

Marketing Essentials



Chapter 33

entrepreneurial concepts

Section 33.1 Entrepreneurship

Section 33.2 Business Ownership



Before You Read

CONNECT Think of some successful entrepreneurs. What are possible reasons for their success?

OBJECTIVES

- **Define** entrepreneurship.
- **Describe** the advantages of entrepreneurship.
- **Explain** the risks of entrepreneurship.
- **List** the characteristics and skills of entrepreneurs.
- **Understand** the importance of small business in various economies.

THE MAIN IDEA

Entrepreneurship has many advantages, including personal freedom and financial reward. It also has disadvantages, such as accepting risk.

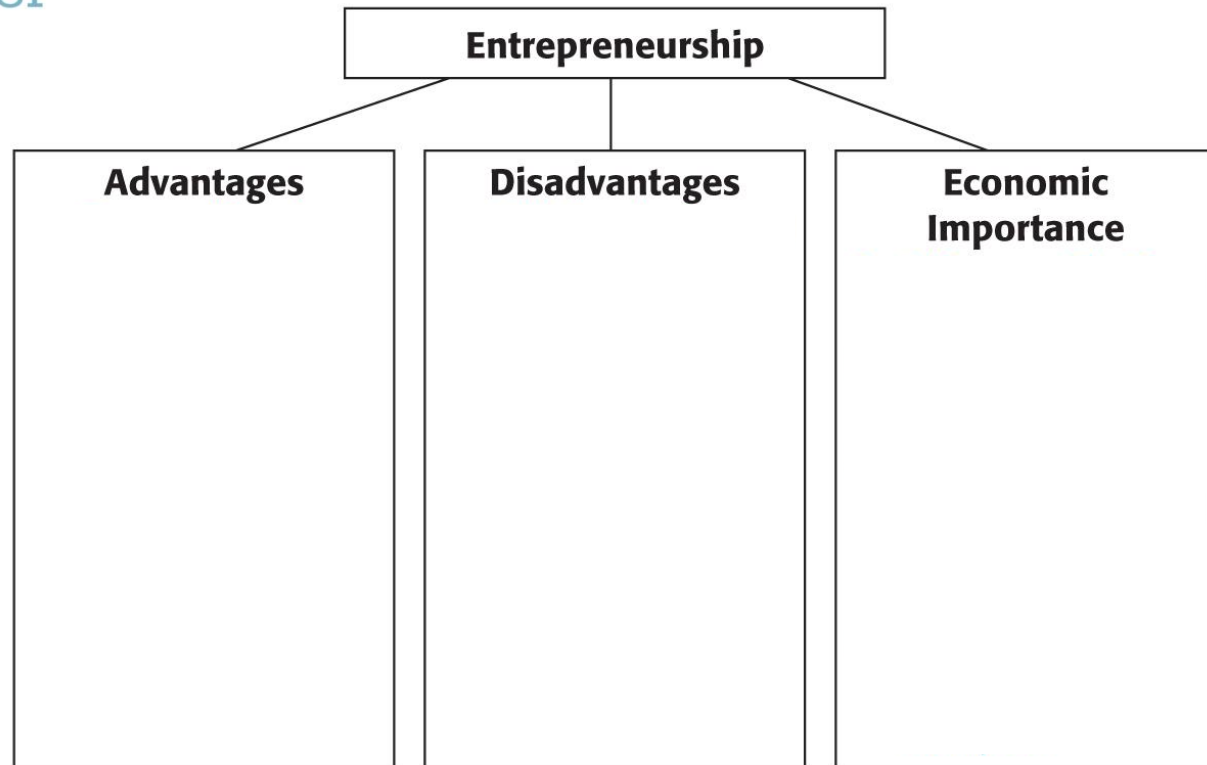
VOCABULARY

- entrepreneurship
- entrepreneur

Entrepreneurship

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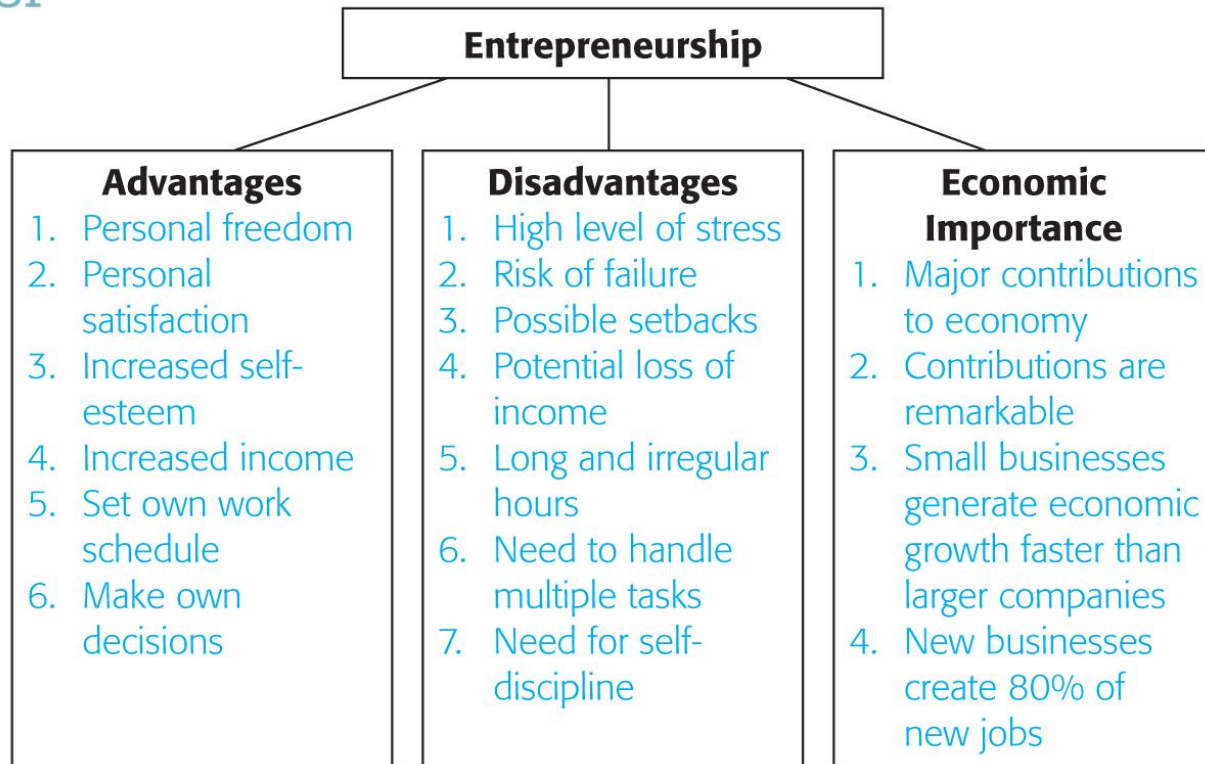
Characteristics of Entrepreneurship



Entrepreneurship

Graphic Organizer

Characteristics of Entrepreneurship



What Is Entrepreneurship?

Entrepreneurship



entrepreneurship

The skills of people who are willing to invest their time and money to run a business; the process of starting and operating your own business.

Entrepreneur



entrepreneur

Someone who creates, launches, organizes, and manages a new business and takes the risk of business ownership.

What Is Entrepreneurship?

Advantages of Entrepreneurship

Personal Freedom

Personal Satisfaction

Increased Self-Esteem

Independent Work Schedule

Control of Business

Control of Work Setting

Earning Potential

What Is Entrepreneurship?

Disadvantages of Entrepreneurship

Stress

Risk of Failure

Potential Loss of Income

Long, Irregular Hours

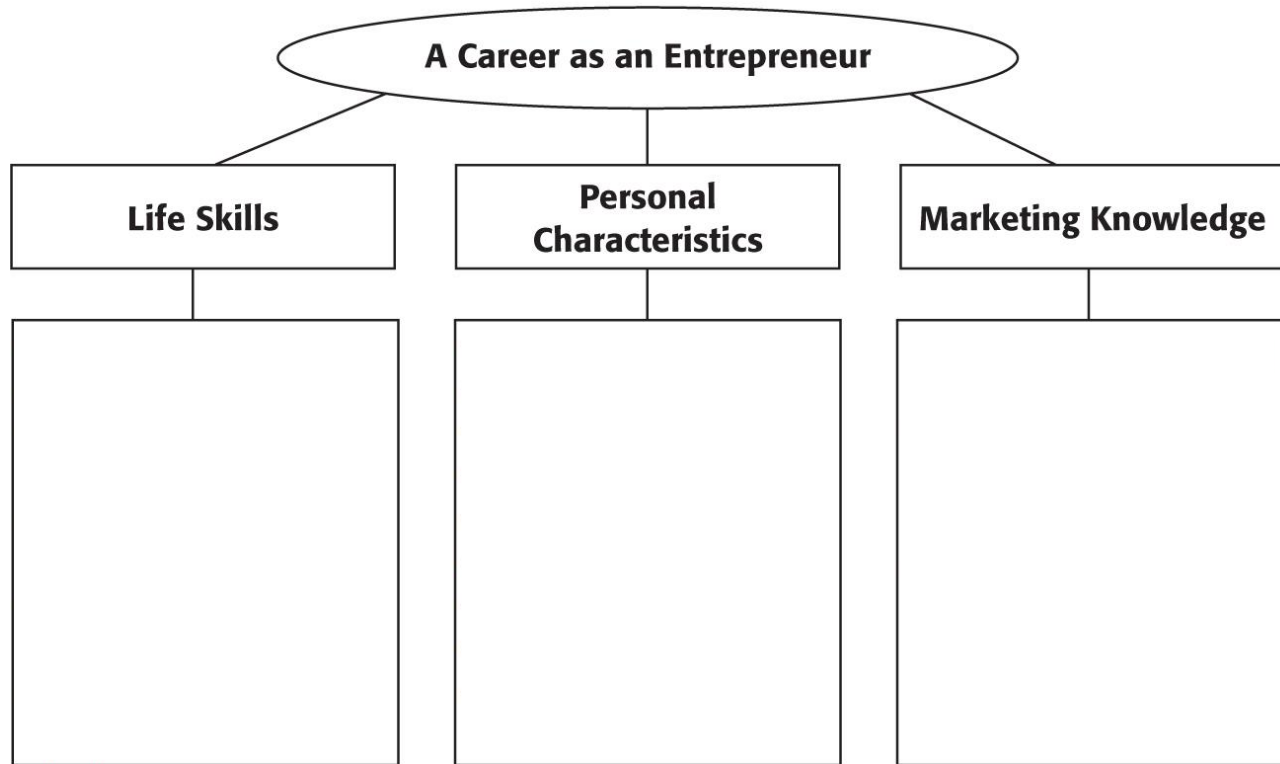
Handling Multiple Tasks

Self-Discipline

What Is Entrepreneurship?

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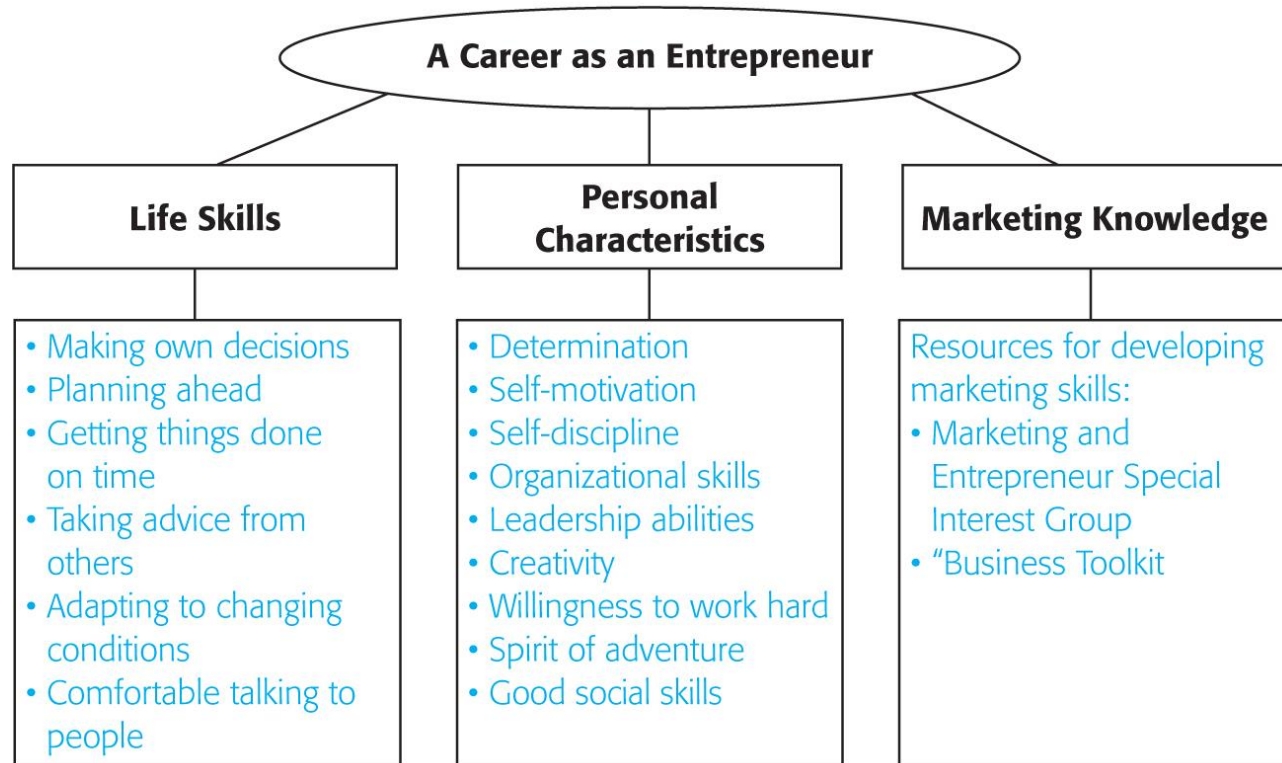
Entrepreneurship as a Career Choice



What Is Entrepreneurship?

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Entrepreneurship as a Career Choice



Trends in Entrepreneurship?

Trends in Entrepreneurship

Availability of Technology

Increased Global Communication

Rise of the Internet and E-Commerce

Increasingly Diversified Society and Market

**The U.S. Small Business Administration (SBA)
provides loans to help small businesses in the
competitive global marketplace.**

**After You Read****Section 33.1**

1. **Compare** being an entrepreneur with being an employee.

Entrepreneurs organize, manage, and assume the risk of owning and operating a business. Employees work for owners.

**After You Read****Section 33.1**

2. **List** the personal characteristics required of an entrepreneur that describe you.

Lists may include: determined, self-motivated, self-confident, organized, having leadership ability, self-disciplined, creative, willing to work hard, willing to take risks, and having good social skills.

**After You Read****Section 33.1**

3. **Explain** how small businesses contribute to the U.S. economy.

Firms with fewer than 500 employees were responsible for 50 percent of the gross domestic product (GDP).

Business Ownership



Before You Read

CONNECT What steps might you take before opening a business of your choice?

OBJECTIVES

- **Identify** the forms of business ownership.
- **Name** the legal steps to take in establishing a business.

THE MAIN IDEA

Going into business involves deciding how to enter a business, determining its organizational form, and following the steps to make it legal.

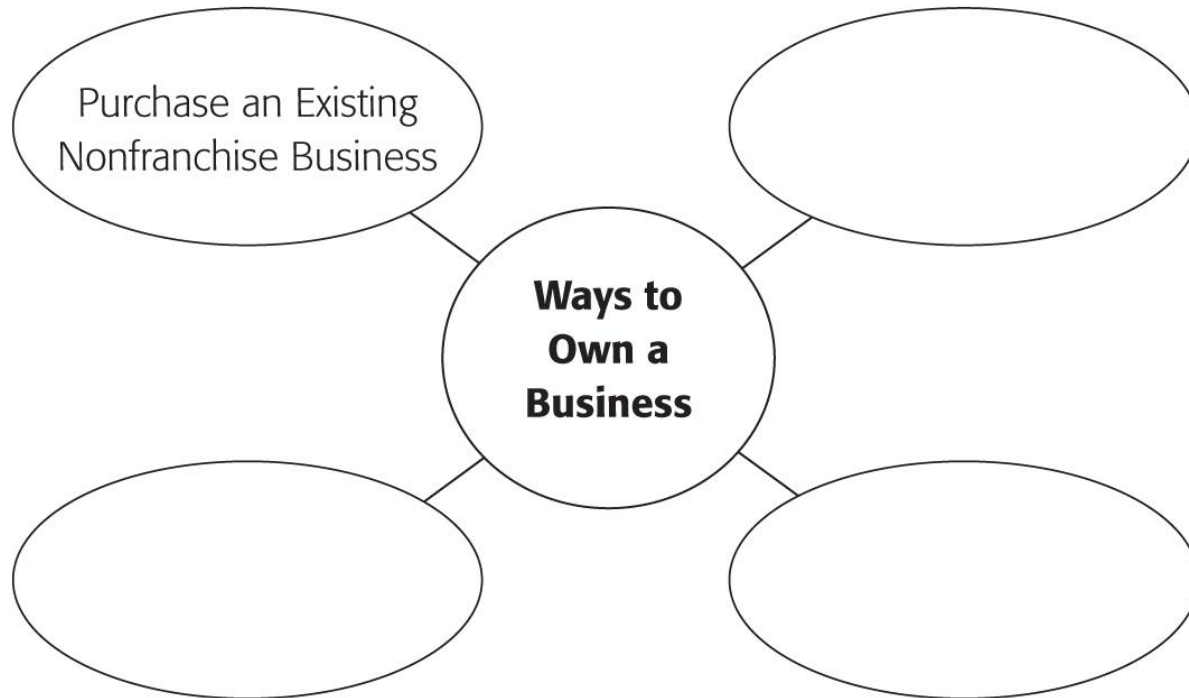
VOCABULARY

- franchise
- sole proprietorship
- unlimited liability
- partnership
- general partnership
- limited partnership
- limited liability
- corporation
- stockholder
- foreign corporation
- limited liability company (LLC)
- Doing Business As (DBA)
- Articles of Incorporation

Business Ownership

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Steps to Establishing a New Business



Business Ownership

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Steps to Establishing a New Business



Business Ownership Opportunities

Owning a Franchise

A franchise has a lot of help from the franchisor.

A large amount of capital is needed to purchase most franchises.



franchise

A legal agreement to sell a parent company's product or services in a designated geographic area.

Forms of Business Organization

The owner of a sole proprietorship has unlimited liability.



sole proprietorship

A business that is owned and operated by one person.



unlimited liability

A type of investment in which the business owner's financial liability is not limited to investments in the business, but extends to his or her total ability to make payments.

Forms of Business Organization



partnership

A legal agreement between two or more people to be jointly responsible for the success or failure of a business.



general partnership

A type of business ownership in which each partner shares in the profits and losses.



limited partnership

A type of business ownership in which each limited partner is liable for any debts only up to the amount of his or her investment in the company.



limited liability

A type of investment in which the personal assets of the owners cannot be taken if a company does not meet its financial obligations or if it gets into legal trouble.

Forms of Business Organization

Features of a Corporation

Legal Permission to Operate

Separate Legal Entity

Stockholders

Board of Directors



corporation

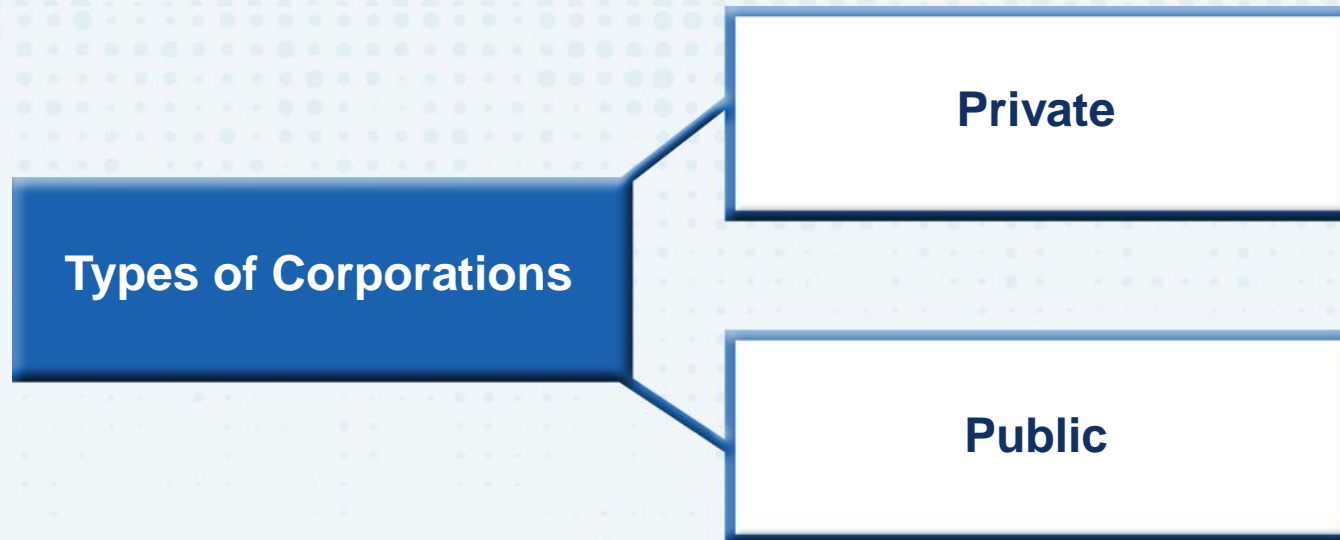
A legal entity created by either a state or federal statute, authorizing individuals to operate an enterprise.



stockholder

An owner of a corporation with limited liability.

Forms of Business Organization



Forms of Business Organization

Foreign corporations must register with each state in which they intend to do business.



foreign corporation

One that is incorporated under the laws of a state that differs from the one in which it does business.

Forms of Business Organization

With a limited liability company (LLC), the owners, or members, are protected from personal liability.



limited liability company (LLC)

A relatively new form of business organization that is a hybrid of a partnership and a corporation.

Forms of Business Organization

To form a sole proprietorship, or partnership, a business must file for a DBA (Doing Business As).



DBA (Doing Business As)

The registration by which the county government officially recognizes that a new proprietorship or partnership exists.

Forms of Business Organization

To form a corporation, an entrepreneur must file Articles of Incorporation.



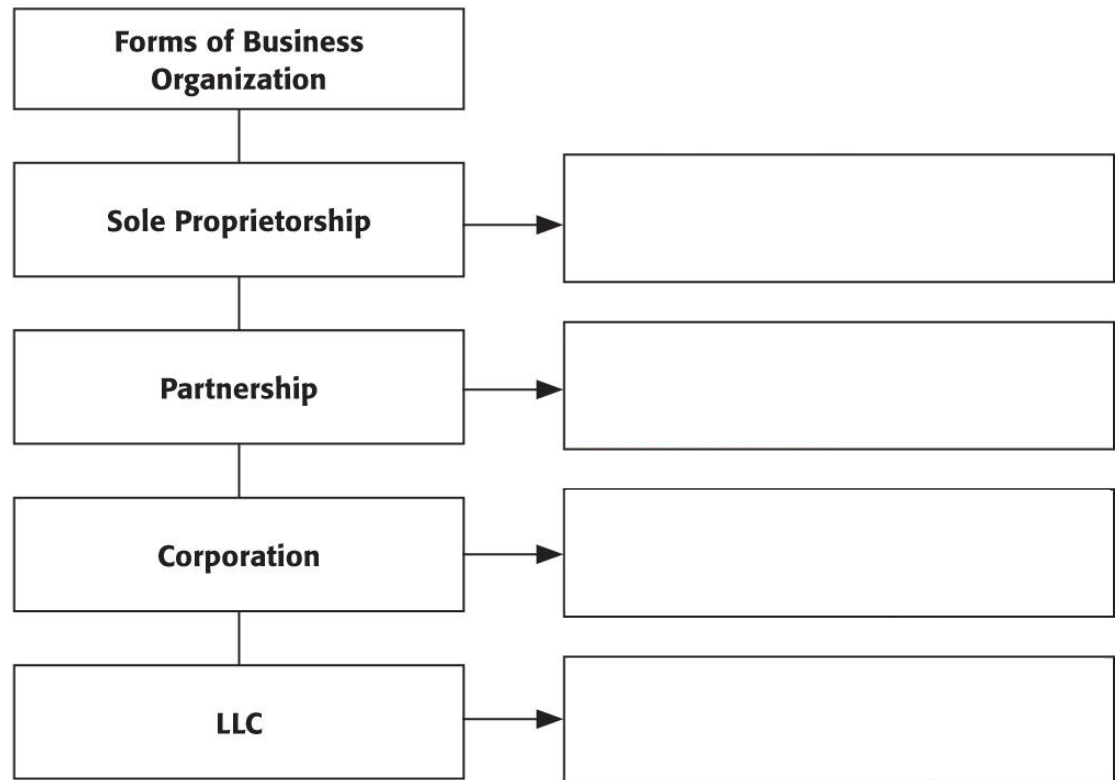
Articles of Incorporation

Identifies the name and address of a new corporation, its purpose, the names of the initial directors, and the amount of stock that will be issued to each director.

Forms of Business Organization

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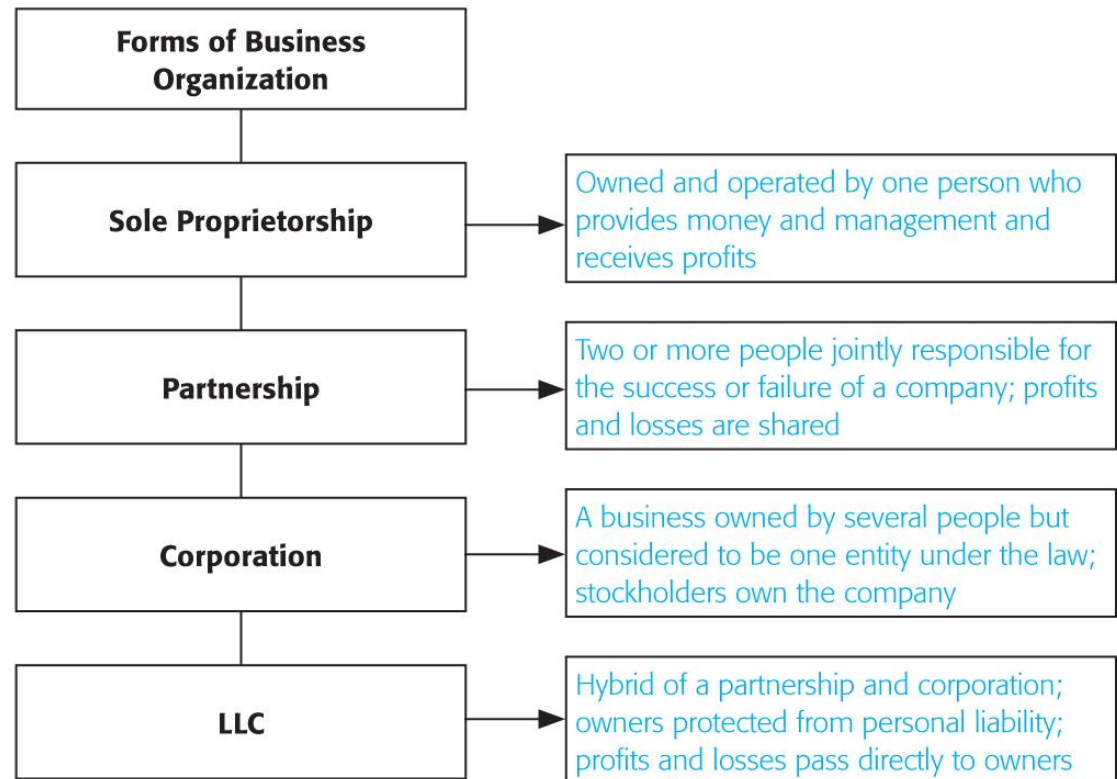
Details for Each
Type of Business
Organization



Forms of Business Organization

Graphic Organizer

Details for Each
Type of Business
Organization



Forms of Business Organization

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Advantages and Disadvantages of Sole Proprietorships and Partnerships

Organization Form	Advantages	Disadvantages
Sole Proprietorship		
Partnership		

Business Ownership

Forms of Business Organization

Graphic Organizer

Advantages and Disadvantages of Sole Proprietorships and Partnerships

Organization Form	Advantages	Disadvantages
Sole Proprietorship	<ul style="list-style-type: none">• Easy to start• Taxed less than other forms of business• More freedom from regulation• Owner entitled to all profits• Owner has control	<ul style="list-style-type: none">• Owner responsible for all debts and legal judgments• Liability extends to owner's total ability to make payments
Partnership	<ul style="list-style-type: none">• Combines skills of owners• May make more capital available• Each partner has a voice in management• Taxed only on profits• Less regulated than corporations	<ul style="list-style-type: none">• Owners may not always agree on decisions• Actions of one partner legally binding on all partners• Business dissolved if one partner dies

Forms of Business Organization

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Advantages and Disadvantages of Corporations and Limited Liability Companies

Organization Form	Advantages	Disadvantages
Corporation		
LLC		

Business Ownership

Forms of Business Organization

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Advantages and Disadvantages of Corporations and Limited Liability Companies

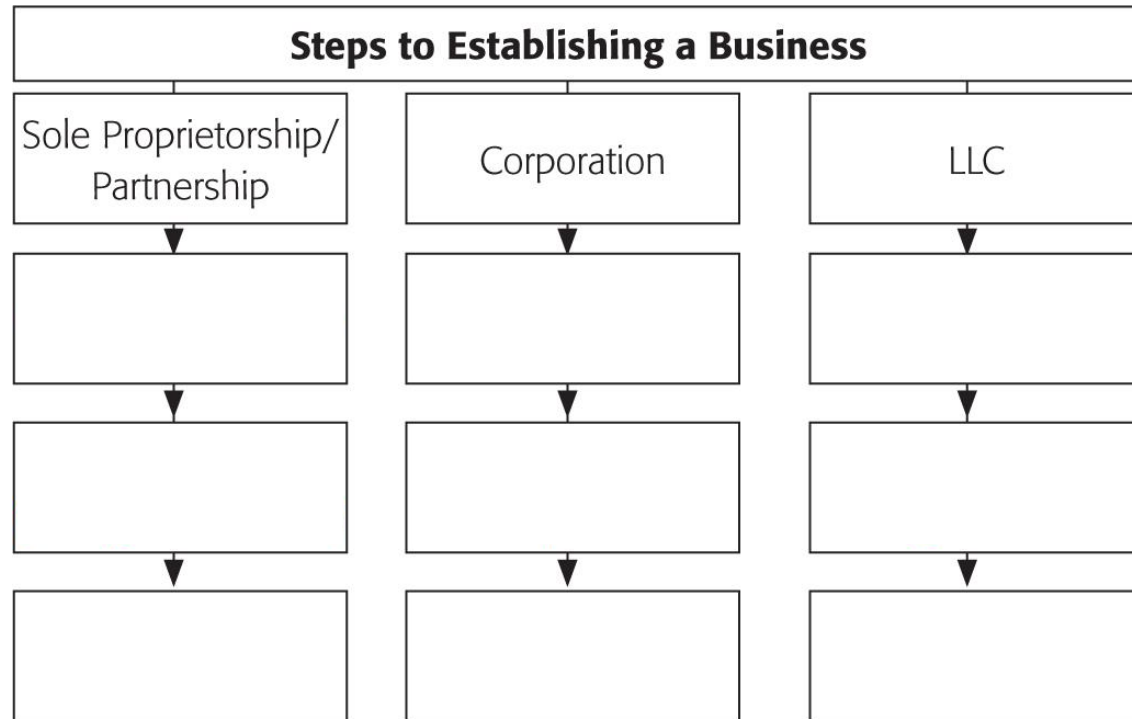
Organization Form	Advantages	Disadvantages
Corporation	<ul style="list-style-type: none">• Each owner has limited liability• Easier to raise capital• Owners can enter or exit by selling stock• Management is shared	<ul style="list-style-type: none">• Formation is complex• Accounting and record keeping complicated• Increased regulation by government• Shareholders taxed on dividends and profits
LLC	<ul style="list-style-type: none">• Hybrid of partnership and corporation• Allowed in all states• Owners or members protected from personal liability• Profits and losses pass directly to owners without taxation of the entity	<ul style="list-style-type: none">• Federal government does not recognize as a classification for tax purposes• Must file a corporation, partnership, or sole proprietorship tax return

Business Ownership

Forms of Business Organization

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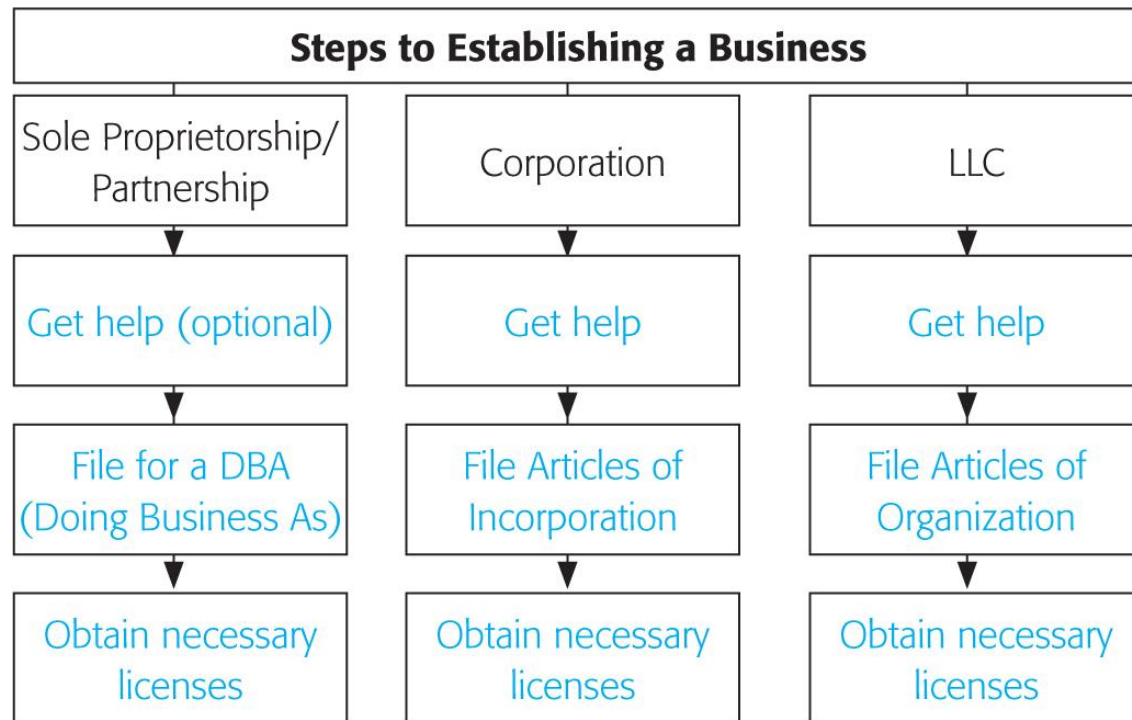
Steps to Establishing Each Form of Business Organization



Forms of Business Organization

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Steps to Establishing Each Form of Business Organization



Business Ownership



After You Read

Section 33.2

1. **Name** the four ways to become a business owner.

Four ways to become a business owner are: start a new business, purchase a franchise, purchase an existing nonfranchise business, and take over a family business.

Business Ownership



After You Read

Section 33.2

2. **List** the four legal forms of business organization and note which is the most common.

Four legal forms of business organization are sole proprietorship, partnership, corporation, and limited liability company. Sole proprietorship is the most common form of business organization.

Business Ownership

**After You Read****Section 33.2**

3. **Name** an advantage of a limited liability company.

Advantages of a limited liability company: It has certain tax benefits, and its owners are shielded from personal liability.

Marketing Essentials



End of
Chapter 33
entrepreneurial
concepts

Section 33.1
Entrepreneurship

Section 33.2
Business Ownership