Topic 1: Introduction to Entrepreneurship

- This is an introductory lesson about entrepreneurship.

Why Study Entrepreneurship?

- The Philippine government aims to change the mindset of Filipinos from wanting to be employees to being business owners through initiatives like the Youth Entrepreneurship Act of 2015.
- This act aims at promoting the sustained development of young Filipino entrepreneurs in finance and other relevant areas.
- Initiatives include standardizing current programs, financial literacy, government assistance and training, mentoring/coaching programs for young entrepreneurs, and the creation of incubation/creative spaces in schools.

Wealth Creation, Management, and Its Value

- Wealth creation involves building a stable source of tangible (cars, houses, machinery) or intangible (goodwill, copyrights, patents, trademarks) assets.
- Employees are resources, not assets, because companies don't own them.
- Mr. Robert Kiyosaki argues that anything generating profit is an asset, while other items are liabilities.

What is Entrepreneurship?

- "Entrepreneur" originates from the French word "entreprendre," meaning "to undertake."
- Richard Cantillon, a French economist, coined this term.
- Entrepreneurship involves creating or extracting value, often viewed as change encompassing economic and other aspects.
- An entrepreneur designs new ideas and business processes relevant to market needs and personal passions.

Theories of Entrepreneurship

- Various thinkers have proposed theories and models of entrepreneurial development.

Innovation Theory

- Joseph A. Schumpeter proposed this theory, suggesting entrepreneurs are born with the desire to establish new industries or businesses, taking pleasure in creativity and gaining experience in skills.

Need for Achievement Theory

- David McClelland proposed this theory, arguing that a desire for high achievement and reaching excellence drives entrepreneurial tendencies.

Behavior Theory

- John Kunkel propounded this theory, focusing on the influence of past and existing economic/social aspirations on entrepreneurial development in a society.

Five Dimensions of Entrepreneurial Development.

- Need for high achievement.
- Self-control, not luck, drives entrepreneurs.
- Anticipating returns and assets drive entrepreneurs.
- Entrepreneurs are prepared to handle uncertainties/ambiguitites.
- Entrepreneurship behavior may include haste, feeling pressure, and hyperactivity/aggressiveness.

Theories of Entrepreneurship (Cont)

- Entrepreneurial Group Theory (Frank W. Young): Entrepreneurial activities occur through groups to grow.
- Social Change Theory (Max Weber): Ethical values in a society affect the start of entrepreneurship.
- Cultural Theory (B. F. Hauslin): Entrepreneurial development occurs where social procedures are unstable and employment alternatives exist, supporting personality development of entrepreneurs.

Cultural Value Theory

- Kroken emphasized the importance of culture, expectations, and approval related to entrepreneurship.

Socio-Cultural Value Theory

- Stokes focused on the impact of socio-cultural values during economic transition periods on entrepreneurial development.

Economic Theory

- Pepuek and Hassis emphasized the role of physiological motivation for economic gains (increased real income) in every society, impacting entrepreneurial drives.

Entrepreneurial Disposition Theory

- T.V.S. Rao's theory highlights the importance of courageous entrepreneurial disposition for development.

Entrepreneurial Disposition Theory(Cont)

- Venkat Rao’s concept of Entrepreneurial Stage Theory describes the process through stages such as simulation, ability identification, development and expansion, and promotion/follow-up.

Myths of Entrepreneurship

- Entrepreneurs are born, not made.
- A good idea is the sole need.
- Starting a business guarantees freedom.
- Launching a company quickly leads to wealth.
- Only money motivates employees.
- Business success or failure is pre-determined.
- All responsibility falls on the entrepreneur.
- A secret "silver bullet" exists for success.
- Businesses need an MBA leader (misconception).
- Quitting is for losers (misconception).

Types of Entrepreneurial Ventures

- Survival Ventures: provide basic subsistence for the entrepreneur and family.
- Lifestyle Ventures: provide relatively stable income for owners, with a maintenance approach, no growth focus.
- Managed Growth Ventures: seek stable growth over time (occasional new products, entry into new markets).

Essential Characteristics of Entrepreneurs

- Good listening skills.
- Positive attitude.
- Collaborative/helping nature.
- Sincere and authentic.
- Follows up (proactive communication).
- Trustworthiness.
- Approachable.

The Entrepreneurial Process

- Innovation stage: idea generation, market opportunity analysis, market research.
- Triggering event stage: gestation, business motivations.
- Implementation stage: infancy to business launch and growth.
- Growth stage: business maximizing profits & growth.

Importance of Ethics in Key Areas of Business

- Integrity in business.
- Labor practices.
- Clientele relationship.
- Environmental awareness.
- Ethical standards in all business dealings.

Topic 2: Introduction

- Starting a new business prioritizes establishing a presence in the target market
- Existing businesses focus on expansion or maintaining competitiveness
- Business ideas can involve improving existing products/services or innovating customer service.

Product/Service Improvement

- Performance
- Acquisition Cost
- Maintenance Cost
- Salvage Value
- Use

Sound Business Idea

- A sound business idea is an economic opportunity, essentially a plan or concept potentially successful and profitable.
- It addresses a market need or problem
- It has a clear target audience
- It can be executed effectively within resource constraints

Sound Business Idea Examples

- Parcel delivery services like DHL, FedEx, and LBC adapted business ideas to address the poor service of postal services thus addressing a need in the market.

Importance of Sound Business Ideas

- A sound business idea is crucial for new ventures to gain market entry success
- Established businesses use sound business ideas to remain competitive

Different Forms of Business Ideas

- Professionalization: Streamlining and organizing operations (e.g., McDonald's)

- Customization: Offering various colors, designs, and features for products (e.g., clothing, sporting goods)
- Technological Adaptation: Utilizing new technology to enhance existing products/services (e.g., bakery using machines)
- Local Product Replacement: Replacing imported products with local production (e.g., agricultural goods)
- Internationalization: Expanding business operations internationally (e.g., Jollibee)

Procedure in Determining the Best Business Idea

- Preparation of the list of business ideas
- Screening of the listed ideas
- Final selection

Method of Searching for Ideas

- Unanticipated means (e.g., work, hobbies, acquaintances, chance events)
- Deliberate search (e.g., using questions, idea prompting)

Unanticipated Means

- The person's work
- The person's hobbies
- The person's acquaintances
- A chance event encountered by the person

The Person's Work

- Employees directly interacting with customers may identify unmet needs or demands.
- Unmet needs can be an opportunity for business development (e.g., tutor academy)

The Person's Hobbies

- A hobby can serve as a platform for business development
- A hobby can create the necessary skills and experience needed to excel in a new venture (e.g., guitar enterprise)

Acquaintances

- Another person can spark an awareness of a business opportunity (e.g., book store)

A Chance Event

- An encountered event can act as a catalyst for a business venture (e.g., trading tomatoes based on class mate's feedback).

Deliberate Search for Ideas

- Using search questions to define the needed answers
- Idea prompting based on an encounter with another person's idea, customer request, or an event can lead to new ideas.

Screening Generated Ideas

- Market feasibility
- Technical feasibility
- Financing feasibility
- Financial feasibility

Market Feasibility

- Stable and sufficient demand
- Potential competitive strength of the firm

Market Feasibility - Demand

- Business ideas must have sufficient demand
- The failure to meet demand would lead to a business' demise.

Market Feasibility - Strength

- The business idea must be able to compete with existing or potential competitors.

Stages to screen a strong idea.

- Search for business ideas
- Screening
- Adoption of the selected business idea
- Preparation of formal plans

Sources of Market Information

- Prior market studies from other companies, government agencies, and entrepreneurs
- Actual polls of typical customers using various methods (questionnaire, advertisements, phone interviews, and personal interviews).
- Negotiation with prospective customers to determine their purchasing intentions

Technical Feasibility

- The real execution of converting ideas to products or services may experience challenges in quality, quantity, sufficient resources, material procurement, and manpower.

Financing Feasibility

- Sufficient funds to finance operations
- Sources include the entrepreneur's savings, relatives/friends, and financial institutions.

Financial Feasibility

- Profit is the result of business idea financial feasibility, determined through an analysis done in steps:
    - Prepare projected financial statements (income statement, balance sheet, and cash flow statement)
    - Analyze financial ratios derived from projected statements.

Projected Financial Statements

- Forecasts of future financial performance of a firm

Determining Financial Feasibility

- The process of evaluating the financial performance of an idea using projected financial statements and ratio analysis to determine financial feasibility.
- The resulting determination can lead to approval or rejection of the idea.

Projected Income Statement

- Summarizes planned revenues, expenses, and profits over a given time period.

Projected Balance Sheet

- Showcases projected financial position of a firm on a particular date.

Projected Cash Flow Statement

- Shows projected cash sales and/or purchases.

Final Selection

- Process of screening the best business ideas and eliminating the rest.
- Potential outcomes of screening: status quo, shorter list, zero listing.

Evaluation of Shortlisted Business Ideas

- Proposal evaluation based on expected value
- Expected value criteria can be used to evaluate shortlisted business ideas.

Organizational Culture and Creativity

- Encouragement of creativity and risk-taking
- Rewards for creativity
- Open communication
- Allowance for errors
- Climate of participation
- Training in the creative process
- Flexibility

Encouragement of Creativity and Risk-Taking

- Creativity involves proactively finding solutions to obstacles affecting a firm's objectives.
- Testing a business concept necessarily requires a calculated risk; risks can be good or bad

Rewards for Creativity

- Rewarding creative activity encourages its continuity in the organization

Open Communication

- Free-flowing exchange of ideas among firm members.
- Communication flows vertically and horizontally through organizational structure.
- Open communication allows easy identification of problem-solving potential.

Allowance for Errors

- Acknowledging and correcting errors is crucial for creative endeavors; errors should not hinder the creative process.
- Creative individuals won't be discouraged by errors. The company benefits from open error corrections

A Climate of Participation

- Organizational participation encourages contribution to creative efforts in the organization.
- Employee participation leads to generating more creative ideas.

Structural Mechanisms that Aid Creativity

- Structural support for creative endeavors within an organization.
- A designated unit for creative logistical support helps manage creative activities effectively

Training in the Creative Process

- Training can enhance creative abilities, even for individuals with natural talent.

Flexibility

- Flexibility in scheduling and working environment allows individuals to create ideas in the most comfortable way.

Strategic Planning for Small Businesses

- Determining primary objectives
- Adopting a course of action
- Allocating resources

Determination of Primary Objectives

- Defining the overarching goal provides clarity, alignment, direction for informed decisions, prioritizing activities, and rallying the team for long-term success in a competitive marketplace.

Vision and Mission Statements

- Vision statement: Defines firm goals, objectives, and direction
- Mission statement: Defines the company's work, customer base, and mode of operation.

Strategic Objectives

- Specific targets that entrepreneurs hope to achieve for their organization.
- Define in specific terms, how the firm's mission will be realized.
- Examples include expanding capacity, increasing sales, and market share.

Adoption of Course of Action

- Strategy as the carefully designed plan to accomplish firm objectives.
- Strategies outline how to reach goals with available resources such as SWOT analysis and forecasting future sales.

SWOT Analysis

- SWOT analysis (strengths, weaknesses, opportunities, threats) is an organized approach to evaluate a firm's internal aspects and external environment.
- Evaluates internal organizational strength and weaknesses and external environment challenges.

Forecasts of Future Sales Performance

- Estimation of future sales or income of a firm,
- Performed for short-term, medium-term and long-term estimations.
- A combination of statistical and intuitive forecasts tempered by the experience of the entrepreneur.

Implementing Strategic Plans

- Implementation of strategies needs suitable methodology
- Identify suitable methods, and resources required.

Identifying Specific Methods

- Establishing the optimal methods for utilizing resources
- Strategies should involve relevant tactics for effective resource utilization.

Deploying Resources

- Identifying available human and non-human resources necessary to achieve objectives.

Fundamental Strategies for Small Businesses

- Flexibility Strategy
- Strategy of Effectiveness as a Higher Priority Approach
- Start Simple Approach or a Gradual Approach

Strategy Concerns of Small Business

- Two fundamental situations:
- Organizing a new business
- Running an existing business

Situation for New Business

- Acquiring an existing business
- Organizing a new business
- Buying a franchise

Situation for Existing Business

- Compete with small business
- Compete with large business

New Business - Acquiring an Existing Business

- **Advantages:** Immediate access to revenue streams, established brand, existing processes

- **Disadvantages:** Higher upfront costs, possible debt and liabilities, limited flexibility.

New Business - Organizing a New Business

- **Advantages:** Full control over the concept, flexibility to adapt, unique brand/culture, potentially lower initial investment
- **Disadvantages:** Higher risk and uncertainty, longer time frame to establish brand and revenue, effort and resources needed to develop operational processes and systems, challenges with attracting initial customers

New Business - Buying a Franchise

- **Advantages:** Proven business model, training & support, established brand, potential for faster growth and expansion independently
- **Disadvantages:** Initial franchise fees, limited autonomy, restrictions on business operations and branding, potential for conflict.

Strategies for a Going Concern

- Segment market
- Efficient use of research and development
- Think small

Why Small Business Operators Ignore Strategic Planning

- Inability to start
- Lack of expertise
- Failure to realize the importance of strategic planning
- Focus on daily operations
- Resource poverty
- Uncontrollable and intangible variables

Summary

- Businesses need strategic planning to be successful
- Strategy selection depends on whether it's a new or existing business
- Challenges such as lack of expertise, daily operations focus, and resource constraints frequently prevent entrepreneurs from performing strategic planning.

Topic 3: Marketing a Small Business

Marketing

- Refers to the activities and processes involved in promoting, selling, and distributing a product or service.

- Goal is to attract, engage, and retain customers while achieving the objectives of the business, such as increasing revenue, market share, or brand awareness.

Small Business

- refers to a privately owned and operated enterprise that has a relatively small number of employees and generates modest revenues.

Classifying Small Business

- Number of employees
- Annual Revenues
- Ownership Structure
- Industry Classification
- Location

Devising Market Strategy

- Involves creating a comprehensive plan to achieve your business objectives by effectively reaching and engaging with your target audience.

Market Strategy Planning

- The process of developing a detailed plan to achieve specific marketing objectives and goals. It involves analyzing market conditions, identifying target audiences, determining positioning and messaging, and outlining tactics to reach and engage with customers.

Target Marketing

- a strategic approach where businesses identify specific segments of the market that they want to reach with their products or services.
- Focuses on resources and efforts for those individuals or groups most likely to be interested in what the business offers.
- Steps:
    1. Identify strengths and weaknesses
    2. Analyze External Environment
    3. Identify Market Opportunities
    4. Identify Target Market
    5. Determine applicable marketing mix

Identification of Target Market

- Determining the specific group of people or organization that are most likely to be interested in purchasing your products or services. This process is crucial for effectively tailoring marketing efforts and messages to reach the right audience.

Before deciding on the Target Market

1. **Mass Market Company** – sells goods and services to a broad spectrum of buyers.
2. **Market Segment Company** – sells to a single market segment
3. **Multi-Segment Company -** sells to two or more different market segment.

Choosing the target market

- The goods or services category of the firm.
- The firm's goals
- What competitors are doing
- The size of various segments
- The relative efficiency of each segment to the firm
- The resources required

Identifying the Characteristics of the Target Market

- Involves understanding the specific attributes, traits, and behaviors of the individuals or organizations within the market segments you aim to reach with your products or services.
- Estimating the total potential demand for your products or services within a specific geographic region or market segment.

The Market Mix

- Referred to as the 4Ps, a strategic framework used by businesses to define the elements of their marketing strategy.

1. Product
2. Price
3. Place
4. Promotion

Market Research

- The process of gathering, analyzing, and interpreting information about a market, including its consumers, competitors, and overall industry trends.
- Helps businesses make informed decisions, develop effective marketing strategies, and identify opportunities for growth.

1. Primary Research
2. Secondary Research

Marketing Share Forecasting

- Process of predicting or estimating a company's share pf the total market for a specific product or service over a defined period.
- To anticipate how much of the market a company is likely to capture

How to determine portable market share of the company:

1. Define the physical limits of the target market area
2. Determine the potential sales of the target market considering its demographic characteristics.
3. Determine the purchasing power of the target market
4. Determine the total sales revenue of the industry
5. Determine the percentage of the total sales that can be effectively served by the company

COMPUTATION: **CMS = CS / TIS**

CMS – Company Market Value

CS – Company Sales

TIS – Total Industry Sales

Forecasting Company Sales

- Involves predicting future sales figures based on historical data, market trends, and various internal and external factors that may influence sales performance.

Methods on Forecasting Company Sales

- Market Factor Analysis – examining factors that influence market demand.
- Surveys of Buyer Intentions – gathering data directly from potential customers about their intentions, preferences, and behaviors.
- Test Marketing – launching a product/service in a small area to gauge market response and gather feedback.
- Past Sales Analysis – examining historical sales data to identify patterns, trends, and seasonality in market demand.
- Trend Analysis – identifying trends from historical sales data; uses statistical techniques.
- Sales Force – composite method; aggregating sales forecasts provided by individual members of the sales team.

Topic 4: Entrepreneurship in the Philippines

- Entrepreneurship is seen as crucial for poverty reduction, improved production, and innovation in the Philippines.
- The 1987 Philippine Constitution recognizes entrepreneurship as a key driver of economic growth.
- Private enterprises are vital for equitable income distribution, sustaining goods & service production, and boosting productivity.

Objectives

- Identify various business models.
- Understand the role of entrepreneurship in the Philippine economy.
- Understand the rules governing businesses in the Philippines.

In 2011, there were approximately 830,000 business enterprises in the Philippines. Of these, 99.6 percent are classified as micro, small, and medium sized enterprises (MSME) which are responsible for 38 percent of total job growth.

Enterprise and Competitiveness

- The Philippines Development Plan (PDP) emphasizes trade, investment, and job creation for economic prosperity.
- Measures focusing on macro-economic stability, employment, agribusiness, power sector reform, infrastructure, competition, science and technology, and anti-corruption are pursued.
- Competitiveness is a major focus to enhance the country's function globally.

Rule of Law

- The rule of law encompasses regulatory structures, policy environment, and enforcement of regulations—crucial for assessing Philippine competitiveness.
- The 2013 World Bank Doing Business Survey ranked the Philippines 138th out of 185 economies regarding ease of doing business.
- Procedures for business start-ups—incorporation, and registration—are lengthy and complex in the Philippines, compared to other Southeast Asian nations.

Access to Credit

- Access to finance is a significant challenge for entrepreneurs, especially MSMEs (micro, small, and medium-sized enterprises).
- Obtaining funding frequently involves extensive documentation and collateral requirements—difficult for many MSMEs to meet.

- An enterprise survey (U-ACT, 2008) revealed that access to capital/financing was a major problem, with nearly 72% of respondents experiencing difficulty obtaining capital/investment funds.

Internationalization and Global Production Networks

- Globalization and international market integration have transformed entrepreneurship, requiring adaptation.
- Entrepreneurs need to be capable of seeing opportunities, capitalizing on ideas, organizing resources (capital, knowledge, partners, and management skills) to function and succeed internationally.
- Key areas affecting global competitiveness (defined by WEF) include infrastructure development, labor market efficiency, innovation, readiness, intellectual property protection, and spending on research and development.

Role of Enterprise Networks

- Collaboration among academic, business, and government sectors is crucial in fostering entrepreneurship.
- Enterprise networks (e.g., the Philippine Center for Entrepreneurship [PCE]) play a vital role in developing the entrepreneurial ecosystem.
- These networks aim to create "Go Negosyo communities"—supporting businesses through mentorship, networking, and knowledge sharing.
- PCE's concrete goal is to foster the formation of such communities to help entrepreneurs navigate globalization's challenges.

Nurturing the Entrepreneurship Paradigm

- Entrepreneurship encompasses more than simply economic activity.
- It represents a way of thinking that can empower individuals, create jobs, and enhance quality of life.
- This approach is important to drive economic and social progress.