

CHAPTER 1

Your Entrée to Entrepreneurship



An **entrepreneur** is someone who starts and operates his or her own business. Okay, so what exactly is a business? Business is a word whose meaning we think we know, but when we have to explain it to someone else, we get stuck.

A **business** is nothing more than a group or an individual who charges money to solve a problem. Some businesses, like Walmart, are enormous, with millions of people working for them. One reason Walmart is so huge is because it solves a problem that nearly everyone has: We all want to buy stuff at the lowest price possible, whether it's clothes, toilet paper, or baseball bats; we want to spend as little as possible on these items. Walmart acts as a solution to this problem because it can provide these items (and thousands more) at very cheap prices.

Look at Coca-Cola, another huge business. Everyone has the problem of thirst. We get thirsty, so Coca-Cola charges for the solution to this problem. The company doesn't give away its tasty beverages; it charges money for them.

However, businesses can also be very small, made up of just one person. Maybe your parents hire someone to paint your house or mow your lawn. The problem is that the lawn needs to be mowed every week. A person offers the solution—to mow the lawn—and charges to do it. In the world of business, **solutions** to problems come in the form of **products** and **services**.

The size of a business isn't important. What is important is that no matter how big or small the business is, it solves a problem and people

are willing to pay for the solution. Entrepreneurs call these problems **opportunities**.

There are many problems that we all have, but aren't willing to pay to remedy them. Every morning when you wake up, your hair is a mess. That's a problem. (And for some of you, it's a *real* problem.) And every day you solve that problem by running a comb through your hair. That's the solution. But you probably aren't willing to *pay* someone to comb your hair. So while there are several problems we need to deal with every day, there are only so many we will actually pay money for someone to solve. In addition, there are times when we are willing to pay and other times when we are not, for solutions to the same problem. Sometimes you will pay to buy a Coke. Other times, you will just save money and drink tap water.



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DOLLARS & SENSE

To an entrepreneur, the difference between a *problem* and an *opportunity* is simply that an opportunity is a problem that someone will pay to have solved.

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So to sum up, all businesses work like this:

1. The business owners spot a problem (opportunity).
2. They spend money, or create **expenses**, while trying to find a solution to the problem. They call these solutions products and services.
3. They sell these solutions (products and services) to consumers. The money they collect from selling these products and services to customers is called **revenue**.
4. The business takes all the money (revenue) it made from selling its solution, and from that amount it subtracts all the money it spent trying to find that solution (its expenses). Whatever is left over is called **profit**.
5. Business owners then use their profits to either:
 - Spend for themselves
 - Save for a rainy day
 - Donate to charity
 - Invest in the business
 - Invest in *other* businesses

Entrepreneurs sum up this whole process with a simple math equation. I promise there will be very little math in this book, but this is the most basic equation for entrepreneurs:

$$\text{REVENUE} - \text{EXPENSES} = \text{PROFIT}$$

To survive, businesses need to make money. What is important to the person who starts that business is not the money the company makes, but the money the business owner gets to *keep* in his or her pocket: the *profit*. I like to think of profit as simply your reward for solving problems.

Is Entrepreneurship for You?

So that's what entrepreneurship is. The question now is, is it for you? People typically become entrepreneurs for one of three reasons:

1. THEY WANT TO MAKE MONEY. There are lots of problems out there in the world that people are willing to pay to have someone else solve. Sometimes, if entrepreneurs can find those problems and find a way to solve them, they can make a lot of money.

2. THEY WANT MORE FREEDOM. Picture Kim's dad, who has to drive an hour to work every day. Then he has to drive another hour just to get home. Two hours of every day he spends in his car, just driving to and from work. (Worst of all, his radio is broken.) Kim's dad sells medical equipment to doctors. After years of doing this, he got sick of making that one-hour drive every morning and night. So he quit his job and started his own business selling medical equipment out of his home. Now he actually makes *less* money than he did when he was working for his old company. But money wasn't the main reason he started his own business. He wanted more freedom.

3. THEY WANT TO DO SOMETHING THEY LOVE. Todd worked at the hamburger shack near the beach all summer. While he made good money flipping burgers and making fries, his real passion is painting. Every day after work, Todd set up his easel and painted the sunset on the beach. Todd didn't want to give up the steady money he made at the hamburger shack, but his passion for painting was too powerful. So Todd quit his job and started giving painting lessons and selling his paintings.

These are the three most common reasons people start their own business. Sometimes they do it for just one of these reasons; other times, they do it because of all three. For people under the age of fourteen,

there is actually a fourth reason to start a business: *because that's your only way to make money.*

Unfortunately, people under the age of fourteen can't actually work for someone else. There are exceptions to this, but by and large it's prohibited. There are federal laws to protect young people from working too many hours for employers. The funny thing is that you can work as much as you want if you work for yourself, running your own business! So when people under the age of fourteen want money, they have *no choice* but to start their own business.

You might be thinking, "Okay, money, freedom, and doing something I love. That all sounds good to me. I'll start my own business!" But hold on. While everyone loves more money, more freedom, and working on things they are passionate about, starting your own business involves a lot more.

What I Mean by "Starting a Business Involves a Lot More"

Business owners share several traits that seem to ensure their businesses will be successful. Whether they are personal chefs or they wash cars, you'll find entrepreneurs share these characteristics:

- ***They meet one of the three criteria above.*** They want more money, or more freedom, or they have a desire to do something they love.
- ***They have found a problem that people are willing to pay someone else to solve.*** Remember, there are many problems in the world, but not all of them are ones that people are willing to pay someone else to solve.
- ***They are organized.*** Entrepreneurs need to be careful and keep track of many things. For instance, they need to know who has already paid them and who still needs to pay. They also need to keep a list of people who don't want their service yet, but have told them, "Call me in a month."
- ***They are disciplined.*** Many times, entrepreneurs have to do things that aren't fun. They may have to spend an hour licking envelopes to send out brochures describing their business. Or maybe they spend an entire day knocking on doors, looking for customers. Let's face it: these things are boring. But they are necessary, and business owners need the discipline to do them.

- **They are creative.** Business owners, as you know, are problem solvers. They started their business by solving one problem and charging a fee to do it. But many other problems will come up that entrepreneurs need to solve. What if, after two years in business, you suddenly don't have any more customers? What if someone moves in next door and starts competing with your lawn mowing business? What if someone starts making necklaces that are better and cheaper than yours? To conquer the unexpected, you need to be creative: find new ways to offer your products and services and new products and services to offer.



DOLLARS & SENSE

If you're the boss, no one is bossing you around! You need to crack your own whip to make sure you get done what you need to in a certain amount of time. No one is looking over your shoulder. That's your job, being the boss.

Do you meet these criteria? Even if you don't meet all of them, it's okay. Personally, I am not very organized. (That's definitely a problem I am willing to pay to have solved.) Luckily, another entrepreneur friend of mine is a professional organizer. She helps business owners like me make sure their bills are paid, files are in order, and basically that everything runs smoothly. Businesses of all sizes hire other businesses to help them stay creative, organized, and disciplined. So it's okay if you can't do it all—you just need to know who can help you do the things that you can't do!

Now you know what an entrepreneur is and roughly how a business operates. You know why people become entrepreneurs and what characteristics they typically share. So before we end this chapter, you need to decide: Is it for you? If you can answer yes, then turn the page; we will try to find the ideal business for you to start.