthand examination of the business operations and allows them to focus on areas that need improvement.

A major external purpose for the business plan is as an investment tool that outlines financial projections, becoming a document designed to attract investors. In addition, lenders such as a bank are very interested in the financial projections because they want to know how the entrepreneur is going to use the borrowed money and how they are going to pay the bank.

In many instances, a business plan can complement a formal investor pitch. In this context, the business plan is a presentation plan, intended for an outside audience that may or may not be familiar with the industry, business, and competitors.

One can also utilize their business plan as a contingency plan by outlining various “what-if” scenarios and considering potential responses if these situations were to occur.

Pretty Young Professional launched in November 2010 as an online resource to guide an emerging generation of female leaders. The site focused on recent female college graduates and current students searching for professional roles and those in their first professional roles.

It was founded by four friends who were coworkers at the global consultancy firm McKinsey. But after positions and equity were decided among them, fundamental differences of opinion about the direction of the business emerged between two factions, according to the cofounder and former CEO Kathryn Minshew. “I think, naively, we assumed that if we kicked the can down the road on some of those things, we’d be able to sort them out,” Minshew said.

Minshew went on to establish a different professional site,

The Muse, and took much of the editorial team of Pretty Young Professional with her.

Greater “what if” planning could potentially have prevented the early demise of Pretty Young Professional.

Let's look at an example of a planning success.

A change in planning led to overnight success for Joshua Esnard and The Cut Buddy team. Esnard invented and patented the plastic hair template that he was selling online out of his Fort Lauderdale garage while working a full-time job at Broward College and running a side business.

Esnard had hundreds of boxes of Cut Buddies sitting in his home when he changed his marketing plan to enlist companies specializing in making videos go viral. It worked so well that a promotional video for the product garnered 8 million views in hours. The Cut Buddy sold over 4,000 products in a few hours when Esnard only had hundreds remaining. Demand greatly exceeded his supply, so Esnard had to scramble to increase manufacturing and offered customers two-for-one deals to make up for delays.

This led to selling 55,000 units, generating \$700,000 in sales in 2017. After appearing on Shark Tank and landing a deal with Daymond John that gave the “shark” a 20-percent equity stake in return for \$300,000, The Cut Buddy has added new distribution channels to include retail sales, along with online commerce. Changing one aspect of a business plan—the marketing plan—yielded success for The Cut Buddy.

As of 2024, The Cut Buddy has added to their portfolio of items.

GENERAL BUSINESS PLAN GUIDELINES

The following are some basic guidelines for business plan development (Swanson, 2017).

- A standard format helps the reader understand that the entrepreneur has thought everything through and that the returns justify the risk.
- Binding the document ensures that readers can easily go through it without it falling apart.
- Use bullets and numbering and short paragraphs to ease the reading.
- Add headings and subheadings on the entire document to guide the reader.
- Include charts, graphs, and tables to help with understanding of the content. Pictures are best in the appendix.
- Use single space within paragraphs and double space between paragraphs.
- Generally speaking, a business plan should not be written in the first person.
- Be 100% certain of the following:
 - Everything is completely integrated: the written part must say exactly the same thing as the financial part.
 - All financial statements are completely linked and valid.
 - The document is well-formatted (layout makes the document

easy to read and comprehend—including diagrams, charts, statements, and other additions).

- Everything is correct (there are NO spelling, grammar, sentence structure, referencing, or calculation errors).
- The document is easy to read and comprehend because it is organized well with no unnecessary repetition.
 - It is usually unnecessary—and even damaging—to state the same thing more than once. To avoid duplicating information, combine sections and reduce or eliminate duplication as much as possible.
- All the necessary information is included to enable readers to understand everything in the document.
- The terms are clear.
 - For example, if the plan says something like, “There is a shortage of 100,000 units with competitors currently producing 25,000. We can help fill this huge gap in demand with our capacity to produce 5,000 units,” a reader is left completely confused. Does this mean there is a total shortage of 100,000 units, but competitors are filling this gap by producing 25,000 per year (in which case there will only be a shortage for four years)? Or, is there an annual shortage of 100,000 units with only 25,000 being produced each year, in which case the total shortage is very high and is growing each year? Always provide the complete perspective by indicating the appropriate time frame, currency, size, or another measurement.
- If using a percentage figure, indicate to what it refers. Otherwise, the figure is completely useless to a reader.
- If the plan includes an international element, indicate which currencies the costs, revenues, prices, or other values are quoted in.
- Credibility is both established and maintained.

- If a statement is included that presents something as a fact when this fact is not generally known, always indicate the source. Unsupported statements damage credibility.
- Be specific. A business plan is simply not of value if it uses vague references to high demand, carefully set prices, and other weak phrasing. It must show hard numbers (properly referenced, of course), actual prices, and real data acquired through proper research. This is the only way to ensure the plan is credible.

BUSINESS PLAN SECTIONS

Most business plans have several distinct sections, as shown in Table 8.2. The business plan can range from a few pages to twenty-five pages or more, depending on the purpose and the intended audience.

Table 8.2: Important Sections of Business Plans

BUSINESS PLAN
Executive Summary
Business Description
Industry Analysis and Market Strategies
Competitive Analysis
Operations and Management Plan
Marketing Plan
Exit Strategy
Financial Analysis

Executive Summary

The executive summary should provide an overview of the business with key points and issues. Because the summary is intended to summarize the entire document, it is most helpful to write this section last, even though it comes first in sequence. The writing in this section should be especially concise. Readers should be able to understand the business's needs and capabilities at first glance. The section should tell the reader what the entrepreneur wants, and the "ask" should be explicitly stated in the summary.

Describe the business, its product or service, and the intended customers. Explain what will be sold, to whom it will be sold, and what competitive advantages the business has. Table 8.3 shows a sample executive summary for the fictional company La Vida Lola.

Executive Summary for La Vida Lola

Table 8.3: Sample Executive Summary

Executive Summary Component	Content
The Concept	<p>La Vida Lola is a food truck serving the best Latin American and Caribbean cuisine in the Atlanta region, particularly Puerto Rican and Cuban dishes, with a festive flair. La Vida Lola offers freshly prepared dishes from the mobile kitchen of the founding chef and namesake Lola González, a Duluth, Georgia, native who has returned home to launch her first venture after working under some of the world's top chefs. La Vida Lola will cater to festivals, parks, offices, community and sporting events, and breweries throughout the region.</p>
Market Advantage	<p>Latin food packed with flavor and flair is the main attraction of La Vida Lola. Flavors steeped in Latin American and Caribbean culture can be enjoyed from a menu featuring street foods, sandwiches, and authentic dishes from the González family's Puerto Rican and Cuban roots. Millennial foodies craving ethnic food experiences and Latin food lovers are the primary customers, but anyone with a taste for delicious homemade meals in Atlanta can order. Having a native Atlanta-area resident returning to her hometown after working in restaurants around the world to share food with area communities offers a competitive advantage for La Vida Lola in the form of founding Chef Lola González.</p>
Marketing	<p>The venture will adopt a concentrated marketing strategy. The company's promotions will include a mix of advertising, sales promotion, public relations, and personal selling. Much of the promotion mix will center around dual-language social media.</p>
Venture Team	<p>The two founding members of the management team have almost four decades of combined experience in the restaurant and hospitality industries. Their background includes experience in food and beverage, hospitality and tourism, accounting, finance, and business creation.</p>

Capital Requirements	La Vida Lola is seeking startup capital of \$50,000 to establish its food truck in the Atlanta area. An additional \$20,000 will be raised through a donations-driven crowdfunding campaign. The venture can be up and running within six months to a year.
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Business Description

This section describes the industry, product, the business, and success factors. It should provide a current outlook, as well as future trends and developments. It should address the company's mission, vision, goals, and objectives. Summarize the overall strategic direction, the reasons for starting the business, a description of the products and services, the business model, and the company's value proposition. It should also include the start date of the business, location, and who the owner(s) will be. (More info about the owners will be described in the Management section.) Consider including the Standard Industrial Classification/North American Industry Classification System (SIC/NAICS) code to specify the industry and ensure correct identification. The industry extends beyond where the business is located and operates and should include national and global dynamics.

Table 8.4 shows a sample business description for La Vida Lola.

Business Description for La Vida Lola

Table 8.4: Sample Business Description for La Vida Lola

Business Description	<ul style="list-style-type: none"> • La Vida Lola operates in the mobile food services industry, which is identified by SIC code 5812 Eating Places and NAICS code 722330 Mobile Food Services, which consist of establishments primarily engaged in preparing and serving meals and snacks for immediate consumption from motorized vehicles or nonmotorized carts. • Ethnically inspired to serve a consumer base that craves more spiced Latin foods, La Vida Lola is an Atlanta-area food truck specializing in Latin cuisine, particularly Puerto Rican and Cuban dishes native to the roots of the founding chef and namesake, Lola González. • La Vida Lola aims to spread a passion for Latin cuisine within local communities through flavorful food freshly prepared in a region that has embraced international eats. Through its mobile food kitchen, La Vida Lola plans to roll into parks, festivals, office buildings, breweries, and sporting and community events throughout the greater Atlanta metropolitan region. Future growth possibilities lie in expanding the number of food trucks, integrating food delivery on demand, and adding a food stall at an area food market. • After working in noted restaurants for a decade, most recently under the famed Chef José Andrés, Chef Lola González returned to her hometown of Duluth, Georgia, to start her own venture. Although classically trained by top
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world chefs, it was the cooking of authentic Puerto Rican and Cuban dishes from González's grandparents' that influenced her profoundly.

- The freshest ingredients from the local market, the island spices, and her attention to detail were the spark that ignited Lola's passion for cooking. To that end, she brings flavors steeped in Latin American and Caribbean culture to a flavorful menu packed full of street foods, sandwiches, and authentic dishes. Through reasonably priced menu items, La Vida Lola offers food that appeals to a wide range of customers, from millennial foodies to Latin natives and other locals with Latin roots.

Industry Analysis and Market Strategies

Here is where the industry will be defined in terms of size, structure, growth prospects, trends, and sales potential. Include the **total available market (TAM)** and **serviceable available market (SAM)**.

This is a place to address market segmentation strategies by geography, customer attributes, or product orientation. Describe the company's positioning relative to the competitors in terms of pricing, distribution, promotion plan, and sales potential. Table 8.5 shows an example of industry analysis and market strategy for La Vida Lola.

Industry Analysis and Market Strategy for La Vida Lola

Table 8.5: Example Industry Analysis and Market Strategy for La Vida Lola

Industry Analysis and Market Strategy	<ul style="list-style-type: none"> According to Global Market Insights, the US food truck industry alone is valued at \$4.3 billion and is expected to grow at 5% between 2024 and 2032. Meanwhile, an IBISWorld report shows the street vendors' industry is valued at \$3.9 billion with an expected growth of .42% from 2023. Food truck and street food vendors are increasingly investing in specialty, authentic ethnic, and fusion food, according to the IBISWorld report. Although the IBISWorld report projects demand to slow down over the next five years, it notes there are still opportunities for sustained growth in major metropolitan areas. The street vendors industry has been a particular bright spot within the larger food service sector. The industry is in a growth phase of its life cycle. The low overhead cost to set up a new establishment has enabled many individuals, especially specialty chefs looking to start their own businesses, to own a food truck in lieu of opening an entire restaurant. Off the Grid's annual report indicates the average typical initial investment ranges from \$55,000 to \$75,000 to open a mobile food truck. The restaurant industry is tracking to have over \$997 billion in sales nationwide in 2024, according to data from the National Restaurant Association. Georgia restaurants brought in a total of \$24.9 billion in 2023, according to figures from the Georgia Restaurant Association. There are approximately 12,000 restaurants in the
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metro Atlanta region. The Atlanta region accounts for almost 60 percent of the Georgia restaurant industry. The SAM is estimated to be approximately \$360 million.

- The mobile food/street vendor industry can be segmented by types of customers, types of cuisine (American, desserts, Central and South American, Asian, mixed ethnicity, Greek Mediterranean, seafood), geographic location, and types (mobile food stands, mobile refreshment stands, mobile snack stands, street vendors of food, and mobile food concession stands).
- Secondary competing industries include chain restaurants, single location full-service restaurants, food service contractors, caterers, fast food restaurants, and coffee and snack shops.
- The top food truck competitors according to the *Atlanta Journal-Constitution*, the daily newspaper in La Vida Lola's market, are Bento Bus, Mix'd Up Burgers, Mac the Cheese, The Fry Guy, and The Blaxican. Bento Bus positions itself as a Japanese-inspired food truck using organic ingredients and dispensing in eco-friendly ware. The Blaxican positions itself as serving what it dubs "Mexican soul food," a fusion mashup of Mexican food with Southern comfort food. After years of operating a food truck, The Blaxican also recently opened its first brick-and-mortar restaurant. The Fry Guy specializes in Belgian-style street fries with a variety of homemade dipping sauces. These three food trucks would be the primary competition to La Vida Lola because they are in the "ethnic food"

space, while the other two offer traditional American food. All five have established brand identities and loyal followers/customers because they are among the industry leaders as established by “best of” lists from area publications like the *Atlanta Journal-Constitution*. Most dishes from competitors are in the \$10–\$13 price range for entrees. La Vida Lola dishes will range from \$6 to \$13.

- One key finding from Off the Grid’s “*Mobile Food Trends and Insights*” report is that mobile food has “proven to be a powerful vehicle for catalyzing diverse entrepreneurship” as 30 percent of mobile food businesses are immigrant owned, 30 percent are women owned, and 8 percent are LGBTQ owned. In many instances, the owner-operator plays a vital role to the brand identity of the business, as is the case with La Vida Lola.
- Atlanta has also tapped into the nationwide trend of food hall-style dining. These food halls are increasingly popular in urban centers like Atlanta. On one hand, these community-driven areas where food vendors and retailers sell products side by side are secondary competitors to food trucks. But they also offer growth opportunities for future expansion as brands solidify customer support in the region. The most popular food halls in Atlanta are Ponce City Market in Midtown, Krog Street Market along the BeltLine trail in the Inman Park area, and Sweet Auburn Municipal Market downtown Atlanta. In addition to these trends, Atlanta has long been supportive of international cuisine as Buford

	<p>Highway (nicknamed “BuHi”) has a reputation for being an eclectic food corridor with an abundance of renowned Asian and Hispanic restaurants in particular.</p> <ul style="list-style-type: none"> • The Atlanta region is home to a thriving Hispanic and Latinx population, with nearly half of the region’s foreign-born population hailing from Latin America. There are over half a million Hispanic and Latin residents living in metro Atlanta, with a 150 percent population increase predicted through 2040. The median age of metro Atlanta Latinos is twenty-six. La Vida Lola will offer authentic cuisine that will appeal to this primary customer segment. • La Vida Lola must contend with regulations from towns concerning operations of mobile food ventures and health regulations, but the Atlanta region is generally supportive of such operations. There are many parks and festivals that include food truck vendors on a weekly basis.
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Competitive Analysis

The competitive analysis is a statement of the business strategy as it relates to the competition. Identify who the major competitors are, assess their market shares, and determine markets served and strategies employed, as well as expected response to entry. Conduct a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) and complete a competitive-strength grid or competitive matrix. Outline the company’s competitive strengths relative to those of the competition regarding product, distribution, pricing, promotion, and advertising. What are the company’s competitive advantages and how do those impact success?

The key is to construct a competitive-strength grid or competitive matrix properly for the relevant features/benefits (by weight, according to customers) and how the start-up compares to incumbents. The competitive matrix should clearly show how and why the startup has a defined (if not currently measurable) competitive advantage. Some common features in the example include price, benefits, quality, type of features, locations, and distribution/sales. Sample templates are shown in Tables 8.6 and 8.7. A competitive analysis helps create a marketing strategy that will identify assets or skills that competitors are lacking so those gaps are filled, giving the company a distinct competitive advantage. When creating a competitor analysis, it is important to focus on the key features and elements that matter to customers, rather than focusing too heavily on the entrepreneur's idea and desires.

Table 8.6: Sample Format for a Competitor Analysis

	La Vida Lola	Mix'd Up Burgers	Mac the Cheese	The Fry Guy	The
Price	\$6-13	\$10	\$10-13	\$13+	High
Location	Varies	Rotate/Smyrna	Rotates	Buckhead	Midt
Quality	Mid to high	Low	Mid	High	High
Food type	Latin	American/Burgers	American/Comfort	American	Soul/fusio

Table 8.7: Complex Template for Creating a Competitive Analysis

	Price	Benefits	Quality	Features	Locations	Distribution/ Sales	Customer Satisfaction
Competitor 1							
Competitor 2							
Competitor 3							
Competitor 4							

Operations and Management Plan

The operations and management section of a business plan should provide detailed information about how the business will be run on a day-to-day basis and who will be responsible for its success.

The operational plan should outline the daily operations of the business, including the location and its strategic advantages. It should describe the production process, covering techniques, suppliers, quality control, and equipment used. Operating hours, inventory management, and logistics and distribution methods must be detailed. Additionally, it should list all legal and regulatory requirements, ensuring necessary licenses and permits are secured. This plan provides a clear framework for managing the business's day-to-day functions efficiently.

The management section should include an organizational chart illustrating the hierarchy and reporting lines within the company. It should introduce the key members of the management team, detailing their roles, responsibilities, qualifications, and experience. Additionally, it should describe the ownership structure, including the names and ownership percentages of the owners. If applicable, the section should also list the members of the board of directors or advisory board, highlighting their backgrounds and contributions to the business. This section ensures clarity on leadership and governance within the

company. Table 8.8 shows a sample operations and management plan for La Vida Lola.

Operations and Management Plan for La Vida Lola

Table 8.8: Sample Operations and Management Plan

Operations and Management Plan Category	Content
Key Management Personnel	<p>The key management personnel consist of Lola González and Cameron Hamilton, who are longtime acquaintances since college. The management team will be responsible for funding the venture, as well as securing loans to start the venture. The following is a summary of the key personnel backgrounds.</p> <p>Lola González: Chef Lola González has worked directly in the food service industry for fifteen years. While food has been a lifelong passion learned in her grandparents' kitchen, Chef González has trained under some of the top chefs in the world, most recently having worked under the James Beard Award-winning Chef José Andrés. A native of Duluth, Georgia, Chef González also has an undergraduate degree in food and beverage management. Her value to the firm is serving as "the face" and company namesake, preparing the meals, creating cuisine concepts, and running the day-to-day operations of La Vida Lola.</p> <p>Cameron Hamilton: Cameron Hamilton has worked in the hospitality industry for over twenty years and is experienced in accounting and finance. He has a Master of Business Administration degree and an undergraduate degree in hospitality and tourism management. He has opened and managed several successful business ventures in the hospitality industry. His value to the firm is in business operations, accounting, and finance.</p>

Advisory Board	During the first year of operation, the company intends to keep a lean operation and does not plan to implement an advisory board. At the end of the first year of operation, the management team will conduct a thorough review and discuss the need for an advisory board.
Supporting Professionals	Stephen Ngo, Certified Professional Accountant (CPA), of Valdosta, Georgia, will provide accounting consulting services. Joanna Johnson, an attorney and friend of Chef González, will provide recommendations regarding legal services and business formation.
Operational Workflow	<p>Hours of Operation: La Vida Lola will operate from 11 a.m. to 10 p.m., Monday to Saturday, and 11 a.m. to 8 p.m. on Sundays.</p> <p>Inventory Management: A just-in-time inventory system will be implemented to ensure fresh ingredients and minimize waste. Suppliers will be local farmers and wholesalers.</p> <p>Production Process: Daily preparation will start at 8 a.m. with staff prepping ingredients. Lunch service begins at 11 a.m., with a transition to dinner service at 4 p.m. Kitchen cleanup and closing procedures will conclude by 11 p.m.</p>
Logistics and Distribution	<p>Supplier Partnerships: Agreements with local suppliers for fresh produce, meat, and seafood will be secured. Weekly orders will be placed to maintain inventory.</p> <p>Distribution Channels: There will be a focus on dine-in service, with potential for future expansion into delivery and catering services.</p>

Marketing Plan

This section should outline and describe an effective overall marketing strategy for the venture. The promotional mix should be addressed, including advertising, sales promotions, publicity/public relations,

personal selling/sales management plan, and direct marketing, including digital presence plans. Include examples for all of the tools being used. Provide details regarding product pricing. A comprehensive and detailed budget for the marketing plan should also be included here. Table 8.9 shows a sample marketing plan for La Vida Lola.

Marketing Plan for La Vida Lola

Table 8.9: Sample Marketing Plan

Marketing Plan Category	Content
Overview	<p>La Vida Lola will adopt a concentrated marketing strategy. The company's promotion mix will include a mix of advertising, sales promotion, public relations, and personal selling. Given the target millennial foodie audience, the majority of the promotion mix will be centered around social media platforms. Various social media content will be created in both Spanish and English. The company will also launch a crowdfunding campaign on two crowdfunding platforms for the dual purpose of promotion/publicity and fundraising.</p>

Advertising and Sales Promotion

- As with any crowdfunding social media marketing plan, the first place to begin is with the owners' friends and family. Utilizing primarily Facebook/Instagram and Twitter, La Vida Lola will announce the crowdfunding initiative to their personal networks and prevail upon these friends and family to share the information. Meanwhile, La Vida Lola needs to focus on building a community of backers and cultivating the emotional draw of becoming part of the La Vida Lola family.
- To build a crowdfunding community via social media, La Vida Lola will routinely share its location, daily if possible, on both Facebook, Instagram, and Twitter. Inviting and encouraging people to visit and sample their food can rouse interest in the cause. As the campaign is nearing its goal, it would be beneficial to offer a free food item to backers of a specific level, say \$50, on one specific day. Sharing this via social media in the day or two preceding the giveaway and on the day of can encourage more backers to commit.
- Weekly updates of the campaign and the project as a whole are a must. Facebook and Twitter updates of the project, coupled with educational information sharing, help backers feel part of the La Vida Lola community.
- Finally, at every location where La Vida Lola is serving its food, signage will notify the public of their social media presence and the current crowdfunding campaign. Each meal

will be accompanied by an invitation from the server for the patron to visit the crowdfunding site and consider donating. Business cards listing the social media and crowdfunding information will be available in the most visible location, likely the counter.

- Before moving forward with launching a crowdfunding campaign, La Vida Lola will create its website. The website is a great place to establish and share the La Vida Lola brand, vision, videos, menus, staff, and events. It is also a great source of information for potential backers who are unsure about donating to the crowdfunding campaigns. The website will include these elements:

- **About Us.** Address the following questions: Who are you? What are the guiding principles of La Vida Lola? How did the business get started? How long has La Vida Lola been in business? Include pictures of Chef González.
- **Menu.** List of current offerings with prices.
- **Calendar of Events.** Will include promotional events and locations where customers can find the truck for different events.
- **Social Media.** Steps will be

taken to increase social media followers prior to launching the crowdfunding campaign. Unless a large social media following is already established, a business should aggressively push social media campaigns a minimum of three months prior to the crowdfunding campaign launch. Increasing social media following prior to the campaign kickoff will also allow potential donors to learn more about La Vida Lola and foster relationship building before attempting to raise funds.

Facebook Content and Advertising

The key piece of content will be the campaign pitch video, reshared as a native Facebook upload. A link to the crowdfunding campaigns can be included in the caption. Sharing the same high-quality video published on the campaign page will entice fans to visit Kickstarter to learn more about the project and rewards available to backers.

- **Promoted Post(s):** Boosting/promoting a Facebook post for only \$5 can go a long way for a business page the size of La Vida Lola's. Reach and engagement will be exponentially higher than it would have been organically. Promoting two or three posts during the first few weeks of the campaign would be highly effective.
- **Video Views Ad:** Video ads are a little more ambitious than promoted posts and cost a little more. But the objective is the same: increase the number of people who watch the pitch video and drive them to the campaign page.

Crowdfunding Campaigns

- Foodstart was created just for restaurants, breweries, cafés, food trucks, and other food businesses and allows owners to raise money in small increments. It is similar to Indiegogo in that it offers both flexible and fixed funding models and charges a percentage for successful campaigns, which it claims to be the lowest of any crowdfunding platform. It uses a reward-based system rather than equity, where backers are offered rewards or perks, resulting in “low-cost capital and a network of people who now have an incentive to see you succeed.”
- Foodstart will host La Vida Lola’s crowdfunding campaigns for the following reasons: (1) It caters to their niche market; (2) It has less competition from other projects, which means that La Vida Lola will stand out more and not get lost in the shuffle; and (3) It has/is making a name/brand for itself, which means that more potential backers are aware of it.
- La Vida Lola will run a simultaneous crowdfunding campaign on Indiegogo, which has broader mass appeal.

Publicity	<ul style="list-style-type: none"> • Social media can be a valuable marketing tool to draw people to the Foodstart and Indiegogo crowdfunding pages. It provides a means to engage followers and keep funders/backers updated on current fundraising milestones. The first order of business is to increase La Vida Lola's social media presence on Facebook, Instagram, and Twitter. Establishing and using a common hashtag such as #FundLola across all platforms will promote familiarity and searchability, especially within Instagram and Twitter. Hashtags are slowly becoming a presence on Facebook. The hashtag will be used in all print collateral. • La Vida Lola will need to identify social influencers—others on social media who can assist with recruiting followers and sharing information. Existing followers, family, friends, local food providers, and noncompetitive surrounding establishments should be called on to assist with sharing La Vida Lola's brand, mission, and so on. Cross-promotion will further extend La Vida Lola's social reach and engagement. Influencers can be called on to cross promote upcoming events and specials. • The crowdfunding strategy will utilize a progressive reward-based model and establish a reward schedule such as the following: <ul style="list-style-type: none"> ◦ \$5 or more (unlimited):
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Exclusive updates on fundraising progress

- \$10 or more (500): \$1 OFF; a coupon for \$1 off purchase
- \$20 or more (200): BOGO! Buy one entree, get one FREE
- \$50 or more (100): FREE entrée coupon
- \$250 or more (2): One-on-one with Chef González

- In addition to the publicity generated through social media channels and the crowdfunding campaign, La Vida Lola will reach out to area online and print publications (both English- and Spanish-language outlets) for feature articles. Articles are usually teased and/or shared via social media. Reaching out to local broadcast stations (radio and television) may provide opportunities as well. La Vida Lola will recruit a social media intern to assist with developing and implementing a social media content plan. Engaging with the audience and responding to all comments and feedback are important for the success of the campaign.
- Some user personas from segmentation to target in the campaign:
 - **Influencer Isabel:** Social media-savvy, college-age Latina influencer.

- **Food truck Freddie:** An avid food truck follower, this thirty-three-year-old white urban hipster professional seeks out the best food trucks around town on a regular basis looking for “noms” to satisfy his cravings. (“Noms” is used to express unrestrained pleasure for the food one eats.)
- **Taco townies:** In-town residents who religiously eat tacos on “Taco Tuesday,” as a family rite of passage for the wives, husbands, and kids. The entire neighborhood turns out for the occasion as a community event of sorts.

Exit Strategy

One of the most commonly overlooked sections of the business plan is the exit strategy. This section of the business plan outlines how the owners intend to separate from the business. Will the business be sold to a larger company, pass the business on to a family member, or liquidate the business? Perhaps the goal is to merge with another company or sell just part of the business. There are many ways one can exit a business.

Including this section in a business plan gives investors insight into how long they can plan to keep a financial interest in the business. It also shows the commitment level to the business the owner has. As a

business owner, having an exit strategy in place can help with financing strategies and could have tax implications that need to be considered.

Financial Plan

A financial plan seeks to forecast revenue and expenses; project a financial narrative; and estimate projected costs, valuations, and cash flow projections. This section should present an accurate, realistic, and achievable financial plan for the venture. Include sales forecasts and income projections, pro forma financial statements, a breakeven analysis, and a capital budget. Identify possible sources of financing.

QuickBooks has many resources and templates for financial statements that can be [accessed here](#).

Table 8.10 shows a template that can be used as an income statement (past performance) or used to show projections (future performance).

Table 8.10: Financial Statement Examples

Financial Statement Examples

Company Name
Balance Sheet
[DATE]

Account	\$
Cash	10,000
Accounts Receivable	20,000
Inventory	30,000
Other Assets	5,000
Total Assets	65,000
Accounts Payable	40,000
Other Liabilities	10,000
Total Liabilities	50,000
Total Equity	15,000
Company Name Income Statement Period Ending [DATE]	
Account	\$
Sales	250,000
Loss on Sale of Equipment	-5,000
Total Revenue	245,000
Cost of Sales	200,000
Payroll Expense	20,000
Other Expenses	15,000
Total Expenses	235,000
Net Income	10,000

Pause and Reflect

1. Which section of the business plan do you think would be the most challenging to complete and why?
2. Why is it important to have a detailed and comprehensive business plan before starting a business?
3. How can a business plan help in securing funding from investors or financial institutions?
4. Can weaknesses in one section of the business plan undermine the overall plan? How?
5. How often should a business plan be reviewed and updated, and why?
6. How does the process of writing a business plan enhance your understanding of your business idea?

What Would You Do?

A franchisee of East Coast Wings, a chain with dozens of restaurants in the United States, has decided to part ways with the chain. The new store will feature the same basic sports-bar-and-restaurant concept and serve the same basic foods: chicken wings, burgers, sandwiches, and the like. The new restaurant can't rely on the same distributors and suppliers. A new business plan is needed. Think through the following questions that would impact the business plan.

1. How will the change in brand affect the restaurant's target market and customer base? Should it attempt to serve the same customers? Why or why not?
2. What unique value propositions can the new restaurant offer to differentiate itself from competitors?
3. How can the restaurant maintain efficient operations during the transition from a franchise to an independent establishment?
4. How should the restaurant adjust its pricing strategy to remain competitive while ensuring profitability?
5. What new roles or positions might be necessary to support the independent operation of the restaurant?

Key Takeaways

- A written business plan acts as a roadmap for a business venture, enhancing entrepreneurial success by organizing thoughts, clarifying goals, and enabling tracking and adjustments based on real-world feedback.
- Business planning involves several tools, including the business model canvas, feasibility analysis, and a detailed business plan. Each tool serves a unique purpose in evaluating and outlining the business's potential and strategy.
- A feasibility analysis assesses whether a business idea is

viable by evaluating the market, financial potential, and operational requirements. It helps determine the practicality of a venture before developing a full business plan.

- A business plan is a formal document outlining a company's long-term strategy, including background, financial information, and business operations. It is crucial for securing funding and guiding the company's direction over several years. Common sections of a business plan include the executive summary, business description, market strategies, competitive analysis, operations and management plan, and financial analysis. Each section provides essential insights into different aspects of the business.
- Internally, a business plan helps define strategy and measure progress, while externally, it is used to attract investors and secure financing. It also serves as a contingency plan by outlining potential scenarios and responses.
- Effective business plans should be well-formatted, free of errors, and include integrated, specific, and credible information. Proper presentation enhances readability and ensures that the plan communicates its goals clearly.

Knowledge Check



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://wtcs.pressbooks.pub/innovativebusinessmindset/?p=36#h5p-5>

Chapter 9: Business Models

BUSINESS MODELS

In this chapter, the concept of the business model is introduced. One concept of the business model in particular, the Business Model Canvas, is explored as a way to conceptualize and categorize elements of a business model.

THE BUSINESS MODEL CANVAS

The **Business Model Canvas** is a strategic management tool that provides a visual framework for developing, describing, and analyzing a business model. It consists of nine key components (or blocks), which are organized on a single page. This tool helps entrepreneurs quickly map out their business strategy and identify areas for improvement. See the example in Figure 9.1.

The Business Model Canvas was created by Alexander Osterwalder. He developed the model in collaboration with Yves Pigneur, and it was first introduced in their 2010 book *Business Model Generation* (Mind Tools Content Team, n.d.).

Business Model Canvas		Designed for		Designed by
Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
	Key Resources		Channels	
Cost Structure		Revenue Streams		

Figure 9.1: Business Model Canvas Template

WHY THE BUSINESS MODEL CANVAS METHOD?

The Business Model Canvas (BMC) offers a focused and dense overview by consolidating key elements onto a single page, preventing business owners from becoming overwhelmed by excessive details. Its compact format is easier to review than lengthy reports, and its customizable nature allows for multiple templates to be created, compared, and refined to identify the best fit (Pereira, 2021).

BMC COMPONENTS

The BMC is made up of specific components, sometimes referred to as blocks. Generally, they are developed in a specific order. See the blocks for a BMC in Table 9.1.

Table 9.1: Business Plan Blocks and Purposes

Component or Block	Purpose
Customer Segments	Identifies and describes the different groups of people or organizations that a business aims to reach and serve. It helps in understanding who the customers are, what their needs are, and how to tailor offerings to them.
Value Propositions	Defines the bundle of products and services that create value for a specific customer segment. This block clarifies what makes the business's offer attractive and how it solves a problem or fulfills a need.
Channels	Describes the various ways a business delivers its value proposition to customers. This includes distribution, sales, and communication channels and helps in understanding how to effectively reach and interact with customers.
Customer Relationships	Outlines the types of relationships a business establishes with its customer segments. It includes customer acquisition, retention strategies, and how to build and maintain long-term relationships.
Revenue Streams	Details the ways a business generates income from each customer segment. It includes pricing mechanisms, revenue models, and the types of revenue (e.g., one-time sales, subscription fees).
Key Resources	Lists the assets required to deliver the value proposition, reach markets, and sustain operations. This includes physical, intellectual, human, and financial resources crucial for the business's functioning.
Key Activities	Describes the main actions and processes needed to deliver the value proposition, reach customers, and maintain customer relationships. This includes production, problem-solving, and platform/network activities.
Key Partners	Identifies external organizations or entities that help the business achieve its objectives. This includes alliances, joint ventures, and suppliers that contribute to key activities and resources.
Cost Structure	Outlines the major costs associated with operating the business model. It includes fixed and variable costs, economies of scale, and cost drivers, helping in understanding the financial implications of the business operations.

Business Model Canvas Blocks

Expand each BMC component for considerations for each.



An interactive H5P element has been excluded from this version of the text. You can view it online here:
<https://wtcs.pressbooks.pub/innovativebusinessmindset/?p=38#h5p-4>

To build a successful business model, start by filling out the nine components of the Business Model Canvas with initial plans and assumptions. Then, as the business is starting and more is learned through interactions with potential customers, these components can be updated with new, more accurate information. The business owner should personally engage with customers and business operations to fully understand the needs and refine the business model until it works.

The creation of the Business Model Canvas should precede a brief or full business plan document. Understanding the business model helps create a sound business plan.

Pause and Reflect

1. Reflect on the practical benefits of using the Business Model Canvas compared to traditional business plans. How does its single-page format help in managing and understanding a business model?

BMC EXAMPLE

Chipotle Mexican Grill has established itself as a leader in the fast-casual dining industry by focusing on fresh ingredients, customizable menu options, and convenience. To better understand the business model that drives Chipotle's success, we can analyze it through the Business Model Canvas framework. This tool breaks down the company's operations into nine key components, providing a comprehensive view of how Chipotle creates, delivers, and captures value (Pahwa, 2023).

This BMC example for Chipotle shown in Figure 9.2 below, is a highly visual model that fits on a single page. It consists of concise points, allowing you to quickly grasp the business by spending just a few minutes reviewing the visual information.

Business Model Canvas		Designed for: CHIPOTLE		Designed by
Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
Digital platform providers (app)	Menu development and innovation	Fresh, high quality ingredients	Quick customer support via app and in person	Millennials and gen Z
Payment processors	Restaurant operations	Customization	Rewards program	Families and groups
Food suppliers	Key Resources	Convenience and time-efficient dining solution	Channels	Busy professionals
	Fresh, high-quality ingredients		Physical restaurants	Students
	Network of physical restaurants		Website & Social Media	Health conscious
	Online ordering platform		Mobile App	
Cost Structure		Revenue Streams		
Food and beverage and labor costs		Food and beverage sales		
Marketing & advertising costs		Catering and gift card sales		
Technology costs				

Figure 9.2: Business Model Canvas Example for Chipotle

- Key Partners play a crucial role in supporting Chipotle's operations. The company collaborates with digital platform providers to power its mobile app, which is essential for online ordering and customer engagement. Payment processors facilitate smooth and secure transactions, both in-store and online. Additionally, Chipotle relies on a network of food suppliers to maintain its commitment to fresh, high-quality ingredients.

- Key Activities at Chipotle revolve around continuous menu development and innovation to meet ever-changing customer preferences. The company also focuses heavily on efficient restaurant operations to ensure a consistent and high-quality customer experience.
- The Value Propositions that Chipotle offers are central to its brand identity. The emphasis on fresh, high-quality ingredients appeals to health-conscious consumers, while the ability to customize meals allows customers to tailor their dining experience. Moreover, Chipotle positions itself as a convenient and time-efficient dining solution, attracting busy individuals who seek a quick yet satisfying meal.
- Chipotle maintains strong Customer Relationships by providing quick customer support through both its app and in-person interactions. The company also encourages loyalty through its rewards program, earning repeat business and deepening customer engagement.
- In terms of Customer Segments, Chipotle targets a diverse demographic. Millennials and Gen Z are drawn to its brand because of its focus on sustainability and convenience. Families and groups appreciate the flexibility in menu options, while busy professionals and students find the convenience and speed of service particularly appealing. The brand also resonates with the health-conscious segment, thanks to its emphasis on fresh and nutritious ingredients.
- To support its business model, Chipotle relies on several Key Resources, including its fresh, high-quality ingredients, a robust network of physical restaurants, and an online ordering platform that enhances accessibility and customer convenience.
- The company reaches its customers through multiple Channels, including physical restaurants, a user-friendly website, social media, and a mobile app. These channels ensure that Chipotle is accessible to a wide audience and can effectively communicate its brand message.
- The Cost Structure of Chipotle reflects its commitment to quality and innovation. Food and beverage costs and labor costs are significant,

given the company's focus on fresh ingredients and customer service. Additionally, marketing and advertising costs play a vital role in maintaining brand visibility and attracting new customers.

Technology costs are also a consideration, particularly with the ongoing development and maintenance of its digital platforms.

- Chipotle generates its Revenue Streams primarily through food and beverage sales in its restaurants. Catering and gift card sales provide additional income, contributing to the company's overall profitability.

Through this detailed breakdown, the Business Model Canvas illustrates how Chipotle effectively combines various elements of its business to create a compelling value proposition that resonates with a broad customer base.

If you were to replace "Chipotle" with "McDonald's" or any other restaurant, the Business Model Canvas (BMC) would no longer be accurate. Chipotle's BMC is uniquely tailored to its operations and brand identity. While some elements of Chipotle's business model may overlap with those of other companies, the complete picture presented by this BMC is distinctively Chipotle's. It reflects the specific strategies, values, and operational practices that set the company apart in the fast-casual dining industry.

ADDITIONAL RESOURCES

There are many resources that help further explain the Business Model Canvas, provide templates, and share examples. Here are a few of our favorite resources:

- [Business Model Analyst](#)
- [MindTools](#)

- Feedough

Key Takeaways

- The Business Model Canvas is a strategic management tool that helps entrepreneurs develop, describe, and analyze their business model through a visual framework consisting of nine key components organized on a single page.
- Created by Alexander Osterwalder and Yves Pigneur, the Business Model Canvas was first introduced in their 2010 book *Business Model Generation*.
- The nine components of the Business Model Canvas include Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partners, and Cost Structure, each serving a specific purpose in detailing different aspects of the business.
- Creating a Business Model Canvas is a precursor to drafting a business plan, as it helps in understanding and developing a solid foundation for the business plan.
- The Business Model Canvas is uniquely tailored to reflect the specific operations, strategies, and brand identity of a company. While some elements may overlap with those of other businesses, the complete picture presented by the BMC is distinct to the organization it represents.

Chapter 10: Is Entrepreneurship Right For You?

SHOULD YOU BECOME AN ENTREPRENEUR?

Whatever your reasons for becoming an entrepreneur, understand and be clear about your personal motivations. This will help you make decisions and choices along the way.

- As you go through the personal decision-making process, try to talk to as many people as you possibly can.
- Seek out others who have tried entrepreneurship—both those who have been successful and those who have not.
- Talk to people in your industry, including colleagues, friends, and potential advisors. You'd be surprised how open people can be about their experiences—good and bad.
- Read lots of books and get a variety of opinions.

When considering entrepreneurship, remember that you're not seeking permission to start a business. Instead, focus on understanding the key factors that determine success and assess whether you're comfortable with them. There are no absolute right or wrong answers. While only experienced entrepreneurs can fully grasp the stress of making payroll or the strategies to handle it, what truly matters is how you respond to these challenges, not the challenges themselves.

As you explore entrepreneurship, evaluate whether it will support you and your family both initially and as you achieve your financial goals. Consider whether you're okay with the time required to grow and sustain

your business. Some entrepreneurs aim for rapid financial growth but end up finding satisfaction in a profitable, lifestyle business that allows them to pursue other personal goals. Decide what type of growth you're comfortable with—whether it's a lifestyle business or one focused on aggressive expansion.

If you choose to become an entrepreneur, examine your support systems, especially personal ones. Are they backing you or creating obstacles? Even if you're prepared for the risks and challenges of entrepreneurship, the support of others is crucial, as they can either bolster your confidence or undermine it.

Reflect on your attitude towards entrepreneurship. Understand what you truly want and how you define success. Confidence is crucial as it attracts customers, investors, and supporters.

Consider how you handle stress and how determined you are to succeed. Starting a business can be challenging, and you might face more critics than supporters.

If you're turning to entrepreneurship due to a personal or professional transition, carefully evaluate your motivations. If you're starting a business after being laid off, is it a genuine opportunity or just a temporary solution? If personal circumstances are driving you to entrepreneurship, you might want to start as a sole proprietor, as managing a growing company requires significant time and energy.

Choosing entrepreneurship is a deeply personal decision that requires careful self-assessment and consideration of various factors. It's essential to evaluate whether you are prepared for the risks and uncertainties and whether you have the resilience, support systems, and financial stability to sustain your venture. Reflect on your motivations, growth expectations, and ability to handle stress. If you're driven by a genuine passion for solving problems and are comfortable with the inherent challenges, entrepreneurship can be a rewarding path. However, if you're unsure or not fully committed, it might be wise to explore other career options that align better with your goals and circumstances. Ultimately, the choice to

become an entrepreneur should align with your personal values, lifestyle aspirations, and long-term objectives.

Key Takeaways

- Understand your personal reasons for pursuing entrepreneurship, as this will guide your decisions and help you stay focused on your goals.
- Engage with experienced entrepreneurs, industry peers, and read widely to gain insights into the challenges and opportunities of entrepreneurship.
- Focus on understanding the factors that lead to success in entrepreneurship and determine whether you are comfortable with these demands.
- The decision to become an entrepreneur should resonate with your personal values, lifestyle goals, and long-term objectives.

Glossary

Angel investor

An angel investor is an individual who provides financial backing for small startups or entrepreneurs.

Black box

Activities are performed in a somewhat mysterious and ambiguous manner, with a serendipitous set of actions connecting that result in a surprisingly beneficial manner.

Bootstrapping

This is the practice of self-financing a business using its own capital, either through the entrepreneur's personal funds or the company's earnings.

Brainstorming

The generation of ideas in an environment free of judgment or dissension with the goal of creating solutions, is just one of dozens of methods for coming up with new ideas.

Brief business plan

A concise document that provides a broad overview of an entrepreneurial concept, the team members involved, the methods and reasons for executing the plans, and the justification for why they are the ones to do so.

Business Model Canvas

A strategic management tool that provides a visual framework for developing, describing, and analyzing a business model. It consists of nine key components (or blocks), including value propositions, customer segments, and revenue streams, which are organized on a

single page. This tool helps entrepreneurs quickly map out their business strategy and identify areas for improvement.

Business plan

A formal document used for the long-range planning of a company's operation. It typically includes background information, financial information, and a summary of the business.

C Corporation

A separate legal entity from its owners, paying corporate income tax, with potential for unlimited investors and perpetual existence.

Creativity

The ability to develop something original, particularly an idea or a representation of an idea.

Design thinking

A method that focuses on designing and developing products based on customer needs. It involves an empathy-driven process to define complex problems and create solutions.

Disruptive innovation

A process that significantly affects the market by making a product or service more affordable and/or accessible, so that it will be available to a much larger audience.

Divergent thinking

Divergent thinking, or lateral thinking, is about generating multiple creative solutions to the same problem.

Entrepreneur

Someone who identifies and acts on an idea or problem that no one else has identified or acted on.

Entrepreneurial mindset

An awareness and focus on identifying an opportunity through solving a problem, and a willingness to move forward to advance that idea.

Entrepreneurial venture

An entrepreneurial venture is the creation of any business, organization, project, or operation of interest that includes a level of risk in acting on an opportunity that has not previously been established.

Feasibility analysis

This analysis ultimately tests the viability of an idea, a project, or a new business.

First-mover advantage

A firm's ability to be better off than its competitors as a result of being first to market in a new product category.

Fixed mindset

Opposite of a growth mindset, this is where individuals believe their capabilities are static and unchangeable.

Franchise

A business model where an individual (franchisee) operates a business under the brand and business model of a larger company (franchisor), typically with a mix of ownership benefits and obligations.

Full business plan

A comprehensive document that outlines a company's goals, strategies, and financial projections. It provides a detailed description of the business, including its products or services, target market, competitive landscape, and marketing and sales strategies.

Growth mindset

The belief that one's abilities and talents can improve over time.

Ideation

The purposeful process of opening up your mind to new trains of thought that branch out in all directions from a stated purpose or problem.

Incremental innovation

An innovation that modifies an existing product or service.

Innovation

Any new idea, process, or product, or a change to an existing product or process that adds value to that existing product or service.

Intrapreneurship

An intrapreneur is someone working in a business who receives encouragement to think like an entrepreneur and develop fresh perspectives that can lead to new ideas for the company. These workers may have more freedom, but the organization still has control over the project and takes on any associated risks.

Invention

A truly novel product, service, or process.

Lateral thinking

Free and open thinking in which established patterns of logical thought are purposefully ignored or even challenged.

Limited Liability Company (LLC)

Combines elements of sole proprietorships, partnerships, and corporations, offering liability protection and pass-through taxation without complex regulations.

Linear thinking

Sometimes referred to as vertical thinking, this involves a logical, step-by-step process.

Loss orientation

After a failure or loss, spending time looking back on the failure itself, grieving.

Mission statement

A statement which details why the business exists and the entrepreneur's objectives for achieving that mission.

Nonprofit Corporation

Formed for charitable, educational, religious, literary, or scientific purposes, exempt from state and federal income taxes, with profits directed toward charitable goals.

Opportunity-identification perspective

Determining how a problem could be translated into an opportunity to create a new venture.

Pain point

A problem that people have with a product or service that might be addressed by creating a modified version that solves the problem more effectively.

Partnership

A business co-owned by two or more individuals, with management, profits, and liabilities depending on the type of partnership formed.

Pioneering innovation

Innovation based on a new technology, a new advancement in the

field, and/or an advancement in a related field that leads to the development of a new product.

Restoration Orientation

After a loss or failure, looking forward instead of focusing on things related to the failure.

S Corporation

A separate entity with shareholder liability protection, avoiding double taxation by passing profits/losses through to shareholders' personal taxes.

Serviceable available market (SAM)

From the TAM, you can further distill the portion of that target market that will be attracted to your business.

Small business owner

Someone who owns or starts a business that already has an existing model, such as a restaurant.

Social entrepreneur

A social entrepreneur has an interest in solving a social, environmental, or economic problem. A social entrepreneur identifies a problem with a social or community focus, a concern for quality of life, or concern for our entire planet's health.

Sole Proprietorship

An unincorporated business entity operated by a single person, simple to set up and operate, with profits/losses passing directly to the owner.

Total available market (TAM)

The number of potential users within your business's sphere of influence.

Trough of Sorrow

The Trough of Sorrow is a feeling that entrepreneurs get where they feel burnt out, depressed feeling.

Works Consulted

CHAPTER 1

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