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3 Entrepreneurs and successful businesses



3 Entrepreneurs and successful businesses

3.1 Overview

3.1.1 It starts with an idea

All businesses originally start with an idea. That is how Bakers Delight began. Roger and Lesley Gillespie established Bakers Delight in 1980 as a small bakery on Glenferrie Road in Hawthorn, a suburb in Melbourne. There are now more than 700 Bakers Delight bakeries around the world. The success of the Gillespies' business comes down to their hard work and their apparent lack of the fear of failure. The owners state that the name 'Bakers Delight' originated from the belief that bakers should be delighted by the product they bake and that every customer should be delighted by the service they receive. This idea still drives what Bakers Delight does today.

Figure 1 Roger and Lesley Gillespie from Bakers Delight



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Weblink: Small business entrepreneur video

3.2 What is an entrepreneur?

3.2.1 Turning ideas into a business

Not everyone knows how to turn their ideas into a **business**. A person who is willing to take a risk and has the qualities required to turn an idea into a successful business is called an **entrepreneur**. An entrepreneur's methods are sometimes regarded as groundbreaking and innovative. For these people, the opportunity to explore untapped markets with no guarantee of success can be motivation itself. However, for those whose ideas translate into a successful business venture, the **profits** are often huge.

3.2.2 So what is an entrepreneur anyway?

An entrepreneur is someone who could be just like you. Entrepreneurs:

- have great ideas and do something about them
- hunt for opportunities to promote their ideas
- thrive on the challenge of creating their own successful business
- make money out of solving problems and selling their ideas
- usually start up their own businesses.

How old do you have to be?

Any age! If you have a great idea and the determination to make it happen, you could join this list of young entrepreneurs who enjoy some huge success stories:

- Eagle Boys Pizza was created by a 23-year-old from Albury, New South Wales.
- Subway sandwiches were the brainchild of 17-year-old US-based Fred DeLuca.
- Rip Curl, an Australian company, was started up in the Australian backyard of surfers Brian Singer and Doug Warbrick.

- Dell Computers was set up when 18-year-old Michael Dell realised it was a lot cheaper to build computers than to buy them ready made.
- Poppy King founded Poppy Industries Pty Ltd at age 18 after recognising there was a gap in the market for matte lipstick.
- Molly Whiticker-Ferrie was aged 14 when she started her Melbourne-based business, Fairy Friends Forever, which specialises in birthday parties for girls.
- Taylah Golden and Ellie Jordan were only 12 years old when they started their online sleepwear business called Jordan Taylah.

Figure 1 Could you be an entrepreneur? If you have most of these attributes and skills, your chances of entrepreneurial success look good.



3.2.3 Who are some successful entrepreneurs?

There are many examples of youthful entrepreneurs who have gone on to be successful business owners. A famous one is Sir Richard Branson, chief executive officer of the Virgin Group. He started his first business, a student magazine, when he was aged 16 and still at school. Another example is Bill Gates, co-founder of Microsoft. His interest in computers and computer software began when he was 13 years old.

Richard Branson

Richard Branson is the founder of the Virgin group, which comprises hundreds of companies including an airline, a train company and a mobile phone network. He started his first business at the age of 16. You may have seen Richard Branson in the media because he is

famous for his publicity stunts whenever Virgin launches a new business or project. One of Richard Branson's current big ideas is commercial space travel.

If you have heard Richard Branson speaking, you will know that he is passionate and enthusiastic. He listens to staff and customers, carrying a notebook with him wherever he goes so that he can write down what he sees and hears. He then follows up on the ideas. He shares Virgin's future plans with his staff, and his vision inspires people to perform at their best.

Figure 2 Richard Branson with his daughter Holly



Mark Zuckerberg

Mark Zuckerberg is a famous American entrepreneur. He is one of the founders of the very successful social media site Facebook. Mark Zuckerberg is a computer programmer who began creating websites while he was at college. In 2004, he launched Facebook and it has grown in popularity ever since. As of December 2015, there were more than one billion daily users of Facebook (according to the Facebook website). His business has been successful because he has specialised skills and was willing to take a risk to develop a unique business idea.

Mark Zuckerberg believes in the open and free flow of information between people. Facebook has allowed this to occur, but it has also created controversy throughout its years of operation. As a result of Facebook's success, Mark Zuckerberg has been able to donate significant amounts of money to charitable causes.

Figure 3 Mark Zuckerberg



Carolyn Creswell

Carolyn Creswell is the founder of Carman's Fine Foods. She scraped together \$1000 when she was 18 years old to buy out the homemade muesli business that she worked for. Today, Carman's products are sold in supermarkets across Australia and exported to more than 30 countries.

Some people suggest that the business is an overnight success, but Carolyn Creswell responds that she has been successful because of hard work. She learned everything she knows about the business while working on the job, and she believes this makes it easier for her to empathise with staff. Carolyn Creswell is driven by passion rather than the desire to make money. She believes it is vital to have a clear vision of where the business is heading and to consider that when making every decision.

Figure 4 Carolyn Creswell



Lorna Jane Clarkson

Lorna Jane Clarkson is the founder of workout fashion business Lorna Jane. She began making leotards while she worked as a dental therapist and realised that there was a demand for fashionable activewear. Lorna Jane Clarkson and her husband, Bill, opened their first store in 1993. There are now more than 150 Lorna Jane stores worldwide.

Together with her husband, Lorna Jane Clarkson has never been afraid to take a risk. While other businesses believed that the market for fitness garments was too small to make a profit, the Clarksons decided to focus on that **niche market** anyway. The success of their business can be traced back to their vision and good management. Lorna Jane is renowned for innovative designs and for listening to customers, particularly through social networking.

Figure 5 Lorna Jane Clarkson



3.2.4 Your turn

Activity

3 Entrepreneurs and successful businesses

3.3 Business owner or entrepreneur?

3.3.1 Are they different?

We have looked at some examples of well-known entrepreneurs. But what is the difference between a business owner and an entrepreneur? Unfortunately, there is no easy answer to this question. Both business owners and entrepreneurs run businesses. The difference is best seen in the behaviours and skills that entrepreneurs bring to a business that people who simply run businesses do not have.

3.3.2 Business owners and entrepreneurs

Business owners play an important role in the economy, just as entrepreneurs do. A business owner might start their own businesses, just as entrepreneurs might. Business

owners might purchase an existing business and run that, just as entrepreneurs also run businesses.

However, business owners tend to be content with simply running a business on a day-to-day basis so that it makes a profit. They prefer to minimise risks and make calculated decisions where the outcome is reasonably clear. However, entrepreneurs do much more than that. As we know, entrepreneurs seize opportunities and take risks. Entrepreneurs also establish a shared vision and demonstrate initiative, innovation and enterprise. A business owner might have an idea for solving a problem and meeting that need in order to satisfy a **target market**, whereas an entrepreneur's vision might be to make a big change or have an impact on the world. Entrepreneurs often do not know if their ideas are achievable or not.

The typical questions that need to be considered by both business owners and entrepreneurs when starting a new business are illustrated in the [figure 1](#) interactivity.

Interactivity

Figure 1 Typical questions considered by entrepreneurs and business owners in making a business idea happen

[Interactivity: Typical questions considered by entrepreneurs and business owners in making a business idea happen](#)

Let us have a closer look at some of the behaviours and skills that entrepreneurs bring to a business.

3.3.3 A shared vision

When an entrepreneur has a **vision**, it means they have an understanding or hope of what the business will be like in the future. This gives the business a clear direction. Having a shared vision means that everyone in the business works together, as a team, to develop and then accomplish a goal. When this happens, it is much more likely that staff will enthusiastically contribute to making sure the vision is achieved.

Figure 2 A shared vision is much more likely to be achieved because people who are involved in developing a vision will be more inspired to work towards the goal of achieving it.



3.3.4 Initiative

When an entrepreneur demonstrates **initiative**, it means they are taking the first step in a series of actions or in a process. This is frequently done without someone prompting or telling them to take this step; an entrepreneur will usually make this decision independently. However, they might seek the help or advice of other people before they do so.

Andrew Bassat was the 2013 Australian EY Entrepreneur of the Year. EY refers to the global organisation, Ernst & Young Global Limited. Andrew Bassat displayed initiative when he co-founded SEEK Limited in 1997 even though he had very little knowledge of the internet. SEEK is now the world's largest online employment marketplace.

Figure 3 Andrew Bassat (far right) with his SEEK co-founders



3.3.5 Innovation and enterprise

Innovation is either adding a new product (which can be a good or service) to an existing product line, or significantly improving an existing product or process. This is different from inventing, where a completely new product or process is developed. Innovation could simply involve changing the way a business works so that it delivers better products. **Enterprise** is

the effort made by someone to creatively or boldly achieve something new. Entrepreneurs exhibit enterprise by taking risks to determine if the market is interested in their new ideas.

Figure 4 Holographic communication is widely predicted to be an innovation that will change the way we work and talk to each other over the next few years.



3.3.6 Your turn

Activity

3 Entrepreneurs and successful businesses

3.4 Business success: high-quality product and location

3.4.1 Important choices

How does a small business owner make sure the product is of high quality, and how can they choose the best location that gains exposure for their business? These are important choices that will contribute to the success of the business.

3.4.2 A high-quality product

A business owner should aim to produce a high-quality product — one that meets the expectations of the customer. This means that the product will be reliable, safe and easy to use, durable, well designed and delivered to customers on time. A business owner will need to ensure that quality materials are used in the production of their good or service, and that there are no faults before it is sold to customers.

How to make a high-quality product

Just how do you produce a high-quality product? Attributes that a business owner might attempt to include in their new product before taking it to the marketplace include:

- *Premium features* — producing a product that is perceived to be superior to the products of competitors. A business owner can achieve this by making sure that the product will be considered luxurious; for example, by being more accommodating, providing greater comfort, or by tasting better than the competitors' products. Companies such as Sony and LG often add premium features to their consumer electronics products.
- *Durability and reliability* — creating high-quality products that provide the customer with high value by lasting as long as possible. We live in a society that does not seem to value products that last for a long time, but some businesses distinguish their products from those of their competitors on this very basis. Boral, for example, is renowned for supplying durable building products and construction materials.
- *High performance* — making sure that the product performs better than the products of competitors. A business owner can achieve this by making a product that is faster, more efficient or more powerful; or by making a product that completes a task in a better way than competing products. Samsung and Apple, for example, advertise that their mobile phones offer top performance.

Figure 1 A clothing retailer can add a premium feature to its product, thus creating a high-quality product, by providing a tailor to adjust customers' purchases.



Many people update their mobile phones each year in a desire to have the newest and most powerful model. Do you think that this trend will continue in the future? What are the different motivations for the consumer and the manufacturer to continue this trend? Are there any downsides to this behaviour? [Ethical capability]

3.4.3 Location

Many factors must be considered when a business owner chooses a location. These include personal convenience, **zoning regulations**, the suitability of the **premises** for the business and the potential for expanding those premises. Other important factors discussed in detail below are:

- visibility
- accessibility
- competitor location
- cost
- area reputation.

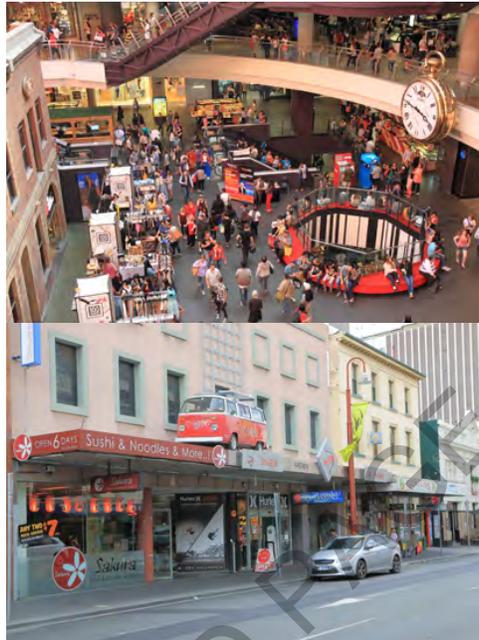
Figure 2 Many people today run businesses online from home so there is no physical location for their business.



Visibility

Exposing the product and the business to potential customers is essential for a retail business or one providing a service to the public. Businesses such as music stores and hairdressers rely heavily on **passing trade** for sales. That is why these types of businesses typically locate in shopping centres or on shopping strips.

Figure 3 An example of a shopping centre and a shopping strip:
Melbourne Central shopping centre
(top) and Liverpool Street in Hobart
(bottom)



Accessibility

A business generally needs to locate as close as possible to its customers or suppliers. The importance of each of these considerations depends on the nature of the business. A retail business needs to be close to customers, with convenient parking or access to public transport nearby. For this reason, a clothing store might decide to locate in a shopping centre or a shopping strip. For a business that manufactures goods, being close to suppliers might be more important. A car parts manufacturer would need to be close to transport networks, such as freeways or railway lines, so that it can easily receive raw materials from suppliers and then distribute the finished goods.

Competitor location

For a retail business or service provider, it does not usually make sense to locate close to competitors. If an antique furniture shop is already established in a shopping centre, it might be a bad idea to set up another one there unless there is a huge demand for antique furniture. It would make more sense to locate near other businesses that sell different products, and feed off the customers that are drawn in by the variety of choices or by the attraction of a large brand name. This is why many businesses choose to locate in a large shopping centre with well-known businesses such as Coles, Woolworths, Target and Big W nearby.

Figure 4 Many businesses choose to locate in large shopping centres because they can then feed off the large number of customers who are drawn in by the wide variety of products and competitive prices offered in one location.



However, some businesses choose to locate in an area where there are other businesses selling the same product. They will do this because customers are attracted by the competition and choices offered by the collection of businesses. Examples of this include furniture stores or car yards located together along a busy highway.

Cost

When considering the cost of a location, the business owner must decide whether to rent or purchase the premises. In general, the cost of the location will be affected by the location's size, quality, visibility, accessibility and the amount of passing trade. For example, locating in a shopping centre is usually more expensive than locating on a shopping strip. For the business owner, an ideal location would be one where costs are kept to a minimum, taking into account all of the other location factors. A restaurant relying heavily on passing traffic might find that locating in a low-cost site with low visibility is ultimately not a successful strategy.

Area reputation

A location with a low cost might initially seem attractive, but it could be relatively cheap because of its poor reputation. An area with a poor reputation might have a high crime rate and be perceived as an unsafe place. Potential customers may not be prepared to visit a business located in such an area.

Activity

Online businesses

Online businesses can be located in any location; they do not even need to be located in the same country as the market that they operate in! Rent may be higher for online businesses in inner-city areas; however in these areas they may be able to attract higher-skilled workers to work for them. Consideration should be given to the location of the warehouse where goods are shipped from. Increasing numbers of online businesses are also moving to set up in a physical location after establishing their reputations online.

3 Entrepreneurs and successful businesses

3.5 Business success: quality service and sound management practices

3.5.1 Meeting customer expectations

Providing quality service and using sound management practices allow a small business to meet customer expectations.

3.5.2 Quality service

Quality service leads to customers being satisfied with the product of the business. Highly satisfied customers obviously generate profit, but by returning to the business they can also bring other customers with them. This is referred to as **word-of-mouth** business.

Figure 1 Quality customer service will make sure that customers keep returning to buy the business's products.



A business can make sure that it provides quality customer service by seeking feedback from customers. One way to collect feedback is through a **customer survey**. Many businesses use customer loyalty programs, which allow them to build a database on their customers and stay in contact with them. Discounts and giveaways can be used to reward customers. Another way that businesses can provide quality service is by training staff.

3.5.3 Sound management practices

Sound management practices require that business owners exercise four crucial management roles, manage the finances of the business, and manage the business in an ethical and socially responsible manner.

Management roles

Four crucial management roles must be fulfilled if a business is to be effectively and efficiently managed:

- **planning** — This is the process of identifying goals for the business as well as the steps that will need to be followed to achieve those goals. For example, a manager might set a goal that the business will introduce a new product over the next 12 months.
- **organising** — This is the process of working out what resources are necessary to complete the tasks that need to be performed so that the goals of the business are achieved. These might be human, physical or financial resources. For example, a manager might assign a particular task or responsibility to a worker in the business.
- **leading** — This is the process of motivating or inspiring staff in the business to achieve the goals of the business. For example, a manager might explain to staff what the goals of the business are and why it is important to achieve those goals. This might influence staff to work hard to achieve those goals.
- **controlling** — This is the process of comparing what was expected to be achieved with what was actually achieved. For example, a manager would look at sales figures for the new product to see how the business was progressing towards achieving its goal of introducing a new product over the next 12 months.

These roles are illustrated in the [figure 2](#) interactivity. Click on each heading for more information about the role.

Interactivity

Figure 2 The four crucial management roles
[Interactivity: The four crucial management roles](#)

Financial management

It is vital that the business owner manages the finances of the business. **Cash flow** needs to be maintained. Cash is one of the most important resources for a business. Without cash, the business would not survive. Only by tightly controlling and monitoring the business's cash position will the business succeed.

The business owner also needs to make sure that the business is making a profit. Regular profit reports should show that a business is earning more revenue than expenses. If the

business is not making a profit, or if cash flow is poor, the business owner needs to review what is happening in the business and make changes.

Some of the largest companies in the world use profit-shifting techniques, where the profit in the different countries they operate in is moved about in order to reduce their overall tax burden. Do you think it is ethical for companies to be able to do this? What impact does it have on the people in the countries where this is happening? [Ethical capability]

Ethical and socially responsible management

A modern business cannot just consider its financial position. Today, people expect that businesses will do the right thing when making decisions and show concern for society in their actions. **Ethical management** occurs when a business applies moral standards to decisions made; for example, by being honest in the way they deal with other businesses. **Socially responsible management** occurs when a business shows concern for the social welfare of the community, including customers, staff and the environment. Society expects that a business will treat employees fairly, show respect to customers and look after the environment.

3 Entrepreneurs and successful businesses

3.6 SkillBuilder: Writing a business case study

3.6.1 Tell me

What is a business case study?

A business case study is a description of a real life business requiring you to explore the main issues affecting the business and how the business owner has responded. These issues and responses need to be analysed and related to your economic and business knowledge. Conclusions can then be drawn about why the issue occurred and how to best respond to them, based on what the business owner did.

Why is writing a case study useful in economics and business?

Writing a business case study is a way to apply the theoretical knowledge that you have learned about economics and business to a real-life business. It can develop research skills. Writing a case study requires you to carefully investigate and critically analyse an issue.

Model

Case study

Boost Juice

Who is Boost Juice?

Boost Juice Bars is a global chain of retail stores selling fruit juice and smoothies. Boost Juice also sells snacks, including banana bread, wraps and yoghurt. Janine Allis and her husband Jeff started the business in 2000 when they opened an outlet in South Australia.

Figure 1 Janine Allis and her husband Jeff



Reason for Boost Juice's success

Janine Allis and her husband Jeff chose the perfect time to launch a great product.

Janine was inspired by a trip to the United States, where juices and smoothies were common. Back in Australia Janine found, 'In shopping centres, there was nowhere to get something healthy.' Using her trip to the US as research, Janine explains, 'I studied the concept of smoothies and juice and took what I liked to develop a new concept in Australia called Boost.' The business started small with just one shop in Adelaide, giving them the chance to trial and test their products.

Janine has been hands-on in setting up the business — developing the structures, business plan and ethics that were needed to grow the business. But in the early days, it meant getting involved in every aspect: 'I flew to Adelaide to open the first store; I ran it, scrubbed the floors and really learned the business.'

This modest start gave Janine the chance to test the market, using a popular radio station to reach Boost's target market. To reach their goal of expanding their brand, Janine focused on strong branding as a way to lure the best franchisees and to win customers. 'I never had the intention of opening just one store, but you have to open the first one to work out the cost of goods, your wages, expenses and income and work out if you have a viable business.'

Running her own business was a risk, but it gave Janine a way to try to balance her work and home life and the opportunity to work from home in the early days when her children were young. 'When the time came to expand with a building program on 15–18 sites, we sold the house and put the money into the business. We're a company where you don't necessarily have to wear a suit or have a degree to be promoted and you can bring your children in when you have them. It's the sort of company where you can have both.'

Other information about Boost Juice

- 2000: Opened first Boost Juice (Adelaide)
- 2002: \$1 million annual turnover
- 2008: 213 stores and on track for \$100 million annual turnover
- 2014: 300 stores in 10 countries and annual turnover of more than \$135 million
- 2016: More than 350 stores in 17 countries
- Highest grossing company stores: Sydney and Melbourne airports
- Highest grossing company franchisees: Chadstone and Pacific Fair Shopping Centres
- Ethical and social responsibility: Boost uses paper cups that are renewable, sustainable and biodegradable which are printed using non-toxic, food-safe inks and are not harmful to the environment. Boost Juice has a school fundraising program.

Elements of a good business case study

A good case study:

- includes a profile of the business (the trading name and the products it sells)
- explains some of the history of the business
- gives reasons the business has been successful
- covers any other issues or questions as required
- includes extra information about the business
- is of reasonable length (approximately 300 words)
- is easy to read
- is well presented.

3.6.2 Show me

Activity

3.6.3 Let me do it

Activity

3 Entrepreneurs and successful businesses

3.7 Review

3.7.1 Summary

An entrepreneur is a person who is willing to take a risk and has the qualities required to turn an idea into a successful business. An entrepreneur is different from a business owner. Entrepreneurs seize opportunities and often do not know if their ideas are achievable or not. They also establish a shared vision and demonstrate initiative, innovation and enterprise. Choosing the right product and the best location are very important for ensuring the success of the business. Providing quality service and using sound management practices allows a small business to meet customer expectations and also ensures the success of a business.

- An entrepreneur takes on a risk by starting any business with an idea, hoping to make a profit through initiative and enterprise.
- Any person, of any age, can be an entrepreneur as long as they have a great idea and the determination to make it happen.
- Business owners run businesses on a day-to-day basis to make a profit. They minimise risks and make calculated decisions where the outcome is reasonably clear. A business owner might have an idea for solving a problem and meeting a need in order to satisfy customers.
- A high-quality product is one that meets the expectations of the customer: the product is reliable, safe and easy to use, durable, well designed and delivered to customers on time.
- When locating a business, the owner needs to consider personal convenience, zoning regulations, the suitability of the premises for the business and the potential for expanding those premises, as well as visibility, accessibility, location of competitors, cost and reputation of an area.
- Businesses need to provide quality service so that customers will continue to return to the business.

- Business owners need to use sound management practices including the four crucial management roles, financial management, and ethical and socially responsible management to make sure that their business is successful.

3.7.2 A self-titled success

A set of big dreams, a sense of naivety, determination, a generous splash of creativity and lots of hard work with persistence and time, in fact 12 long years, is all it took for Samantha Wills™ and her self-titled accessories (jewellery) company to become an overnight success.

Initially what started as a hobby is now an international brand stocked in eighty countries around the world. With a \$12 million annual turnover the primarily online business sells through department stores and boutique retailers, without any real plans to have bricks and mortar shops.

Seventy percent of the annual turnover comes from product sales in Australia, while the rest comes from the United States, Japan, France and Korea. The jewellery adorns celebrities such as Eva Mendez, Katy Perry, Lady Gaga and Taylor Swift.

With no formal business training, Wills attributes much of her success to sheer tenacity and being passionate about your product. Wills says to be a successful entrepreneur you need to have a passion for what you are doing and stick with it, no matter what gets thrown at you.

Starting from scratch was not easy for Wills who faced many hurdles before she found success. Without any formal business education; she learnt the hard way 'on the job'. She learnt to surround herself with people who possessed the qualities and skills she doesn't.

It was with this in mind that she set up the Samantha Wills™ Foundation: for empowering women in business, with the aim of information sharing and developing a sense of community for young women wanting to start their own business. She regularly writes a blog and answers the questions of newer entrepreneurs starting out. Will believes it is important to give back and often speaks at conferences encouraging other women to become entrepreneurs.

Wills moved to Sydney at the age of 21. While girls her age were off having fun, she was concentrating on developing her business. During the day she worked in retail, going home each night to make jewellery to sell at markets. A friend offered her a spot on a showroom wall during the 2004 Australian Fashion Week. Investing her last \$500, Wills hoped to make enough sales on the day to cover the costs of the stall. A sudden influx of orders worth \$18,000 plunged her into \$80,000 of debt. Promising customers that orders would be filled within two weeks she quit her job the next day and threw everything she had at getting those orders out. It was naivety and not bravery that urged her on to becoming a success.

Activity

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Interactivity:
Entrepreneurs and successful businesses crossword

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