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# ENTREPRENEURIAL VENTURES

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What Are The Different Types?

As defined by the dictionary, an **entrepreneur** is “one who organizes, manages and assumes the risks of a business or enterprise.” This broad definition brings to mind many different types of people—from a local hair salon owner to the founder of an up-and-coming medical device company. Although each type of entrepreneurial enterprise can have a positive—albeit distinct—impact on the community, they ultimately differ in size, vision and potential.

Why does it matter? Not all young firms need the same resources, and not all of the businesses they create will generate significant jobs and wealth for your community. In order to focus your efforts and communicate using a common vernacular across your region, here are few basic definitions.



## INDEPENDENT “MAIN STREET” BUSINESSES

**TYPE OF FIRM:** **SMALL BUSINESSES**

**DEFINITION:** An independently-owned and -operated for-profit enterprise that is not dominant in its field

**GOAL:** Grow into a long-term business that is profitable and sustainable, with possibility of eventual sale to an employee or hand over to a family member

**KIND OF BUSINESS:** Restaurants; retail stores; construction firms; agriculture

**CAPITAL PROVIDERS:** Micro-loans; bank loans; revenue; friends, family and personal funds

**OUTCOMES:** Small businesses can generate payroll taxes and jobs, but are not large employers. They provide products and services that are necessary parts of a city’s infrastructure, as well as leisure goods and retail.

**TYPE OF FIRM:** **LIFESTYLE BUSINESS** (INCLUDES MICROENTERPRISES AND FREELANCERS)

**DEFINITION:** A for-profit enterprise where combining a founder’s skills, strengths and passions is the primary motivator.

**GOAL:** Earn a long-term, residual income through a self-directed business that engages the founder’s passion and expertise.

**KIND OF BUSINESS:** Self-employed individuals; one-person firms; very small operations

**CAPITAL PROVIDERS:** While these companies aren’t big job creators or significant revenue generators, they provide income to their founders and services and goods that enhance quality of life.

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## SOCIAL GOOD ENTERPRISES

**TYPE OF FIRM:** SOCIAL GOOD ORGANIZATIONS/BUSINESSES

**DEFINITION:** Businesses built on innovative solutions and a desire to make the world a better place.

**GOAL:** Maximizing impact in a sustainable way

**KIND OF BUSINESS:** A company working to solve global health issues; a company solving specific problems in developing countries; nonprofits with a philanthropic mission.

**CAPITAL PROVIDERS:** Depends on the type and size of company; can run the entire capital continuum

**OUTCOMES:** Has the potential to create significant social impact and improve lives



## ESTABLISHED COMPANIES

**TYPE OF FIRM:** LARGE BUSINESS

**DEFINITION:** An established firm that employs at least 500 people

**GOAL:** Generating substantial revenue and profit for the company and its shareholders

**KIND OF BUSINESS:** Corporations (e.g., General Electric, AT&T, General Motors)

**CAPITAL PROVIDERS:** Revenue; tax credits; subsidiaries

**OUTCOMES:** Large companies are a significant employer in the community. Tend to be recognizable anchors/major brands with an established reputation and community presence.

Studies have shown that these enterprises create the most jobs and opportunity. High growth companies are where you want to focus time and energy and where intervention can make an impact.



## HIGH GROWTH COMPANIES

**TYPE OF FIRM:** SCALABLE STARTUP (INNOVATION-LED OR HIGH GROWTH TECH COMPANY)

**DEFINITION:** Young, innovation-focused firms with the potential to create a new market or dramatically change an existing market via proprietary, technology-based products or services

**GOAL:** Company is built to scale with the goal of generating significant wealth for founder and investors, either through an acquisition or an IPO

**KIND OF BUSINESS:** A company producing medical devices or developing life-saving medicine; IT companies developing B2B software or apps; cleantech-gearred firms

**CAPITAL PROVIDERS:** Risk capital (accelerators, venture capital, angel investment); non-dilutive capital (government grants, SBIR/STTR); friends, family and personal funds

**OUTCOMES:** Startups have the potential to create significant revenue, jobs and economic impact.

**TYPE OF FIRM:** SECOND-STAGE COMPANY (GAZELLES)

**DEFINITION:** An independently owned and operated for-profit enterprise that has the potential to become dominant in its field.

**GOAL:** Strategic growth through expansion, finding new markets, that results in substantial revenue and profit for the company

**KIND OF BUSINESS:** A company that's at least three years old and has between \$2-10M in revenue; company able to achieve >20% growth per year for four years.

**CAPITAL PROVIDERS:** Mezzanine/growth investment; later stage VCs, banks, CDFI

**OUTCOMES:** High growth companies have the potential to create significant revenue, jobs and economic impact by maximizing the right opportunities for growth.