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***ENTREPRENEURSHIP***

**STARTING YOUR OWN BUSINESS**

**Part 1**

**Background**:

Might your career plans someday include **entrepreneurship**, or owning your own business? Entrepreneurs have started some of America’s most successful enterprises. McDonald’s, Microsoft, and Apple were all started by entrepreneurs.

Entrepreneurs take risks. They invest money and hard work in an idea without any guarantee that it will succeed. Entrepreneurs also earn rewards. These rewards can include money, independence, and personal satisfaction. In this and the next few activities, you will start a fictitious business. You will analyze customers, competition, and determine financial costs. You will choose a legal structure for your business and decide how to organize and staff it.

Finally, you will write a business plan. Starting a successful business begins with choosing the right product or service to offer. The work should be something that you think you would enjoy, would be good at doing, and could do successfully for profit.

**Instructions**:

**1.** Form a team with several students with similar career interests. Brainstorm ideas for businesses that your team might like to start. Some ideas are a landscaping service, a desktop publishing service, a bookstore, or a web page design company.

**2.** Agree upon one business, and choose a name for it.

**3.** In each activity in this unit, you will key information in word processing files that you will assemble, at the end of the unit, into a business plan. Work as a team to write the paragraphs requested on page 12. Key the information in a word processing file, and save the file for a later activity.

**STARTING YOUR OWN BUSINESS**

**Part 2**

**Directions**: Key the information requested below in a word processing file.

**1.** Key a paragraph describing your company. Include the name of the company, the product or

service you will provide, the customers who will use this service, and the location. A sample

company description appears below.

**Company Description**

Everybody’s Gym is a fitness center that will provide

state-of-the-art weight-lifting and cardiovascular training

equipment, as well as classes in aerobics and kickboxing,

for people who want to keep themselves fit and

maintain a healthy lifestyle. A juice bar will offer

healthful refreshment before, during, and after exercise.

A small shop will provide a selection of clothing, equipment,

and health-oriented products. Everybody’s Gym will

be located in the historic former Whalen Machinery building

at 62 Bridge Street in Salem, Massachusetts.

**2.** Many companies have a **mission statement**, a sentence or a few sentences that outline what

the owners want the business to do, how, and for whom. A mission statement can help you

identify and focus on the goals of your business. Key a mission statement for your company.

A sample mission statement appears below.

**Mission Statement**

The mission of Everybody’s Gym is to provide residents

of Salem and the North Shore with professional aerobic,

cardiovascular, and weight training and to help them set,

meet, and exceed their individual fitness goals in

a friendly and supportive atmosphere.

**3.** Many organizations also have a **vision statement,** a sentence or two that describes the

long-term direction or ideal goal of the organization. Key a vision statement for your

company. A sample vision statement appears below.

**Vision Statement**

Within five years, Everybody’s Gym will be recognized

as one of the five best moderately-priced athletic

facilities offering unique personal fitness services on

the North Shore.

**KNOWING THE CUSTOMER AND THE COMPETITION**

**Part 3**

**Purpose**: In this activity, you will gather information about potential customers and

analyze the competition for your business.

**Background**: A solid customer base is essential for a business. The more you know about your customers, the better you can target your services to them. Smart entrepreneurs also know the competition. They find out who is offering the same service, what they charge, and how successful they are. This knowledge helps newcomers present and price their services in the most attractive way.

**Instructions**: Meet in the same team that you did in the Starting Your Own Business activity. Divide the following tasks among team members.

**1.** On the Internet or at a library, research the industry to which your business belongs. Gather data on how well the industry is doing nationally. In addition, find out about the economy of the city in which your business will be based. In a word processing file, key two to four paragraphs interpreting your results. Be sure to document any resources you use. Save the file for a later activity.

**2.** On the Internet or at a library, research your target market. Gather data on households, income, ages—whatever applies to your customers. The United States Census is a good source. Census data can be found

in many libraries. They can also be accessed on the Internet at http://www.census.gov. You can use the American FactFinder feature to easily get census data for individual cities. In a word processing file, key

a paragraph or two about your target market. Save the file for a later activity.

**3.** Identify local businesses that would compete directly or indirectly with yours. For a fitness center, for example, direct competitors would be other local fitness centers. An indirect competitor would be a Tae Kwan Do school. If the fitness center had a small store that sold protein bars, a health food store would be another indirect competitor.

**4.** Visit some competitors, if possible. In a word processing file, key a few paragraphs describing your direct and indirect competition and gauging their strengths and weaknesses. Save the file for a later activity

**PROMOTING YOUR BUSINESS**

**Part 4**

**Purpose**: In this activity, you will decide how to market your business.

**Background**: Every business must market itself so that potential customers will be aware of the products and services it offers. A **marketing plan** is a strategy for reaching your target customers and other customers as well. Flyers; coupons; print, radio, television, and Internet advertisements; special events; and news releases are just a few of the methods that entrepreneurs use to promote their businesses.

**Instructions**:

**1.** Meet with your team. Brainstorm methods of promoting your business. Keep in mind who your target customers are and the fact that, when you start your company, you may have a limited sum of money

for marketing. Be creative! Plan to make use of the resources of team members.

**2.** Agree on several methods of marketing your business. Divide the methods among team members to research.

**3.** Using library resources, the telephone, or the Internet, determine how much each item in your marketing plan will cost. For example, if you are planning to place an ad in a local newspaper, call the newspaper for a price. If you are planning to send out flyers, determine how much it will cost to prepare, print, and distribute them. You can take notes in the space provided on page 16.

**4.** In a word processing file, key a one- to two-page marketing plan, with each team member writing about the marketing method that he or she has researched. Save the file for a later activity.

**PLANNING OPERATIONS**

**Part 5**

**Purpose**: In this activity, you will make decisions about how your business will operate..You will also sketch a floor plan.

**Background**: Many business plans include a section on operations. How involved will the owners be in the day-to-day running of the business? How will they go about hiring employees? How is the physical space for the business laid out? How will the owners ensure quality control? These are some of the

questions that a good operations plan will answer.

**Instructions**:

**1.** Meet with your team. Use the checklist on page 18 to brainstorm ideas for your operations plan.

**2.** Divide up responsibilities for writing the plan and for drawing a floor plan to accompany it. Key the written material in a word processing file, and save the file for a later activity.

**PLANNING OPERATIONS**

**Part 6**

**Directions**: Use the following checklist to help you brainstorm ideas for and organize your

operations plan.

**Introduction**

\_Make a general statement about the operations of the business. Here is an example. (1 ¶)

Teamwork will be an important factor in the success of

Everybody’s Gym. The owners will consider the ability to

work in a team as an important skill in the employees

whom they hire. The partners will seek employees who

want to grow with the business.

\_State how involved the owners will be in day-to-day operations and describe what they will

do. (1 ¶)

\_Explain how the owners will motivate employees to provide excellent customer service (e.g.,

bonuses). (1 ¶)

**Recruitment, Selection, and Training**

\_Explain when and how the owners will recruit employees. (1 ¶)

\_Describe how employees will be trained. (1 ¶)

**The Building**

\_Describe the physical layout of the business space. Include rooms that are open to customers

and rooms that are open only to employees. Also discuss safety and security. For instance, are

there fire escapes, sprinklers, and a security system? (several ¶s)

**Quality Control**

\_Describe how the owners plan to ensure quality control (e.g., customer satisfaction surveys).

(1–2 ¶s)

**Using Technology**

\_Describe how the business will use technology in its operations. For example, will it have a

website? (1–2 ¶s)

**KNOWING THE LAW**

**Part 7**

**Purpose**: This activity will introduce you to some common organizational forms for businesses. You will also write descriptions of the owners and employees of your business.

**Background**: Some common organizational structures for businesses are **corporations,**

**partnerships, limited partnerships**, and sole **proprietorships**. Each structure

has advantages and drawbacks for entrepreneurs.

**Instructions**:

**1.** Use the Internet or a library to research the advantages and disadvantages of structuring your business as a corporation, partnership, limited partnership, or sole proprietorship. Some helpful Internet sites are listed below:

• http://www.nolo.com

• http://www.entrepreneurmag.com

• http://www.sba.gov

**2.** Meet with your team. Use your research to choose an organizational structure. In a word processing file, key a brief paragraph explaining what organizational structure your business will have.

**3.** In the same file, put together a one- to three-paragraph description of each of the business owners. Include any Information about the owners’ education, background, and work experience that relates to

their ability to make a success of the business. Briefly explain the responsibilities of each owner in running the business.

**4.** If you know who any of your employees will be, key a one- to twoparagraph description of each employee in the same file.

**5.** Will the owners be involved in the day-to-day operations of the business? Will they work closely together and share the responsibility for making decisions? Key a paragraph in the file that answers these questions.

**6.** Key a bulleted list in the file of the number and types of workers you expect to employ; for example, two fitness trainers, one receptionist, and three salesclerks. Save the file for a later activity.

**MAKING A FINANCIAL PLAN**

**Part 8**

**Purpose**: In this activity, you will determine how much it will cost to start your business and to operate it for a year. You will estimate profits and shop for a loan, if needed.

**Background**: How well you manage the finances of your business can mean the difference between failure and success. Every year, thousands of businesses that might have succeeded fail because of poor financial management. One of the first steps in starting any business is to make a realistic financial

plan. You must determine how much money you will need to open your business (**start-up costs**) and to run it (**operating costs**).

**Instructions**:

**1.** Meet with your team. Use the worksheet on page 22 to identify start-up costs for your business.

**2.** Using spreadsheet software or the spreadsheet function of your word processor, make an **operating budget**. A sample appears on page 22. Save the file for a later activity.

**3.** If you need a small business loan, use the Internet or visit a library or bank to determine current lending rates and to get a loan amortization table. You can also use spreadsheet software that amortizes or a loan calculator at a website such as http://www.fincalc.com. Take notes in the space provided on page 22. Try different terms and interest rates to see how these variations affect your monthly payment and the total interest to be repaid.

**4.** In a word processing file, key a few paragraphs about your financial plan. Save the file for the next activity.

**PREPARING A BUSINESS PLAN**

**Part 9**

**Purpose**: In this activity, you will prepare an attractive, functional business plan.

**Background**: Every business should develop a **business plan**. A business plan describes every aspect of the business: its purpose, how it will operate, the marketing plan, the financial data, and so forth. Writing a business plan helps the owners analyze the business as a whole and ensure that their goals are realistic. Lenders usually require a business plan.

**Instructions**:

**1.** Working with your team, assemble the material you wrote in the previous activities in this unit into an attractive business plan, using the guidelines on page 24. Format your plan as follows:

**• General format**: Use unbound report format and double-space. Use 12-point Times Roman throughout (financial data in spreadsheets or tables may be in another font). Create a header with ***Business Name* Business Plan** at the left margin and the page number at the right. The header should appear on all pages but the first.

• **Headings**: Level 1 should be centered, ALL CAPS, bold, and 16 point. Level 2 should be left-aligned, ALL CAPS, bold, and 14 point. Level 3 should be left-aligned, SMALL CAPS, bold, and 12 point.

**• Page breaks**: Keep at least two bulleted items at the bottom of the page and carry at least two to the next page. Keep headings with at least two lines of text. Do not split tables between pages.

**2.** In a separate file, create a title page with the name of your business at the top, the owners’ names near the center, and the address, phone number, and URL (if any) near the bottom. Use special features such

as word art to format this page attractively.

**3.** In a separate file, create a table of contents. Use the text in the left column on page 24 as a guide (your contents may vary slightly). Key

**TABLE OF CONTENTS** ALL CAPS, 2" from the top. Quadruple-space and key **Page** at the right margin. Double-space and key the headings, capitalized as in the guidelines. Indent Level 2 headings 0.5" and Level 3 headings 1". Double-space above and below Level 1 and 2 headings. Single-space Level 3 headings. Set a tab with a leader at the right margin for the heading page numbers. Create a footer with the page numbers centered and formatted as small Roman numerals (i, ii).

**PREPARING A BUSINESS PLAN**

**Part 10**

**Directions**: Use the following information to assemble your business plan and to key the table

of contents.

COMPANY DESCRIPTION Insert the file you created in the Starting Your Own Business activity.

For the Customer Services section, key one or two paragraphs giving an

overview of the services you will provide. Include information about

hours and parking.

INDUSTRY ANALYSIS Insert the industry analysis file you prepared in the Knowing the Customer and the Competition activity.

MARKET SHARE Write a general paragraph to introduce this section. Here is an example:

Everybody’s Gym will develop a strong presence in

Salem and on the North Shore by offering a variety

of popular fitness training options at moderate

prices and by its professional and supportive

service. Its competitive advantage will be strengthened

by the availability of three certified trainers

and an indoor track.

Insert the target market and competition files you prepared in the Knowing

the Customer and the Competition activity. Write a paragraph or

two to conclude this section.

MARKETING PLAN Insert the marketing plan file you prepared in the Promoting Your Business activity.

OPERATIONS Insert the operations plan file you prepared in the Planning Operations

activity.

MANAGEMENT AND Insert the file you prepared in the Knowing the Law activity.

ORGANIZATION

DEVELOPMENT Set several short- and long-term goals and key a paragraph or two about them. Key a short bulleted list of strategies for achieving those goals. In setting goals, refer to your mission and vision statements.

RISKS Key one to three paragraphs about the risks of starting this business and how the business will counter them.

FINANCIALS Insert the financial plan and spreadsheet files you prepared in the Making a Financial Plan activity.