Entrepreneurship

Chapter 1: Introduction

What's Entrepreneurship?

- The process of identifying and pursuing opportunities, often involving creativity, innovation, and risk-taking, to create value through new or improved products, services, or businesses.
- `Entrepreneurs` are individuals who organize resources such as people, capital, and strategies to transform ideas into viable businesses, assuming the associated risks and rewards.

Types of Entrepreneurship

- **Individual Entrepreneurs**: Focus on starting and managing small businesses.
- **Corporate Entrepreneurship**: Involves established firms behaving entrepreneurially through innovation, proactivity, and risk-taking, often referred to as entrepreneurial intensity.

Importance of Entrepreneurship

- Drives innovation and economic growth by introducing new products, services, and technologies.
- Promotes creativity and competition, contributing to societal progress.
- Encourages "creative destruction," a process where outdated systems are replaced by newer, more efficient ones.

The Entrepreneurial Mindset

- An entrepreneurial mindset involves formulating innovative solutions to problems, seizing opportunities, and learning from setbacks. It requires resilience, resourcefulness, and a focus on creating value across diverse settings.

Famous Perspectives

- Joseph Schumpeter emphasized entrepreneurship as a force of "creative destruction," with entrepreneurs being innovators who disrupt established ways of doing things.

Characteristics of successful entrepreneurs

- Need for achievement
- Risk taking
- Hard working
- Innovation
- Self confidence

- Locus of control
- Good health
- Personal values
- Sense of urgency
- Comprehensive awareness
- Realism
- Conceptual ability
- Status requirements
- Interpersonal relationships
- Emotional stability
- Attraction to challenges and competition
- Money management
- Loners
- Leisure Time
- Self-Esteem
- Screening for opportunity
- Goal orientation
- Optimism
- Courage
- Tolerance to ambiguity

Entrepreneurial Motivation

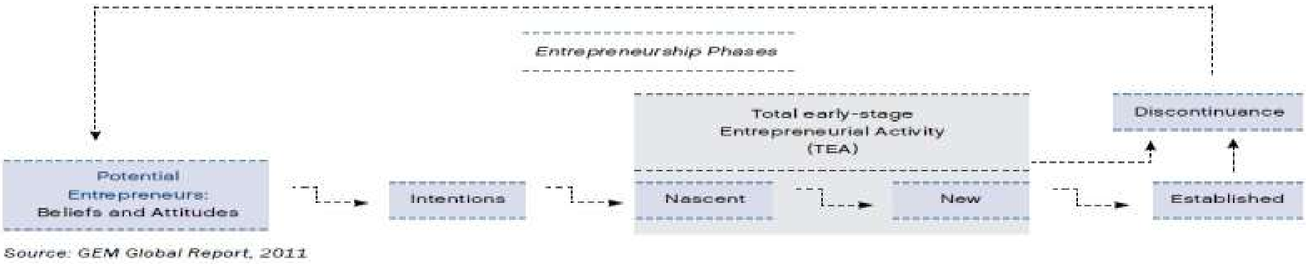
- **Pull factors**:
  - Factors which encourage individuals to become entrepreneurs by virtue of the attractiveness of the entrepreneurial option.
  - `Independence`, `the need for power or control`, `need for achievement`, `profit`, and `role models`.
- **Push factors**:
  - Factors which encourage entrepreneurship by making the conventional option less attractive.
  - `An alternative to a dissatisfying job`, `job insecurity`, `personal and professional growth`, and `unemployement`.

Fears of being an entrepreneur

- Ridicule: to get blamed, to lose your face and others will laugh at you because you did not make it.
- Family influence: very often people rely on their family and if they have not been entrepreneur themselves they are worried and will try to convince you not to do it.
- Opportunity costs: why would you risk everything if you have a good job?
- Risk: that you lose everything - your career, your money and even your life
- Failure: A lot of people are afraid to just fail similarly to ridicule. Yet, to fail is more a blame for yourself. You are afraid to lose your own self-esteem. It is not about what others will think about you.

Understanding An Entrepreneurial process

- The entrepreneurial decision process consists of the following three interrelated steps:
    - The decision to leave a present career or life-style,
    - The decision that an entrepreneurial venture is desirable, and
    - The decision that both external and internal factors make the Venture possible.
- The entrepreneurial process involves several key steps, each focusing on transforming an individual's aspirations and ideas into a successful business. These steps include:
    - **Deciding to Be an Entrepreneur**:
        - This step reflects the desire to take initiative and become one's own boss, driven by personal ambitions, ideas, or financial goals.
        - `Be Their Own Boss` , `Pursue their own ideas` , and `Pursue Financial Rewards` .
    - **Developing a Successful Business Idea**:
        - This step involves identifying and refining viable business opportunities.
        - Entrepreneurs can generate ideas by `Observing trends` , `Solving problems` , `Finding gaps in the marketplace` .
    - **Moving from Idea to Entrepreneurial Firm**:
        - Once a business idea is developed, the next phase is to take actionable steps toward creating an entrepreneurial firm.
        - This involves `strategic planning` , `securing resources` , and `laying the foundation for the business` .
    - **Managing and Growing the Firm**:
        - The final step focuses on `managing daily operations` , `scaling the business` , and `fostering sustainable growth` .
        - This stage involves continuous `innovation` , `effective leadership` , and `adapting to market changes to ensure long-term success` .



Chapter 2: Business Idea Generation and Selection

Where do startup ideas come from?

- How to generate startup ideas?:
    - Think globally, act locally
    - Spend 21 days recording every problem you encounter
    - Do a SWOT analysis on existing companies

- Use the Jobs-to-be-done framework
- Uncover gaps by observing an audience
- Search for an industry that is broken
- Look for technological shifts
- The 10x rule
- Find opportunities in non-obvious markets
- Iteration as innovation

Types and Source of Business Idea

- Friends and Family
- Hobbies and Interests
- Consider problems in your everyday life then solve them
- Market gaps
- Past work experience
- Strengths and Abilities
- Distribution Channels
- Travel
- Books and Magazines/Media
- Current Trends
- Research and Development
- The web
- Build on exisiting products or services
- Consumers
- Government
- Changes in the Environment
- Technological Discovery and Advancement

New Product Development (NPD) Process

- `Acquisition` involves buying a company, patent, or license to produce a product for someone else.
- `New Product Development` is a process in which a new product is brought to the market.
- The NPD process unfolds along two concurrent paths: one focusing on `idea generation`, `product design`, and `detailed engineering`, and the other dedicated to `market research` and `marketing analysis`.
- **Steps**:
  - Idea generation
  - Screening
  - Concept Development/Testing
  - Marketing Strategy Development:
    - The first part of the statement describes the `target market`, `the firm’s planned value proposition`, and `its sales`, `market share` and `profit goals` for the first few years.

        - The second part of the statement includes the `product’s planned price`, `its distribution`, and `marketing budget` for the first year.
        - The last part of the statement consists of the `planned long-run sales`, `marketing mix strategy`, and `profit goals`.
    - Business Analysis
    - Product Development
    - Market Testing
    - Commercialization

Value Analysis and Engineering

- **Value Analysis (VA)**:
    - Evaluates existing products to reduce costs, improve functionality, or achieve both.
    - A step-by-step method involving a detailed review of costs, functions, alternative components, and design aspects like ease of manufacture and assembly.
    - Breaks down the product into assemblies or modules, identifies the function and cost of each, and uses this information to brainstorm improvements.
    - Aims to enhance the product’s value to the customer by improving design, reducing costs, and optimizing functionality.
- **Value Engineering (VE)**:
    - Applied during the development of new products to optimize costs and functions before significant capital investment.
    - Critical because up to 80% of a product’s lifecycle costs are determined during the design stage.
    - Includes tooling, equipment, labor, materials, shipping, maintenance, and end-of-life costs like decommissioning and recycling.
    - Conducted late in the product development process to ensure robust and commercially sound designs.
    - Helps create cost-effective and functional products, ensuring long-term value and efficiency.

Reverse Engineering

- Also known as back engineering or backwards engineering, describes the reverse design process for a part or tool.
- Benefits: `time savings`, `cost reduction`, and `enhanced product quality`.
- Application in business: `improving products`, `repair & maintenance`, `product development`, and `protection of intellectual property`.

Business concept statement

- A concise document that defines the purpose, market relevance, and profitability of a business idea.
- It provides an overview of how the business solves customer problems or improves their lives, often serving as a precursor to a full business plan.

- Typically one page long, it is used to present the idea to potential investors or stakeholders in a clear, high-level format.
- **Format**:
  - Pitch statement
  - Product or service
  - Target market
  - Business model
  - Competitive analysis
  - Unique Value Proposition
  - Goals
- **Tips for Developing a Business Concept**:
  - Observe Surroundings: Identify unmet needs or underperforming products/services.
  - Analyze Trends: Leverage lifestyle changes or market shifts, such as rising demand for sustainable products.
  - Nostalgia: Revive discontinued products or services with a potential market.
  - Modernize: Transform traditional services to address current expectations.
  - Identify Gaps: Find areas in business operations where needs are unmet.
  - Create Demand: Address overlooked or evolving customer needs.
  - Leverage Hobbies: Turn personal interests into viable business opportunities.

Chapter 3: Innovation and Pre-Startup

Innovation

- It is the process by which entrepreneurs turn opportunities into viable, marketable ideas, acting as catalysts for change.
- `Creativity` is a process that can be developed and improved.
- `Creativity` is key to this process, as it generates ideas that enhance the efficiency or effectiveness of systems.
- `Creativity` involves two main aspects:
  - `Process`: represents the structured, goal-oriented approach to creativity.
  - `People`: refers to the individuals or teams who engage in the creative process.

Nature of Creative Process

- Idea germination
- Preparation
- Incubation
- Illumination
- Verification

The Innovation Process

- Innovation is typically the result of a deliberate and purposeful search for opportunities.
- The process begins with analyzing potential sources of new ideas and opportunities.

- Innovators must engage in observation, inquiry, and active listening, focusing on data, people, and market needs.
- **Characteristics**:
  - Conceptual and Perceptual
  - Simple and Focused
  - Work Over Genius
  - Specialization

Types of Innovation

- **Invention**: creation of a new product, service, or process, often one that is novel or untried.
- **Extension**: expansion of the product, service or process already in existence.
- **Duplication**: replication of an already existing product, service, or process. The duplication effort, however, is not simply copying but adding the entrepreneur's own creative touch to enhance or improve the concept to beat the competition.
- **Synthesis**: the combination of existing concepts and factors into a new formulation. This involves taking a number of ideas or items already invented and finding a way so that together they form a new application.

Principles of Innovation

- Be action oriented
- Make the product, process or service simple and understandable
- Make the product, process or service customer based
- Start small
- Aim high
- Try/test/revise
- Learn from failures
- Follow a milestone schedule
- Work, work, work

Major Innovation Myths

- Innovation is fact and predictable (proved false)
- Technical specifications should be thoroughly prepared
- Creativity relies on dreams and blue-sky ideas
- Big projects will develop better innovations than smaller ones (proved false)
- Technology is the driving force of innovation

Marketing Research Overview

- The systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation.
- **Process**:
  - Define the problem and research objectives
  - Develop the research plan
  - Collect the information

- Analyze the information
- Present findings
- Make decision

Market Research in the Pre-Start-Up Phase

- Before committing to a business, entrepreneurs should conduct market research to validate their ideas and understand market dynamics.
- **Process**:
  - Who is the customer?
  - Where is the market?
  - Competition: Who are the market players?
  - Distribution: How will customers be reached?

Business Model Canvas

- Outlines how a company creates, delivers, and captures value.
- It defines how the business operates, generates revenue, and serves its customers.

<table>
<tr><td colspan="2">Business Model Canvas</td><td>Designed for:</td><td>Designed by:</td></tr>
<tr><td rowspan="2">Key Partners
Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?

MOTIVATIONS FOR PARTNERSHIPS: Optimization and economy, Reduction of risk and uncertainty, Acquisition of particular resources and activities</td><td>Key Activities
What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?

CATEGORIES: Production, Problem Solving, Platform/Network</td><td rowspan="2">Value Propositions
What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?

CHARACTERISTICS: Newness, Performance, Customization, "Getting the Job Done", Design, Brand/Status, Price, Cost Reduction, Risk Reduction, Accessibility, Convenience/Usability</td><td>Customer Relationships
What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?</td></tr>
<tr><td>Key Resources
What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships Revenue Streams?
TYPES OF RESOURCES: Physical, Intellectual (brand patents, copyrights, data), Human, Financial</td><td>Channels
Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?</td></tr>
<tr><td colspan="2">Cost Structure
What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?
IS YOUR BUSINESS MORE: Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing), Value Driven (focused on value creation, premium value proposition).
SAMPLE CHARACTERISTICS: Fixed Costs (salaries, rents, utilities), Variable costs, Economies of scale, Economies of scope</td><td colspan="2">Revenue Streams
For what value are our customers really willing to pay? How are they currently paying? How would they prefe Revenue Stream contribute to overall revenues?
TYPES: Asset sale, Usage fee, Subscription Fees, Ler Brokerage fees, Advertising
FIXED PRICING: List Price, Product feature depende Volume dependent
DYNAMIC PRICING: Negotiation (bargaining), Yiel</td></tr>
</table>

Business planning

- A written document crafted by the entrepreneur to outline essential internal and external factors involved in launching a new venture.
- It serves as a roadmap, integrating strategies across marketing, finance, operations, and human resources.
- Essentially, a business plan answers three core questions:

- Where am I now?
  - Where am I going?
  - How will I get there?
- It also serves as a tool for securing investment or loans, often referred to as a venture plan, loan proposal, or game plan.
- **Contents**:
  - Introduction
  - Executive Summary
  - Environmental and Industry Analysis: `Political factors`, `Economy`, `Culture`, `Technology`, and `Legal concerns`.
  - Industry Analysis: `Industry Demand`, and `Competition`.
  - Description of the Venture: `Product/Service description`, `Location and Size`, `Personnel and Equipment Needs`, and `Background of Entreprenuer`.
  - Marketing plan: `Product/Service detail`, `Competitive Analysis`, `Pricing Objectives`, `Pricing Policies`, `Price Determination`, and `Promotion`.
  - Production Plan: `Subcontracting`, and `In-house Production`.
  - Organizational Plan: `Partnership Terms or Corporation Details`, and `Organization Chart`.
  - Assessment of Risk: `Risk Identification`, `Impact Analysis`, and `Mitigation Strategy`.
  - Financial Plan
  - Financial Projection

Key Financial Statements

1. Projected Balance Sheet: Snapshot of assets (cash, equipment) and liabilities (loans, accounts payable) at a specific date.
2. Projected Income Statement: Lists sales, costs of goods, and net profit.
3. Cash Flow Statement: Tracks inflow and outflow to ensure liquidity.

Financing Needs for various stages of development

1.	**Stage of development**	**Financing needs**
2.	Pre-start-up	prototype development, site acquisition, business plan preparation, research and development, market research
3.	Start-up	Inventory, plant and equipment, grand opening advertising, professional fees, prepaid expenses
4.	Post-start-up	Advertising, sales expenses, wages and salaries, rent, utilities, additional inventories, seasonal/cyclical cash flow needs
5.	Growth	Facility expansion, additional distribution methods, geographical expansion, acquisitions, cost of underwriting more financing

Financing Options

- Debt Financing:
  - Loans with interest but requiring repayment.
  - It is provided to the venture in exchange for interest payment and does not include the ownership provision.
  - Debt capital is the financing that a small business owner has borrowed and must repay with interest.
- Equity Financing:
  - Investors receive ownership and potentially dividends but share in business risks.
  - Equity financing is capital provided in exchange for ownership.
  - Equity financing represents the personal investment of the owner (or owners) in a business, and it is called `risk capital`.

Chapter 4: Startup Considerations

The Marketing Mixes (The 7Ps of Marketing)

- `Marketing mix` is a selection of marketing tools that include several areas of focus that can be combined to create a comprehensive plan.
- The 7 Ps Marketing Mix gives entrepreneurs a framework to plan their marketing strategy and effectively market their products to their target group.
- This marketing mix is an expansion of the classic "4Ps Marketing Mix" (`Product`, `Price`, `Placement`, and `Promotion`).
- **Product Marketing Mix**:
  - `Product` refers to what the company produces (whether it is product or service, or a combination of both) and is developed to meet the core need of the customer.
  - `Product Marketing Mix` refers to good/services produced for sale should relate to the needs and wants of the customers.
  - Questions:
    - What products/services do I sell?
    - Why did I decide to sell these products?
    - Do I have the products customers want?
    - Do any of my products not sell well?
    - Do I stock products that do not sell well?
- **Price Marketing Fix**:
  - `Price` is the value placed on what is exchanged.
  - `Price Marketing Mix` refers to the process of setting a price for a product/service.

$$TR = Price * Quantity$$

$$Profit = TR - TC$$

  - Strategies:
    - `Price Skimming`:

            - Firms use by charging the highest possible price that buyers who most desire the product will pay.
            - It attracts a market segment that is more interested in `quality`, `status`, and `uniqueness`.
            - Consumers' demand must be inelastic.
        - `Penetration Pricing`:
            - Prices of products are reduced compared to competitors' price for the same product to penetrate into markets and to increase sales.
            - However, the quality of the product should not be lower as compared to other competitors' product.
            - The cost of production should be lower to the extent that can enable the firm to get the desired profit.
            - Appropriate when the demand is elastic.
        - `Cost-plus pricing`: Any amount that is above unit cost may be considered.
        - `Mark-up pricing`: A certain percentage of the selling price is added to unit cost.
        - `Competition Oriented Pricing`: Considers competitors prices primarily; but the market type matters.
        - `Odd-even pricing`:
            - Psychological pricing method based on the belief that certain prices or price ranges are more appealing to buyers.
            - This method involves setting a price in odd numbers (just under round even numbers) such as 49.95 ETB instead of 50.00 ETB.
- **Place (Distribution) Marketing Mix**:
    - The different ways of getting your products or services to your customers.
    - We can distribute our products and services through:
        - Selling directly to the consumers of the products.
        - Retail distribution and wholesale distribution.
    - `Marketing channels` consist of individuals or organizations that help make a product available for consumer use or consumption.
    - Types of Channels:
        - `Direct Channels`: Producers interact directly with end users without intermediaries.
        - `Indirect Channels`: Intermediaries like wholesalers, retailers, agents, and brokers act as a bridge between the producer and consumer.
    - Channel selection directly influences pricing strategies, sales force efforts, advertising, and dealer motivation.
    - Factors for Selecting Distribution Channels:
        - `Company Factors`: Financial, human, and technological capabilities of the business.
        - `Market Characteristics`: Geography, market density, size, and target audience.
        - `Product Attributes`: Considerations like perishability, value, and sophistication.
        - `Environmental Forces`: External factors such as competition, technology, and culture.
- **Promotion Marketing Mix**:
    - `Promotion` is the communication of the company and its products to customers.

    - `Promotion Marketing Mix` refers to informing your customers of your products and services and attracting them to buy them.
    - Strategies:
        - `Advertising` : It is any paid form of non-personal, one-way, mass communication about an organization, good, service, or idea by an identified sponsor.
        - `Personal selling` : This is the two-way flow of communication between a buyer and seller, often in a face-to-face encounter, designed to influence a person's or group's purchase decision.
        - `Public relations` : Public relation is a form of communication that seeks to change the perceptions of customers, shareholders, suppliers, employees and other publics about a company and its products.
        - `Sales promotion` : This promotion type involves short term incentives of value such as discounts, free samples, and prizes to be offered to arouse interest of customers in buying the good/service.
- **People Marketing Mix**:
    - `People` refer to anyone who comes in contact with your customer, even indirectly.
    - **Key Considerations**:
        - The reputation of your brand rests in the hands of your staff.
        - Staff members must be appropriately trained, well-motivated and have the right attitude.
        - All employees who have contact with customers should be well-suited to the role.
        - In the age of social media, every employee can potentially reach a mass audience.
        - Formulate a policy for online interaction and make sure everyone stays on message.
        - Curate good opinion on review sites.
        - High-quality after-sales support and advice add value to the product or service, often becoming a stronger differentiator than price.
        - Regularly evaluate the top-selling products to ensure they have adequate after-sales support, and consider enhancements that add value at minimal additional cost.
- **Process Marketing Mix**:
    - Modern customers no longer just purchase a product or service; they invest in the entire experience, from discovering a company to the purchase and beyond.
    - Every step of this journey, including the behavior of staff, the efficiency of processes, and the ease of access to services, plays a critical role in customer satisfaction and loyalty.
    - **Key Factors for an Outstanding Customer Experience**:
        - Holistic Customer Journey: The customer experience begins with the first encounter (online or offline) and continues well after the purchase. Ensure the journey is seamless and user-friendly at every touchpoint.
        - Reputation and Authenticity: Customers value reassurance that they are dealing with a reputable and authentic company. A positive first impression is vital to establish trust.
        - Customer-Centric Systems:
            - Processes should prioritize the customer's convenience, not just the company's efficiency.
            - Review key elements such as:
                - `Waiting Times` : Minimize delays for customers.

            - `Communication` : Keep customers informed throughout their journey.
            - `Website Performance` : Ensure your site is fast, accessible, and optimized for all devices.
            - `Staff Interactions` : Maintain professionalism and helpfulness, aligned with the brand's pricing and positioning.
        - Accessible and Efficient Service: Ensure that all services are delivered efficiently and meet customer expectations.
        - Phone Support and Availability: Poor phone processes, such as long hold times, can lead to customer frustration, lost revenue, and negative word-of-mouth. Address these issues to improve accessibility and responsiveness.
- **Physical Evidence Marketing Mix**:
    - When customers choose an unfamiliar product or service, uncertainty can deter them from purchasing.
    - Businesses can reduce this uncertainty by providing tangible evidence that reassures potential customers about the quality and reliability of their offerings.
    - **Key Components of Physical Evidence**:
        - Presentation and Environment: A clean, well-maintained, and appropriately styled physical or digital presence reassures customers about the professionalism and quality of the business.
        - Consistency with Customer Expectations:
            - Align the physical evidence with the nature of the product or service:
                - Formal settings for financial services.
                - Relaxed and playful environments for children's services.
        - Customer Feedback and Testimonials: Use feedback and testimonials to build trust. New customers feel more confident when they see credible references from previous customers.
        - Credible Third-Party Reviews: Encourage independent reviews, video testimonials, or word-of-mouth recommendations to add authenticity and credibility.
        - Integrated Marketing Strategy: Every element of the marketing mix (product, price, place, promotion, process, people, and physical evidence) must work together to create a cohesive and effective marketing plan.

Marketing Strategies

- **Market Segmentation**:
    - Identify and profile distinct groups of buyers who might require separate products or marketing mixes.
    - Dividing a market into smaller groups of buyers with distinct needs, or behaviours who might require separate marketing mixes.
    - `Consumer market` includes all the individuals and households who buy or acquire goods and services for personal consumption.
    - Variables for segmenting consumer market:
        - `Geographic -> Regions , City size , Density , Climate .`
        - `Demographics -> Age , Gender , Family Size , Family Lifecycle , Income , Occupation , Education , Religion , Race` and `Nationality .`

        - `Psychographic -> Social class`, `Lifestyle`, and `Personality`.
        - `Behavioral -> Purchase occasions`, `Benefits sought`, `User status`, `Usage rate`, `Loyality Status`, `Readiness state`, and `Attitude towards product`.
    - A segment must fulfil the following requirements if it is to be successfully exploited:
        - `It must be measurable, or definable`: there must be some way of identifying the members of the segment and knowing how many of them there are.
        - `It must be accessible`: This means it must be possible to communicate with the segment as a group, and to get the product to them as a group.
        - `It must be substantial`: big enough to be worth aiming for.
        - `It must be congruent`: the members must have a close agreement on their needs.
        - `It must be stable`: The nature and membership of the segment must be reasonably constant.
    - There are three basic strategic options open to marketers:
        - `Concentrated marketing (single segment)`:
            - This is also known as niche marketing.
            - Tie Rack, Sock Shop and Knicker box follow this approach.
            - The niche marketer concentrates on being the very best within a single tiny segment.
        - `Differentiated marketing (multi-segmented)`:
            - Concentrating on two or more segments, offering a differentiated marketing mix for each.
            - Holiday Inn aims to attract business travellers during the week, but aims for the leisure market at the weekend, and promotes to families.
            - At the weekend, the hotels often have events for children and special room rates for families.
        - `Undifferentiated marketing`:
            - It is about using a `scattergun' approach`.
            - The producers who do this are usually offering a basic product that would be used by almost all age groups and lifestyles.
    - The assumptions underlying segmentation are:
        - Not all buyers are alike.
        - Sub-groups of people with similar behaviour, backgrounds, values and needs can be identified.
        - The sub-groups will be smaller and more homogeneous than the market as a whole.
        - It is easier to satisfy a small group of similar customers than to try to satisfy large groups of dissimilar customers.
- **Market Targeting**:
    - The process of evaluating each market segment’s attractiveness and company’s objectives and resources; and selecting one or more segment to enter the market.
    - Strategies:
        - `Mass/Undifferentiated Marketing`:
            - Ignore market segment differences and target the whole market with one offer.
            - It focuses on what is common in the needs of consumers rather than on what is different.

        - `Segmented/differentiated/marketing` : market coverage strategy in which a firm decides to target several groups of market segments and designs separate offers for each
        - `Niche (sub-segments) marketing` :
            - A strategy in which a firm goes after a large share of one or few niches/segments.
            - Niching lets smaller companies focus their limited resources on serving niches that may be unimportant to or overlooked by larger competitors.
        - `Micro marketing` :
            - The practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations.
            - It has two types:
                - `Local marketing` : cities, neighborhoods, and even specific stores.
                - `Individual (one to one) marketing` : needs and preferences of individual customers.
- **Market Positioning**:
    - `Positioning` is about the place the brand occupies in the minds of the consumers, relative to other brands.
    - `Market Positioning` is concerned with the brand's relationship with other brands aimed at the same segment.
    - Strategies:
        - `Product attributes strategy` : focus on their superiority to competitive products based on one or more attributes.
        - `Benefit positioning` : based on the benefit offered.
        - `Use/Application positioning` : positioning a product as best for some use or application.
        - `User positioning` : as benefit some user group.
        - `Competitor positioning` : against competitors.
        - `Product Category positioning` : as a leader in a certain product category.
        - `Quality/Price Positioning` : offering the best value.

Financing new venture

- Financing is needed to start a business and ramp it up to profitability.
- **Financing Types**:
    - `Permanent Capital` :
        - Used to fund long-term initiatives like starting a business, expansion, or innovation.
        - Typically comes from equity investments or personal contributions.
        - `Characteristics` :
            - Rewards investors through dividends or capital gains when shares are sold.
            - Does not create continuous financial obligations (unlike loans).
            - Involves risk, as returns depend on the company's profitability.
    - `Working Capital` :
        - Covers short-term financial needs, such as bridging gaps between expenses and income.

        - `Key Factors` :
            - Needs vary based on business type.
            - May be required to handle seasonal fluctuations or advance payments for expenses like rent.
            - In some cases, cash flow from operations can reduce the need for external working capital.
    - `Asset Finance` :
        - Supports medium- to long-term investments in physical assets like machinery, vehicles, or buildings.
        - `Characteristics` :
            - Typically spans 3–10 years or more, depending on the asset's lifespan.
            - Often financed through loans from various institutions.
- **Sources of finance**:
    - Equity Financing:
        - Involves the personal investment of an owner (or owners) in a business.
        - Often referred to as `risk capital` because investors accept the potential risk of losing their funds if the business fails.
        - However, they also share in the rewards if the venture succeeds, making the returns potentially significant.
        - `Sources` :
            - `Personal saving` : `Small and regular deposits` and `Automatic deduction from income` .
            - `Friends and relatives`
            - `Partners`
            - `Public stock sell (going public)`
            - `Angels` : private investors (or angles) who are wealthy individuals, often entrepreneurs, who invest in the startup business in exchange for equity stake in these businesses.
            - `Venture capital companies` : private, for-profit organizations that purchase equity positions in young business expecting high return and high growth potential opportunity. They provide `start-up capital` , `development funds` or `expansion funds` .
    - Debt Financing:
        - Refers to obtaining funds from creditors under the agreement that the borrowed amount, along with interest, will be repaid at a specified future date.
        - `Types` :
            - `Secured Debt` : Backed by collateral (valuable assets) that creditors can claim in case of default.
            - `Unsecured Debt` : No collateral required, placing creditors at greater risk if the borrower defaults.
            - `Short-Term Debt` : Used to finance daily operations and current activities.
            - `Long-Term Debt` : Typically used for acquiring assets like buildings, equipment, or large-scale investments.
        - `Sources` :

- `Commericial Banks` :
  - Gives short (repayable within one year or less), medium (1-5 years) and long term (> 5 years) debts.
  - To secure a bank loan, an entrepreneur typically will have to answer a number of questions, together with descriptive commentaries:
    - What do you plan to do with the money?
    - When do you need it?
    - How much do you need?
    - For how long do you need it?
    - How will you repay the loan?
  - `Bank lending decision` :
    - Most bankers refer to the five Cs of credit in making lending decision:
      - `Capital` : A small business must have a stable capital base before a bank will grant a loan.
      - `Capacity` : The bank must be convinced of the firm's ability to meet its regular financial obligations and to repay the bank loan.
      - `Collateral` : The collateral includes any assets the owner pledges to the bank as security for repayment of the loan.
      - `Character` :
        - Before approving a loan to a small business, the banker must be satisfied with the owner's character.
        - The evaluation of character frequently is based on intangible factors such as `honesty` , `competence` , `willingness` to negotiate with the bank.
      - `Conditions` :
        - The conditions surrounding a loan request also affect the owner's chance of receiving funds.
        - Banks consider the factors relating to the business operation such as `potential growth in the market` , `competition` , `location` , and `loan purpose` .
        - Another important condition influencing the banker's decision is the `shape of the overall economy` including `interest rate levels` , `inflation rate` , and `demand for money` .
- Micro Finance Institutions (MFIs)
- Trade Credit
- Equipment Suppliers
- Account receivable financing
- Credit unions
- Bonds
- Traditional Sources of Finance

Forms of Business Ownership

- **Sole Proprietorship**:

  - A form of business organization in which an individual introduces his/her own capital, skill and intelligence in the management of its affairs and is solely responsible for the results of its operation known as Sole proprietorship.
  - Also knows as `individual` or `single` properietorship.
  - Advantages:
    - Ease and low cost of formation and dissolution
    - Direct motivation and personal care
    - Freedom and promptness in action
    - Business secrecy
    - Social desirability
  - Disadvantages:
    - Limited resource and size
    - Unlimited liability
    - Limited management skill
    - Uncertain future
- **Partnership**:
  - The form of association of two or more persons to carry on a business as co-owners for profit whereby the relationship is based on agreement.
  - Characteristics:
    - Formation
    - Capital contribution
    - Management
    - Duration
    - Unlimited liability
    - Implied agency
    - Utmost good faith
    - No separate legal entity
    - Restriction on transfer of interest
    - Unanimity of consent
  - Types:
    - `General partnership` :
      - Partners have unlimited liability, meaning personal assets can be used to cover business debts if business assets are insufficient.
      - Partners share joint and several liabilities for the firm's obligations, including wrongful acts of co-partners conducted within the firm's business.
      - All general partners have the right to actively participate in the management and decision-making of the business.
      - The most common type of partnership.
    - `Limited partnership` :
      - Consists of two classes of partners:
        - `General Partners` : Have unlimited liability and full management rights.
        - `Limited Partners` : Liability is restricted to their capital contribution and they cannot actively manage the business.

        - Limited partners can inspect financial records and provide advice but do not bind the firm through their actions.
        - Limited partners' liability and rights are formally registered and disclosed to protect their limited status.
        - The retirement, death, or bankruptcy of a limited partner does not dissolve the partnership.
        - Public registration is necessary to clarify the distinction between general and limited partners.
        - Failure to register results in limited partners being treated as general partners, making their liability unlimited.
    - Advantages:
        - Ease of organization
        - Large financial and managerial resources
        - Personal supervision
        - Reduced risk
    - Disadvantages:
        - Unlimited liability
        - Risk of implied authority
        - Lack of harmony
        - Lack of continuity
- **Corportation**:
    - An artificial person recognized by law, with distinctive name, a common seal comprising transferable shares of fixed values, carrying limited liability, and having a perpetual existence.
    - Features:
        - Separate legal entity: rights and privileges are given to the corporation by its `charter`.
        - Limited liability
        - Transferability of shares
        - Perpetual existence: A corporation can be dissolved in only three ways; `by court order`, `by the approval of the majority of the stockholders` or `by expiration of the corporate charter`.
        - Common seal
        - Separation of ownership from management:
            - There are three groups that comprise the corporate structure: `the shareholders`, `the board of directors` and `the officers of the corporation`.
            - The stockholders are owners of the `corporation`. They are individuals who buy shares of stock that show proof of ownership.
            - Stockholders do not own property in same legal sense that the proprietor or partners do in the other forms of ownership.
            - A corporate charter is the written by law of the company and usually contains:
                - Name and address of the corporation
                - Names and addresses of the directors

            - The purposes for which the corporation is formed
            - Amount and kind of stock to be authorized (common/preferred stock)
            - Privileges and voting power of each stock
            - Duration of life of the corporation
        - By electing a board of directors, stakeholders delegate their authority and usually exercise only indirect control over the affairs of the business.
        - The board of directors, which consists of three to twelve individuals in Ethiopia, is the chief governing body of the corporation, because they hold a position of great trust, directors may be held personally liable to the stockholders for gross negligence, fraud, or the use of corporate assets for their personal gains.
        - They cannot be liable for mistakes in business judgment.
        - The board of directors is responsible for the following activities:
            - `Declaration of dividends` : involves such decisions as the percentage of the earnings to be retained and the method of dividend payment (cash and/or stock).
            - `Major decision making` : the board decides on major areas including expansion, withdrawal, change of product, and the selection of the corporate officers.
    - Advantages:
        - Financial strength
        - Limited liability
        - Scope of expansion
        - Stability
        - Efficient and bolder management
        - Diffused risk
        - Voting
    - Disadvantages:
        - Difficulty of formation
        - Lack of owner's personal interest
        - Delay in decision making
        - Oligarchic fraudulent management
        - Double tax
        - Lack of secrecy
- **Cooperatives**:
    - The widest sense as voluntary organization of economic units, based on equity, carrying out an allocated or self-given economic objective.
    - Features:
        - Open membership
        - Equality of voting rights
        - Democratic control
        - Disposal of profit or surplus: The actual distribution of income to members takes two forms:
            - Return paid on the capital invested by members is considered as form of interest rather than dividends.

        - Patronage refunds or rebates method profit, which is distributed in relation to the members' contribution to the society.
    - Service moto
    - The capital for the enterprise is subscribed only by members
  - Types:
    - `Consumers' Cooperatives` :
        - These societies are formed by ordinary people for their day-to-day requirements of goods at cheap prices.
        - These societies make their purchases in bulk from wholesalers at whole sale rates and sell the goods to members and sometimes even to non-members.
    - `Producers' Cooperatives (industrial Cooperatives)` :
        - These are business enterprises organized by small producers for securing some of the benefits of large producers.
        - The objective is to assist the small producers that suffer from lack of capital and other equipment.
    - `Marketing Cooperatives` : marketing co-operatives are voluntary associations of independent producers organized to arrange for the sale of their output.
    - `Housing Cooperatives` : These are associations of persons who are interested either in securing the ownership of a house or in obtaining accommodation at fair and reasonable rents.
    - `Credit Cooperatives` : These are voluntary associations of persons with moderate means formed with the objective of extending and developing short-term financial accommodation and the habit of saving among the members.
    - `Cooperative farming societies` : The co-operative farming societies are basically agricultural co- operatives formed with the objective of achieving the benefits of large-scale farming and maximizing agricultural output.
    - `Processing cooperatives`
    - `Labor and construction co-operatives`
  - Advantages:
    - Democratic management
    - Limited liability
    - Continuity
    - Tax concessions
    - State assistance
  - Disadvantages:
    - Insufficient motivation to the members
    - The tendency to depend on volunteers
    - Excessive state regulation
    - Limitation of capital

Characteristics	Most advantageous form	Least advantageous form
Availability of capital	Corporation	Sole proprietorship
Cost of organization	Sole proprietorship	Corporation
Ease of organization	Sole proprietorship	Corporation
Ease of expansion	Corporation	Sole proprietorship
Ease of dissolution	Sole proprietorship	Corporation
Ease to transfer ownership	Corporation	Sole proprietorship
Ease of withdrawing from ownership	Corporation	Sole proprietorship
Efficiency of management	Corporation	Sole proprietorship
Government controls	Partnership	Corporation
Length of life	Corporation	Sole proprietorship
Liability of owners	Corporation	Sole proprietorship
Secrecy of operation	Sole proprietorship	Corporation
Tax position of owners	Sole proprietorship	Corporation
Tax position of operations	Sole proprietorship	Corporation

Intellectual Property Rights

- Refers to exclusive right given to the entrepreneur to benefit from his/her innovations and creations; and this includes: patents, trademarks, copy rights, and trademarks.
- **Patents**:
  - A contract between an inventor and the government in which the government, in exchange for disclosure of the invention, grants the inventor the, exclusive right to enjoy the benefits resulting' from the possession of the patent.
  - Types:
    - `Utility Patent` : protects any new invention or functional improvements on existing inventions.
    - `Design Patent` : it protects the appearance of an object and covers new, original, ornamental, and unobvious designs for articles of manufacture.
  - What can be patented?:
    - `Processes` : Methods of production, research, testing, analysis, technologies with new applications.
    - `Machines` : Products, instruments, physical objects.
    - `Manufactures` : Combinations of physical matter not naturally found.
    - `Composition of matter` : Chemical compounds, medicines, etc.
- **Trademarks**:
  - Distinctive names, marks, symbols or motto identified with a company's product or service and registered by government offices.
  - Trademarks unlike patents are periodically renewed unless invalidated by cancellations, abandonment, or other technical registration/renewal issues.
- **Copyright**:
  - Provide exclusive rights to creative individuals for the protection of literary or artistic productions.
  - It protects original works of authorship including literary, dramatic, musical, and artistic works, such as poetry, novels, movies, songs, computer software, and architecture.
- Ethiopia became a member of the World Intellectual Property Organization (WIPO) in February 1998. The government established the Ethiopian Intellectual Property Authority (formerly EIPO)

in 2003 to:
    - Provide legal protection and encourage the exploitation of intellectual property (IP).
    - Disseminate and promote the use of technological information in patent documents.
    - Recommend IP-related policies and legislation to the government.
    - Promote public awareness of intellectual property.
- **Key IP rights in Ethiopia include**:
    - Patent:
        - Granted for inventions that are new, industrially applicable, and non-obvious.
        - `Duration` : 15 years, extendable by 5 years with proof of use in Ethiopia.
        - Managed by the Ministry of Innovation and Technology (MinT).
    - Trademark:
        - Protects brands to distinguish goods or services, prevents unfair trade practices, and resolves disputes.
        - Provides information on trademark ownership and rights.
    - Copyright:
        - Protects literary, artistic, and scientific works, including books, speeches, music, architecture, audiovisual works, and databases.
        - `Duration` : Life of the author plus 50 years; 50 years for performers/producers of sound recordings; 20 years for broadcasting organizations.