

# Innovation, Entrepreneurship, and the CPA

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# Entrepreneurship Defined

- The endowing of existing resources with new wealth producing capacity (Drucker, 1985).
- The pursuit of opportunity without regard to resources currently controlled (Stevenson, 1983)

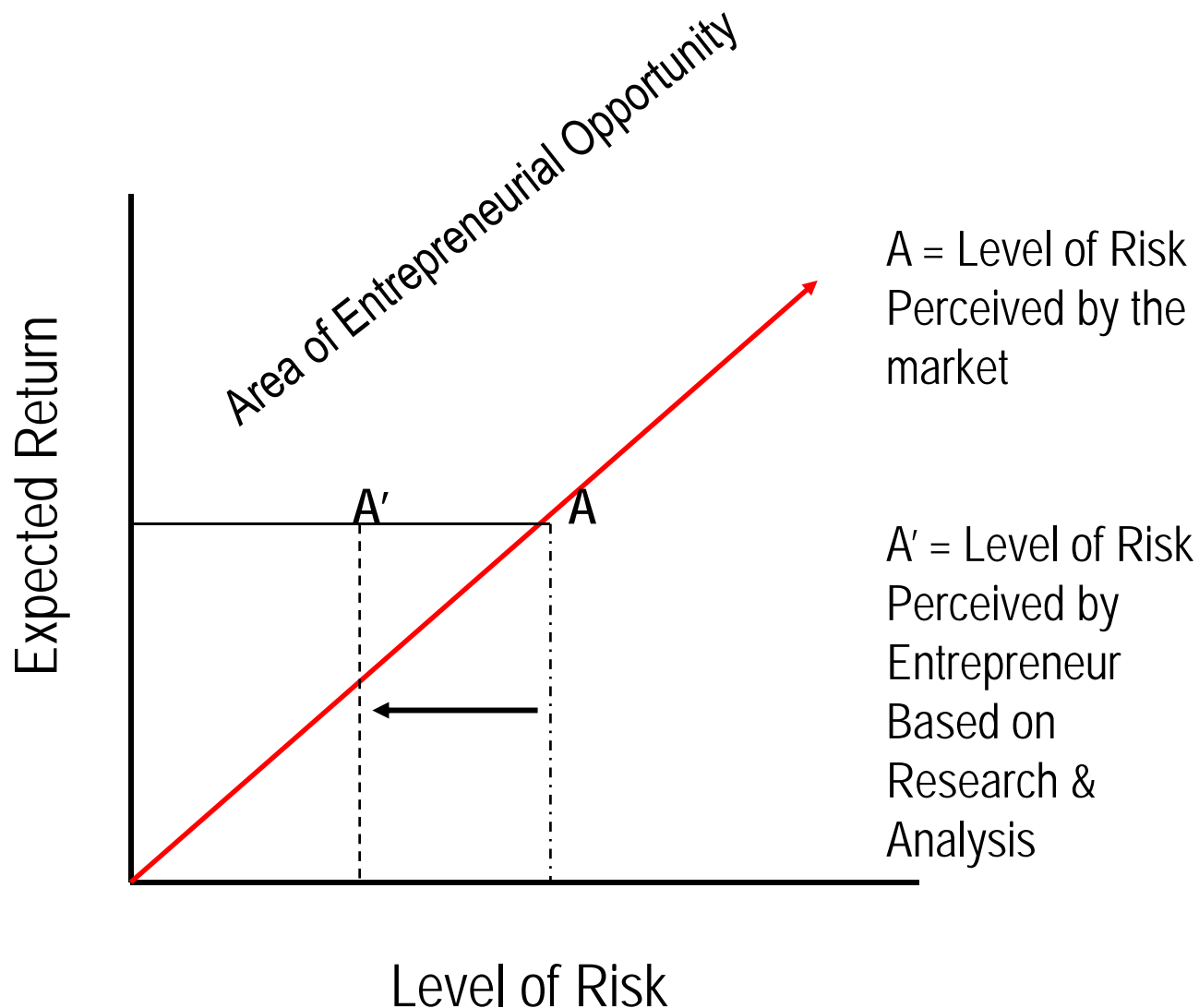


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# Risk, Return and The Entrepreneur



# The Challenges of Entrepreneurship

## Success is a low probability event!

- Less than half of new ventures survive 3 years
- For every 100 new ventures, 63% fail within 4 years, 12% are ‘living’ commercial failures, and 25% “succeed.”
- Among those that succeed, fewer than 20% generate high rates of growth and superior economic returns.

# The Challenges of Entrepreneurship

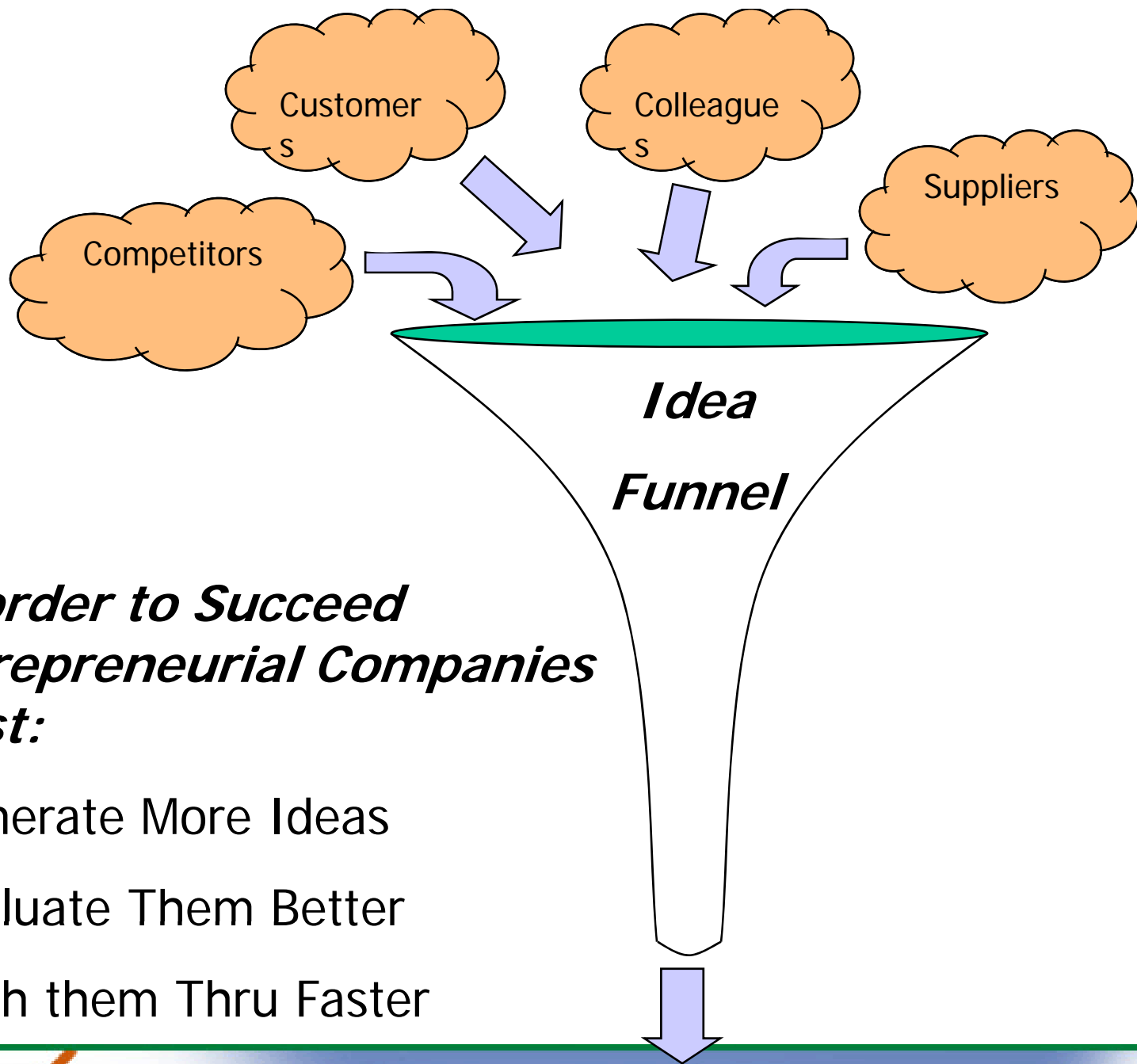
## Success requires a changed mindset

- Breaking mental frames
- Challenging the status quo
- Active risk management
- Willingness to fail

# The Challenges of Innovation

But it also demands management excellence

- New ventures must do more with less
- Cash flow management is critical to success
- Accurate estimation of contribution margins is a key
- Entrepreneurs must be able to successfully manage high rates of growth



***In order to Succeed  
Entrepreneurial Companies  
Must:***

- Generate More Ideas
- Evaluate Them Better
- Push them Thru Faster

# What Does the Entrepreneur Do?

- Identifies Opportunities
- Assesses the Risks
- Marshal the resources needed to pursue the opportunities
- Evaluates progress and future potential
- And cashes in (hopefully) on the difference between what the market expects and what the entrepreneur achieves

# What Does the Entrepreneur Need From Her CPA?

- Objective analysis and information
- A Devil's Advocate
- Cash Flow Planning & Management
- Introductions and Networking

# What Does the Entrepreneur Need From Her CPA?

- Accurate Valuations
- Tax Advice
- Cost Accounting & Product/Service Contribution Margins
- Estate Planning & Succession Planning

# What Does the Entrepreneur Think She Needs from her CPA?

- Financial Statements
- Tax preparation & planning

# Questions?

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