



UNIVERSITY OF CAPE COAST

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SBU 101 **FUNDAMENTALS OF** **BUSINESS**


CHAPTER 4

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TOPIC
***CREATIVITY,
ENTREPRENEURSHIP AND
SMALL-BUSINESS
OWNERSHIP***



Small business and the Ghanaian economy

 Small businesses play a vital role in the Ghanaian economy, serving as a backbone for economic growth, job creation, and poverty alleviation.




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 These enterprises, often referred to as Small and Medium-sized Enterprises (SMEs),

 It contributes significantly to Ghana's Gross Domestic Product (GDP) and employs a large percentage of the workforce.



Small business and the Ghanaian economy

-  According to the database of the Registrar General Departments, 90% of companies registered are micro, small and medium enterprises.
-  Similarly, data from the Social Security and National Insurance Trust (SSNIT) indicates that, by size classification,
-  The Ghanaian private sector is highly skewed, with 90% of companies employing fewer than 20 people and a small number of large-scale enterprises.

Meaning of SMEs

 The definition of Small and Medium Enterprises (SMEs) varies over time and across different institutions.

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 The Ghanaian government has applied various criteria to identify micro and small-sized enterprises, using factors such as:

- investment in machinery, equipment, and working capital at one time,
- and capital cost and turnover at another.



Meaning of SMEs

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-  The Statistical Service of Ghana (SSG), which publishes industrial statistics;
-  The definition of small-scale industries is those employing 29 or fewer workers, while enterprises with more than 29 employees are categorised as medium—and large-scale businesses.
-  Similarly, the Venture Capital Fund Act 2004 (Act 680) defines an SME as an economic activity, project, or industry employing no more than 100 people, with a total asset base (excluding land and buildings) not exceeding the cedi equivalent of \$1 million.



Meaning of SMEs

 NBSSI (1998) provided an operational definition of SME to include the following:

- A small business is any business that employs up to 29 people. And small business is divided into the micro and small and medium enterprises:
- Micro enterprises- those employing up to 5 employees with fixed assets (Excluding land and building) not exceeding the value of \$10,000;
- small enterprises- Employ between 6 and 29 employees or have fixed assets excluding land and building not exceeding \$100,000.
- medium enterprises- Employ between 30 and 99 employees with fixed assets of up to \$1m At the heart of an SME is the entrepreneur .

Reasons for Starting your Business

 Freedom to pursue your passion

- You have had this talent, skill, or hobby for years, maybe even since childhood.
- Now, you see a potential opportunity to develop a business structure and monetize it.
- So, you decide to use your passion to start a business.

 Create generational wealth.

- Many people are fixated on the idea of creating wealth that can be enjoyed by their families.



Reasons for Starting Your Business

 Support community, non-profits, and other social efforts:

- Many new entrepreneurs have a deep desire to use their businesses as vehicles to help the less fortunate.

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 Turn a side-project into something more:


- Many successful businesses were once the side-gigs of nine-to-five employees who were simply trying to earn extra money

 Challenge the status quo:

- Have you ever felt like there's a better way to do something? This is a sentiment often held by game-changers.



Traits of entrepreneurs

 Entrepreneurs exhibit various traits and skills that help them identify opportunities, build and expand businesses, and overcome business challenges. These are:

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 Vision

 Risk-taking.

 Resilience.

 Adaptability.

 Self-motivation.



Traits of entrepreneurs

Cont'n

 Confidence.

 Networking.

 Problem-solving.

 Decision-making.

 Time management

Creativity and innovation.


Creativity

- Is the ability to think in new ways and apply fresh perspectives to old problems. Shawn Hunter, author of Out Think
- How Innovative Leaders Drive Exceptional Outcomes
- West and Sacramento (2023) define creativity as “the capability or act of conceiving something original or unusual.”


Innovation

- Is applied creativity, in which the spark of a new idea is turned into a novel solution or process.
- Hunter weighs in with his own definition: “Innovation is the implementation or creation of something new that has realised value to others.

Why are innovation and creativity important?

 Creativity and innovation are important in business because each contributes to a dynamic evolution that prevents companies from stagnating and enables them to stay competitive in an ever-changing marketplace.

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 While they are not the same, creativity can lead to innovation, so understanding each as two sides of the same coin is critical for business leaders.



Creativity precedes innovation

- 🏰 Creativity is the novel step of being the first to identify that something might be possible.
- 🏰 Business leaders frequently interchange creativity and innovation without understanding what separates the two.
- 🏰 Creativity is not necessarily innovation, Hunter said.
- 🏰 If you have a brainstorming meeting and dream up dozens of new ideas, then you have displayed creativity, but there is no innovation until something gets implemented

Innovation is applied creativity

-  Innovation is the action of putting things into practical reality, despite challenges and resistance, rather than just contemplating.
-  It takes creative thinking, planning and implementation of new ideas to constitute innovation.
-  Innovation is not a mysterious black box, he said.
-  It can be simple, small tweaks to existing processes, products or interactions.
-  And by focusing on the process [of innovation], and not the heroically creative individual, we can build innovation at scale.

HOW INNOVATION AND CREATIVITY CONNECT


 Innovation involves more than just coming up with fresh ideas.

 Creativity refers to the ability to generate original concepts or think outside the box.

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 However, for a creative idea to be considered innovative, it must be taken further and put into practical use.

 In other words, an idea remains merely creative until it is transformed into something that serves a purpose or provides value.

 In this sense, creativity is the starting point, while innovation is the execution that brings ideas to life




How do you develop creativity and innovation?

- 🏰 Developing creativity and innovation in your organisation means permitting employees to try new approaches within the context of their current roles.
- 🏰 This starts with company leadership and buy-in for attempting new things.
- 🏰 While leaders can foster innovation, the organisation as a whole must also support innovation through the makeup of its culture and the way it designs its processes.
- 🏰 Creativity is often associated with art and culture, but it's not required to be Leonardo da Vinci.
- 🏰 What matters is that a person is willing to imagine new possibilities outside of norms. This is where the idea that can be acted on starts.



Causes of business failures

 Despite the recognized roles played by SMEs in the economy of Ghana, they are more often plagued by several challenges that inhibit their operations. Some are:

 Difficulty in accessing credit and poor financial control.

 Limited market due to over - over-liberalisation of the economy.

 echnological advancement.



Causes of business failures Cont'n



Managerial inadequacies.



Lack of experience.



Failure to plan



Macroeconomic instability.

Types of business for student entrepreneurs

 Here are some types of businesses that are well-suited for student entrepreneurs:

 Freelancing.

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 Tutoring.

 E-commerce.


 App or Software Development

 Content Creation.





 Event Planning.



Sources of small business financing

 Small businesses often require financing to start, grow, or sustain their operations. There are various sources of small business financing, each with its advantages and disadvantages:

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-  Personal Savings
-  Family and friends
-  Bank loans
-  Online lenders



Sources of small business financing

 Small Business Administration (SBA) Loans.

 Angel investors.

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 Venture capital.

 Crowdfunding.

 Grants.


 Business incubators and accelerators



Business planning

 Business planning is a critical process for both new start-ups and existing businesses.

23  It involves creating a detailed roadmap for your business's future and outlining your goals, strategies, and tactics for success.

 A well-structured business plan can help guide your actions, secure financing, and communicate your vision to stakeholders. Here are the key components of a business plan,



Key Components of Business Planning

-  Executive Summary
-  Business Description
-  Market Analysis
-  Marketing and Sales Strategy
-  Organization and Management
-  Product or Service Line
-  Funding Request (if applicable)
-  Financial Projections
-  Appendix

