## LECTURE TWO

## THE PERSON ENTREPRENEUR

I welcome you to the study of the person entrepreneur. In this topic we shall study the following: definition of entrepreneur, motivation, characteristics, roles, responsibilities, reasons for becoming an entrepreneur and assessment of entrepreneur potential.

Kindly, make sure that:

* You complete this lecture before proceeding to the next one.
* Refer to the suggested additional resources to get further information on each topic
* Make notes as to simplify your study
* Complete all activities and questions as you progress
* Spend at least 3(three) hours to complete this topic for you to understand and apply the knowledge and skills acquired

Once again welcome and let us begin. Good luck

|  |
| --- |
| By the end of the lecture, you should be able to:  I Define the term entrepreneur.  ii Describe what motivate an entrepreneur.  iii. Explain the assessment entrepreneurial potential  iv. Analyse the characteristics of an entrepreneur  v. Identify the roles of an entrepreneur  vi Describe the functions of entrepreneurship |

**Who is an entrepreneur?**

These days we hear a lot about entrepreneurs. The media loves to portray entrepreneurs as people who have reached the pinnacle of business achievement and are distinctive individuals set apart from the rest of humanity. The media likes featuring entrepreneurs who have succeeded against all odds and made a position for themselves in the world of business. But the big question is ,who is an entrepreneur? Prof. Bwisa a Guru of entrepreneurship once said, buying many matatus and placing them in different routes is not being entrepreneurial but installing wifi in the matatu can be regarded as an act of entrepreneurship.

The Collins English Dictionary put it as : ‘‘*Entrepreneur is a person in effective control of commercial undertakings : one who starts a new enterprise or arranges business deals in order to make money by risk and initiative’’*

International Labour Organisation (ILO) defines entrepreneurs as those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate action to ensure **success.**

There are as many definitions of entrepreneurs as there are different types of entrepreneurs who have varied objectives of starting ventures. Therefore no one individual can represent today’s entrepreneur, but research is providing an increasingly shaper focus on the subject.

**Characteristics of Entrepreneurs**

If we go through the business historyof the world, we come across the names of persons who have emerged as outstanding entrepreneurs. For example Richard Branson , Henry Ford, Bill Gates,Andrew Carnegie and many more who started their enterprises with small size and made good fortunes. Success of an enterprise to a great extent is attributed to the entrepreneur.Then the question is : what makes the entrepreneur successful? After studying the behavior of successful entrepreneurs we can the conclude that there are certain personal characteristics of entrepreneurs which are found prominent in them.

The principal ones are presented below:

**Creativity**-ability to bring something new into existence, entrepreneurs need to be creative because ideas usually evolve through a creative process, and imaginative people bring them into existence ,nurture them and develop them successfully.

**Mental Ability**-An entrepreneur must be reasonably intelligence and should have creative thinking and must be able to analyze problems and situations.

**Innovation**- the process of doing new things .entrepreneurs aim at trying to create new and different values or satisfaction.

**Dynamism**-ability to revise the targets of an enterprise in the upward direction ,time and again. A dynamic entrepreneur is always pragmatic, sets realistic goals with specific time frame. He analyses problems and solves them in the interest of the enterprise. He always believes in a win-win situation.

**Leadership-**this is a basic quality of entrepreneurs. This spirit keeps them forward in any field. The quality of their leadership is clear from their personal relationships, mode of handling problems, generating resources and taking others in their own strides.

**Team building**- An ideal entrepreneur is one who has the ability to build a team. A good team will be able to share knowledge, ideas and goals.

**Achievement, motivation**- entrepreneurs have a high need for achievement and are guided by their inner self, motivating their behavior towards accomplishment of goals. Most of the successful entrepreneurs are attracted to this career because it is challenging and demands a high degree of intelligence and involvement.

**Problem solving-**An entrepreneur should learn to face the problems and not avoid them. Entrepreneurs posses a strong work ethic have enquiring minds therefore they solve problems quickly.

Commitment-an ideal entrepreneur is one who has strong determination with sound thinking ,will power and involvement.

**Business secrecy**-An entrepreneur should guard business secrets .Trade competitors should not know the business secrets. An entrepreneur should be able to make proper selection of his business staff.

**Human relations**-An entrepreneur must maintain good relations with all stakeholders., they must listen attentively and rarely interrupt.

**Technical Knowledge**-An entrepreneur must have sufficient technical knowledge for they stand a better chance of success for it will be easy for them to guide and supervise.

According to Bwisa (1988) the word entrepreneurs can be used to describe some of the characteristics of entrepreneurs.

E Energetic Full of energy of the mind and body

N Novelty-oriented Think creativity; continually seek to create improvements in their performance

T Tolerant Tolerate long hours of hard work – are persevering and enduring

R Result oriented Have high desire for achievement; do not like ending a task without achieving results

E Enterprising Have the courage and willingness to engage in difficult undertakings

P Profit oriented Money is the main source, do not squander it but rather invest it

R Resourceful Quickly and usefully employ their minds

E Efficiency-Conscious Hate wasting resources; are economical

N Networking Interact and have connections

E Envisages Have dreams of foresight, plan ahead, set clear attainable goals

U Unstoppable Believe that a slip is not a fall; are optimistic

R Risk-loving Take calculated risks; like challenges

S Self-confident Believer in themselves; see half a glass as half full not half way or half empty.

Coupled with the characteristics, entrepreneurs seem to have a 5D formula for success which includes:

**Desire:** The vision, dream that burns in the heart of the entrepreneur. A strong enough dream and desire will always point towards success and provide the fuel to get there.

**Diligence**: Making the most of opportunities and options. It implies developing strengths and overcoming any lack of resources which ever they may be.

**Details:** Detailing (planning) what is to be done; keeping a diary to avoid mistakes

**Discipline:** Being self-disciplined, financially disciplined

**Determination:** Being able to endure; staying at it for long

**Characteristics vs. traits**

***Characteristics Traits***

Self-confidence Confidence, independence, individuality, optimism

Task-oriented Need for achievement; profit oriented persistence,

Perseverance, determination, hard work, drive, energy, initiative

Risk bearer Risk taking ability, likes challenges

Leadership Leadership behaviours, gets along well with other responsive to suggestions and criticisms

Originality Innovative, creative, flexible (openness of mind) resourceful, versatile, knowledge future oriented – foresight perceptive

# Personal Characteristics of Potential Entrepreneurs

The following are some of the characteristics of potential entrepreneurs:

1. **Initiative/Risk Taker**

Takes actions that go beyond job requirements or the demand of the situation

* Is proactive
* Acts to extend the business into new areas, products or services
* Identifies and acts on opportunities
* Takes action on opportunities
* Seizes unusual opportunities to obtain financing, equipment, land, workspace or assistance.

1. **Persistence and Patient**

Takes repeated action to overcome obstacles that get in the way of reaching goals.

* Takes action on significant obstacle.

1. **Gathering of Information and Opportunity Seeking**

Takes action on gathering information so as to achieve business objectives or clarify business problems.

* Conducts research on how to provide a product or service.
* Consults experts for business or technical advice.
* Seeks information or asks questions to clarify a client’s or a supplier’s needs.
* Personally undertakes market research, analysis or investigation.
* Uses contacts or information to obtain useful information.

1. **Concern for High Quality Work**

Does things that meet or beat existing standards of excellence.

* States a desire to produce or sell a top or better quality product or service.
* Compares own work or own company’s work favourably to that of others.

1. **Commitment to Work Contract**

Places the highest priority on getting a job completed.

* Makes a personal sacrifice or expends extraordinary effort to complete a job.
* Accepts full responsibility for problems in completing a job for customers.
* Pitches in with workers or works in their place to get the job done.
* Expresses concern for satisfying the customer.

1. **Efficiency Orientation**

Find ways of doing things faster or with fewer resources or at lower cost.

* Uses information or business tools to improve efficiency.
* Express concern about cost vs. benefits of some improvement, change or cause of action.

1. **Systematic Planning**

Develops and uses logical, step-by-step plans to reach goals.

* Plans by breaking large tasks down into sub-tasks.
* Develops plans that anticipate obstacles.
* Evaluates alternatives.
* Takes a logical and systematic approach to activities.
* Identifies new and potentially unique ideas to reach goals.
* Switches to an alternative strategy to reach a goal.
* Generates new ideas or innovative solutions.

1. **Self-Confidence**

Has a strong belief in self and own abilities.

* Expresses confidence in own ability to complete a task or meet a challenge.
* Sticks with own judgment in the face of opposition or early lack of success.
* Takes risks
* Confronts problems and issues with others directly.
* Tells others what they have to do.
* Reprimands or disciplines those failing to perform as expected.

1. **Persuasion**

Successfully persuades others.

* Convinces one to buy a product or service.
* Convinces one to provide financing.
* Convinces one to do the things he would like them to do.
* Asserts own competence reliability or other personal/company qualities.
* Asserts strong confidence in their own company’s products or services.

1. **Uses of Influence Strategy/Networking**

* Uses a various strategies to affect others.
* Acts to develop business contacts.
* Uses influential people as agents to accomplish own objectives.
* Selectively limits the information given to others.
* Uses a strategy to influence or persuade others.

|  |
| --- |
| ! Which characteristics of an entrepreneur do you possess? |

**What motivates an entrepreneur?**

* Profit
* Role models
* Need for additional income
* Available resources

**Reasons for becoming an entrepreneurs**

**Why People go into Business**

A growing number of people are becoming dissatisfied with paid employment for a variety of reasons:

* Dislike following orders and unhappy about dependency on employer
* Abilities are not being recognized
* Income is at a set level
* Responsibility is limited
* Find implementation of ideas difficult.

**Entrepreneurs go into Business for a Variety of Reasons**

* Independence – want to be their own bosses
* Immediate need for a job
* To supplement income
* To make more money
* Opportunity to prove one’s ability.
* Some people are born into business

To seize available resources

Some look for better opportunities

Some just do it because others are doing

Some just enjoy doing it

Some want to be their own boss

To create employment for self and others

Worry about job security

**ROLES OF AN OF ENTREPRENEURS**

* Prime mover in the business enterprise
* Bears of uncertainty (risk) – regarded as the primary function
* Idea generation and searching for business opportunities by scanning the environment
* Evaluating business opportunities to assess their viability
* Determination of business objectives
* Product analysis and market research
* Determination of the form of ownership/organization
* Mobilizing resources needed to create and run the business
* Managing the business that is the production, marketing, finances, human resources, etc.

**ENTREPRENEURIAL SELF ASSESSMENT**

This is the process of establishing one’s entrepreneurial potential. First, one has to understand himself, i.e., entrepreneur characteristics to be able to understand strengths and weaknesses regarding behaviour.

* The idea is to understand ourselves – SWOT analysis assists us in knowing how good or bad we are in entrepreneurship.
* After this look at solutions towards the weak points.

SWOT – look at background, experience, education, family relationships, life and behaviour patterns e.g., persistence, self-reliance, dependence etc.

Techniques of self-assessment are as follows:

1.Meditation

2. SWAT-Strength Weakness Analysis Test. This include personal background, relevant skills and life style and behaviour pattern.

3.Paired Comparison Test PCT-In this test

Summary of the lecture

|  |
| --- |
| In this lecture, we have discussed the following: the term entrepreneur.  what motivate an entrepreneur, the assessment entrepreneurial potential  characteristics of a successful entrepreneur, the roles of an entrepreneur  and the functions of entrepreneurship |

**Further reading**

Saleemi N.A(2011) How to become an entrepreneur. Saleemi publications Limited. Nairobi Kenya.

Kibera, F.N. (Ed). (1996)Introduction to Business: A Kenyan Perspective, Kenya Literature Bureau,Nbi, Kenya.

## LECTURE THREE: THEORIES OF ENTREPRENEURSHIP

I welcome you to Lecture three the study of entrepreneurship theories. In the previous topic we discussed characteristics of entrepreneurs and now we shall study about the theories that influence entrepreneurship behaviour.

Kindly, make sure that:

* You complete this lecture a before proceeding to the next one.
* Refer to the suggested additional resources to get further information more information
* Make notes as to simplify your study
* Complete all activities and questions as you progress
* Spend at least 3(three) hours to complete each topic for you to understand and apply the knowledge and skills acquired

Once again welcome and let us begin. Good luck

|  |
| --- |
| By the end of the lecture, you should be able to:  I Define the term entrepreneurship theory  ii Discuss the main entrepreneurship theories.  iii. Explain the theories that influence your entrepreneurial behaviour |

**Introduction**

There are a number of schools of thought which view entrepreneurship from fundamentally different perspectives. As a result, the definitions can differ depending on the authority’s perspective. Such perspectives could be psychological, sociological, economical and management.

|  |  |
| --- | --- |
| **!** | An entrepreneur may be influenced by more than one theory. |

**Psychological Perspective**

The central focus of this perspective is that entrepreneurs have unique values, attitudes and need which drive them. People behave in accordance with their values irrespective of the different situations they might be in. People’s behaviour results from their attempts to satisfy their unique needs and values. The psychological school focusing on personality factors believes that entrepreneurs have unique values and attitudes towards work and life. These, along with certain dominant needs propel the individual to behave in certain ways. Entrepreneurs are, therefore, different from non-entrepreneurs by personality characteristics. Such propensity and personal aspects such as positive self-image, initiative, independence, future orientation, problem solving, goal setting, time bound planning and environment searching.

Entrepreneurs acquire their values, attitudes and needs as they grow up from families, schools, churches, and community as well as in the surrounding culture in general. These values are learned and internalized and reflect the process of socialization into culture. Since these values and needs are learned early in life and are well established prior to adulthood, entrepreneurial characteristics can only be re-enforced in those who portray them or have them in latent form. It would not be effective to try and develop them in people who do not possess them but to re-enforce them in those who already have them. The extreme aspect of this perspective further suggests that the entrepreneur has the ability – a sixth sense – and traits and instincts he/she is born with. Entrepreneurs portray intuition, vigour, energy, persistence and self-esteem. Entrepreneurs according to this version are born and as they have natural abilities, training, cannot influence them in any way.

The psychological argument perpetuates the myths and stereotypes in society related to superiority and class systems and are not the healthiest for development. It simply says people are not equal and that it would be difficult to organize training programmes suitable for all of them. Although entrepreneurs can be used as role models, those in this category can give negative attitude towards young people who might not be genius or lucky by not possessing the unique abilities and traits. People following this school of thought follow such leads questions as:

* What am I?
* What are my achievements?
* What principles do I have?
* What are my values?
* What are my strengths and weaknesses?

**Sociological Perspective**

The entrepreneur is an individual driven by his/her personal economic interests or otherwise not necessarily compatible with society in general. The entrepreneur contrasts with more traditional emphasis on the society, groups and associations. The entrepreneur might be well respected and accepted or rejected and resented depending on the society they come from and what is valued there.

According to this theory, the entrepreneur is driven by self-adventurism (way from norms), desperation due to the societal factors (live or die) and social recognition of making money in order to take them off his/her back (even taming a stubborn wife or husband). Entrepreneurs can also emerge as philanthropists by generating money and spending it to improve their communication and lesser mortals. The assumptions of this theory are that the entrepreneurs are creations of society and that their activities are just reactions either to protest or better it. Training, therefore, cannot do much to influence the individual. This theory perpetuates stereotyping of class systems ad great persons theories which are at times not ideal for developing young nations.

**Economic Perspective**

The etiology of term “entrepreneur “provides insight for the economic perspective which means to ‘’undertake’’ in French. It distinguishes entrepreneurs from managers. Undertaking connotes some degree of risk, uncertainty and creativity. Innovation, creativity and discovery are the central focus of this perspective.

Neoclassical economic analysts (Keynesian, Friedmanities, Supply Siders and Marxists) emphasize optimization of existing resources in order to reach equilibrium (in realm of external forces). Hence definitions such as “Economic agents who engage in market exchange for profit at their own risk”, “Shifters of economic resources out of an area of lower into a higher productivity and greater yield” “Stabilizing force which brings markets closer to equilibrium and forces work more smoothly”. The entrepreneur is involved in allocating scarce resources in order to produce tangible/intangible goods with utility. As a forth factor of production, he/she distributes and organizes scarce resources. The entrepreneur is driven by profit motive (profit maximization and cost minimization) and gains socially and financially from economic activities. Entrepreneurs can, therefore be trained on effective utilization and management of scarce resources.

Another school of economics away from neoclassical economics (Led by Joseph Schumpter) focused on dynamics of economic life, dynamic disequilibrium as opposed to statistic equilibrium. According to this school, the entrepreneur is central to economic development. He /she is the mechanism of economic. Dynamic disequilibrium is created by the innovating entrepreneur who introduces new combinations into the production. Entrepreneurial activity is therefore a destabilizing force that starts the process of creative destruction, the essence of economic development. Entrepreneurs are not managers who undertake routine activities on basis of past experience without the idea of change but one who risks uncertainties and engages in activities that has not been undertaken before.

The training implication for this is that more time could be spent on enhancing the creativity of individuals and supporting innovative ideas. People can be trained to sharpen their decision making abilities and abilities to analyse opportunities creatively. People who follow this school of thought ask themselves these questions:

* What are the opportunities?
* What vision do I have?
* How do I respond to situations?

**The Management Perspective**

This school emphasizes organisation of resources in a systematic way to attain maximum profit. Entrepreneurs are therefore organizers of an economic venture: they organize, own, manage and assume the risks. Entrepreneurship is therefore a series of learned activities which focus on the central functions of managing a business such as production, planning, marketing, coordinating, controlling, evaluating and financing.

The management school therefore emphasizes improving a person’s capability through developing his/her rational, analytic and cause and effect relationships. Specific functions involved are therefore identified and training structured around them. Another strand of management views entrepreneur as leaders of people. They have the capacity to adopt their styles in order to get the maximum out of people. They view other people as their greatest resource and realize that they cannot accomplish goals without them and their skills. Training is therefore possible by knowing how to motivate, direct and lead people.

The basic questions that people who follow this school ask themselves include:

* What are my plans?
* What are my capabilities?
* What are my credentials?
* How do I get most from people around me?

Each of the models is based on certain assumptions such as personal qualities or values, anticipating the future, finding and recognizing opportunities, using management and technical skills and adapting or changing the direction of a venture. The criteria for each school provide the foundations for research and training emphasis. All of them provide useful insight in understanding and explaining entrepreneurship. It is possible that they can complement each other in developing a rich entrepreneurship programme. Pre starters can benefit a lot from the psychological, sociological and economics schools while starters and those in the growth stage can gain from management.

|  |  |
| --- | --- |
| **?** | Think of successful entrepreneur known to you.  which theory may have influence their entrepreneurial behaviour? |
|  | **Summary**  In this lecture we have learnt about the various theories that influence our entrepreneurial behaviour. |
|  | **Self-Assessment Question (SAQ)**   |  | | --- | | 1. Identify other theories and conceptual frameworks or models that relate to entrepreneurship 2. Explain the macro and micro theories. 3. Discuss the theories that influence your entrepreneurial behaviour 4. Are entrepreneurs born or made ?support your answers with theories. | |
|  | **Further reading**  Nteere K..K. (2012) entrepreneurship a global perspective. Kenhill consultants Nairobi, Kenya |

## LECTURE FOUR: BUSINESS CREATION

I welcome you to Lecture four the study of the process of generating idea and business opportunities. we shall study about. Definition of business ideas and opportunity, Idea generation process, *Sources of business* ideas, Evaluation of business ideas, Areas of concern in business creation. Issues to consider when selecting a business opportunity.

Kindly, make sure that:

* You complete this lecture a before proceeding to the next one.
* Refer to the suggested additional resources to get further information more information
* Make notes as to simplify your study
* Complete all activities and questions as you progress
* Spend at least 3(three) hours to complete each topic for you to understand and apply the knowledge and skills acquired

Once again welcome and let us begin. Good luck

|  |
| --- |
| By the end of the lecture, you should be able to:  I Define the terms business idea and opportunity  ii Describe the evaluation of business ideas  iii. Explain sources of business ideas  iv state techniques of generating business opportunities |

**Business Idea Generation**

All entrepreneurs are business people but not all business people are entrepreneurs. Entrepreneurs tend to be more innovative than just ordinary business people as they have more than one business plan.

# 

# Means of Generating an Idea

Identifying a need Brainstorming

Building on your skills, hobbies or interests Spotting a market niche Listening to what people are saying Attribute listening Gaining from waste Look to see and listen to hear Research Importing an idea

Day dreaming Spin off from employment

# 1. Identifying a Need

A need can be an opportunity and indeed a consumer buys to satisfy a need. Abraham Maslow in his humanistic hierarchy of needs ranges from very basic to the high needs, physical needs to very high personalized needs. Therefore, identifying an unidentified or underserved need is a sure way of generating business ideas.

*Maslow’s Hierarchy of Needs*

Self-actualization

Esteem/ego

Social

Safety/security

Basic needs

**Basic or psychological needs**

The first and the most basic needs include thirst, hunger and sleep. In the process of satisfying these needs, entrepreneurs can generate a lot of business ideas such as cloth store, food kiosks, building materials etc.

**Safety and security needs**

Human beings require these and entrepreneurs can generate ideas in the process of satisfying them, e.g., security firms, watchmen etc.

**Social needs**

Generally they need to be accepted. An example of goods and services in this category include: membership for clubs, companies which offer such services, banks for socializing, mainly members only. Clinics such as for guidance and counselling, golf clubs, deodorants, perfumes assist one to be accepted in a social group.

**Self-esteem or ego**

This is the need to be recognized. Ideas can be generated by entrepreneurs to suit its need e.g., luxury cars – BMW, designer clothes, business cards (perfumed), cellular phones, gold filled pens.

**Self-actualization**

The need to prove the ability of oneself – self-fulfilment, e.g., being a member of a certain club– research institutes, getting opportunities to do something of your ability, e.g., publishing, creativity.

# 2. Brainstorming

This is the process of detaching analysis of ideas from the actual devit of ideas. The idea may or may not be related to a given product. In the process of brainstorming invaluable ideas generated may likely lead to high profitability ideas. In brain storming, you are ideally answering questions such as:

* What can we do with this product?
* How do we improve our performance?

***Examples:***

*Flowers*

* Flower gardening – manure Transport services
* Flower export and import Construction

*Egg*

* Chicken rearing Feeding troughs
* Chicken feed Egg tray

**3. Building on Skills, Hobbies or Interests**

List as many of the interests and skills you can think of and for each list down or think of any business ideas. For example:

a) Interests and Hobbies e.g., Stitching- Business ideas: Dress making/tailoring, Embroidery and Training

b) Copy or improving somebody’s ideas (skill) -Many successful businessmen are based on copying or improving the original.

c) Analyse the weaknesses of the existing business and look for solutions.

d) Combining two existing business ideas in a new way.

|  |  |  |
| --- | --- | --- |
| Christian | Disco | Bar |
| Play, sell gospel music | Dance the gospel | Sell sodas and milk |

*For example:*

Conference

Guest house Combine into 1

Training centre

|  |
| --- |
| **? ACTIVITY**   1. List the business in your locality and group them into two – the successful and the unsuccessful.   Go deeper into that successful business and see what it is all about.   1. Identify why the unsuccessful businesses are what they are. 2. Think of what you can do to make these successful businesses more successful and even those unsuccessful to be successful. |

1. **Spotting a Market Niche**

Entrepreneurs usually look for gaps in growing markets. They try to identify needs for sections of markets, which are not being utilized for existing business (market segments). However, spotting a gap in the market may not be easy. One way is to identify trends and translate them into business ideas by identifying a possible need associated with the trend. Trends may be social, cultural, technological, economical etc.

|  |  |  |
| --- | --- | --- |
| **Trend** | **Need** | **Business ideas** |
| 1. Rural – Urban exodus | Housing, employment | * Low cost housing * Employment bureau |
| 2. Change in lifestyle | Flashy wedding | * Video filming * Outside catering |

1. **Listening to What People Say**

This is what people tend to say:

* If only I could find a cheaper …
* If only there was a decent bus service to…
* If only one could rely on the…
* Why don’t they have longer business hours?

1. **Attribute Listing**

This method of generating business ideas is based on changing the way you look at something in order to find new uses for it. It also attempts to answer the question – what do we do with this product?

Product: Used types

Attributes: *Shape – round Business idea*

Color – black - swings

Texture – strong - black

Weight -heavy - sandal

Texture –strong - whips

1. **Gaining from Waste**

If you look closely at what appears to be waste, it may not be waste at all. It could be recycled or be made to produce a useful product.

**‘Waste’ Business idea**

Saw dust - Chip boards

- Chicken poultry

- Briquettes

1. **Look to See and Listen to Hear**

Business ideas can be solicited. You may interview consumers on what they need and don’t have. Producers may also lack some inputs. Reading newspapers, magazines and reviewing journals or simply observing business environment can really be a rich source of business ideas. Closely associated with this method is the idea of importing a business idea.

**Putting Your Ideas into Action**

Great ideas are worth nothing, unless you do something about them. However, you might have to do some more for instance, market research and assessing your resources.

**SCREENING A BUSINESS IDEA**

##### Guidelines

After generating business ideas, you need to do some evaluation for screening to make a decision on which idea to pursue. This means you systematically evaluate the most suitable and select the best. Screening must be done carefully, objectively, soberly and without emotions. Business ideas screening is required even when there is only one idea to consider. This is because there is a stage of starting a business that may not be profitable or may be difficult to run due to a variety of reasons. There are two broad categories of factors that may affect the choice of business to start. These are:

i) Personal considerations

ii) Business considerations

**Personal Considerations**

1. Your objectives for the business. A good entrepreneur usually sets personal objectives for going into business. In addition, they try to answer questions like:

* Does the business idea agree with my business objectives?

One may have only one major objective but it’s possible to have more than one and prioritize them, e.g., survival may be a major objective until the business breaks.

* Even then suitability sets in to judge the compatibility of the idea; with objectivity a tabular approach may be useful.

1. Your skills. Can you do it? Some businesses require certain specialized skills for starting and running them. Each idea should be screened in relation to whether it will require you to acquire specialized skills – Accounting firms, law firms, medical clinics are some of the businesses which cannot be run by anybody but those with relevant skills. If you have no skills, you may be advised to obtain through a course or seek employment temporarily to gain experience first-hand.
2. Your interest. A very important question to ask oneself is, Will I like this business I am undertaking? There is no point of choosing a business idea that you will not enjoy. Therefore, each idea you generate try to identify what activities are involved, e.g., waking up early, closing late, your presence always.
3. Your commitments. Are you committed to your family, friends etc? Will the business interfere with these commitments? It may be extremely important to have the support of your family and friends. For example, it may be impossible for them to support you especially your family, to help your business grow and develop, then, it is advisable to choose a lesser committing business that does not take much of your time. Support from spouses is very vital in the business success.
4. Your personal SWOT. This is the analysis of one’s strength, weaknesses, opportunities, threats.

The SWOT matrix: - Matching the matrix contents of an organization in relation to achieving desired goals.

**S** - Relates to an organization’s internal capacity

**W** - They are subjective

**O** - Relates an organization’s external environment

**T** - They are objective.

**Importance of the SWOT matrix:**

1. Development of organization’s strategic profile.
2. Provision of framework to assess current and future plans.
3. Acts as control technique when conducted periodically – weaknesses, strengths.
4. Gives realization to organization’s activities.

SWOT components:

Strengths Positive internal conditions – skills, finances, competence etc

Weaknesses Negative internal conditions

Opportunities Favourable environmental conditions

Threats Unfavourable environmental conditions. Things that might hinder you from undertaking the idea

**Components contents**

|  |  |
| --- | --- |
| **Internal (Subjective)** | |
| **Strengths** | **Weaknesses** |
| Distinctive competence  Adequate finances  Access to economics of scale  Technology leader  Good innovation ability  Proven management  Cost advantage | Absolute facilities  Lack of key skills  Internal operational problems  Lack of finances  Low employee morale  Poor track record  Weak external image  Poor management |
| **External (Objectives** | |
| **Opportunities** | **Threats** |
| Potential customers  Potential expansion space  Favourable legislation policy  Political good will stability  Healthy economy  Favourable social scene | Strong competitors  Adverse government policies  Adverse demographic changes  Political instability  Decayed economy  Unfavourable legislation |

Schematic comparison of external threats and opportunities with internal strengths and weaknesses enables the matching of these to produce (generate) a SWOT matrix of strategies.

**Procedure**

1. List external opportunities
2. List external threats
3. Match strengths with opportunities – record results
4. Match weaknesses with opportunities – record results
5. List internal strengths
6. List internal weaknesses
7. Match strengths with threats – record
8. Match weakness with threats – record
9. **Market Availability**

There is no point of starting a business with no assurance of adequate market. Indications of the availability of the market include:

* The existing demand is not at present adequately served by existing businesses
* Existing demand is presently served by imports only
* Existing demand is presently not served at all
* Supply of the product/service is currently not reliable
* Demand of the product/service is expected to increase significantly in the future
* Your business idea has significant uniqueness or unique selling feature such as more desirable features, better quality, more durable etc.

1. **Availability of Raw Materials**

This may be indicated by:

* Availability of in adequate quantity and quality locally.
* There is reliable supply (local or imported).
* Prices are reasonable.
* Future increases in price for raw materials are perceived to be reasonable and predictable.

1. **Availability of Technology**

This can be evaluated in terms of the following indications:

* Use of proper technology
* Available reasonably priced technology
* Available technologies are appropriate for the level of production investment and product quality.
* The business will not suffer from technology obsolescence.

1. **Availability of Skills**

This can be ganged by the following factors:

* Different skills needed by the business are available.
* The supply of the skills is steady.
* The cost of hiring the skills is reasonable.

1. **Government Policy**

The following considerations will indicate if the government policy is conducive:

* The area of the business is a government priority.
* Businesses in this area receive government incentives.
* Future government plans stress this area of business.

**BUSINESS IDEAS/OPPORTUNITIES**

1. **Identifying Business Ideas/Opportunity**

A business opportunity is an attractive project idea, which an entrepreneur accepts as a basis for an investment decision. Good business ideas must be capable of being converted into feasible projects. Thus, the two ingredients of a business opportunity are: -

* + Good market scope
  + An attractive/acceptable return on investment

There is the need to analyse its viability in areas such as technical, production, commercial and managerial. Therefore, selection of the right business opportunity requires:

* Understanding one’s own capabilities, strengths, limitations and preferences.
* Exploring all possible opportunities available within existing conditions and environment
* Making a final decision after comparative analysts of opportunities available which are consistent with entrepreneur’s capabilities.

Ideas about projects may be generated by: -

* Thinking of new products/services not existing in the community.
* Altering the products/services which are already in the market

1. **Assessing Business Opportunities**

Certain indicators or guidelines may help to identify and assess business opportunities. These include:

* + 1. **Environment**
  + Basic features of an area and its resources
  + Population, its composition, occupational pattern and social-economic background
    1. **Current business scene**
* Present pattern of trading and business activities in the area with references to inter-regional flow of commodities; local consumption and need for industrial goods as well as services.
* Emerging trends and patterns of trading and business activities in terms of new demands for consumption of goods and services in the area.
  + 1. **Technology change**
* Anticipating new opportunities because of technology change like computers.

To help in identifying business opportunities, the following idea sources should be considered:

1. **Resource based ideas** 
   * Industries based on mineral, agricultural, marine and forest resources.
   * Waste-based products such as agro-waste, wood-waste and metal waste.
2. **Linkage related ideas** 
   * Industries arising out of various types of linkages such as backward and forward integration from existing lines of manufacture
3. **Export/import related ideas** 
   * Export oriented activity
   * Import substitution
4. **Market shift or growth related ideas**

This is applicable for consumer and industrial products with potential growth as a result of increased population or changes in composition of population purchasing power in their lifestyle.

1. **Service sector ideas**

For example, household repairs and maintenance service facilities/workshops/establishments to cater to industrial and household needs.

1. **Government policies, priorities and plans**

By knowing the plans, priorities and policies set by the government one may identify a business opportunity.

1. **Assessing Product Demand**

The existence of unsatisfied demand for a product or service provides the best opportunity for an entrepreneur to exploit. However, such a situation calls for systematic assessment of the market situation to establish whether the demand is real or imagined and this can be achieved through conducting a market survey.

1. **Market Survey**

This is a systematic tool, which can be used to reduce risk and improve the probability of entrepreneur’s success. The following steps are sued in conducting a market survey: -

1. Defining objectives of the study and specifying information required.
2. Working out details of the study i.e.
   * Identifying the kind of data needed
   * Identifying sources of obtaining information
   * Time and cost involvement for the study
   * Working out methodology and plan of action
3. Selecting samples and deciding what contacts and visits should be made.
4. Preparing questionnaires and plans for surveyors and interviews.
5. Collecting and analysing data
6. Preparing a report of the findings.

Before committing resources to the business, it is vital to attempt to measure whether there is a sufficiently large unsatisfied market to exploit. A starting point is to identify what your competitors are doing in ones proposed area of business and the following questions need to be answered:

1. Is the total market growing at a sufficient rate to allow another new business to develop?
2. Is the market static or declining? In which case to survive one has to capture the business from your established competitors.
3. What are you going to do which is significantly different from what is already being offered by your competitors?
4. Have you identified a segment with needs which are not presently being met?

**Consumer**

This is an important aspect to consider when assessing product demand. There are also attributes which an entrepreneur should consider to satisfy consumer needs effectively. These include:

* Who is the consumer?
* What does the consumer require?
* Where is the consumer?
* How does the consumer buy?
* Why does the consumer buy?
* When does the consumer buy?

**Competition**

* This can alter an entrepreneur’s marketing decisions.
* To market effectively you must know your competitors and the advantages they offer.
* Identifying strategies to take so as to gain a competitive advantage is key.

**SUMMARY OF BUSINESS CONSIDERATIONS**

A quick way of screening the business idea vis-à-vis business considerations could be done by posing the following questions:

Yes – eliminate the idea for further consideration.

1. Are there any restrictions, monopolies, raw materials, and other shortages as well as causes that may make any factors of production unavailable at reasonable costs?
2. Are capital requirements excessive as/and difficult to obtain?
3. Are environment effects associated with the business contrary to government regulations?
4. Is the business inconsistent with national policies and goals?
5. Is there an effective monopoly that may make entry into the industry?
6. Are there factors that make the marketing of the product difficult?
7. Would exiting from the business if started be difficult?
8. Are there factors that may hinder effective expansion?
9. Is the technology to be used readily available, proved and easily maintainable locally?
10. Will the business require excessive advertisements and promotions to survive?

**The Common Characteristics of a Good Business Idea**

* Easy to manage and involves minimum risk.
* Does not require excessive investment capital.
* Offers good returns on investment.
* Has the scope for growth, expansion and diversification.
* Comparative with the owners’ goals and interests.
* It is not against the expectations of the society.
* It has a short gestation period.
* It has readily available market.
* Easy to exit if necessary.
* It does not require frequent and extensive changes in technology.

**Responses to the Following Questions will give some Indication as to your Entrepreneurial Abilities**

* Are you usually self-motivated to achieve goals?
* Do you work well with other people?
* Within a group of people, do you usually assume a leadership role?
* Are you able to communicate well with others?
* Are you a good listener?
* Do you have self-confidence?
* Do you have a positive self-image?
* Are you able to make decision?

**What Makes Entrepreneurs Successful**

An entrepreneur is usually successful when he/she is skilled, excellent in management and leadership. Technical skills of the owners mean business success.

* Having the ability to manage people – hiring, supervising, training, motivating and organizing staff employed in the business.
* Managing money – arranging for financing when necessary, keeping records, managing cash, handling credit and insurance, paying taxes and planning for financial success.
* Directing business apparitions, buying and selling, purchasing equipment and machinery, making sure that stocks are adequate, meeting customer’s needs and managing everything you have to make the business effective.
* Making sure that sales and marketing are efficient – meeting customer’s needs, developing new products or services, setting prices, advertising, dealing with the media and making sales contacts.
* Dealing with the business environment – licensing and laws, taxation, government requirements, supplier’s requirements.

**Comparison between an Entrepreneur and Employee**

|  |  |  |
| --- | --- | --- |
| **Entrepreneur** | | **Employee** |
| 1. Confidence 2. Independent as an individual 3. Optimistic 4. Leadership is dynamic 5. Originality of thought 6. Innovative and creative 7. Resourceful 8. Demonstrates initiatives 9. Is versatile and knowledgeable 10. Gets along with others 11. Flexible 12. Responsive to suggestion 13. Achievement oriented 14. Profit or results oriented 15. Persistent and determined 16. Hard working 17. Energetic and forceful 18. Perceptive 19. Has foresight 20. Has a risk-taking ability 21. Accepts challenges 22. Communicates effectively 23. Sees the broad picture of business 24. Skilled in decision making | | 1. Dependable 2. Give a honest day’s work 3. Follows instructions 4. Knows what is expected 5. Understands written information 6. Manages time effectively 7. Knows abilities, strengths and weaknesses 8. Gets along with most people 9. Is trained for the position 10. Is punctual 11. Adjusts to various work situations 12. Works without close supervision 13. Loyal to the organization 14. Works as a team member 15. Works well under no pressure 16. Uses initiative and imagination 17. Makes independent decision 18. Neat and clean in appearance 19. Follows regulations 20. Knows how to use resources 21. Good communication 22. Prepared to listen 23. Has some understanding of the business 24. Accepts decisions made by others |
| **!** | Its important to select a business opportunity that one is passionate about for this increases chance of success because you will enjoy doing it. | | |
|  | **Summary**  In this topic we have learnt about business ideas, opportunities ,sources of business ideas, techniques of generating business ideas, how to screen business ideas ,areas of concern while evaluating ideas and comparison between an entrepreneur and employee. | | |
|  | Self-Assessment Question (SAQ)   |  | | --- | | 1. What is the importance of an appropriate location to an entrepreneur? 2. Why should an entrepreneur perform a competitor analysis? 3. How does the understanding of the consumer help an entrepreneur while setting up? 4. How can one generate and evaluate business ideas? | | | |