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**Introduction to Business**

In partnership with  
**BusinessWeek** **STANDARD & POOR'S**

**Chapter 5 Entrepreneurship**

**Section 5.1 Rewards and Challenges of Entrepreneurship**

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**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.

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Chapter 5 Entrepreneurship

**Section 5.1** *Rewards and Challenges of Entrepreneurship*

**Reading Guide**

**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.

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**Section 5.1** *Rewards and Challenges of Entrepreneurship*

**Reading Guide**

**Key Concepts**

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

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**Section 5.1** *Rewards and Challenges of Entrepreneurship*

**Reading Guide**

**Key Term**

<b>small business</b>	an independently owned business that usually has the owner as its manager
<b>virtual business or dot-com company</b>	a business that operates on the Internet

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**Section 5.1** Rewards and Challenges of Entrepreneurship

## Entrepreneurship

An entrepreneur is a person who:

- Recognizes an opportunity
- Organizes
- Manages
- Assumes the risks of starting and operating a business

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## Entrepreneurship

Entrepreneurship is:

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

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## Entrepreneurship

A venture is a new business undertaking that involves risk.

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## Personal Characteristics of Entrepreneurs

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

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**Section 5.1** Rewards and Challenges of Entrepreneurship

**Figure 5.1**  
**Personal Characteristics of Entrepreneurs**

<b>Persistent</b> Entrepreneurs are willing to work until a job is done, no matter how long it takes.	<b>Risk-taking</b> Entrepreneurs take risks, but they are not reckless.	<b>Self-confident</b> Entrepreneurs believe in themselves.	<b>Restless</b> Once entrepreneurs achieve their goals, they start looking for new challenges.
<b>Goal-oriented</b> Entrepreneurs set and achieve goals.	<b>Action-oriented</b> Entrepreneurs are doers instead of spectators. They take action.	<b>Responsible</b> Entrepreneurs take responsibility for their decisions and actions.	<b>Self-demanding</b> Entrepreneurs have high expectations.
<b>Creative</b> Entrepreneurs look for new ways to solve old problems.	<b>Independent</b> Entrepreneurs want to make their own decisions.	<b>Inquisitive</b> Entrepreneurs conduct research and ask questions to solve problems.	<b>Enthusiastic</b> Entrepreneurs are energetic and passionate about their pursuits.

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## Small Businesses

A **small business** serves 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

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## Section 5.1

### Rewards and Challenges of Entrepreneurship

#### Small Businesses

The SBA is a U.S. government agency that protects the interests of small businesses.

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## Section 5.1

### Rewards and Challenges of Entrepreneurship

#### Internet Businesses

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

##### Key Term

**virtual business or dot-com company**  
a business that operates on the Internet

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#### 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.

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## Section 5.1

### Rewards and Challenges of Entrepreneurship

#### Graphic Organizer



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## Section 5.1

### Rewards and Challenges of Entrepreneurship



#### 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.

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## Section 5.1

### Rewards and Challenges of Entrepreneurship

#### 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.

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**Section 5.1** Rewards and Challenges of Entrepreneurship

**Real World** 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.

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**Section 5.1** Rewards and Challenges of Entrepreneurship

**Challenges of Entrepreneurship**

**Challenges of Entrepreneurship**

<p><b>Getting Funds to Start the Business</b></p> <p>Financial institutions are concerned about whether the business would succeed and they would be repaid.</p>	<p><b>Being Fully Responsible for the Business</b></p> <p>Business owners must see that everything gets done—from sweeping the floors to handling financial records.</p>
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**Section 5.1** Rewards and Challenges of Entrepreneurship

**Other Challenges for Entrepreneurs**

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

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**Section 5.1** Rewards and Challenges of Entrepreneurship

**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.

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**Section 5.1** Rewards and Challenges of Entrepreneurship

**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?

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**Section 5.1** Rewards and Challenges of Entrepreneurship

**ETHICS in Business**

**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.

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**Section 5.1** Rewards and Challenges of Entrepreneurship

**Section 5.1**

1. What are some characteristics of successful entrepreneurs?

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

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**Section 5.1**

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

being your own boss

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**Section 5.1** Rewards and Challenges of Entrepreneurship

**Section 5.1**

3. Identify some of the challenges of entrepreneurship.

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

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