Bachelor of Engineering

Eng 4129 – Engineering, Management And Society I

Lecturer

Eng. Ngenda Situmbeko

Cell: 0955 763692

0967 526380

E-mail: situmbekon@zamtel.zm

ngendasitumbeko@sinewy.co.zm

Eng 4129 – Engineering, Management And Society I

Entrepreneurship

Learning objectives

At the end of this syllabus component you will be able to:

- Define: enterprise, entrepreneur and entrepreneurship
- State the importance of entrepreneurship in an economy
- State the role of government in entrepreneurship
- State the advantages and disadvantages of being an entrepreneur
- Define traits of a successful entrepreneur
- Undertake investment appraisal (discounting methods and payback period)

Introduction

- What is enterprise?
- What is an entrepreneur?
- What is entrepreneurship?

Enterprise

Definition:

- An organisation, especially a business, or a difficult and important plan, especially that will earn money.
- Willingness and energy to do something new that takes a lot of effort.
- An organisation, a company, or a business
- *An enterprise is a term in the commercial world used to describe a project or venture undertaken for gain. It is often used with the word "business" as in "business enterprise".*

Enterprise

What is an enterprise?

- An enterprise is an organised business activity that requires initiative and risk taking.
- An enterprise becomes organised if it has clearly stated objectives, and if it has a fixed address. Enterprises engage in manufacturing or in providing services.
- There are generally four categories of enterprises:
  - micro,
  - small-scale,
  - medium-scale and
  - large-scale enterprises.

Enterprise

- MSMEs in Zambia are defined based on the following business variables:-
  - Total fixed Investments
  - Sales Turnover
  - Number of employees.
  - Legal status

Enterprise

Enterprise classification in Zambia:

- Most first time businesses are micro enterprises. A micro enterprise in a Zambian context can be described as follows:
  - It is a micro business if the amount of investment does not exceed ZMW 80, 000.00 (excluding land and buildings), and;
  - if the annual turnover does not exceed ZMW 150,000.00
  - It does not have more than 10 employees.

Enterprise

- **Small Enterprises**
- A small enterprise is any business enterprise registered with the Registrar of Companies;

a) Whose total investment, excluding land and building:
   - In the case of manufacturing and processing enterprises, shall be between K80,000 – K200, 000 in plant and machinery;
   - In the case of trading and service providing enterprises shall be up to K150,000.

b) Whose annual turnover shall be between K150,001- K300,000.

c) Employing between eleven and forty nine (11- 50) persons.

Enterprises

Medium Enterprises

- A medium enterprise is any business enterprise larger than a small enterprise registered with the Registrar of companies;

  a) Whose total investment, excluding land and building;
     - In the case of manufacturing and processing enterprises, shall be between K201,000.00 –K500, 000.00 in plant and machinery,
     - In the case of trading and service providing shall be between K151, 000.00 –K300,000.00.

  b) Whose annual turnover shall be between K300,000.00 – K800,000.00.

  c) Employing between 51 -100 persons.

Enterprise

Legal Status

a) Formal

- Registered with the Patents and Companies Registration Agency (PACRA)

b) Informal Enterprise

- An informal enterprise shall be any business enterprise **not** registered with the Registrar of Companies;
  i. Whose total investments excluding Land and Building shall be up to K50, 000.
  ii. Employing less than Ten (10) persons.

Entrepreneur and Entrepreneurship

What is an entrepreneur?

- An entrepreneur is a person who tries to do something new, visualises a business opportunity, organises the necessary resources for setting up the business and bears the risk involved.
- An entrepreneur may be termed as an innovator, an organiser and a risk bearer.
  - As an innovator, the entrepreneur introduces new products in the market; finds out new markets for existing products; introduces new production technology; launches new marketing strategy and so on.

Entrepreneur and Entrepreneurship

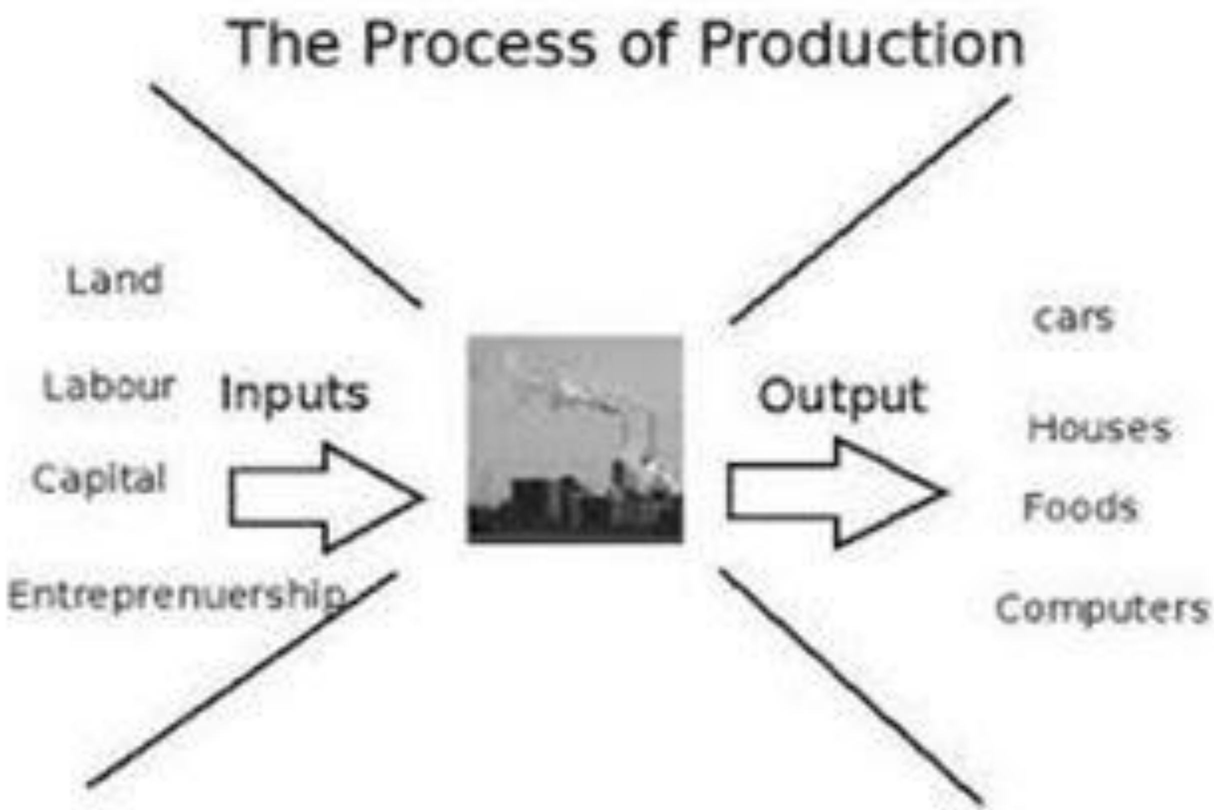
What is an entrepreneur?

- S/He bears the risk and uncertainties associated with the business activities.
- S/He organises all the factors of production like land, labour and capital and sets up the business to take advantage of the opportunity.

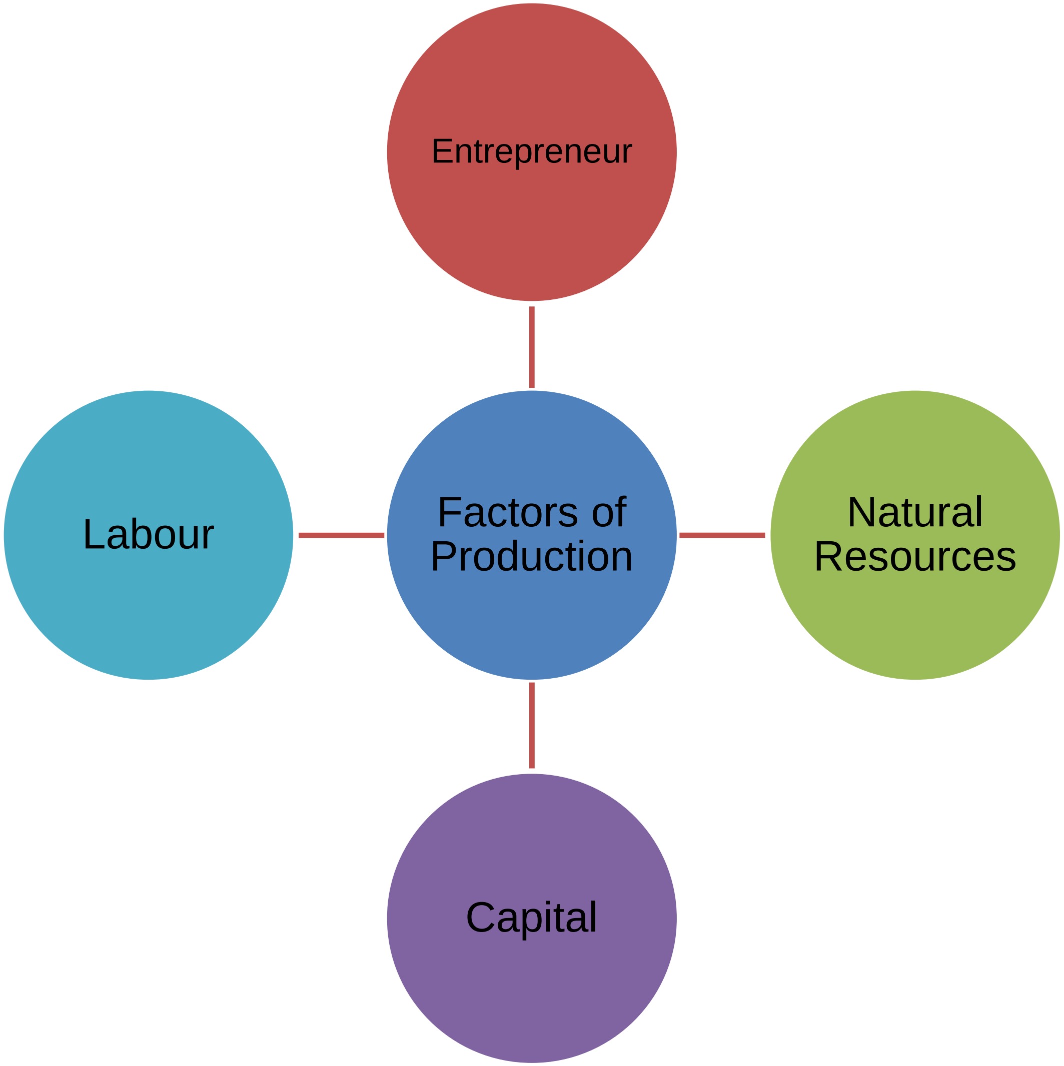
The Factors of Production

- ***What is production?***
- Production means the act of producing a product, an output or a service which has values to fulfil the consumers' wants and needs.
- ***What are the factors of production?***
- The factors of production are the names for the inputs needed to produce a good or service.
- There are four factors of production: land, labour, capital and entrepreneurship (also known as human enterprise or innovation).

Factors of Production



Factors of Production



Factors of Production

- ***What makes up the factors of production?***
- **Land** – Land is the term for the natural resources on earth that are used to produce a good or service.
- **Labour** – This is the human effort that is used in the production of a good or service.
- **Capital** – Capital is the term used to describe human-made goods like tools and machinery that are used to produce goods or services.
- **Entrepreneurship** – Entrepreneurship is when an individual takes an idea or innovation and tries to combine all the factors of production in order to make profit.

Other potential factors of production

- **Knowledge – human capital** – the skills and ability of workers. For example, a doctor who spent 15 years studying medicine is more productive than non-skilled workers.
- **State of technology** – some schools of economics consider the state of technological development to be a factor of production. It will influence the effectiveness of capital investment.
- **Social capital** – the coherence of society. Is there trust and working legal systems which enable entrepreneurs to have greater faith in setting up a business.
- **Cultural heritage** – if there is a strong tradition of investment and business, it is easier to replicate past business models.

Motivation to be an Entrepreneur

Why do people become entrepreneurs?

- There are various reasons for people wanting to become entrepreneurs.
- The list below is only illustrative:
  - They desire to be their own boss; to be independent;
  - There are economic compulsions e.g. loss of regular income/need to have extra income;
  - They are frustrated with their current occupation;
  - They are lured by others' success (mushrooming effect);
  - Others again want to achieve something but are facing uncertainty.

Entrepreneur and Entrepreneurship

What is entrepreneurship?

- The process of creating value by means of a unique combination of resources to exploit opportunities.
- The process of bringing together creative and innovative ideas and coupling these with management and organizational skills in order to combine people, money and resources to meet an identified need and thereby create wealth. This process may be done by one person or by a group (Appleby, 1994).

Entrepreneur and Entrepreneurship

What is entrepreneurship?

- The art of creating or developing an enterprise through creativity, innovation, progressive imagination and risk assuming management.
- An event that introduces a new product, a new production method, new markets, or a new form of organisation. These actions will help generate wealth by creating demand in the market from a newly introduced innovation (Schumpeter, 1934).
- Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk taking, and through the communicative and management skills to mobilize human, financial, and material resources necessary to bring a project to fruition."

Entrepreneurship

- What is the importance of entrepreneurship?
- Entrepreneurship is an essential element for economic progress as it manifests its fundamental importance in different ways:
  - by identifying, assessing and exploiting business opportunities;
  - by creating new firms and/or renewing existing ones by making them more dynamic; and
  - by driving the economy forward – through innovation, competence, job creation- and by generally improving the wellbeing of society.

Importance of Entrepreneurship

- What is the importance of entrepreneurship?

a) *Creation of job opportunities* - Entrepreneurs start new firms, which may mean more job prospects for individuals.

b) *Creation of new businesses* - Entrepreneurship is essentially the ownership of a business by a single person.

c) *Innovation* - Entrepreneurship is the ability to innovate, whether in an established company, a government agency or a new business.

d) *Leads to better standards of living* - 'Standard of living' is a term or theory which involves higher consumption of a variety of products and services over a period.

Importance of Entrepreneurship

- What is the importance of entrepreneurship?

e) *Supports research and development (R&D)* - Before introducing a new product or service in the market, an in-depth investigation and testing of the product is typically necessary.

f) *Promotes community development* - Entrepreneurs can help bring unity and build goodwill among individuals who have common goals and interests.

g) *Leads to increased productivity* - Entrepreneurs can make current businesses more competitive by offering lower pricing and a wider range of products.

h) *Creation of national wealth* - Entrepreneurship usually plays a key part in contributing to the country's national economy by generating wealth and paying taxes, which generally adds to a country's gross domestic product (GDP).

i) *Contributes to social welfare* - Entrepreneurship also brings about social integration and reforms by connecting and helping people.

Main elements used to define the term "entrepreneur"

Importance of Entrepreneurs

What is the Importance of Entrepreneurs to the Country?

- There are a few facts to show the importance of this category of people on how they can play a part in contributing to the economy of a country.
- These include:
  - One important role that entrepreneurs play is creating job opportunities.
  - Most entrepreneurs tend to be careful when starting by creating a small number of jobs as risk taking plays a role in becoming an entrepreneur but they tend to increase or create more job roles as time goes by, if they are in a “comfort zone” when they realize that expansion is needed due to the increase in demand.
  - This would certainly help reduce the unemployment rate in a country.

Importance of Entrepreneurs

Importance of Entrepreneurs to the Country cont’d:

- creating wealth for the people in a country, and research and development (R&D) to be different from other companies on how to get the best product at a lower cost which would benefit the people by savings.
- Innovation would also expand the skill sets of an individual even for themselves. New start ups would normally be more innovative by doing more.

Government Support to Entrepreneurs

How can government help Entrepreneurs?

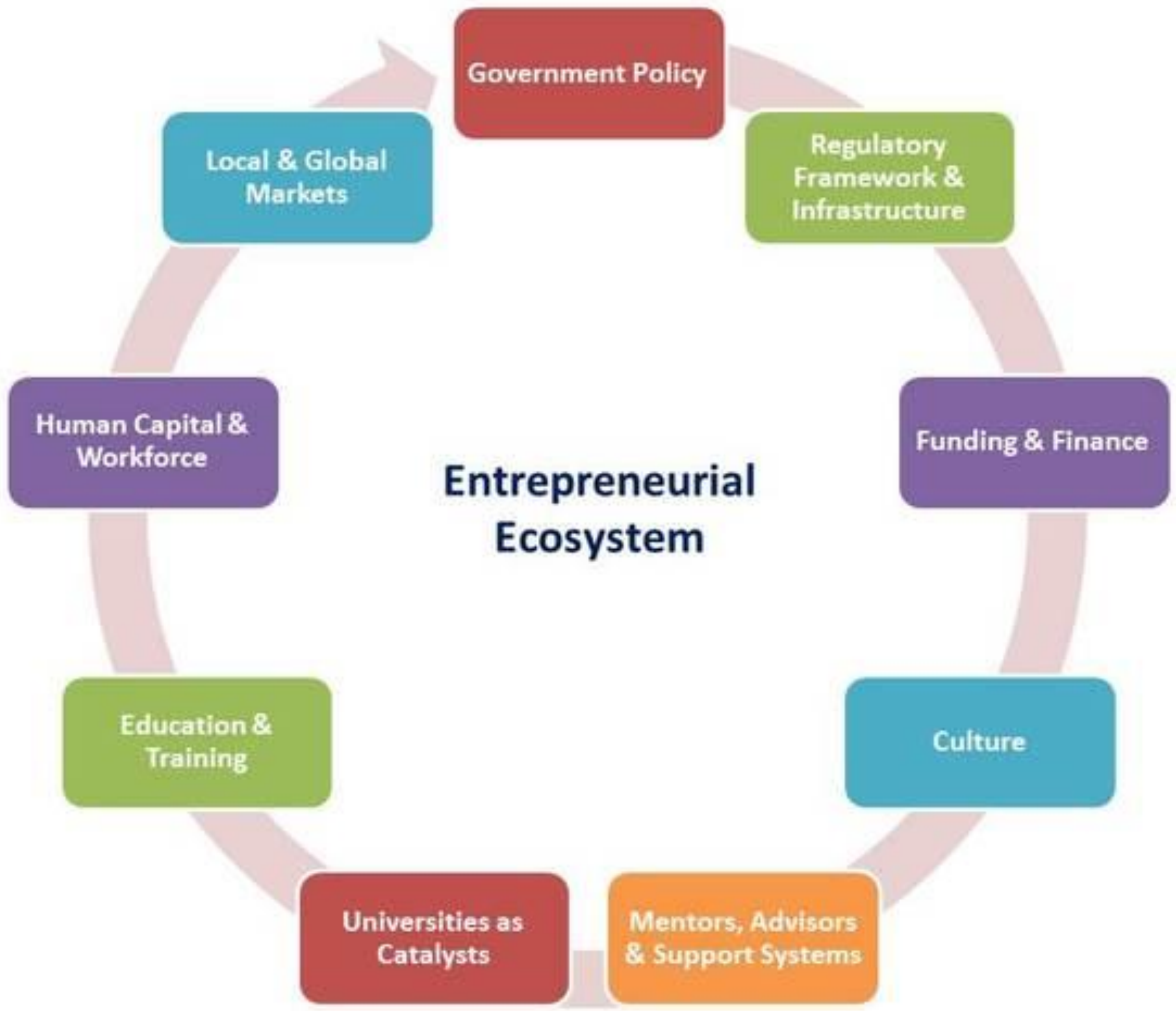
- The Government supports entrepreneurship initiatives by having start-up funds, trainings, availability of resources and also acts as advisor for micro, small, and medium industries.
- Entrepreneurship subjects are also taught in public universities and colleges.
- Provision of incentives to start ups and those priority sectors (manufacturing, tourism, mining, energy, agriculture, etc.)
- Development and implementation of policies that favour both the business and its management.

Entrepreneurial ecosystem

What is an entrepreneurial ecosystem?

- The term describes the conditions that help to bring people together and foster economic prosperity and wealth creation.
- An entrepreneurial ecosystem or entrepreneurship ecosystem is the social and economic environment affecting the local or regional entrepreneurship.
- *Entrepreneurial ecosystems are defined as a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory.*
- The diagram below shows the nine major elements that are considered important to the generation of an entrepreneurial ecosystem.

Government Support to Entrepreneurs



Entrepreneurial ecosystem

- Entrepreneurial ecosystem has nine elements or framework conditions in every territory or country, playing a role of catalyst for the entrepreneurial activities – *see diagram above*.

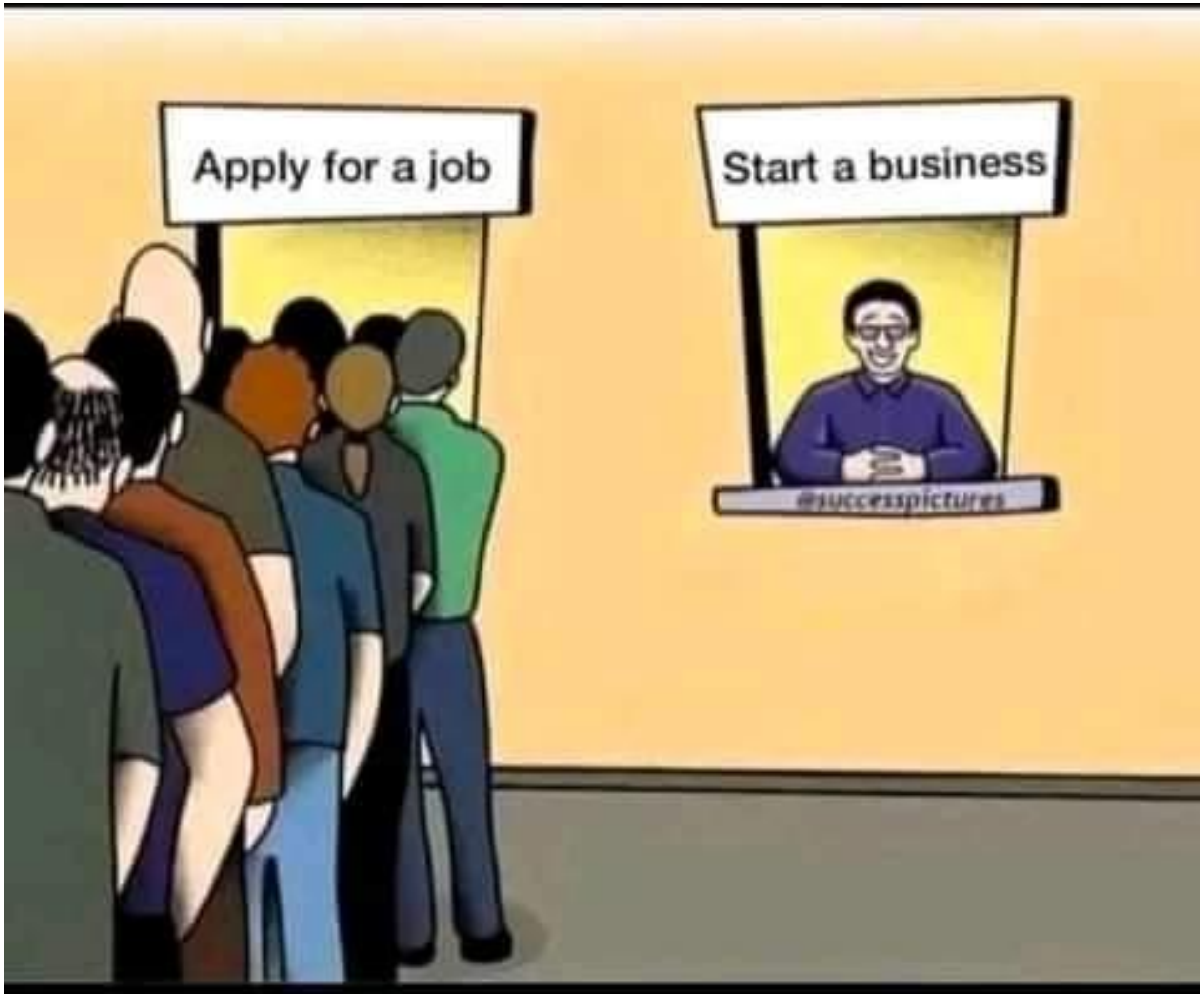
Importance of Entrepreneurs

To summarise:

- entrepreneurs do play a role in strengthening the economic growth of a country as well as speeds up modernization by doing research and development.
- Creates wealth for entrepreneurs but it is also very important to give back to the society by doing corporate social responsibility (CSR) projects which in return would bring benefit to the less fortunate.

Entrepreneurship - Conclusion

Which way for you?



Traits of a Successful Entrepreneur

Traits of a Successful Entrepreneur

What are the behavioural traits of successful entrepreneurs?

These include:

- **The need to achieve -** evident in an individual’s desire to achieve some excellence and success in performance.
- **Risk taking** - Successful entrepreneurs have an inclination to take calculated, moderate and intelligent risks. They tend to avoid both excessively high as well as low risk situations.
- **Positive self concept** - This includes self confidence and self efficacy, i.e. one must have a positive image of one’s abilities and achievements.

Traits of a Successful Entrepreneur

These include:

- **Initiative and independence -** Entrepreneurs not only show initiative but also independence in their behaviour. They like to act on their own rather than follow given directions.
- **Problem solving** - Entrepreneurs have a tendency to approach problems in order to solve them.
- **Positive thinking about future** - Entrepreneurs tend to be hopeful even though they may be dissatisfied with the current situation.

Activities and characteristics often attributed to entrepreneurs

Activities	Characteristics
1. Learning	Experience of a sector; memorized information; use of feedback.
2. Choosing a sector	Interest; motivation; assessment of potential added value for the future.
3. Identifying a niche	Care; analytical capacities; precision; target.
4. Recognizing and developing an entrepreneurial opportunity	Originality; differentiation; creativity; intuition; initiative; culture that value innovation.
5. Visualizing projectively	Ability to dream realistically; conceptual skills; systemic thinking; anticipation; foresight; ability to set goals and objectives; visioning.
6. Managing risk	Thriftiness; security; conservatism; moderate risk-taker; ability to tolerate uncertainty and ambiguity; iindependence.
7. Designing (products, services, organizations)	Imagination; problem-solving skills.
8. Committing to action	Self-confidence related to clearly defined identity; long-term commitment; hard-worker; energy; result- orientation; decision-making; passion; locus-of-control; determination; perseverance; tenacity.
9. Using resources	Resourcefulness; coordination; control.
10.Building relations systems	Networking skills; flexibility; empathy; listening and communication skills; use of mentors; vision.
11.Managing – sales; negotiations; people – and delegating	Versatility; adaptability; capacity to design tasks; ability to trust.
12.Developing	Leadership; seeks challenges.

Benefits of entrepreneurship

- ***What are the benefits of entrepreneurship?***
- Entrepreneurship benefits the nation, the society and the individual.
- Benefits to the nation:
  - Job creation;
  - Resources are utilised effectively and usefully;
  - The quality of products sold on the national market is improved;
  - Foreign companies are attracted (Foreign Direct Investment (FDI));
  - Tax revenues are generated, for the benefit of the state's coffer.

Benefits of entrepreneurship

- Benefits to society - The society is benefitted by:
  - Incomes and the standard of living increases;
  - Employment level increases;
  - In general, capital, knowledge and technology increase;
  - Society is introduced to new goods and services.
- Benefits to the individual
  - An increased number of individuals can fulfil their creative urge, this creates satisfaction and raises self-esteem;
  - Entrepreneurs enjoy respect and high status in their communities.

The business Idea and Opportunity

The Entrepreneurial Process

What will you learn?

- The process of entrepreneurship.
- The components of a new venture organization.
- How businesses succeed.

The Entrepreneurial Process

Why it’s important.

- Understanding the entrepreneurial process will help you build a more effective business that creates value.
- Learning the facts about business success and failure will help you make wiser business decisions.
- Entrepreneurial opportunities are those situations in which new goods, services, raw materials, and organising methods can be introduced and sold at greater than their cost of production.
- An entrepreneurial/business idea is a concept that can be used for financial gain that is usually centred on a product that can be offered for money.

The Entrepreneurial Process

Key Terms:

- environment
- enterprise zones
- opportunity
- start-up resources
- new venture

The Entrepreneurial Process

I. Entrepreneurial Start-up

- The entrepreneurial start-up process includes five key components.
  - The entrepreneur
  - The environment
  - The opportunity
  - Start-up resources
  - The new venture organization

The Entrepreneurial Process

II. The Entrepreneur

- The entrepreneur pulls together the different components involved in creating a new business.
- The entrepreneur brings to the business all the behaviours and experience from his or her life to that point.

The Entrepreneurial Process

III. The Environment

- The business *environment* refers to the variables affecting it that are not controlled by the entrepreneur.
- There are four general categories of environmental variables affecting a new venture.
  - The nature of the environment (uncertain, fast-changing, stable, highly competitive, etc.)
  - The availability of resources
  - Ways to realize value (favourable taxes, good markets, supportive government policies, etc.)
  - Incentives to create new businesses, such as enterprise zones (Multi-facility Economic Zones (MFEZ)).

The Entrepreneurial Process

The Environment – cont'd

- *Enterprise/Economic zones* - Specially designated areas of a community that provide tax benefits to new businesses locating there and grants for new product development.
  - We have Multi Facility Economic Zones (MFEZ) in Lusaka and the Copperbelt Provinces.
  - CEEC (Citizens Economic Empowerment Commission) has also developed Industrial Yards/Hubs in a number of towns throughout the country.
  - the development of industrial yards are suitable infrastructure constructed to enable MSMEs to conduct their businesses in a conducive environment.

The Entrepreneurial Process

IV. The Opportunity

- An *opportunity* is an idea that has commercial value.
- New businesses are founded on recognized opportunities in the environment.

The Entrepreneurial Process

V. Start-up Resources

- What resources do you need to start-up a business?
- The *start-up resources* an entrepreneur needs to start a business include the following:
  - Capital
  - Skilled labour
  - Management expertise
  - Legal and financial advice
  - A facility/buildings
  - Plant, machinery and Equipment
  - Customers - The most important start-up resource is customers.

The Entrepreneurial Process

VI. The New Venture Organization

- The *new venture organization* is the shell that surrounds all the parts of a new business.
- The parts of a new business include the following:
  - Products
  - Processes
  - Services
- Entrepreneurs are able to create value for a business through new venture organization.

The Entrepreneurial Process

VII. How Businesses Succeed

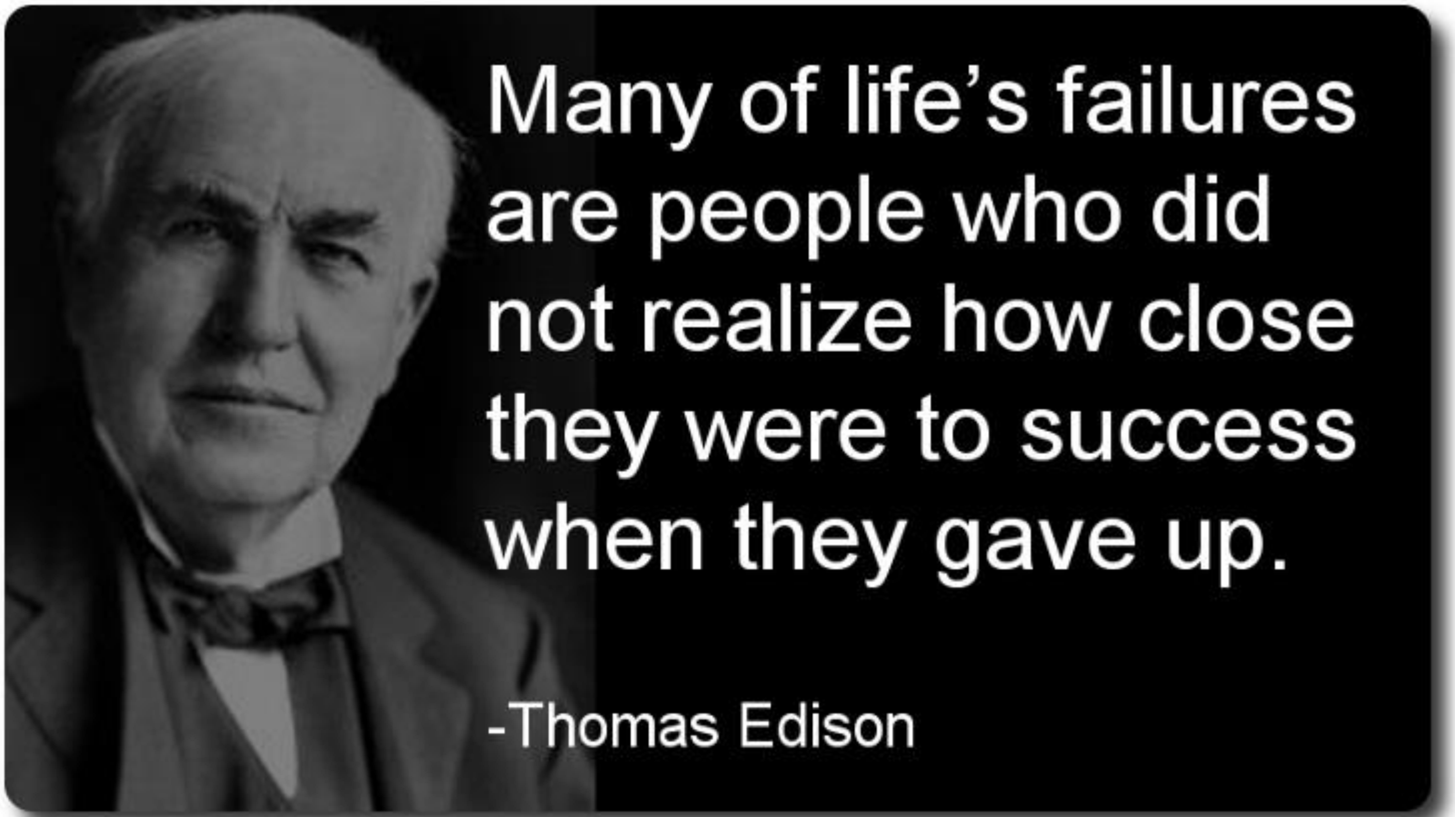
- The myth that most new businesses fail is not true.
- To succeed, the following are important:
  - Be consistent
  - Be prepared to make sacrifices
  - Provide great products (goods, works or services)
  - Stay focused
  - Be creative
  - Understand risks and rewards
  - Analyze your competition
  - Keep detailed records
  - Be organized

The Entrepreneurial Process

VIII. How Can Entrepreneurs Succeed?

- The chances of a new business succeeding are good with effective planning.
- The number–one cause of business failure is poor management.
- Entrepreneurs can improve their chances of success by:
  - Learning how to build a new business.
  - Assembling a team that has the expertise they need.

Forms of business organisations



Forms of business organisations

- What forms of business organisations do we have in Zambia?
- The common forms of business organisations are:
  - sole proprietorship,
  - partnership, and
  - Limited Liability Company/corporation

Sole Proprietorship

- **Sole Proprietorship** - The simplest and most common form of business ownership, sole proprietorship is a business owned and run by someone for their own benefit.
- The business’ existence is entirely dependent on the owner’s decisions, so when the owner dies, so does the business.
- What are the advantages and disadvantages of Sole Proprietorship?

Partnership

- What Is a Partnership?
- A legal form of business operation between two or more individuals who share management and profits.
- Partnership – owners (two or more) invest their money, property, labour, etc. into the business and are all 100% liable for business debts.
- Even if you invest a little amount into a partnership, you are still potentially responsible for all its debt.
- What are the advantages and disadvantages of partnerships?

A Corporate

What is a corporate?

- corporate ” means an entity, including a company or body corporate, that is separate and distinct from its owners and which is recognised as such by law and acts as a single entity;
- A corporation/company is a legal entity.
- It is a legal person owned by its shareholders.
- It can make contracts, carry on a business, borrow money, sue and be sued.
- Shareholders have limited liability, which means that they cannot be held personally responsible for the company’s debts.

Limited liability company

- What is a limited liability company (Ltd)?
- A limited company (Ltd) is a general form of incorporation that limits the amount of liability undertaken by the company's shareholders.
- It refers to a legal structure that ensures that the liability of company members or subscribers is limited to their stake in the company by way of investments or commitments. In a legal sense, a limited company is a person.
- A limited company is a type of business structure and separate legal entity that is limited by shares or by guarantee, that must be incorporated with Patents and Companies Registration Agency (PACRA).
- The naming convention for this type of corporate structure is commonly used in Zambia, where a firm's name is followed by the abbreviated "Ltd."
- This general organisation structure separates its assets, income, and liabilities from its directors and shareholders.
- What are the advantages and disadvantages of limited liability company?

Limited liability company

- According to the Companies Act No. of 2017 there are 4 forms of limited liability companies/corporations in Zambia:
- “ company ” means an entity incorporated in accordance with this Act and section 6 of the repealed Act;
- A company incorporated under this Act shall be—
  a) public company; or
  b) private company, being—
     i. a private company limited by shares;
     ii. a private company limited by guarantee; or
     iii. an unlimited private company.

The Company's Act No 10 of 2017

The purpose of The Company's Act No 10 of 2017:

- An Act to promote the development of the economy by encouraging entrepreneurship, enterprise efficiency, flexibility and simplicity in the formation and maintenance of companies ;
- provide for the incorporation , categorisation , management and administration of different types of companies;
- provide the procedure for the approval of company names, change of name and conversion of companies;
- provide for shareholders' rights and obligations, the conduct of meetings and the passing of resolutions by shareholders;

The Company's Act No 10 of 2017

- to encourage transparency and high standards of corporate governance by providing for the functions and obligations of company secretaries and directors;
- provide for issue of shares, share capital requirements, procedures for alteration and reduction of share capital and disclosure requirements of companies;
- provide for the public issue of shares, the issue and registration of charges and debentures;
- incorporate financial reporting provisions, maintenance of accounting records, and access to financial information of companies;
- provide for amalgamations; provide for the registration of foreign companies doing business in Zambia;
- provide for the deregistration of companies;

Private Company

What is a private company?

- “ private company ” means an entity incorporated as a private company in accordance with section 6 or the repealed Act and which fulfils the requirements stipulated in section 8;
- “ private company limited by guarantee ” means an entity incorporated in accordance with section 6 or the repealed Act and which fulfils the requirements stipulated in section 10;
- “ private company limited by shares ” means an entity incorporated in accordance with section 6 and satisfying the requirements of section 9;
- “ private unlimited company ” means a company incorporated in accordance with section 6 and which fulfils the requirements of section 11;

Public company

What is a public limited liability company (PLC)?

- "public company " means an entity incorporated as a public company in accordance with section 6 and which fulfils the requirements stipulated in section 7;
- A company whose securities are traded on a stock exchange and can be bought and sold by anyone.
- Public companies are strictly regulated, and are required by law to publish their complete and true financial position so that investors can determine the true worth of its stock (shares).
- Please download a copy of the Companies Act No. 10 of 2017 and look at sections referred to above.

The Company’s Act No 10 of 2017

- Articles of Association
- What are Articles of Association?
- articles ” means the articles of association incorporating the internal governing rules of a company as provided for in section 25 of the Companies Act;
- Section 25 states:
  - (1) A company shall have articles of association that regulate the conduct of the company.
  - (3)   A company shall not carry on any business or exercise a power which the company is restricted by its articles from carrying on or exercising, or exercise any of its powers in a manner that is contrary to its articles.
  - (8)   Where a company adopts the Standard Articles set out in the Schedules, the company shall not be required to file the Standard Articles with the Registrar.

The Company’s Act No 10 of 2017

- Particular attention should be paid to the following parts of the Act:
  - Part II – Incorporation and registration of companies
  - Part III – Corporate Capacity and Administration
  - Part VII – Corporate Governance
  - Part VIII – Shareholders’ rights and obligations; and
  - Part IX – Share and Share Capital

Goals of a corporation/company/business

What are the goals of a business undertaking?

- The goal is to: Maximize the current market value of shareholders' investments in the firm/business.
- To carry on business a corporation needs a variety of real assets.
- The company pays for its real assets by selling claims on them and on the cash flow that they will generate.
- Financial assets include stocks, bonds, and cash, while real assets are real estate, infrastructure, and commodities.
- Assets are the backbone and lifeblood of the economy, enabling us to create wealth.
- Financial Assets are highly liquid assets that are either in cash or can be fast converted to cash.

Corporate Investment and Financing Decisions

- In running a corporation two key decisions have to be made:
  - Investment decision = purchase of real assets
  - Financing decisions = sale of securities and other financial assets

The Business Plan

Business Plan

- What is a business plan?
- What is the purpose of the business plan?
- What are the contents of the business plan?

Business Plan

- What is a business plan?
- A business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in a business venture.
- A business plan is a document that defines in detail a company's objectives and how it plans to achieve its goals.
- A business plan lays out a written roadmap for the firm from marketing, financial, and operational standpoints.
- It is an integration of functional plans such as: marketing, manufacturing/operations, finance, and human resources.
- It is at times referred to as the game plan or roadmap.
- Both startups and established companies use business plans.

Business Plan

- The business plan answers the following questions:
  - Where am I now?
  - Where am I going?; and
  - How do I get there?
- Who has an interest in a business plan?
- The interested groups are:
  - Employees
  - Investors
  - Bankers
  - Venture capitalists
  - Suppliers
  - Customers
  - Advisors, and Consultants
- Each of the above has their own specific needs.

Business Plan

- Who is a venture capitalist?
- A venture capitalist (VC) is a private equity investor that provides capital to companies with high growth potential in exchange for an equity stake.
- This could be funding startup ventures or supporting small companies that wish to expand but do not have access to equities markets.

Business Plan

- The importance of the business plan to the interest groups:
  - It helps determine the viability of the venture in the designated market
  - It provides guidance to the entrepreneur in organising his/her planned activities; and
  - It serves as an important tool in helping to obtain financing.
- Potential investors are very particular with what must be included in the business plan.

Business Plan

- Some of the benefits of developing a business plan are:
  - The thinking process required to develop a business plan is a valuable experience for the entrepreneur; as it forces him/her to assess such things as cash flow and cash requirements.
  - It provides a self-assessment of the entrepreneur.
  - The planning process forces the entrepreneur to bring objectivity to the idea and to reflect on it.

Business Plan

Some of the benefits cont'd:

- It helps reflect on such questions:
  - Does the idea make sense?
  - Will it work?
  - Who is my customer?
  - Does it satisfy customer needs?
  - What kind of protection can I get against imitation by competitors?
  - Can I manage such a business?
  - Who will I compete with?
  - Etc.

Financial Plan

- What is a financial plan?
- Financial planning is the task of determining how a business will afford to achieve its strategic goals and objectives.
- Usually, a company creates a Financial Plan immediately after the vision, mission and objectives have been set.
- The Financial Plan describes each of the activities, resources, equipment and materials that are needed to achieve these objectives, as well as the timeframes involved.
- ***A financial plan is a written statement of your current financial condition, intended financial state, a timeline for achieving those goals, and the steps you will take to get there.***

Financial Plan

What Financial criteria is used for business evaluation?

- Projected financial statements for say 5 – 10 years must be prepared; and these are:
  - Statements of comprehensive income; financial position and cash flows.
  - They should include both operating and capital budgets.
- The evaluation metrics must include:
  - Profitability
  - Gearing
  - Liquidity
  - Return on investment,
  - Etc.

Capital and Operating Budgets

- **What is a capital budget?**
  - A capital budget is a budget allocating money for the acquisition or maintenance of fixed assets such as land, buildings, and equipment.
  - It is an investment in the future – long term.
- **What Is an Operating Budget?**
  - An operating budget is a detailed projection of what a company expects its revenue and expenses will be over a period of time.
  - Companies usually formulate an operating budget near the end of the year to show expected activity during the following year.
  - In many organizations, the Board of Directors needs to approve a budget before the beginning of the fiscal year in order for the organization to operate.

Bankable Business Plan

- What is a bankable business plan?
- A bankable business plan is one that attracts the approval and financing for your business venture by addressing the needs of bankers and investors while still accomplishing your own entrepreneurial goals.
- A Bankable Business Plan is usually used for Loan Funding, especially if the loan is unsecured (other than by the business itself).
- Thus, the financier's main concerns are that the correct amount has been budgeted and that their money will be repaid timeously.

Contents of a Bankable Business Plan

Contents of a Bankable Business Plan

Contents of a Bankable Business Plan

Investment Evaluation

Investment Evaluation

- What is investment appraisal?
- Investment appraisal is a way that a business will assess the attractiveness of possible investments or projects based on the findings of several different capital budgeting and financing techniques.
- The methods of investment appraisal include:
  1. Payback Period Method
  2. Accounting Rate of Return Method
  3. Net Present Value Method
  4. Internal Rate of Return Method
  5. Profitability Index Method
  6. Discounted Payback Period Method
  7. Adjusted Present Value Method.

Investment Evaluation

- What is ARR – Accounting Rate of Return?
- Accounting Rate of Return (ARR) is the average net income an asset is expected to generate divided by its average capital cost, expressed as an annual percentage.
- The ARR is a formula used to make capital budgeting decisions.
- It is used in situations where companies are deciding on whether or not to invest in an asset (a project, an acquisition, etc.) based on the future net earnings expected compared to the capital cost.

What are the Decision Rules for Accounting Rate of Return?

- When a company is presented with the option of multiple projects to invest in, the decision rule states that a company should accept the project with the highest accounting rate of return as long as the return is at least equal to the cost of capital.

Investment Evaluation

Definition of Cost of Capital

- Cost of Capital is the rate of return the firm expects to earn from its investment in order to increase the value of the firm in the market place.
- In other words, it is the rate of return that the suppliers of capital require as compensation for their contribution of capital.

Profitability Index

- *Profitability Index* is a capital budgeting tool used to rank projects based on their profitability.
- It is calculated by dividing the present value of all cash inflows by the initial investment.
- *Projects with higher profitability index are better.*

Investment Evaluation

- What Is Adjusted Present Value (APV)?
- The adjusted present value is the net present value (NPV) of a project or company if financed solely by equity plus the present value (PV) of any financing benefits, which are the additional effects of debt.
- By taking into account financing benefits, APV includes tax shields such as those provided by deductible interest.
- What is a Tax Shield?
- A tax shield is the deliberate use of taxable expenses to offset taxable income. The intent of a tax shield is to defer or eliminate a tax liability.
- The tax shield strategy can be used to increase the value of a business, since it reduces the tax liability that would otherwise reduce the value of the entity's assets.

Investment Evaluation

Tax Shield definition – cont'd

- A tax shield is a reduction in taxable income for an individual or corporation achieved through claiming allowable deductions such as mortgage interest, medical expenses, charitable donations, amortization, and depreciation (capital allowances).
- These deductions reduce a taxpayer's taxable income for a given year or defer income taxes into future years.

Financial Plan Evaluation

- The criteria considered further are:
  - Payback period;
  - Net Present Value (NPV);
  - Internal Rate of Return (IRR)

Financial Plan

What is the payback period?

- The time required to recoup the funds invested in an investment/project.
- Payback period is the time in which the initial outlay of an investment is expected to be recovered through the cash inflows generated by the investment.
- Payback period = Cost of investment ÷ net cash inflows generated by the investment per year.
- **Decision Rule** - The longer the payback period of a project, the higher the risk.
  - The payback method is a decision rule that says a project should only be accepted if the initial investment is recovered within a certain period of time.
  - The acceptance criterion is simply the benchmark that is set by a firm.
  - Between mutually exclusive projects having similar return, the decision should be to invest in the project having the shortest payback period.

Pay Back Period

- The decision of whether to accept or reject a project based on its payback period depends upon the risk appetite of management.

A. If projects are independent:
   - Accept the project whose pay back period is less than the life of the standard pay back period.
   - Reject the project whose pay back period is more than the life of the standard pay back period.

B. If projects are mutually exclusive:
   - Accept the project with the lowest pay back period.
   - Reject other projects.

- The payback period refers to the amount of time it takes to recover the cost of an investment or how long it takes for an investor to reach breakeven.
- Management will set an acceptable payback period for individual investments based on whether the management is risk-averse or risk-taking.

Payback Period - Examples

- **Example 1: Even Cash Flows**
- Company C is planning to undertake a project requiring initial investment of K105 million. The project is expected to generate K25 million per year in net cash flows for 7 years. Calculate the payback period of the project.
- **Solution**
- Payback Period
  = Initial Investment ÷ Annual Cash Flow
  = K105M ÷ K25M
  = 4.2 years

Payback Period - Examples

- Example 2: Uneven Cash Flows
- Company Z is planning to undertake another project requiring initial investment of K50 million and is expected to generate K10 million net cash flow in Year 1, K13 million in Year 2, K16 million in year 3, K19 million in Year 4 and K22 million in Year 5. Calculate the payback period of the project.
- Solution

Year	(Cash flows in K' millions)	
	Annual Cash Flow	Cumulative Cash Flow
0	(50)	(50)
1	10	(40)
2	13	(27)
3	16	(11)
4	19	8
5	22	30

Payback Period = 3 + 11/19 = 3 + 0.58 ≈ 3.6 years

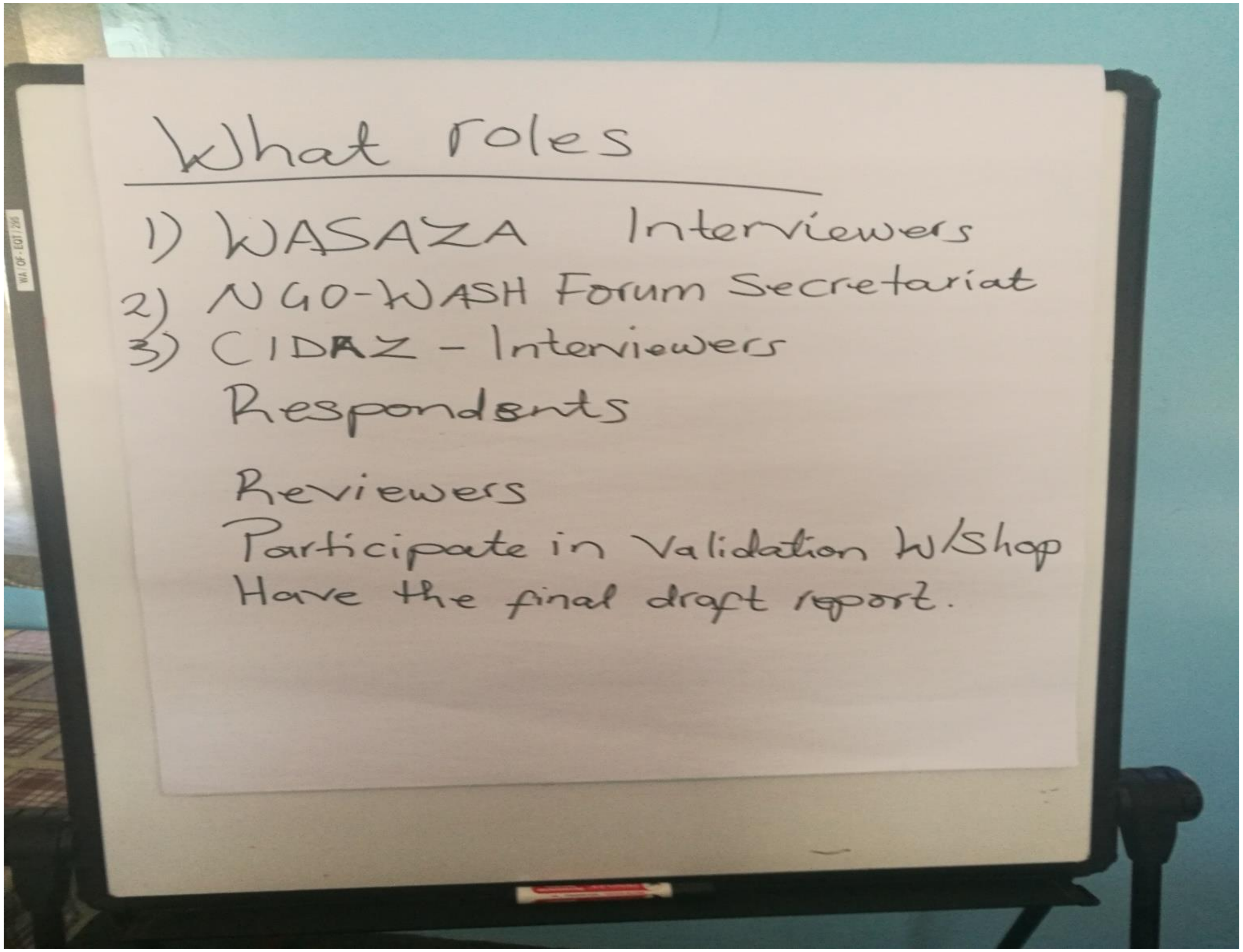
Discounted Payback

- Definition
- The discounted payback period is defined as the length of time it takes the discounted net cash revenue/cost savings of a project to payback the initial investment.
- The discounted payback period (DPB) is the amount of time that it takes (in years) for the initial cost of a project to equal to discounted value of expected cash flows, or the time it takes to breakeven from an investment.
- It is the period in which the cumulative net present value of a project equals zero.
- Calculation
- The discounted payback calculation takes into account the time value of money by discounting each cash flow before the cumulative cash flow is calculated, and determines the time at which the net present value becomes positive.

Discounted Payback

- What is the acceptance rule for discounted payback period?
- The shorter a discounted payback period is, means the sooner a project or investment will generate cash flows to cover the initial cost.
- A general rule to consider when using the discounted payback period is to **accept projects that have a payback period that is shorter than the target timeframe**.

Compounding and Discounting Methods



Interest

- What is interest?
- Interest is the price you pay to borrow money or the cost you charge to lend money.
- Interest is most often reflected as an annual percentage of the amount of a loan.
- This percentage is known as the interest rate on the loan.
- **OR**
- Interest is the cost of borrowing money.
- Typically expressed as a percentage, it amounts to a fee or extra charge the borrower pays the lender for the financed sum.

COMPOUNDING METHODS

- What is simple interest?
- Interest is calculated once per year on the original amount borrowed or invested. The interest does not become part of the amount borrowed or owed (the principal).
- Simple Interest; $I = \frac{PxTxR}{100}$

⇨ I – Interest

⇨ P – Principal

⇨ R – Rate of interest

⇨ T – Period

- In most cases, the rate of interest R is divided by 100 and it becomes: R/100= r

⇨ I = PTr

Compound Interest

- What is compound interest?
- If interest earned is not withdrawn then interest on deposit itself would earn interest, and this would be called compound interest.
- Compound interest (or compounding interest) is interest calculated on the initial principal, which also includes all of the accumulated interest from previous periods on a deposit or loan.
- Value of deposit at end of 1^{st} year,
  - $S = P + rP$
- $= P(1+r)$

Compound Interest

- Value of deposit at the end of 2nd year is:
- $= P(1+r) + rP(1+r)$
- $= (1+r)(P+rP)$
- $= (1+r)P(1+r)$
- $= P(1+r)^2$

- So if S is the value of the deposit (or sum available) after *n* years,
- In general $S = P(1+r)^n$

DISCOUNTING METHODS

- What is discounting?
- Discounting is the process of converting a value received in a future time period to an equivalent value received immediately.
- For example, a kwacha or dollar received 50 years from now may be valued less than a kwacha or dollar received today - discounting measures this relative value.
- Discounting is a reverse process of compounding.
- Discounting takes into account the time value of money. A sum of money is worth more today than it is worth tomorrow.
- The concept of Present Value
  - Definition: The present value of a sum of money receivable in the future is the sum you would be prepared to accept now, rather than have to wait for it.

DISCOUNTING METHODS

- Sum invested now would grow under compound interest:
- $S = P(1 + r)^n$
- If S is the sum receivable in the future, then P must be its present value:
- $P = \frac{S}{(1+r)^n}$ or $P = S\,(1+r)^{-n}$

Net Present Value

- Net present value (NPV) is used to determine the current/present value of all future cash flows generated by a project, including the initial capital investment.
- Rule: Invest if NPV is equal to zero or above.
- $NPV = \sum_{t=0}^{n} \frac{Ct}{(1+i)^{n}}$

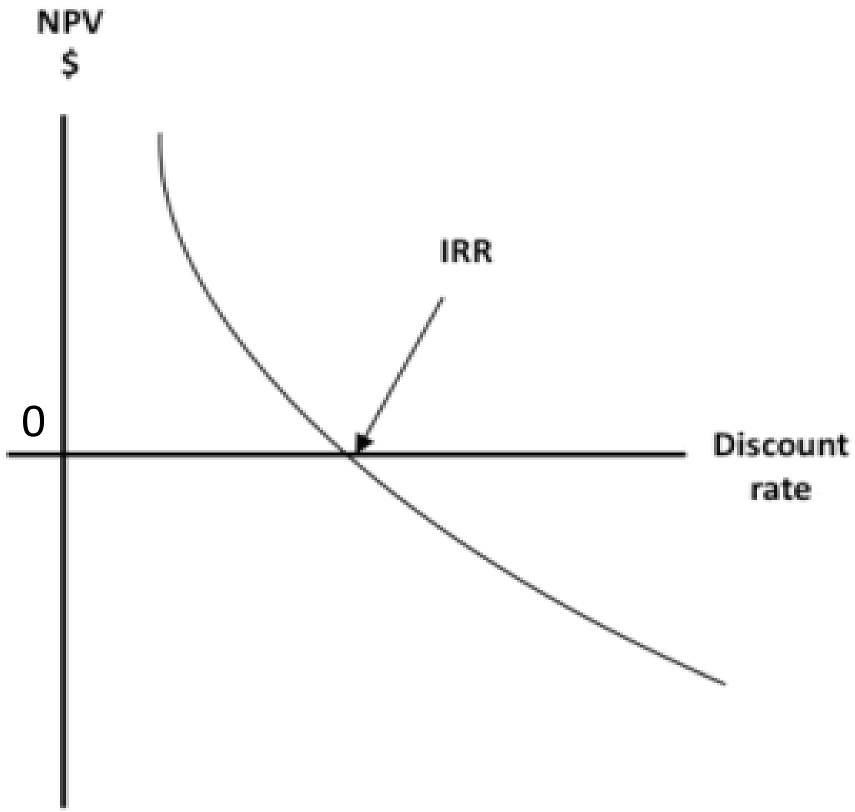
Where:

- Ct = net cash flows during a single period t
- i = discount rate of return that could be earned in an alternative investment or set by management
- t = number of time periods
- NPV = (Today's value of the expected future cash flows) – (Today's value of invested cash)
- n = number of discount periods

Internal rate of Return

- The Internal rate of return (IRR) is a metric used in capital budgeting to measure the profitability of potential investments.
- The IRR is a discount rate that makes the net present value of all cash flows from a particular investment/project equal to zero.
- Criteria – invest if IRR is equal or above the hurdle rate set by management.
- IRR is calculated through iteration.

Graph of NPV Vs IRR

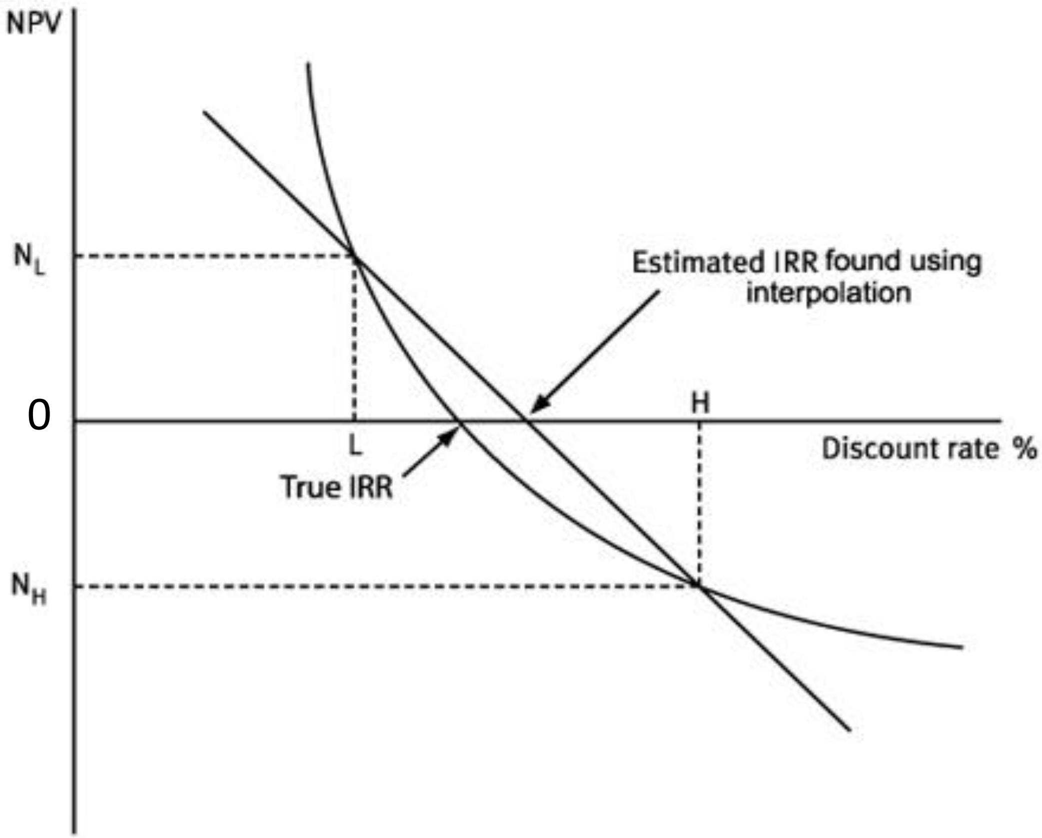


IRR Estimation

- $$IRR = r_1 + (r_2 - r_1)\frac{NPV_1}{NPV_1 - NPV_2}$$
- r_1 - the value below the true rate,
- r_2 - the value above the true rate
- NPV - the Net Present Value

Investment Evaluations

The diagram below shows the IRR as estimated by the formula.



NPV – Class Exercise

- Calculate the following from the given cash flows:
- Cash flows: Initial investment – K100,000. The net cash flows at the end of each of the 5 financial years (during the life span of the project) is K40,000.

a) NPV at 20% and 50% discount rates and advise on the suitability of the investment.

b) The IRR for the project

- Cash flows: initial investment – K100,000. Net cash flows during the life span of the project (5 years) = K40,000 per year.

NPV – Class Exercise - Solution

Year	Cash Flow	Discount factor@20%	PV @20%	Discount factor@50%	PV @50%
0	- 100,000.00	1.0000	- 100,000.00	1.0000	- 100,000.00
1	40,000.00	0.8330	33,320.00	0.6667	26,668.00
2	40,000.00	0.6940	27,760.00	0.4444	17,776.00
3	40,000.00	0.5790	23,160.00	0.2963	11,852.00
4	40,000.00	0.4820	19,280.00	0.1975	7,900.00
5	40,000.00	0.4020	16,080.00	0.1317	5,268.00
NPV			**19,600.00**		**- 30,536.00**

- $$IRR = r_1 + (r_2 - r_1)\frac{NPV_1}{NPV_1 - NPV_2}$$

IRR =	20 + (50 - 20) x	19,600/(19,600 + 30536)
=	20 + 30 x 0.3909	
=	**31.73%**	

NPV – Class Exercise - Solution

- At a hurdle rate of 20% the project is viable with an NPV of K 19,600.00 .
- At a hurdle rate of 50% the project is NOT viable with an NPV of -K 30,536.00 .
- The project has an IRR of 31.73%; hence any hurdle rate below the IRR will be acceptable and any above will be unacceptable

Present Value Table

- A Present Value table is a tool that assists in the calculation of present value (PV).
- To get the present value, we multiply the amount for which the present value has to be calculated with the required coefficient on the table.
- A present value table includes different coefficients depending on the discount rate and the period.

Present Value

- What is Present Value and Discount Rate?
- To understand the present value, we will first have to know what is Present Value and Discount Rate.
- Present Value is the current value of a future sum of money at a specific rate of return.
- To put it simply, money not spent today may lose value in the future owing to the inflation rate or the rate of return has the money been invested. *So, the present value concept suggests that money is worth more now than in the future.*
- A discount rate is the rate of return for calculating the present value. In simple words, it is the rate of return that an investor forgoes by accepting an amount in the future.
- So, the discount rate is the expected return that an investor would have got if s/he had invested the current amount of money for some time.

Present Value Table

- What is a PV Table and how is it used?
- A present value table or a PV table lists different periods in the first column and different discount rates in the first row.
- So, the table provides present value coefficients for a given discount rate and time.
- What's the Need of Present Value Table?
- The primary objective of such a table is to calculate the present value without using a scientific calculator.
- *Share the PV table with class.*

The Present Value Table

Interest rate = r; n = number of periods before payment or receipt (n)	Interest Rate (%)								
	1%	2%	3%	4%	5%	6%	8%	10%	12%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9259	0.9091	0.8929
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8573	0.8265	0.7972
3	0.9706	0.9423	0.9151	0.8890	0.8638	0.8396	0.7938	0.7513	0.7118
4	0.9610	0.9239	0.8885	0.8548	0.8227	0.7921	0.7350	0.6830	0.6355
5	0.9515	0.9057	0.8626	0.8219	0.7835	0.7473	0.6806	0.6209	0.5674
6	0.9421	0.8880	0.8375	0.7903	0.7462	0.7050	0.6302	0.5645	0.5066

- Example, if you expect to receive a payment of K10,000 at the end of four years and use a discount rate of 8%, then the factor would be 0.7350 (as noted in the table above in the intersection of the "8%" column and the "n" row of "4".
- You would then multiply the 0.7350 factor by K10,000 to arrive at a present value of K7,350.

Examples

- **Example 1**
- A sum of money is deposited now at 10% per annum. How long will it take for the sum invested to double?
- $P(1+r)^n = 2P$
- $P (1.1)^n = 2P$
- $1.1^n = 2$
- $n \log 1.1 = \log 2$
- $n = 7.27$years
- **Example 2**
- We require K10,000 in 15 years' time and we can deposit money at 12% per annum. How much must we invest now to achieve this sum?
- $P (1.12)^{15} = 10,000$
- $P = K1,826.95$

Examples

- **Example 3**
- K100 is invested now and we are prepared to leave it on deposit for 15years. What rate of interest would it be necessary to earn if the sum invested is to grow to K750.
- $100\ (1+r)^{15} = 750$
- $(1+r)^{15} = 7.5$
- $15\log\ (1+r) = \log 7.5$
- $\text{Log}\ (1+r) = 0.0583$
- $1+r = 1.143767$
- $r = 14.38\%$

Funding the Business

Funding the Business

How is your business going to be funded?

- The sources are mainly equity and debt.
- Financing can also be internal or external funds.
- Some of these are:
  - Personal funds
  - Family;
  - Financial markets (capital and money markets); and
  - Commercial banks

Launching, Growing and Ending the New Venture

- Once all is in place; the venture must be launched. The public is informed, and products and services delivered on the market.
- Next, the venture must grow, hence growth strategies must be put in place.
- Growth strategies include:
  - Penetration strategies
  - Market development strategies
  - Product development strategies
  - Diversification strategies

Growth Strategies

Market	New	**Market development strategies**	**Diversification strategies**
	Existing	Penetration strategies	Product development strategies
		Existing	New
		Product	

Product Life Cycle

What is product life cycle?

- The product life cycle is an important concept in marketing.
- It describes the stages a product goes through from the time it was first thought of, until it is finally removed from the market.
- Not all products reach this final stage. Some continue to grow and others rise and fall.

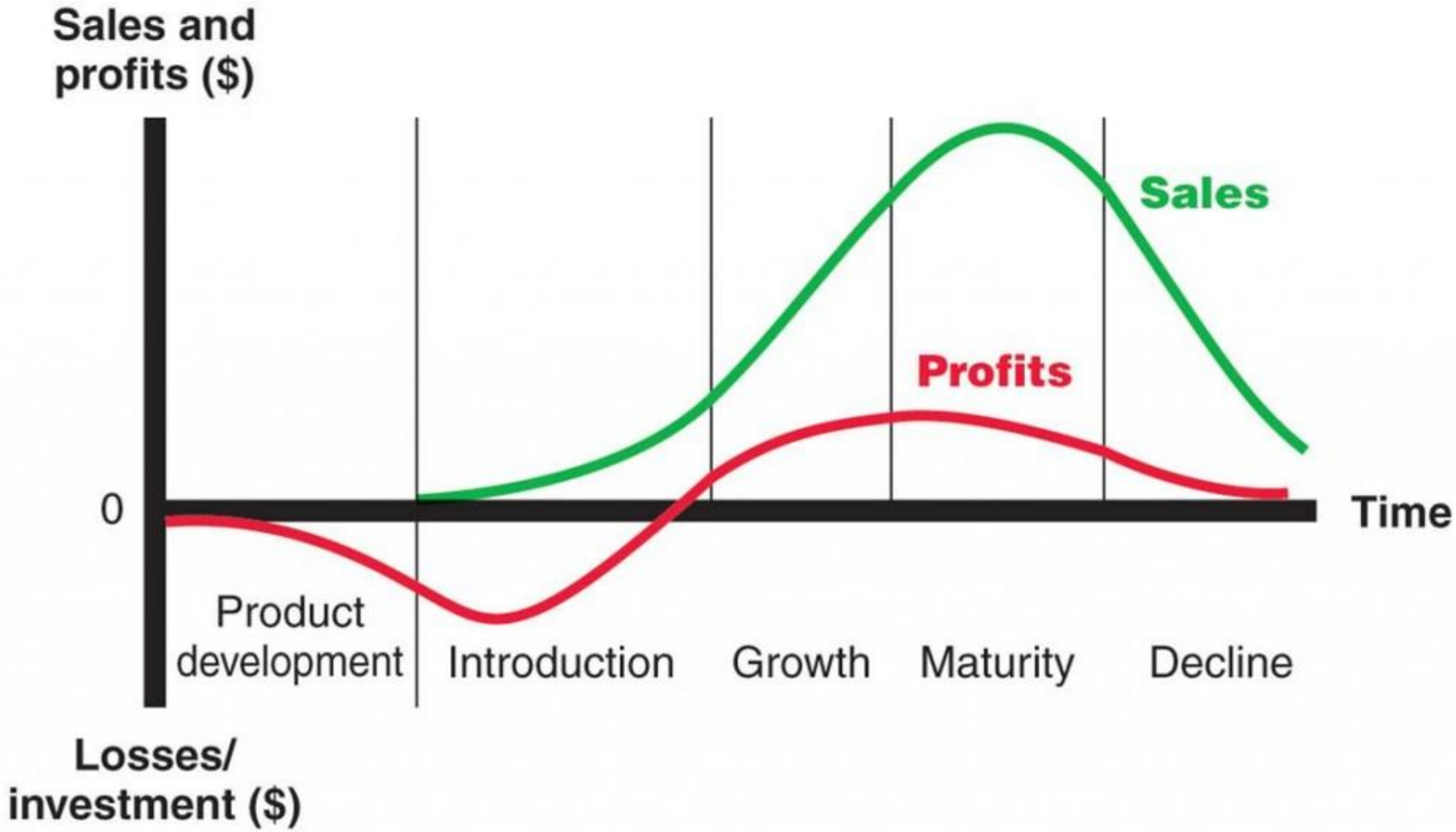
The Stages of the Product Life Cycle

What are the main stages of the product life cycle?

The main stages of the product life cycle are:

- **Research & development** - researching and developing a product before it is made available for sale in the market
- **Introduction** – launching the product into the market
- **Growth** – sales are increasing at their fastest rate
- **Maturity** – sales are near their highest, but the rate of growth is slowing down, e.g. new competitors in market or saturation
- **Decline** – final stage of the cycle, when sales begin to fall

The Product Life Cycle



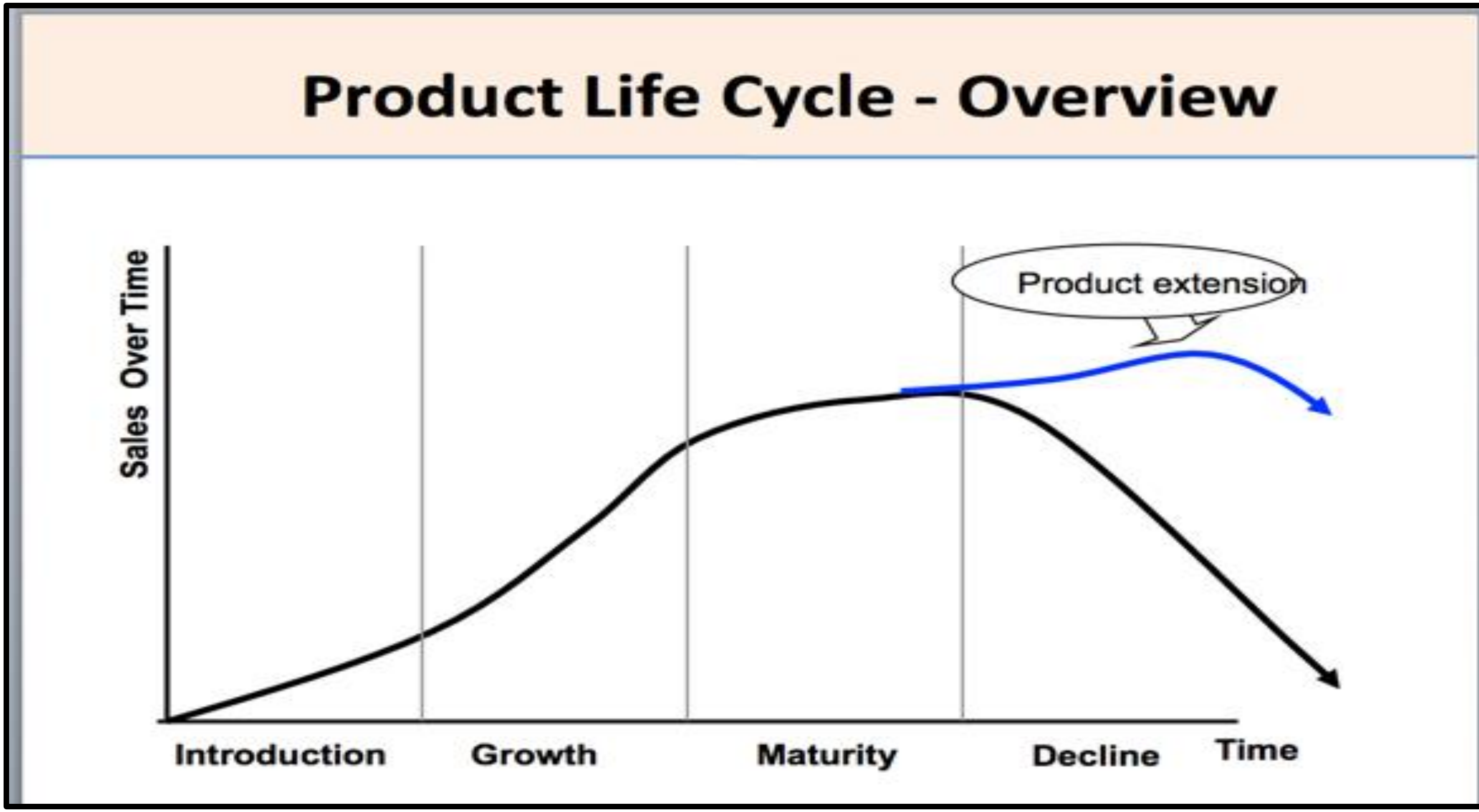
Product Life Cycle – Characteristics

	Introduction	Growth	Maturity	Decline
Sales	Low	Rapidly rising	Peak	Declining
Costs per customer	High	Average	low	Low
Profits	Negative	Rising	High	Declining
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number

Product Life Cycle – Marketing Strategies

	Introduction	Growth	Maturity	Decline
Product	Basic	Product extension, service, warranty	Diversify brand and models (what Trade Kings is doing)	Phase out weak items
Price	Cost-plus	Market penetration	Match or beat competitors	Cut price
Distribution	Build selectively	Intensive building	Build more intensively	Go selective: phase out unprofitable outlets
Advertising	Build awareness among early adopters and innovators	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain most loyal customers
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Product Life Cycle - Extension



Product Life Cycle - Extension

- What is product life cycle extension?
- Everybody wants their products to live eternal lives, never going out of fashion or stagnating in sales growth.
- Unless you're selling real estate, that's a pretty unrealistic dream.
- A product life cycle extension is the extending of the life of a product that has reached maturity. The goal of the strategy is to increase market share and keep the product generating income without letting it fall into decline.

Product Life Cycle - Extension

- What is a product life cycle extension strategy?
- A product life cycle extension strategy is a high-level plan for extending the life of a product that has reached maturity.
- A product life cycle extension strategy aims to continuously support and preserve a product throughout the product life cycle.
- There are a few life cycle extension strategies that, when implemented, can help bring new life and demand to an old product.

Product Life Cycle - Extension

- What is the purpose of a product life cycle extension strategy?
- The research and design of new products take time and are expensive processes. This is why most companies try to extend the life of a product for as long as it is profitable.
- An extension strategy is implemented to maintain a product in the maturity stage of its life cycle, increase its market share and avoid the product entering the decline phase.
- The extension strategy needs to create ways to keep consumers interested in the product to drive more sales.
- The goal of the strategy is to increase market share and keep the product generating income without letting it fall into decline.
- It’s often cheaper to extend the life cycle of an existing product than to research and develop a new one.

Product Life Cycle - Extension

- What can businesses do to extend the product life cycle?
- Implement extension strategies - which are intended to extend the life of the product before it goes into decline.
- These extension strategies include:

1. **Advertising** – try to gain a new audience or remind the current audience
2. **Price reduction** – more attractive to customers
3. **Adding value** – add new features to the current product, e.g. improving the specifications on a smartphone.
4. **Explore new markets** – selling the product into new geographical areas or creating a version targeted at different segments
5. **New packaging** – brightening up old packaging or subtle changes

Succession Planning and Ending the venture

- Every entrepreneur who starts a new venture should think about an exit strategy.
- Exit strategies include:
  - An initial public offering (IPO);
  - Private sale of stock (shares)
  - Succession by a family member or nonfamily member;
  - Merger with another company; or
  - Liquidation of the company
    - Liquidation, also referred to as "winding up", is the process by which a company's assets are liquidated and the company closed, or deregistered. There is one term that is crucial to understanding liquidation: "insolvent". A company is solvent if it can pay its debts when they fall due and insolvent if it can't.

Entrepreneurial skills

What skills do you need to help you in business?

- They are many and include the following:
  a) **Interpersonal Skills** - As an entrepreneur you should have good people skills. Your ability to freely mix with many people is a valuable asset that is worthy more than the money you may have in a bank.
  b) **Networking Skills** - Networking can be a useful business approach to establish and build partnerships, and discover new business contacts.
  c) **Leadership Skills** - Leadership is the ability to influence. Once you are an entrepreneur it means you have taken up a leadership role.

Entrepreneurial skills

d) **Management Skills** - Management skills mean planning, organising, leading and controlling activities that cover operations, employees, customers, suppliers, and government agencies.

e) **Employee Relation Skills** - Employees are the most important resource your business has. It is essential that you manage this resource very carefully.

f) **Team Building Skills** - You must build a team of essential professionals who you share the same vision.

g) **Marketing and Sales Skills** - Marketing and selling skills are essential to bringing in revenue. Unless the customer is aware of and interested in what you are selling they will never buy.

Entrepreneurial skills

h) **Financial Management skills** - Understanding cash flow will save your business going under faster than you can register it. The danger areas are poor working capital, cash withdraws by the owner, credit mismanagement, and misunderstanding of cash surplus and profit.

i) **Time Management Skills** - Time cannot be stored for future use. You can only use or misuse time available. Time is one of the resources whose value is underestimated until it is too late.

Adv & Disadv of Entrepreneurship

Advantages and Disadvantages of Entrepreneurship

Introduction

- *Starting your own business as an entrepreneur can be one of the most rewarding experiences that life offers.*
- Although a rare few can experience immediate success with their efforts, it is more accurate to describe entrepreneurship as the planting of a seed.
- The journey starts with putting the seed in the ground. You will need to invest resources which are necessary to help that seed grow.

Advantages and Disadvantages of Entrepreneurship

Introduction cont'd

- There are no guarantees that you will get results, but nothing will come your way if you don't pay attention to this tree that you want to grow one day.
- If the tree grows, then all of the hard work and patience you put into that process will feel like it was worthwhile.
- ***Some seeds do not turn into trees; but keep trying.***

Advantages and Disadvantages of Entrepreneurship

- The advantages and disadvantages of entrepreneurship attempt to balance the risk of a new idea with the rewards that happen if it takes off.
- Starting a company extracts so much energy and conviction that not having a clear-cut goal and meaningful mission can hamper your success.

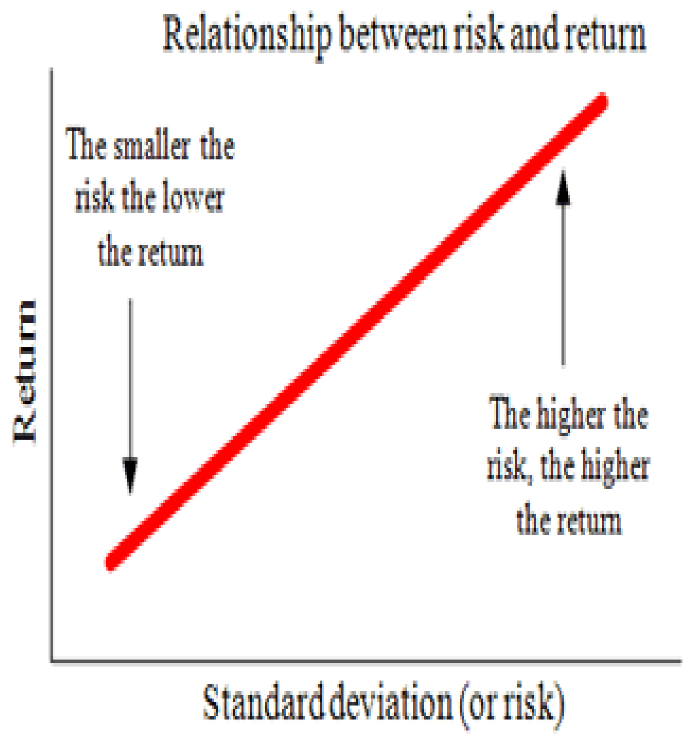
The Risk Return Spectrum

What is The Risk - Return Spectrum?

- The risk–return spectrum (also called the risk–return trade-off or risk–reward) is the relationship between the amount of return gained on an investment and the amount of risk undertaken in that investment.
- The more return sought, the more risk that must be undertaken.

Risk – Return Relationship

Risk – Return Relationship



Advantages of Entrepreneurship

What are the advantages of entrepreneurship?

- These include:
- Being an entrepreneur means you get to be your own boss - When you decide to follow the life of an entrepreneur, then you are giving yourself permission to pursue what you are passionate about in life.
- Entrepreneurs get to discover who they really are - Most entrepreneurs break out of the 0800 – 1700hrs daily grind because they become dissatisfied with office politics, the barriers to promotion, or an uninspiring workplace environment.

Advantages of Entrepreneurship

- These include:
- Entrepreneurs get to dictate their own schedule (to a certain extent) - If you like the idea of putting in 40 hours per week and then coming home to relax nights, weekends, and holidays, then being an entrepreneur is probably not the best choice to make.
- You are going to be working 20-40 extra hours each week if your goal is to be successful with your start-up venture.
- Where you gain an advantage is in the flexibility of your time commitments.

Advantages of Entrepreneurship

- Every day is different when you're working as an entrepreneur - Embracing entrepreneurship means that you are going to have a schedule that is different every day.
- You have to stay hungry for every opportunity that comes your way. If you become complacent for any reason, then someone will take your place.
- There are fewer restrictions to worry about in the world of entrepreneurship.
- The independence that this experience creates is something that cannot be duplicated by any other professional opportunity. You are in total control of your destiny.

Advantages of Entrepreneurship

- You can still earn what you are worth as an entrepreneur even in your early days.
- You might struggle to find investors for your idea, so any profits you earn go back into the company instead of your bank account. The reality of entrepreneurship is that a rational salary is always possible if you are willing to structure your finances around your basic needs.
- Entrepreneurs can choose to pursue any idea they want - The only thing that limits your pursuit of a dream as an entrepreneur is your imagination.

Advantages of Entrepreneurship

- You get to be more involved with your community as an entrepreneur - The flexibility in your schedule that you can have as an entrepreneur is an excellent way to become more involved in your community in a variety of ways.
- Entrepreneurs get to be the innovators of their industry - Entrepreneurship succeeds when you get to put an idea out to your targeted demographics before anyone else. Bringing something first to the market is an exciting adventure.
- Every day is exciting in the world of entrepreneurship. The work will be harder and longer than anything you can remember doing in your life. Holidays are just another working day.

Disadvantages of Entrepreneurship

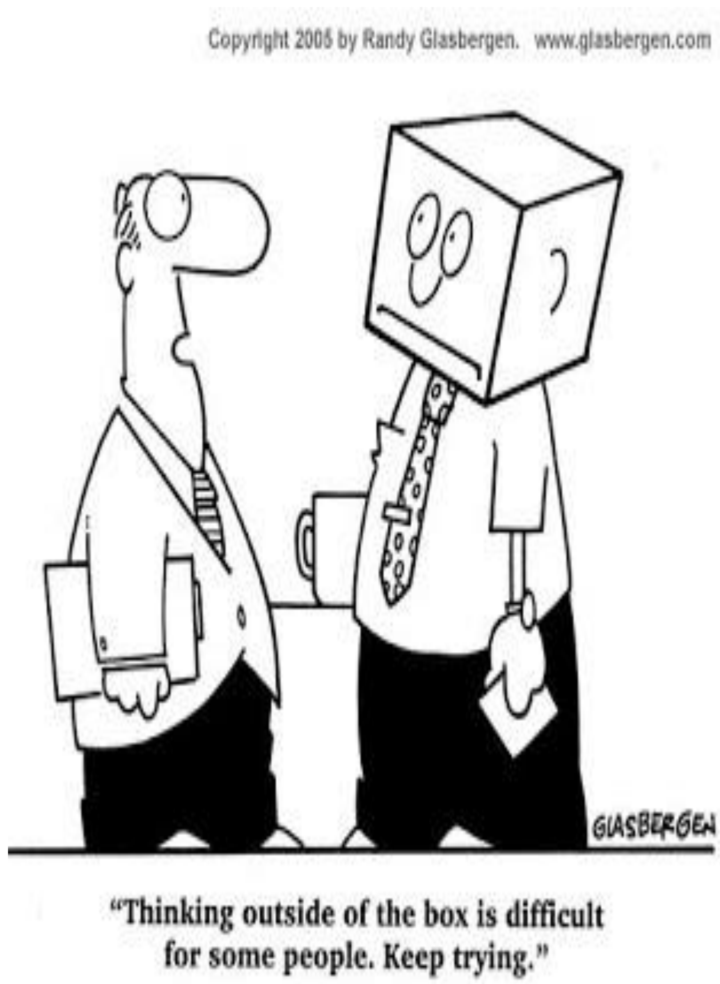
What are disadvantages of entrepreneurship?

- These include:
  - The world of entrepreneurship is going to dominate your life - Your productivity as an entrepreneur is what will direct you toward success or guarantee your failure.
  - Entrepreneurs do not have a guaranteed paycheque waiting for them - If you want to earn money as an entrepreneur, then it is up to you to make that happen.
  - The world of entrepreneurship requires leaders if you want to be successful - If you don’t have an internal drive that can push you forward every day and inspire others to follow your lead, then this isn’t the project for you to pursue. Procrastination cannot live in this world.

Disadvantages

- You must be patient with the process when you become an entrepreneur.
- Stress levels are high in the world of entrepreneurship.
- Funding can be a significant problem for entrepreneurs - There are investors who might be willing to take a chance on your idea, but that is not a guarantee.
- Entrepreneurs still have a boss that they must manage - You might be free of the 0800 – 1700 hrs. work routine and the workplace politics, but that doesn’t mean you get rid of the boss. Your investors are going to expect regular reports about your progress. Your customers will give you consistent feedback about the quality of your goods and services that you will need to hear.

Business Development



Conclusion

- Entrepreneurship can put you on a rollercoaster of emotions every day. It is an exciting world where your imagination is free to run wild.
- Every idea becomes a potential opportunity to find success.
- The promise of more independence is worth the extra financial risks that are possible.
- Working hours will be more than ever before if you decide to take on this journey.

Conclusion

- Your family might wonder what happened to you since you’re always in the office doing something.
- It is a challenging lifestyle to balance when you have family responsibilities too.
- The advantages and disadvantages of entrepreneurship create the potential for you to live the life that you want.
- Even if it takes several years to start earning the profits you want, it can be a very happy life waiting for you.

Conclusion

Late Dr Myles Munroe

Myles Munroe - Background

- He was a Bahamian evangelist and ordained minister and professor of the Kingdom of God, author, speaker and leadership consultant who founded and lead the Bahamas Faith Ministries International and Myles Munroe International.
- Myles Munroe was a pastor, best-selling author and motivational speaker who wielded a huge influence on millions of evangelical Christians round the world.
- He died in a plane crash, along with his wife Ruth and daughter Charisa and members of his Bahama Faith Ministries on Nov 11, 2014

Dr Myles Munroe on Entrepreneurship and Unemployment

Quotes:

ON UNEMPLOYMENT

- He discouraged the reliance on Government for jobs, describing it as '***lazy thinking***.'
- "There is no such thing as unemployment in the world. What you call unemployment is what I call lazy thinking".
- "The work of government is not to create jobs, but to create an environment for people to develop their own work."

Dr Myles Munroe on Entrepreneurship and Unemployment

******ON GIFTS/TALENTS**:***

- He discourages employed professionals against relying solely on their jobs for income, urging them to instead create wealth using their unique talents.
- He challenges aspiring entrepreneurs to develop and refine their expertise in a talent, idea, service or body of knowledge.
- When you refine your gift in an area, you become valuable; people seek you out and pay you.

Dr Myles Munroe on Entrepreneurship and Unemployment

ON ENTREPRENEURSHIP

- Setting principles is the first step towards achieving success for any budding entrepreneur.
- “I will never be poor again because I have learnt the principles of business,”
- You should never build your life on facts or techniques because these often become obsolete,” he cautions.
- “For you to *survive today*, you must accept the reality of *partnerships*. If someone emerges as my competition today, I am not supposed to kill them, but marry them,” he states.
- *“Do not curse a crisis; use it. Every business is a solution to a crisis. Develop the capacity to solve a problem and you will become a successful entrepreneur.”*

Dr Myles Munroe on Entrepreneurship and Unemployment

HIS 10 WORDS OF WISDOM TO AFRICA

1. Understand crisis and use it to solve a problem. Every business is a response to a problem.
2. Initiate something; do not wait for things to be done.
3. Identify and refine your talent, skill, idea, service or knowledge to create wealth.
4. Whatever makes you angry, you must solve it.
5. ***Poverty is not the lack of money, but the lack of ideas.***

Dr Myles Munroe on Entrepreneurship and Unemployment

HIS 10 WORDS OF WISDOM TO AFRICA

6. God does not give cash, but ideas on how to create wealth.(Pay Attention to this One. Many Christians have misunderstood God.)
7. Be in control of your mind, thoughts, perception and mentality to respond to change.
8. Be keen and take advantage of changes brought about by technology and globalisation.
9. Leave your legacy, but in the people you train, not in products or buildings.
10. Every human being was born with a treasure. Your greatest secret to success lies in discovering your treasure.

Secure your future, stop blaming every sitting president or Government of your country for your destiny

The end

- Thank you for your attention

- Q & A

The end

- Thank you for your attention
- Q & A