

# Entrepreneurship and Small-Business Ownership

BA291



# Learning Objectives

1. Highlight the contributions small businesses make to Thai economy.
2. Identify the common traits of successful entrepreneurs.
4. Discuss the principal sources of small-business private financing.



# The Big World of Small Business

## **Small Business**

- A company that is independently owned and operated, is not dominant in its field, and employs fewer than 500 people (although this number varies by industry)



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### Product Sector:

Agricultural processing, manufacturing, and mining

### Trading Sector:

wholesale and retail

Service Sector



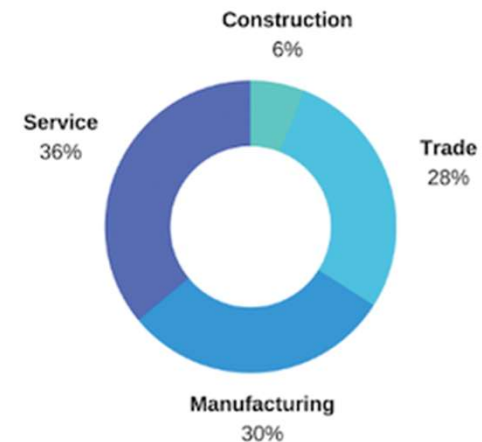
Type	Small		Medium	
	Employees	Capital (THB million)	Employees	Capital (THB million)
Production	Not more than 50	Not more than 50	51-200	51-200
Service	Not more than 50	Not more than 50	51-200	51-200
Wholesale	Not more than 25	Not more than 50	26-50	51-100

*Note.* Adopted from “*Financing SMEs and Entrepreneur 2016: An OECD Scoreboard*,” by OECD, 2016. OECD Publishing, Paris. Copyright 2016 by OECD.

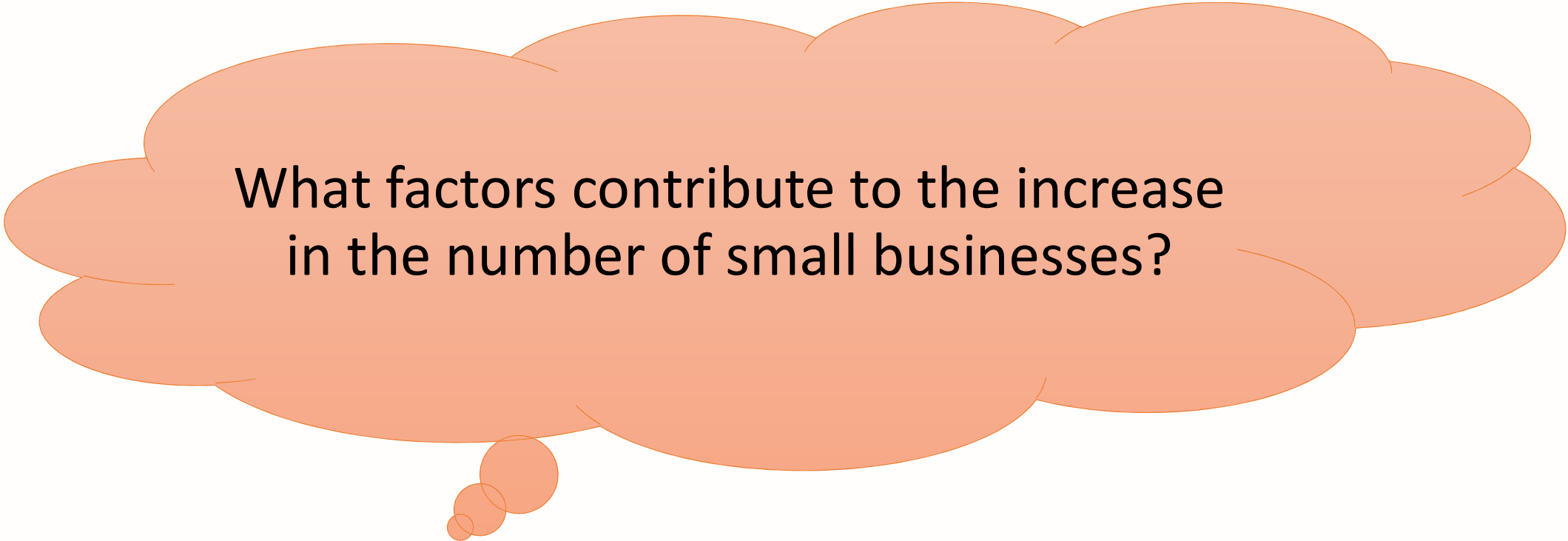
# Economic Roles of Small Business

- Provide jobs
- Introduce new products
- Meet the needs of larger organizations
- Inject a considerable amount of money into the economy
- They take risks that larger companies sometimes avoid
- They provide specialized goods and services

SME contribution to GDP by sector (%)



Source: Bank of Thailand statistics, Ministry of commerce



What factors contribute to the increase  
in the number of small businesses?



# Characteristics of Small Businesses

- Most small firms have a *narrow focus*
- Small businesses have to get by with *limited resources*
- Small businesses often have *more freedom* to innovate
- Entrepreneurial firms find it easier to *make decisions quickly* and *react to changes* in the marketplace



## Exhibit 6.2

# Qualities Shared by Successful Entrepreneurs



# Do you have an entrepreneurial spirit?

Do you agree or disagree with each of the statements?

1. I don't mind if I break the rules when I am doing something.
  2. I like to spend time daydreaming, even when I am working on a project.
  3. I usually do things in a logical manner.
  4. People sometimes object to my opinions.
  5. What other people think of me is very important.
  6. I prefer working in a team to working on my own.
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# Business Start-Up Options

Start-Up Strategy	Financial Outlay at Start-Up	Possibilities for Borrowing Start-Up Capital or Getting Investors	Owner's Freedom and Flexibility	Business Processes and Systems	Support Networks	Workforce	Customer Base, Brand Recognition, and Sales
<b>Create a new, independent business</b>	Some businesses can be started with very little cash; others, particularly in manufacturing, may require a lot of capital	Usually very limited; most lenders and many investors want evidence that the business can generate revenue before they'll offer funds; venture capitalists invest in new firms, but only in a few industries	Very high, particularly during early phases, although low capital can severely restrict the owner's ability to maneuver	Must be designed and created from scratch, which can be time-consuming and expensive	Suppliers, bankers, and other elements of the network must be selected; the good news is that the owner can select and recruit ones that he or she specifically wants	Must be hired and trained at the owner's expense	None; must be built from the ground up, which can put serious strain on company finances until sales volume builds
<b>Buy an existing independent business</b>	Can be considerable; some companies sell for multiples of their annual revenue, for example	Banks are more willing to lend to "going concerns," and investors are more likely to invest in them	Less than when creating a new business because facilities, workforce, and other assets are already in place—more than when buying a franchise	Already in place, which can be a plus or minus, depending on how well they work	Already in place; may need to be upgraded	Already in place, which could be a positive or a negative, but at least there are staff to operate the business	Assuming that the business is at least somewhat successful, it has a customer base with ongoing sales and some brand reputation (which could be positive or negative)
<b>Buy into a franchise system</b>	Varies widely, from a few thousand to several hundred thousand dollars	Varies, but many franchisors do not allow franchisees to buy a franchise with borrowed funds, so they must have their own capital	Low to very low; most franchisors require rigid adherence to company policies and processes	One of the key advantages of buying a franchise is that it comes with an established business system	Varies; some franchise companies specify which suppliers a franchisee can use	Must be hired and trained, but a franchisor usually provides training or training support	Customer base and repeat sales must be built up, but one of the major advantages of a franchise is established brand recognition

# Financing Options for Small Businesses

## **Seed Money**

The first infusion of capital used to get a business started

## **Micro Lenders**

Organizations, often not-for-profit, that lend smaller amounts of money to business owners who might not qualify for conventional bank loans

## **Venture Capitalists (VCs)**

Investors who provide money to finance new businesses or turnarounds in exchange for a portion of ownership, with the objective of reselling the business at a profit

## **Angel investors**

Private individuals who invest money in start-ups, usually earlier in a business's life and in smaller amounts than VCs are willing to invest or banks are willing to lend

## **Initial public offering (IPO)**

A corporation's first offering of shares to the public

## **Crowdfunding**

Soliciting project funds, business investment, or business loans from members of the public.

# Financing Possibilities over the Life of a Small Business

