Section 5.1

Rewards and Challenges of Entrepreneurship

Reading Guide

Read to Learn
- Define entrepreneur and entrepreneurship.
- List at least five rewards of being an entrepreneur.
- Identify at least four challenges of being an entrepreneur.
- Discuss why entrepreneurs are important to the American economy.

Chapter 5
Entrepreneurship
Section 5.1
Rewards and Challenges of Entrepreneurship

The Main Idea
An entrepreneur is someone who recognizes a business opportunity and organizes, manages, and assumes the risks of starting a business. Entrepreneurs face many challenges. However, those who succeed see many rewards.

Key Concepts
- Entrepreneurship
- Rewards of Entrepreneurship
- Challenges of Entrepreneurship
- The Impact of Small Business

Key Term
- **small business**: an independently owned business that usually has the owner as its manager
- **virtual business or dot-com company**: a business that operates on the Internet
Entrepreneurship

An entrepreneur is a person who:
- Recognizes an opportunity
- Organizes
- Manages
- Assumes the risks of starting and operating a business

Entrepreneurship is:
- The process of recognizing an opportunity
- Marketplace testing
- Gathering the resources necessary to go into business.

A venture is a new business undertaking that involves risk.

The Small Business Administration (SBA) created a checklist to help people see if they have the recommended traits for a career in entrepreneurship.

Small businesses serve a limited geographic area and employs fewer than 500 people.

**Key Term**

*Small business* an independently owned business that usually has the owner as its manager.
Small Businesses
The SBA is a U.S. government agency that protects the interests of small businesses.

Internet Businesses
A virtual business or dot-com company can make shopping easier and more efficient for consumers.

Internet Businesses
According to the American City Business Journals, small businesses that use the Internet have grown more than 45 percent faster than those that do not.

Graphic Organizer
Rewards of Entrepreneurship
- Being the Boss
- Doing What You Enjoy
- Having the Opportunity to Be Creative
- Building an Enterprise

Young Entrepreneurs
More than ever, teens are starting businesses across the country. The SBA even offers a teen business link at its Web site. The link helps teens determine if their ideas have potential.

Other Reasons for Entrepreneurship
- Entrepreneurs develop their own schedule.
- Many entrepreneurs run home-based businesses.
- Entrepreneurs contribute to the economy and help create jobs.
- Entrepreneurs are rewarded for assuming risk.
Home-Based Businesses

Some home-based business experts say the best opportunities to start a home-based business stem from tasks employees do for their employer.

Challenges of Entrepreneurship

- Getting Funds to Start the Business
  - Financial institutions are concerned about whether the business would succeed and they would be repaid.
- Being Fully Responsible for the Business
  - Business owners must see that everything gets done—from sweeping the floors to handling financial records.

Other Challenges for Entrepreneurs

- Feeling alone and insecure about making the right decisions
- Long work hours
- Uncertain income levels
- Risk of failure

The Impact of Small Business

- More than 99 percent of U.S. firms are small businesses.
- Small businesses employ more than 50 percent of the U.S. workforce.
- Small businesses are the principal source of new jobs.

ETHICS in Business

One of your most important clients is late paying your recent invoice because of a computer problem. Since your client has not paid you, you cannot pay all of your bills. However, you could get by if you did not pay your rent for the month. **Decision Making** What are some ways of handling this situation so that you maintain relationships with your clients, landlord, and other vendors while acting ethically?

Answer

Answers might suggest that being honest with everyone up front will help you maintain good relationships. It would also be appropriate to let your client know that their late payment is affecting you.
1. What are some characteristics of successful entrepreneurs?

   risk-taking, self-confident, restless, goal-oriented, independent, inquisitive, and enthusiastic

2. What reward is the main reason most people become an entrepreneur?

   being your own boss

3. Identify some of the challenges of entrepreneurship.

   getting funds to start the business and being fully responsible for it