Entrepreneurship: Owning Your Future is the 11th edition of this textbook. The 10th edition was titled How to Start & Operate a Small Business. The Network for Teaching Entrepreneurship was previously named the National Foundation for Teaching Entrepreneurship.

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About the Authors

Steve Mariotti

Steve Mariotti, founder of the Network for Teaching Entrepreneurship (NFTE), is an expert in education for at-risk youth. He has been helping young people develop marketable skills by learning about entrepreneurship for more than 25 years.

Steve received an M.B.A. from the University of Michigan, Ann Arbor, and has studied at Harvard University, Stanford University, and Brooklyn College. His professional career began as a Treasury Analyst for Ford Venezuela, Mexico, Caribbean, Argentina, Peru, Chile, South Africa, and the Export Division (1976–1979). He introduced financial systems that saved the company over $5 million per annum via interest-expense reduction and improved cash management. After leaving Ford, Steve founded—and for the next three years operated—Mason Import/Export Services in New York, eventually acting as sales representative and purchasing agent for 32 overseas firms.

In 1982, Steve made a momentous career change and became a Special Education/Business Teacher in the New York City school system, choosing to teach in such at-risk neighborhoods as Bedford-Stuyvesant in Brooklyn and the “Fort Apache” section of the South Bronx. It was at Jane Addams Vocational High School in the Bronx that Steve had the idea of bringing entrepreneurial education to low-income youth. This inspiration led to the founding of the National Foundation for Teaching Entrepreneurship in 1987 (now the Network for Teaching Entrepreneurship), with 501(c)(3) nonprofit status granted by the IRS the following year.

Steve Mariotti and NFTE have received numerous awards—including the 2004 Ernst & Young National Entrepreneur of the Year Award, the Golden Lamp Award from the Association of Education Publishers (2002), and the National Federation of Independent Businesses—Best Business Teacher 1988—as well as major media exposure that includes pieces in the *New York Times* and other prominent publications and profiles on ABC News and CNN. Steve has coauthored some two dozen books and educational manuals that have sold a total of over half a million copies.

Tony Towle

Tony Towle has worked with Steve Mariotti and NFTE since its inception. In addition, he has written about art, and is a poet whose books include *A History of the Invitation* (New & Selected Poems 1963–2000), *Memoir 1960–1963*, and most recently, *Winter Journey*. He has received a National Endowment for the Arts Fellowship and a New York State Council on the Arts Fellowship, among other prizes and awards.

Neelam Patel

Neelam Patel joined NFTE in 2006 with over 10 years of experience in the field of education, professional development, and curriculum design. Neelam’s current responsibilities at NFTE include creating text- and digital-based entrepreneurship curricula, managing the unit responsible for supporting and creating NFTE’s program elements, and providing the organization with short- and long-term programmatic strategic goals. She oversees NFTE’s curriculum design, teacher professional development, alumni services, and research initiatives.

Prior to coming to NFTE, Neelam taught in public schools within the Los Angeles Unified School District and the New York City Board of Education. In addition, she has been an instructor and supervisor for Education students in the Master’s programs at Mercy College and at Teachers College, Columbia University.

Neelam has a B.A. from the University of Southern California, and an M.S. in Educational Leadership from Pepperdine, and is currently pursuing a doctoral degree at Teachers College, Columbia University, in Curriculum Studies. She is also a 2003 National Board Certified Teacher.
The NFTE Story

From one program in the Bronx, NFTE has expanded its mission into an international movement for teaching entrepreneurship, academic, and technology skills to young people worldwide, and has been recognized with many awards and honors. So, too, has NFTE founder Steve Mariotti, who has been consistently recognized for his leadership and contributions to the nation’s youth. Although still an emerging curriculum, entrepreneurship education has enjoyed tremendous growth in acceptance by K–12 educators and in popularity among young adults. NFTE believes that entrepreneurship could and should be added to school programs nationwide.

To fulfill its mission, NFTE focuses on four goals:

- **Engage young people in school** by teaching math, reading, writing, and communication within the motivating context of starting and operating a small business.

- **Teach young people about the market economy** and how ownership leads to wealth creation.

- **Encourage an entrepreneurial mindset** so young people can succeed whether they pursue higher education, enter the workforce, or become entrepreneurs.

- **Make young people financially literate** so they are able to save and invest to meet their life goals.

NFTE is widely viewed as a world leader in promoting entrepreneurial literacy—helping youth achieve greater academic, personal, professional, and financial success. Nearly 50,000 young people will participate in NFTE programs in the 2008–2009 school year. Through a growing network of influential partners and affiliated organizations, NFTE is leading the way in expanding the field of youth entrepreneurship education. Relationships of note include World Economic Forum, Aspen Institute, Council on Foreign Relations, New York Economics Club, Philanthropy Roundtable, Ewing Marion Kauffman Foundation, John Templeton Foundation, Atlantic Philanthropies, McKinsey & Co., and many top institutions of higher learning, including Harvard, Yale, Columbia, Stanford, and Babson College.

Working in partnership with schools, community-based organizations, and teachers, NFTE impacts students’ basic academic and life skills through a hands-on entrepreneurship curriculum that reinforces math, reading, and writing, and develops skills in critical thinking, teamwork, communication, and decision-making.

NFTE programs are taught in a variety of settings, including public schools, community-based organizations, and summer BizCamps, and range from 20 to 100 hours. The NFTE program emphasizes learning by doing. Experiential learning activities include visiting local wholesale districts or discount stores, attending selling events, interacting with local entrepreneurs, and participating in a business plan competition, usually judged by outside professionals. NFTE classes may be offered as stand-alone entrepreneurship programs or infused into economics, math, or other relevant subjects.

All programs consistently emphasize the connections between personal motivation, succeeding in the real world, and personal and financial independence. Equally important, NFTE teaches young people to think like entrepreneurs: to take risks, to be open to learning, and to be empowered to own their futures.
This book would not have been possible without the contributions of many people.

First I would like to thank my writing partner, Tony Towle, who from NFTE’s very beginning has helped me organize my thoughts and experiences. I would also like to thank Neelam Patel, without whose talent and expertise this eleventh edition would not have been possible.

I must single out the help of two outstanding NFTE executives, Rupa Mohan and Daniel Rabuzzi, whose leadership and insights are deeply appreciated. In addition, I would like to acknowledge the efforts of additional NFTE executives Darlene Ajayi, Luke Anderson, Cathy Blanchard, Del Daniels, Gary Giscombe, Julie Kantor, Deidre Lee, Clare McCully, Estelle Reyes, Nicole Rottino, Victor Salama, Laura Scarlett, Keri Teplitzky, Jane Walsh, and Katerina Zacharia.

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Special thanks to Amy Rosen, whom NFTE is thrilled to have as our new president and CEO. She is sure to take NFTE to a new level of success.

In addition, I would like to recognize the efforts and contributions of members of NFTE’s National Board of Directors: Albert Abney, Patricia Alper, Bill Daugherty, Phillip A. Falcone, Michael L. Fetters, Lawrence N. Fields, Donald Friedman, Thomas P. Hargassner, Landon Hilliard, Sanford Krieger, James Lyle, Consuelo Mack, Alan Patricof, Marsha Ralls, Donna Redel, Robert Reffkin, Arthur J. Samberg, Diana Davis Spencer, Peter B. Walker, and Tucker York.

I would like to acknowledge the inspired guidance provided by our National Executive Committee: Bart Breighner, Steven Brenninkmeijer, Kathryn Davis, Lewis M. Eisenberg, Theodore J. Forstmann, Sir Paul Judge, Mary Myers Kauppila, the late Hon. Jack Kemp, Elizabeth B. Koch, Abby Moffat, Jeffrey S. Raikes, Kenneth I. Starr, and the Hon. John C. Whitehead.

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Thanks are due to all of the teachers, students, experts, and friends who were kind enough to look over this book and help me improve it.

In addition, I would like to thank my brother, Jack, the best CPA I know, and my father, John, for financing much of NFTE’s early work, and for their continuing love and guidance. Finally, I want to thank my mother, Nancy, a wonderful special education instructor who showed me that one great teacher can affect eternity.

— Steve Mariotti
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### MANAGING YOUR BUSINESS

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**Your Business Career:** Decision Making  
**Entrepreneur Profile:** Planning for the Future: One Cut at a Time

**REVIEW AND ASSESSMENT**

Entrepreneurs & Technology: Website Data

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**Chapter 19**  Managing Production, Distribution, & Operations

**SECTION 19.1:** Managing Production & Distribution  
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**SECTION 19.2:** Managing Operations  
**Your Business Career:** Integrity  
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Content Overview

*Entrepreneurship: Owning Your Future* provides you with all the tools you need to become a successful entrepreneur.

- **Unit 1: What Is an Entrepreneur?**
  After an introduction to entrepreneurship, you examine the characteristics of an entrepreneur and are introduced to the role entrepreneurship plays in the economy. You also learn about the basic types of businesses (such as retail and manufacturing) and the types of business ownership (sole proprietorship, partnership, and so on).

- **Unit 2: Preparing for Business**
  To succeed as an entrepreneur, you need well-developed communication and negotiation skills. You also need to understand business ethics and consider the relationship between business and social responsibility. This unit helps you with all this, and includes special features on time management and goal setting.

- **Unit 3: Opportunity Recognition & Market Analysis**
  Now you begin the real effort of starting a business! The first thing you learn is how to write a business plan. The rest of the textbook focuses on fleshing out the various parts of your business plan. This unit also shows you how to spot a business opportunity and how to do market research to evaluate whether an opportunity has sufficient potential.

- **Unit 4: Marketing Plan & Sales**
  In this unit you learn how to develop a marketing plan and how to promote your product. You also learn the principles of successful selling and how to estimate sales.

- **Unit 5: Analyzing Financials**
  This is the “meat” of the textbook. You’re introduced to the basics of business finances, including essential financial documents and important financial ratios. Without this, you wouldn’t know whether you can expect to make a profit in your new business.

- **Unit 6: Starting Your Business**
  This unit introduces such basic concepts as financing, recordkeeping and accounting, hiring staff, insurance, and taxes—all critical when you’re starting a new business.

- **Unit 7: Managing Your Business**
  Will you be able to manage your new business? This unit walks you though all the important aspects of business management: expenses, cash flow, production, distribution, operations, purchasing, and inventory.

- **Unit 8: Growing Your Business**
  Finally, you consider how to grow your business and how to successfully exit it.
TO THE STUDENT

Preview of Your Textbook

Units

Each Unit focuses on a group of important entrepreneurship concepts. From the first Unit on, you work on your business plan.

In this Unit:
1. Introduction to Entrepreneurship
2. Entrepreneurship & the Economy
3. Types of Businesses & Business Ownership

What is an Entrepreneur?

Your Business Plan

In this unit, you'll focus on the Business Idea section of the business plan and answer these questions:
• What skills do I have to start this business?
• What factors will influence the demand for my product or service?
• What type of business will I start?
• What type of business ownership is right for me?

Business Plan Symbol

The business plan symbol shows the seven sections of the business plan. The large section (or sections) on the right side of the pie chart identify the section (or sections) of the business plan that you will focus on in the unit. The business plan questions relate to this section (or sections) of the business plan.

Business Plan Questions

The business plan questions you will answer in this unit are listed. This group of questions focuses on one or more sections of the business plan.
To help you focus your learning, important class content is presented in each section. Each chapter in the textbook has two sections.

**Chapters & Sections**

Working within a Section

To help you focus your learning, important class content is presented in each section with a minimum of interruptions.

**Vocabulary** terms are highlighted in the text and defined when they first occur. These terms are listed at the beginning of the section, reviewed at the end of the chapter, and included in the Glossary.

For vocabulary terms you may not know how to pronounce, the pronunciation is shown when the term is first introduced. It’s also included in the Glossary.

After important figures, an opened figure question asks you to consider relevant issues related to the figure and to the text’s content.

Reading checkpoints allow you to check your understanding of key points for each objective.

**Section Objectives**

The easy-to-understand section objectives identify the key concepts in each section.

**Vocabulary** introduced in the section are listed for easy review at the beginning of each section.

Each section begins with a question that you will discuss in class. These questions usually require a simple answer, but your class discussion will focus on the thinking behind your answer.
Entrepreneurship Issues & Your Business Career

Each chapter includes two unique features. The Entrepreneurship Issues focus on specific contemporary topics related to entrepreneurship. In the Your Business Career feature, you develop the skills and attitudes you will need for your career in business.

Entrepreneurship Issues include such topics as Serial Entrepreneurship, Peace through Entrepreneurship, Focus Groups, Customer Word-of-Mouth, Carbon Credits, Entrepreneurship Blogs, Micro-Loans, Paperless Offices, and Socially Responsible Investing.

Thinking Critically

Both features include open-ended Thinking Critically questions that extend your learning.

Your Business Career

In Your Business Career, you’ll find such topics as Self-Awareness, Empathy, Respect, Dressing for Success, Self-Esteem, Positive Attitude, Responsibility, Sense of Purpose, Honesty, Self-Control, and Comfort with Diversity.

Entrepreneur Profile

Each chapter ends with an Entrepreneur Profile, the true story of a young entrepreneur, someone about your age, who started a successful business. These may inspire you to pursue your entrepreneurial dreams.

The Thinking Like an Entrepreneur questions ask you to consider questions that would have been faced by the young entrepreneur who is profiled.
Entrepreneurs & Technology

Technology plays an increasingly important role in business—and particularly in new businesses. That’s why there is an Entrepreneurs & Technology feature after every chapter. These features discuss various aspects of technology in simple-to-understand language.

Internet Security

The Internet is a two-way street. By investigating the Web, you can access many thousands of sites. At the same time, hackers and other individuals can steal your information. A computer virus is a software program that causes damage to your computer. A computer virus can destroy data, change the way you use your computer, or physically damage your computer. To protect your computer from these types of viruses, you need to use antivirus software. You can purchase this software from a number of companies, or you can download it for free. There are two main types of computer viruses: those that can be downloaded over the Internet and those that can be downloaded from a floppy disk. A computer virus can destroy data on your computer, change the way you use your computer, or physically damage your computer.

Spyware

Spyware is a type of software that can steal information from your computer. It can steal information from your computer without your knowledge. There are two main types of spyware: those that can be downloaded over the Internet and those that can be downloaded from a floppy disk. Spyware can steal information from your computer without your knowledge.

Malware

Malware is a type of software that can steal information from your computer. It can steal information from your computer without your knowledge. There are two main types of malware: those that can be downloaded over the Internet and those that can be downloaded from a floppy disk. Malware can steal information from your computer without your knowledge.

Check Yourself

1. What is a hacker?
2. What is malware?
3. What is a computer virus?
4. What is spyware?

Check Yourself questions help you review the important concepts in the Entrepreneurs & Technology feature.

What Do You Think?

An open-ended What Do You Think question asks you to apply what you’ve learned in the feature.

Section Assessment

Each section ends with a Section Assessment that provides you with a chance to review important concepts and extend your knowledge.

Reviewing Objectives

The Reviewing Objectives questions help you review key learning objectives. Each question focuses on one of the objectives listed at the beginning of the section.

Critical Thinking

Critical Thinking activities are either open-ended questions asking you to consider specific aspects of the section’s contents or individual projects that extend your knowledge.

Working Together

The Working Together activity is intended as a group project. Besides teaching important entrepreneurship concepts, these projects also help you develop communication and teamwork skills.

Cross-Curricular Activities

There are four types of Cross Curricular Activities: Science, Social Science, Math, and Language Arts. Each Cross Curricular Activity asks you to connect the section’s content with an outside academic discipline.
Time Management

Time management is a critical skill for entrepreneurs. In the early stages of growing a business, an entrepreneur may be the only employee in the business and must use time wisely to accomplish all the critical activities associated with starting a new business. The two-page Time Management feature in Unit 2 helps you develop better time-management skills.

Goal Setting

Perhaps just as important as time management for an entrepreneur, goal-setting allows you to determine your direction in your business and in your life. The two-page Goal Setting feature in Unit 2 helps you set short- and long-term goals.
Chapter Review and Assessment

The three-page Chapter Review and Assessment is designed to help you review, use, and expand on the basic concepts presented in the chapter.

Check Your Understanding

You can use the Check Your Understanding questions to make sure you understand the main ideas presented in the chapter.

Chapter Summary

The Chapter Summary provides an overview of the key concepts in the chapter.

Review Vocabulary

Review Vocabulary is an open-ended activity that provides an opportunity to use the vocabulary you learned in the chapter. Typically, you will be describing what you have learned in the chapter to a specific audience who will be unfamiliar with the vocabulary.

Business Communication

Three Business Communication questions ask you to sharpen your communication skills—sometimes alone, sometimes in a group. You will focus on concepts presented in the chapter.

Business Math

Three Business Math questions help you work on your math skills in a business context.

Business Ethics

The Business Ethics questions typically present an ethical dilemma in a business setting. Most of these don't really have a correct answer. Consider them from all points of view, and try to determine the role that ethics plays in the question.

In Your Community

The two Business in Your Community activities typically ask you to interact with people, businesses, or organizations in your community. Some will require working in a group or with a partner, other activities can be done individually.
**Standard Business Plan**

The ability to prepare a **Standard Business Plan** is the most important learning objective of this textbook and of any entrepreneurship course. You start working on your business plan immediately in Chapter 1. By Chapter 14 you will have created a standard business plan. The standard business plan has three parts. Each part is represented in the business plan symbol.

**Advanced Business Plan**

Not every business will require all of the **Advanced Business Plan** topics, but any young entrepreneur would be wise to study them for possible future use. Some may be critically important for certain types of businesses. You start working on the advanced business plan topics in Chapter 15. Each of the four parts is represented in the business plan symbol.
Case Study

At the end of each unit is a case study that runs through the entire textbook. The case study involves Eva Tan, beginning when she was a high school student in Westerville, Ohio. Watch Eva as she starts her business, makes mistakes, has success, grows her business, and eventually sells it.

Business Plan for the Case Study

Because developing a business plan is a critical skill for this course, Eva Tan’s initial Business Plan is provided after Unit 3. You get a chance to see what a business plan looks like.

Color Coordinated

The business plan is color coordinated to show the relation to the various parts of the business plan. These pages, for example, relate to the Financial Strategies part of the standard business plan and to the Organizational Structures and Legal Structures from the advanced business plan.
Dear Student,

This course has been designed to teach you everything you will need to start and maintain your own small business. We hope that what you learn here will help you achieve financial independence and personal satisfaction. Knowing how business works will be of great value in any future career path you may take.

Learning the principles of entrepreneurship will teach you about more than just business and money, however. In this textbook, you will learn, among other things, how to negotiate, calculate return on investment, perform cost/benefit analysis, and keep track of your income and expenses. These skills apply to your personal as well as your business life. Even if you don’t become a lifelong entrepreneur, learning how to start and operate a small business will give you an understanding of the business world that will make it much easier for you to get jobs and create a fulfilling career for yourself, and thus own your future.

The characteristics of the successful entrepreneur—a positive mental attitude, the ability to recognize opportunities where others only see problems, and openness to creative solutions—are qualities worth developing. They will help you perform better in any situation life throws at you.

Owning your future will be the key to happiness. You can do so much good for your family, friends, and community by being aware of the opportunities and resources around you. Entrepreneurship is a way to do that—to make your dreams come true and help support the goals of those you care about.

What you can learn from this course can help you make good personal decisions for the future. NFTE is here to support you. I hope you will visit our Website for NFTE graduates, http://alumni.nfte.com. Good luck!

Sincerely yours,

Steve Mariotti
Founder, NFTE