Funding Your Entrepreneurial Venture

Many people immediately dismiss the idea of starting their own business because they assume they have to be rich to fund it. However, many businesses are started in the United States for an average of $10,000 to $15,000. Where do people get their venture capital? According to an Inc. magazine survey, entrepreneurs use the following sources of start-up financing:

- Personal savings: 73%
- Credit cards: 27%
- Loans from friends and relatives: 14%
- All other cash sources: 14%
- Loans against personal property: 7%
- Bank loans: 5%
- Equity investments: 2%

How much can start-up funding really buy? Many successful businesses started with $10,000 or less. Below is a sampling, with some launching for under $1,000:

Company, year founded, product:

- Kodak, 1880, cameras and film
- Coca Cola, 1891, beverages
- UPS, 1907, package deliveries
- Black & Decker, 1910, tools and small appliances
- Hewlett Packard, 1938, electronics
- Johnson Publishing, 1946, Ebony and Jet magazines
- Domino’s Pizza, 1960, pizza delivery
- The Limited, 1963, clothing store
- Nike, 1964, shoes and athletic wear
- DHL, 1972, package deliveries
- The Body Shop, 1976, natural beauty products
- Apple Computers, 1976, computers and electronics
- Taylor & Boocyt, 1977, organ builders
- Messer Landscape, 1980, landscape and design services
- Gateway, 1985, computers

Take Action

- Select a company from the list above. Research the entrepreneur who started it and how he or she was able to start a successful venture with a small amount of money.

- Visit the U.S. Small Business Administration website (sba.gov), a government agency that provides information on funding a small business and other topics relevant to an entrepreneur.
On Your Own

Product Idea Sources Matching Activity

Instructions: Read about how each of the following entrepreneurs developed her or his product and/or service. Decide on which of the three product idea sources most closely matches each entrepreneur and place the corresponding letter in the space provided. The answers are provided at the bottom of the page.

**Matching Choices**

a. Products or services that solve a problem, which previously had no solution.

b. Changes or improvements to a current product or service.

c. Products or services that develop from the entrepreneur’s unique knowledge.

1. __________ 1. **Madam C. J. Walker** developed hair care products and cosmetics for African-American women, based on the unique knowledge she had as an African-American.

2. __________ 2. **Lito Rodriguez**, an entrepreneur from Brazil, founded DryWash, a car-wash system that does not use a single drop of water, conserving both energy and solving a water shortage problem in Brazil.

3. __________ 3. Before 1981, biotechnology was considered only an academic field of study. That year, the U.S. Supreme Court allowed patent protection for laboratory-produced hormones and thousands of private biotech firms began developing products. For example, **Ed Penhoet’s** firm, Chiron Corporation, used biotechnology to develop a treatment for kidney cancer.

4. __________ 4. **John Mackey** opened his first natural and organic food market in Austin, Texas. His nationwide Whole Foods chain grew as a new and different twist on the old grocery store model.

5. __________ 5. Recognizing that today’s busy families need healthy, quick dinner choices, **Stephanie Allen** and **Tina Kuna** cofounded Dream Dinners, a fix-and-freeze dinner assembly store, and created a model for take-out food that sparked a new industry.

6. __________ 6. **Walt Disney** developed Disneyland in 1954, in part because he was looking for a cleaner, more family-oriented alternative to the local carnivals of the time.

7. __________ 7. **Walter Hunt** mechanic and inventor, was twisting a piece of wire, trying to think of an invention he could patent and sell to pay off debt. From that came the first safety pin.

8. __________ 8. **George Eastman** was looking for a better way to take pictures. He wanted a mobile and inexpensive method of photography, so he invented Kodak and the modern camera was born.

9. __________ 9. The technology of freezing and drying food dates back to ancient civilizations, but **Clarence Birdseye** applied it to a special method of quick-freezing food products, creating a new, multi-billion dollar industry.

10. __________ 10. **Dr. Percy Spencer** was working with magnetrons when he noticed that the candy bar in his pocket had melted. After experimenting with corn kernels and an egg, he realized that microwave energy could be applied to an invention for cooking food—the microwave oven.

**Take Action**

- Select an entrepreneur from the list above that you’d like to learn more about. Research the entrepreneur, looking for product development ideas and inspiration.

- Visit the online JA Student Center, studentcenter.ja.org. Click on Plan a Business, then Resources to explore Links for Entrepreneurs.

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Market Research
Once you have a general business idea, consider acquiring research-based information to learn more about your potential market.

The Market Research Process

Step One: Decide on what you want to learn from the research.
- You want to determine what information you hope to gain.

Step Two: Decide on a research method and then design the research. Consider the following questions:
- Can you get the information you need from observing or do you need to interview or survey people?
- What is the least number of questions you can ask and still get enough information?
- How will you be sure you are sampling the intended population?

Step Three: Collect information.
- Conduct the research—observe, survey, or interview.

Step Four: Analyze the information.
- You will need to evaluate all the information gathered, such as survey responses and your observations to interpret their meaning.

Step Five: Draw conclusions.
- Determine how to use your interpreted data.

Take Action
Select a product or service idea for a new business. Decide on a specific group of people to survey to determine if that market might be interested in your product and under what circumstances. Design and implement a survey using the general model above or find more information about market research for a particular product or industry.

Note: Many schools, cities, states, and agencies have regulations about conducting surveys. Be sure to investigate and abide by any rules or laws regarding the type of market research you decide to do.
Competitive Advantages through Employee Relations

Competitive advantages are not just related to a business’s product or service. Another aspect of a business that can offer an edge over the competition is employee relations. How employees are compensated, rewarded, supervised, and trained, and the work environment they are provided can directly affect the product and the customer’s experience—resulting in an advantage or disadvantage among the competition.

Take Action

Begin formulating ways you can attract the best employees to work for your business and ways to motivate employees to provide a specific competitive advantage to your entrepreneurial venture.

Visit the online JA Student Center at studentcenter.ja.org. Click on Plan a Business, and then on Information Toolbox to read about the Effective Use of Praise and Criticism.
JA Be Entrepreneurial
Session Five—Competitive Advantages
On Your Own

Competitive Advantages
What gives a business a successful competitive advantage?

Using what you learned in JA Be Entrepreneurial, choose an industry in your local area; for example a restaurant, fast-food establishment, landscaping company, or another business similar to the one you’re considering starting. If possible, visit its various competitors, interviewing the management about the business’s competitive advantage.

Take Action
Compare the success you observe in each competitor, looking for the advantages that provide the most benefit. Consider your own potential business and begin formulating your specific competitive advantages.
JA Be Entrepreneurial
Session Six—Ethics Are Good For Business
On Your Own

Business Ethics
Most people know what to do when making a choice between right and wrong, but as an entrepreneur, you may find yourself in situations in which the choices are not so clear. These are called ethical dilemmas.

Take Action
Visit the online JA Student Center, studentcenter.ja.org. Click on Learn About Ethics for case studies, polls, and other resources related to business ethics.

Click on Business Ethics Case Studies to read about ethical dilemmas and how ethicists suggest dealing with them.
The Business Plan
An electronic copy of the Sample Business Plan is available for download.

Also, downloadable podcasts offer case studies and tips to assist you in completing the Sample Business Plan, organized by sessions in the JA Be Entrepreneurial program.

Take Action
Listen to the podcasts and then review your business plan. Make revisions, as necessary.