

BIT 422: INFORMATION TECHNOLOGY ENTREPRENEURSHIP

ACADEMIC YEAR: 2018/2019 **SEMESTER:** II

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DAY: TUESDAY **TIME:** 7- 11 AM **ROOM:** ABB 301

AIM/PURPOSE: The purpose of this course is to give students an understanding of entrepreneurship and the necessary skills needed to become an entrepreneur.

PRE-REQUISITE

COURSE HOURS PER WEEK: 4

EXPECTED LEARNING OUTCOMES

Upon completion of this course, the student should be able to:

1. Examine the nature of entrepreneurship
2. Evaluate the issues involved in developing businesses
3. Analyse the process of starting business ventures
4. Analyse the problems faced by entrepreneurs
5. Formulate a simple business plan for an IT enterprise

COURSE CONTENT

Week	Activity	Assessment
1.	Introduction to Business Fundamentals	Revision Exercise
2.	The Relationship between Successful Information Technology and Business	Revision Exercise
3.	The Entrepreneurial Mind-set	Revision Exercise
4.	Introduction to Technology Fundamentals & Exponential Trends	Revision Exercise
5.	Financing and Ownership Structures	Revision Exercise
6.	CAT 1	
7.	Opportunity Assessment & Planning	Opportunity assessment plan and Business plan development
8.	Building a Team	Revision Exercise
9.	Dynamics of Globalization	Revision Exercise
10.	Managing Intellectual Property with an emphasis on issues for research universities	Revision Exercise
11.	Ethics and New Ventures	Revision Exercise
12.	Planning for Venture Maturity	Revision Exercise
13.	CAT 2	

Week	Activity	Assessment
14.	Revision	

MODE OF DELIVERY

Lectures and Presentations Case studies and Workshop

INSTRUCTIONAL MATERIALS AND/OR EQUIPMENT

Audio visual equipment, chalkboard

COURSE ASSESSMENT

Exam	70%
CATs	30%
TOTAL	100%

CORE REFERENCES

Drucker, P. F., (2006); Innovation and Entrepreneurship, Harper & Row, ISBN: 006954284

Haney, L H., (2003); Business Organization and Combination An Analysis of the Evolution and Nature of Business Organization in the United States and a Tentative Solution of the Corporation and Trust Problems. Batoche Books

Hollett, V., (1995); Business Opportunities: Student's Book, Oxford University Press

Approval

Lecturer/Instructor

Date

COD Information Technology

Date

Introduction to Business Fundamentals

Today is an interesting time to study business. Advances in technology are bringing rapid changes in the ways we produce and deliver goods and services. The Internet and other improvements in communication (such as smart phones, video conferencing, and social networking) now affect the way we do business. Companies are expanding international operations, and the workforce is more diverse than ever.

Business

A business is any activity that provides goods or services to consumers for the purpose of making a profit.

Do not confuse the terms *revenue* and *profit*. **Revenue** represents the funds an enterprise receives in exchange for its goods or services. **Profit** is what's left.

A business can also be defined as any organization that provides products, services or both to individual consumers or to other organizations.

The essential role of a business is to create products or offer services that satisfy customer needs. Whether it is creating smart phones or offering home delivery of groceries, businesses could not exist without someone desiring their products or services.

Definitions of essential concepts

- **Product:** a good that has tangible characteristics and that provides satisfaction or benefits (e.g., an automobile).
- **Service:** an activity that has intangible characteristics and that provides satisfaction or benefits (e.g., a mechanic performing automotive repair)
- **Profit:** the basic goal of most businesses. Profit is the difference between what it costs to make and sell a product or service and what the customer pays for it.
- **Stakeholders:** groups of people who have a vested interest (a “stake”) in the actions a business might take. There are four major groups of stakeholders:

Business Participants and Activities

Participants

Every business must have one or more **owners** whose primary role is to invest money in the business. When a business is being started, it's generally the owners who polish the business idea and bring together the resources (money and people) needed to turn the idea into a business. The owners also hire **employees** to work for the company and help it reach its goals. Owners and employees depend on a third group of participants - **customers**.

The goal of any business is to satisfy the needs of its customers in order to generate a profit for the owners.

Stakeholders

Whether national or local, every business has **stakeholders**; those with a legitimate interest in the success or failure of the business and the policies it adopts. Stakeholders include customers,

vendors, employees, landlords, bankers, etc. All have a keen interest in how the business operates, in most cases for obvious reasons. If the business fails, employees will need new jobs, vendors will need new customers, and banks may have to write off loans they made to the business. Stakeholders do not always see things the same way; their interests sometimes conflict with each other. Pleasing stakeholders can be a real balancing act for any company.

Functional Areas of Business

Every business must employ people to entice customers, produce its products or services, organize workflow, plan to fund or pay for its operations, and more. Whatever type of business it is, the work that has to be done will typically fall into four basic “business functions.” Examples include: management, operations, marketing, accounting, and finance.

Management

Managers are responsible for the work performance of other people. **Management** involves planning for, organizing, leading, and controlling a company’s resources so that it can achieve its goals. Managers *plan* by setting goals and developing strategies for achieving them. They *organize* activities and resources to ensure that company goals are met and staff the organization with qualified employees and managers *lead* them to accomplish organizational goals. Finally, managers design *controls* for assessing the success of plans and decisions and take corrective action when needed.

Operations

All companies must convert resources (labour, materials, money, information, and so forth) into goods or services. Some companies, such as Apple, convert resources into *tangible* products such as Macs, iPhones, etc. Others, such as hospitals, convert resources into *intangible* products e.g., health care. The person who designs and oversees the transformation of resources into goods or services is called an **operations manager**. This individual is also responsible for ensuring that products are of high quality.

Marketing

Marketing consists of everything that a company does to identify customers’ needs (i.e. market research) and design products to meet those needs. Marketers develop the benefits and features of products, including price and quality. They also decide on the best method of delivering products and the best means of promoting them to attract and keep customers. They manage relationships with customers and make them aware of the organization’s desire and ability to satisfy their needs.

Accounting

Managers need accurate, relevant and timely financial information, which is provided by accountants. **Accountants** measure, summarize, and communicate financial and managerial information and advice other managers on financial matters.

There are two fields of accounting.

1. *Financial accountants* prepare financial statements to help users, both inside and outside the organization, assess the financial strength of the company.
2. *Managerial accountants* prepare information, such as reports on the cost of materials used in the production process, for internal use only.

Finance

Finance involves planning for, obtaining, and managing a company's funds. Financial managers address such questions as the following:

1. How much money does the company need?
2. How and where will it get the necessary money?
3. How and when will it pay the money back?
4. What investments should be made in plant and equipment?
5. How much should be spent on research and development?

Good financial management is particularly important when a company is first formed, because new business owners usually need to borrow money to get started.

External Forces that Influence Business Activities

Businesses don't operate in a vacuum: they're influenced by a number of external factors. These include the economy, government, consumer trends, technological developments, public pressure to act as good corporate citizens, and other factors.

Collectively, these forces constitute what is known as the “**macro environment**” – essentially the big picture world outside over which the business exerts very little if any control.

Resources required for a Business

Every business requires three basic resources to function and compete:

- Ideas
- People, and
- Money.

In the world of business, those resources are configured and reconfigured over and over again to satisfy the needs and wants of the market.

Business Idea

A business idea is a concept that can be used for financial gain that is usually centred on a product or service that can be offered for money. An idea is the first milestone in the process of building a successful business.

The characteristics of a promising business idea are

- **Innovative**
For businesses this could mean; creating new ideas, new product development through research and development or improving existing services. Innovation can be the central focus of a business and this can help them to grow and become a market leader if they execute their ideas properly. Businesses that are focused on innovation are usually more efficient, cost effective and productive.
- **Unique**
Each successful company has a unique selling point (is the factor that makes a company or a product stand out from its competitors, whether it is through; pricing, quality, customer service or innovation) and this is what potentially makes their customers loyal to them, as this is the original reason as to why they chose to buy from them. A USP can be created through the element of being first to a market, for example with Uber; who were the first company that

gave you the ability to press a button and taxi would appear within 5 minutes to pick you up. Because Uber had reached this market first, it gave them a USP and therefore they received loyal customers for this.

- **Problem solving**

Business ideas should solve problems that are fundamental to developing our world and companies

- **Profitable**

Profitability is a business's ability to generate earnings compared to its costs over a certain period of time. This is possibly the most important aspect of any business idea in the long term, as this is what makes a business survive in order to keep having the impact that it has.

Sources of Business Ideas

Many people may want to set up a business but they may not know what to invest in or what business to start. To the average mind, there seem to be scarcity of ideas.

Business ideas are all within you and within your environment. Some of these business ideas emanate from analysis of market and consumer needs, while others emanate from a long research process.

1. **Look within yourself and examine your skills, talent, passion**

In fact, one of the first places to start when looking for business ideas or opportunities is to look within you. Most people miss this greatest source of business ideas because of ignorance, laziness and self-doubts. If you are talented or having a proven track record in a specific field, then it is time to analyse such skill or talent. To discover what you are good at or what business to start, you can begin by asking yourself the following questions:

- *What skills or talents do you possess?*
- *What are your hobbies?*
- *What are you passionate about?*
- *Do you possess a skill that people are willing to pay for?*

2. **Keep up with current events and be ready to take advantage of business opportunities**

Societal happenings, events and trends are also sources of business ideas. If you are exposed to reading and watching news regularly and having the conscious intent of discovering business ideas, you will be amazed at how many business opportunities that your brain will generate. Keep up with current events because it will assist you to identify market trends, new fads, information about industries and sometimes new ideas that have business possibilities and potentials.

3. **Invent a new product or service**

If you possess a creative mind, then you can invent product or services that have never existed in the past. To develop a creative mind, you need a mind-set or perception that sees beyond problems. You have to look around and ask yourself: *What is the best solution for this situation or people's problem?* Then you can proceed to ask people about additional services that they would like to see.

To develop winning ideas, you need to concentrate on a specific target market and analyse and brainstorm business ideas for services that the group would be interested on. The key to arriving at business ideas for a new product or service is to identify a market need that has not

being met. For example, the clamour for improved security has led to an explosion of new security products and services; from iris-recognition machines through home security services.

4. Add value to an already existing product

The uniqueness between raw wood and finished lumber is a nice instance of putting a product through an additional process which maximizes its value, but additional processes are not the only way that value can be added. You may as well add services or combine the product with other related products.

5. Franchising

A franchise is just an arrangement whereby the manufacturer or the sole distributor of a trademark, product or service grants exclusive rights for local distribution to independent retailers in return for their payment of conformity and royalties in order to standardize operating procedures. Franchising may take several forms, but the most interesting one is the type that offers a name, method of running business, image and operating principles.

How can franchising become a source of business opportunities? You can look at good companies or products that exist in other countries but are not operating your country. Then you can purchase a franchise to that product and become a pioneer in your country.

6. Mass media

The mass media is a wonderful source of information, ideas and often opportunities. Magazines, TV stations, Cable networks, radio, newspapers and internet resource sites are all instances of mass media. Just take a careful look at the commercial advertisements in newspaper or magazine and you will discover businesses that are for sale. Also, articles in the printed press or on the net or documentaries on television may report changes in consumer needs or fashions.

7. Exhibitions, Expos and Trade shows

Another means to discover business ideas and opportunities is to attend exhibitions and trade fairs. These are usually advertised on the radio or in newspapers. By visiting such events regularly, you will not only find out new products and services, but you will as well meet sales representatives, wholesalers, distributors, manufacturers and franchisers. These are always excellent sources of ideas in business.

8. Industrial Surveys

The main point for a new business idea should be the customer. The needs and wants of the customer, which will provide the rationale for a product or service, can be analysed or ascertained through a survey. Such a survey may be conducted formally or informally by speaking to people; usually through interviews or using a questionnaire or through observation.

9. Listen to customers' complaints

Complaints and frustrations on the part of customers have led to many new products or services. Whenever consumers complain badly or bitterly concerning a product or service, or when you hear someone saying *'I wish there was ... "or "If only there were a product/service that could ... "*, then, you have the potential for a business idea. The idea can be to set up a rival company offering a better product or service, or it may be a new product or service which can be sold to the company in question or to others.

10. Brainstorming

Brainstorming is a creative problem-solving technique, and also a source for generating ideas. The object is to arrive with as many ideas as possible. It usually begins with a question or problem statement. For instance, you may ask *"What are the products and services required*

in the home today which are unavailable?” Each idea can lead to one or more additional ideas, resulting in a good number.

Managing a Business

To be successful, businesses need good managers who are able to see the big picture and understand how all the individual business functions work together.

Without customers a business would not be sustainable. This fact also applies to managers – without managers a business would wither and die. Successful management requires individuals who juggle the trade-offs and compromises necessary to keep a complex business moving along a clear strategic track. These individuals must also display intellectual flexibility to adjust to changing customer demands, and be able to harness the impact of creative abrasion that results from dealing with various business stakeholders who often have colliding agendas that must be met in the drive for success, profitability, and sustainability.

One useful way to think about success in management is that it entails the two “E’s” of performance: effectiveness and efficiency. Performance effectiveness means *doing the right thing*. Performance efficiency means *doing things right*.

Being *effective* involves committing to a course of action that allows you to accomplish your goals. It is a measure of how appropriately and successfully your actions achieve your goal. Being *efficient* refers to employing the right processes to achieve the goal. Efficiency is measured by comparing the resources invested with the outcomes achieved.

Decisions that shape the marketing, production, and financial functions of a business are often made in environments that are specialized, complex, uncertain, and risky. Managing these functions requires planning, organizing, leading, and controlling all the important variables.

Planning: Determining what the organization needs to do and how to get it done.

Organizing: Arranging the organization’s resources and activities in such a way as to make it possible to accomplish the plan.

Leading: Enacting the plan, including guiding and motivating employees to work toward accomplishing the necessary tasks.

Controlling: Measuring and comparing performance to expectations established in the planning process and adjusting either the performance or the plan.

The Enterprise System

Economic forces that impact business functioning. Businesses operate within an overall economic system. There are at least three key terms to understand when thinking about overall economic systems.

Market: a mechanism that facilitates the exchange of goods and services between buyers and sellers.

Demand: the quantity of goods and services that consumers are willing to buy at different prices.

Supply: the quantity of goods and services that businesses are willing to provide at those prices.

The terms of a sales transaction, or the quantity of goods traded and the trading price, are determined by the supply of and demand for any particular good or service.

Markets – the Engine that Keeps It All Running

A market is a mechanism that facilitates the exchange of goods and services between buyers and sellers. Informal and formal markets have existed as long as human demand has been able to find a source of supply.

Some terms you'll come across in relation to markets are *specialization*, *uncertainty*, and *risk*.

Specialization is a measure of how broadly or narrowly the range of activities performed by a business is defined. A bicycle shop, for example, is a more specialized retail store than supermarket because the bicycle shop focuses on a narrow and deep range of products. Specialization creates an opportunity for greater efficiency and increased productivity.

Markets are also characterized by *uncertainty* and *risk*. Uncertainty is not knowing an exact outcome or not being able to predict the exact consequences of a choice in a decision situation. The greater the uncertainty, the less you can know about the results of a particular choice. Decision makers must work to reduce uncertainty by compiling as much relevant information as possible about a decision situation.

Risk is also associated with the consequences of choice; therefore, risk is a measure of the significance of those decisions.

Reasons for Starting Your Own Business

There are several reasons for wanting to start your own business

1. **Job security.** Have you ever been laid off, downsized, or fired? With entrepreneurship the security lies in the fact you are your own boss. You run the show and don't have to worry about getting let go.
2. **Pursuing your Passion:** Starting your own business allows you to make a living while pursuing something for which you have a strong passion for.
3. **Networking.** Entrepreneurs are communal creatures. Your circle of friends and acquaintances always grows when you become an entrepreneur, as many founders need others to lean on to survive and talk about the challenges only known to them.
4. **Novelty.** We, as humans, love new experiences. Starting your own business will ensure you'll always be facing new challenge and experiencing something new.
5. **Mentorship.** Learning from the masters and getting to help those less experienced than you give you such a sense of satisfaction. The entrepreneurial community is very willing to give back and lend a helping hand.
6. **Becoming an expert.** This point goes along with mentorship. Regardless of what you do as an entrepreneur, if you stick with it, you'll probably become very good at it.
7. **New Skills.** While developing new skills can be tough and takes times, it can pay off eventually. These skills will be invaluable throughout your life.

8. **Recognition.** There are literally thousands of local, regional and national awards that recognize entrepreneurs in every field and industry. This shouldn't be your only reason to start your business, but it certainly is a great feeling when you receive this recognition.
9. **Financial independence.** This is probably the biggest reason people get into business for themselves.
10. **Change the world.** Everyone jokes that every entrepreneur says they're going to change the world. It's difficult to imagine how a cell phone accessory kiosk in the mall is going to change the world. But there are those that do succeed. Take a look at Bill Gates and the countless other entrepreneurs who really have changed the world in some small or major way.
11. **Create jobs.** There's nothing like the satisfaction of knowing you're responsible for the success of your employees. Your ideas provided them the opportunity to earn a living, provide for their family and fulfil their own dreams.

Importance of a Business to a Country's Economy

Business is extremely important to a country's economy because it is the main economic engine for the country. Businesses contribute to local economies by bringing growth and innovation to the community in which the business is established.

1. **Effective Utilization of Resources:** Entrepreneurship is all about putting to better use the resources which are considered to be of low value with an aim of earning income. An entrepreneur comes up with ideas of how to use what others may consider waste. This improves the economy of a country through taxes and creation of jobs which improves the standard of living of the beneficiaries. The Kenyan sisal plant is, for example, being used by small scale entrepreneurs to weave quality bags such as "ciondo", table mats, lamp shades etc. These items sell internationally.
2. **Increase in Per Capita Income:** Economic growth is measured in terms of a sustained increase in real income. It is the entrepreneurial communities who complement and supplement the economic growth increase per capita income by identifying and establishing profitable business ventures.
3. **Improvement in Physical Quality of Life:** Entrepreneurs supplement the economic growth by enhancing the physical quality of life. Establishment of enterprises leads to increase in employment avenues both directly and indirectly. Consequently, poverty is alleviated as per capita income grows. This results in improving the physical quality of life which is an indicator of economic growth.
4. **Growth of Infrastructural Facilities:** Entrepreneurs help in the growth of infrastructural facilities such as roads, bridges, buildings, factories, etc. which are the cornerstones of economic growth. Establishment of factories and industries in a particular locality presupposes the growth of infrastructural facilities.
5. **Export of Items:** Entrepreneurs play a significant role in producing and exporting products.
6. **Promotion of Technology:** A few years ago, the Jua Kali sector in Kenya came up with new technology for making gas burners (jikos) that use bio fuel from cow dung. These jikos are made from locally available materials that are truly affordable to the low income earners even at the village level, and the gas is produced through a really easy process. This has improved many homes since the cost of fuel has become affordable for them. A particularly recent innovation in the same line is the solar-powered LED lantern by a young 2010 CNN Kenyan nominee, Evans Wadongo who was rated among the 2010 top 10 CNN Heroes. The thinking behind this lantern is to help light Kenyan rural homes and save on fuel costs, keep eye problems caused by smoke from tin or bottle lanterns at bay and conserve the environment.

7. **Export Promotion:** Entrepreneurs produce high quality products that attract an unusually wide market. Some of their goods are sold in the international markets thus bringing foreign exchange to a country.
8. **Capital Formation:** Capital formation is the most crucial element for economic growth. It is always necessary to step up the rate of capital formation so that the economy accumulates a large stock of machines, tools and equipment which can be geared into production by the entrepreneur.
9. **Creation of Employment:** The role of entrepreneurs in establishing micro, small and medium enterprises is perceived as a powerful medium to address several socio-economic issues - the key issue being the generation of employment opportunities. In a developing economy like Kenya, where labour supply is higher than demand, the role of entrepreneurs is well much significant. Entrepreneurial development gives rise to economic independence through self-employment.

Reasons for Business Success

1. The experience and skills of the top managers. Over half of business failures are directly related to managerial incompetence.
2. The energy, persistence and resourcefulness (the will to make the business succeed) of the top managers. Many business owners have failed or come close several times before their instant success.
3. A product that is at least a cut above the competition and service that doesn't get in the way of people buying. There must be a compelling reason to buy; the product is great, the people love to provide service, and the buying experience is easy and fun.
4. The ability to create a business around the product with aggressive and strategic marketing. Make scarce marketing resources count. Do as much homework about your customers and their choices as much as you can before you invest your money.
5. Deal-making skills to sell the product at the highest possible price given your market. It comes down to your customer's perception of the value of your product and sometimes the power of your personality.
6. The ability to keep developing new products to retain and build a customer base. Consider gradual product development based on improvements to the current product line and sold to the current customer base.
7. Deal-making skills to work with resource suppliers to keep costs low. Keeping costs lower than competitors and continuing to look for cost reductions even when the business is profitable is key.
8. The maturity to treat employees, suppliers and partners fairly and respectfully. Trust and respect result in productivity increases in ways that may be difficult to see and quantify.
9. Superior location and/or promotion creating a connection between your product and where it can be obtained. Studies have shown it can take seeing your product or name seven times before a customer is ready to buy.
10. A steady source of business during both good economic times and downturns. Over the long term, develop a product mix that will include winners during good economic times and other winners when times are tough.

Reasons for Business Failure

1. **Lack of planning** – Businesses fail because of the lack of short-term and long-term planning. Your plan should include where your business will be in the next few months to the next few

years. Include measurable goals and results. The right plan will include specific to-do lists with dates and deadlines. Failure to plan will damage your business.

2. **Leadership failure** – Businesses fail because of poor leadership. The leadership must be able to make the right decisions most of the time. From financial management to employee management, leadership failures will trickle down to every aspect of your business. The most successful entrepreneurs learn, study, and reach out to mentors to improve their leadership skills.
3. **No differentiation** – It is not enough to have a great product. You also have to develop a unique value proposition, without you will get lost among the competition. What sets your business apart from the competition? What makes your business unique? It is important that you understand what your competitors do better than you. If fail to differentiate, you will fail to build a brand.
4. **Ignoring customer needs** – Every business will tell you that the customer is #1, but only a small percentage acts that way. Businesses that fail lose touch with their customers. Keep an eye on the trending values of your customers. Find out if they still love your products. Do they want new features? What are they saying? Are you listening?
5. **Inability to learn from failure** – We all know that failure is usually bad, yet it is rare that businesses learn from failure. Realistically, businesses that fail, fail for multiple reasons. Often entrepreneurs are oblivious about their mistakes. Learning from failures is difficult.
6. **Poor management** – Examples of poor management are an inability to listen, lack of trust, working without standard or systems, poor communication, and lack of feedback.
7. **Lack of capital** – It can lead to the inability to attract investors. Lack of capital is an alarming sign. It shows that a business might not be able to pay its bills, loan, and other financial commitments. Lack of capital makes it difficult to grow the business and it may jeopardize day-to-day operations.
8. **Premature scaling** – Scaling is a good thing if it is done at the right time. To put it simply, if you scale your business prematurely, you will destroy it. For example, you could be hiring too many people too quickly, or spend too much on marketing. Don't scale your business unless you are ready.
9. **Poor location** – Poor location is a disadvantage that might be too much to overcome. If your business relies on foot traffic, location is a strategic necessity. A poor location might make your customer acquisition costs too high.
10. **Lack of profit** – Revenue is not the same as profit. As an entrepreneur, you must keep your eyes on profitability at all times. Profit allows for growth. According to Small Business Trends, only 40% of small businesses are profitable, 30% break even, and 30% are losing money.
11. **Inadequate inventory management** – Too little inventory will hurt your sales. Too much inventory will hurt your profitability.
12. **Poor financial management** – Use professional accounting software to keep records of all financial records and always make decisions based on the information you get from real data. Know where you stand all the time. If numbers are not your thing, hire a financial professional to explain and train you to understand, at least the basics.
13. **Lack of focus** – Without focus, your business will lose it the competitive edge. It is impossible to have a broad strategy on a start-up budget. What makes start-ups succeed is their ability to quickly pivot, and the lack of focus leads to the inability to make the necessary adjustments.
14. **Personal use of business funds** – Your business is not your personal bank account.

15. **Overexpansion** – It is easy to make the mistake of expanding your business into too many verticals. Before you enter new markets make sure you maximize your existing market.
16. **Macroeconomic factors** – Entrepreneurs can't control macroeconomic factors. Common macroeconomic factors are business cycles, recessions, wars, natural disasters, government debt, inflation, and business cycles. Your business can still succeed in bad times.
17. **No succession plan** – Future leaders should be identified in advance. Without an effective succession plan, your business is unprepared to fill openings in created by retirements, unexpected departures, or death.
18. **Wrong partner** – It's no secret that it is easier to succeed in business with the right partners. The wrong business partner will, at the very least hurt, or, at worst, destroy your company.

Review Questions

1. Define the following terminologies
 - (a) Product
 - (b) Service
 - (c) Profit
 - (d) Stakeholder
 - (e) Market
 - (f) Demand
 - (g) Supply
2. Identify four major groups of stakeholders in a business
3. Every business requires three basic resources. Describe them.
4. Distinguish between the following business functions
 - (a) Marketing and production
 - (b) Accounting and finance
5. Discuss five factors that motivate individuals to self-employment.
6. For Kenya to achieve economic development, she must embrace entrepreneurship. In view of this, discuss five economic benefits that she would gain as a developing economy.
7. An upcoming entrepreneur can source for Business idea from various sources. Discuss five sources of good business ideas.
8. Describe any five factors that influence entrepreneurship development in an individual.
9. Discuss seven causes of business failure and state in each case how the same can be averted.

The Relationship between Successful Information Technology and Business

Introduction

Information technology (IT) refers to all of the computer-based information systems used by organizations and their underlying technologies. Information technologies and systems are revolutionizing the operation of firms, industries, and markets.

IT and Innovation

Innovation is the great way to success in this digital age. The path of innovation in business means doing something different, smarter or better that will make a positive difference in terms of value, quality or productivity by using emerging or proved technologies of the world. IT has dramatically changed the lives of the individuals and organisations. Currently online shopping, digital marketing, social networking, digital communication and cloud computing etc. are the best examples of change which came through the wave of information technology. Accurate business planning, effective marketing, global sales, systematic management, real time monitoring, instant customer support and long term business growth cannot be achieved at the optimum level without IT.

IT and business success

It is impossible to attain long term business success without leveraging the benefits of information technology in this digital age. Entrepreneurs have to bear a reasonable cost to achieve this success because using an innovative approach in business strategy, employing highly trained IT professionals and making right decisions at right time are the prerequisite of business success. As IT solutions continue to increase the productivity, efficiency and effectiveness of business operations and communication, business will continue to rely on Information Technology for success.

The importance of IT in Business

The success of every business depends on certain factors, some of which include

- Accurate analysis
- Choosing the right technology
- The future vision.

Foundation of doing business

Information technology is the only technology which provides you the opportunity to analyse specific data and plan your business journey accordingly. It also provides you many tools which can solve complex problems and plan the scalability (future growth) of your business.

In the modern age, it is proved that digital marketing is a great tool which let you promote your products or services to the global market while sitting in the comfort of your remote office or home.

Cloud computing and modern communications enable you to form a global organisation, manage and monitor its virtual offices all over the world.

In many businesses, survival and even existence without extensive use of information systems is inconceivable. All of e-commerce would be impossible without substantial IT. Today's service

industries such as finance, insurance, real estate as well as personal services such as travel, medicine, and education could not operate without IT. Similarly, retail firms such as Naivas supermarkets and manufacturing firms such as Nzoia sugar company require IT to survive and prosper. Just like offices, telephones, filing cabinets, and efficient tall buildings with elevators were once of the foundations of business in the twentieth century, information technology is a foundation for business in the twenty-first century.

Productivity

Managers have very few tools at their disposal for achieving significant gains in productivity. IT is one of the most important tools along with innovations in organization and management, and in fact, these innovations need to be linked together. Investment in IT plays a critical role in increasing the productivity of business organizations.

Strategic Opportunities and Advantage

If you want to take advantage of new opportunities in markets, develop new products, and create new services, chances are quite high you will need to make substantial investments in IT to realize these new business opportunities. If you want to achieve a strategic advantage over your rivals, to differentiate yourself from your competitors, IT is one avenue for achieving such advantages along with changes in business practices and management.

Transformation of Business Enterprise

The Internet and the new markets are changing the cost and revenue structure of traditional firms and are hastening the demise of traditional business models. For instance, a large percent of travel sales is made online. The business model of traditional local telephone companies, and the value of their copper-based networks, is rapidly declining as millions of consumers switch to cellular and Internet telephones.

The Internet and related technologies make it possible to conduct business across firm boundaries almost as efficiently and effectively as it is to conduct business within the firm. This means that firms are no longer limited by traditional organizational boundaries or physical locations in how they design, develop, and produce goods and services. It is possible to maintain close relationships with suppliers and other business partners at great distances and outsource work that firms formerly did themselves to other companies.

Globalization

Today, information systems provide the communication and analytic power that firms need to conduct trade and manage businesses on a global scale. Controlling the far-flung global corporation communicating with distributors and suppliers, operating 24 hours a day in different national environments, coordinating global work teams, and servicing local and international reporting needs is a major business challenge that requires powerful information system responses.

Globalization and information technology also bring new threats to domestic business firms: Because of global communication and management systems, customers now can shop in a worldwide marketplace, obtaining price and quality information reliably 24 hours a day. To become competitive participants in international markets, firms need powerful information and communication systems.

The role of IT in different phases of business

Decision Making

Speed and accuracy are at the heart of making right decision for your business. Every successful business organisation has to go through a comprehensive market research process which enables management to make the right decision. Market research can be done in many ways through online surveys, forums, blogs, group discussions using World Wide Web and of course through in-person interviews as well. Currently Big data, Google Analytics and Microsoft CRM Dynamics are also great tools to extract useful information which can impact on decision making. These online tools not only provide real time responses from the potential audience but also ensure the accuracy of data by minimising the risk of human errors.

Marketing and Business Growth

The heart of the business success lies in its marketing which enables the management to identify its target audience first and then observe their trends and needs. The overall marketing covers public relation, advertising, promotion and sales which subsequently impact on business growth.

Many types of marketing can help you reach your potential customers. Digital Marketing is a modern phenomenon which let you promote your products or services all over the world. It is a broad term which includes many concepts like search engine optimisation (SEO), pay per click (PPC), blogging, discussion forum, email shot, SMS, MMS, social media marketing and Smartphone app advertisement etc. Currently web market is booming at a very fast pace because most of the entrepreneurs have understood that the long term success in business is not possible without digital presence on the internet. Millions of new websites are being added on the internet every year.

Customer Support and Satisfaction

Higher level of customer satisfaction is the key to success which cannot be achieved without a real time customer support process. Business success depends on knowing its customers' needs, trends, behaviours and satisfaction level.

Effective communication is the best tool to understand the customer demands, problems and their solutions. The Internet Technology has enabled us to communicate with millions of potential or existing customer in the real time.

IT provides many channels to communicate with the customer without going out of our comfort zones. Some of these channels are email, webinar, social media, member portals, online newsletters and text or multimedia messaging through the smart phone.

Enterprise organisations normally use customer relationship management systems (CRM) to hold valuable data for understanding customer behaviours and future needs.

Resource Management and Globalisation

Resource management plays a crucial role in business success. It is very hard to manage all the resources manually. These resources may include tangible, financial or human resources etc. Information technology has played a vital role in automating such complex problems by introducing user friendly solutions.

Some years ago most of the resource management solutions were desktop based. Today the Internet and cloud technology enable software engineers to introduce cloud based ERP (Enterprise Resource Planning) solutions. Now, the managers can manage or monitor their organisational resources virtually anywhere in the world by using their personal computer, laptops, tablets or Smartphone.

Review Questions

1. Define the terms
 - (a) Business
 - (b) Information technology
2. Distinguish between innovation and creativity
3. Explain the relationship between successful information technology and business.
4. Explain the importance of adopting IT in business.
5. IT plays a vital role in different phases of a business. Explain the role of IT in the following phases of a business.
 - (a) Decision making
 - (b) Marketing and business growth
 - (c) Customer support and satisfaction
 - (d) Resource management and globalisation

The Entrepreneurial Mindset

Entrepreneur

The Oxford English Dictionary defines an entrepreneur as: *'One who undertakes an enterprise; one who owns and manages a business; a person who takes the risk of profit or loss.'*

*An **entrepreneur** is a person who organizes and manages any enterprise, especially a business, usually with considerable initiative and risk. Rather than working as an employee, an entrepreneur runs a small business and assumes all the risk and reward of a given business venture, idea, or good or service offered for sale.*

An entrepreneur is a person who can take any idea, whether it be a product and/or service, and have the skill set, will and courage to take extreme risk to do whatever it takes to turn that concept into reality and not only bring it to market, but make it a viable product and/or service that people want or need.

An entrepreneur is a person (business owner) who seeks to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, or markets.

The entrepreneur is commonly seen as a business leader and innovator of new ideas and business processes.

Entrepreneurship

Entrepreneurship is the development of a business from the ground up; coming up with an idea and turning it into a profitable business.

Entrepreneurship is the pursuit of opportunity beyond the resources you currently control

Entrepreneurship is the process by which individuals acquire ownership (property rights) in economic rents of their creation.

Entrepreneurship is the pursuit and exploitation of profit opportunities.

While the definition of entrepreneurship may be simple, its execution is much more difficult. Entrepreneurship is the journey of opportunity exploration and risk management to create value for profit and/or social good. Entrepreneurship entails:

- Recognizing the right opportunity
- Finding resources such as funding and tools to pursue the opportunity and
- Creating the right team to do so.

The entrepreneur and the entrepreneurship process are guided by the following question:

- Where is the opportunity?
- How do I capitalise on it?
- What resources do I need?
- How do I gain control over them?

- What structure is best?

Information Technology Entrepreneurship

Information technology entrepreneurship is a style of business leadership based on the process of identifying high-potential, technology-intensive business opportunities, gathering resources such as talent and money, and managing rapid growth using principled, real-time decision-making skills.

Entrepreneurial mindset

People who are thinking about starting their own business must really be aware that successful entrepreneurship involves much more than having a great concept.

Mindsets are conceived as “general cognitive operations with distinct features that facilitate a given task. **Entrepreneurial mindset** refers to a specific state of mind which orientates human conduct towards **entrepreneurial** activities and outcomes.

Individuals with **entrepreneurial** mindsets are often drawn to opportunities, innovation and new value creation.

Although there are no specific traits all entrepreneurs share, there are certain characteristics that most successful entrepreneurs possess.

1. **Perseverance:** The ability to withstand repeated rejection and disappointment is an essential part of an entrepreneur’s makeup. Successful entrepreneurs are able to draw lessons from rejection, as well as prevent it from damaging their self-esteem.
2. **Flexibility:** Entrepreneurship is a tough space to play in. Unexpected challenges and problems appear constantly. You must be flexible enough in your thinking to roll with the punches, solve problems as soon as they crop up, and recover quickly from setbacks.
3. **High internal locus of control:** Successful entrepreneurs have faith in their ability to determine their own success. They see that their own actions, decisions, and responses are what will make or break them – not what the outside world throws at them. This means that you need to take responsibility for doing the things that need to be done.
4. **Learning and iteration:** When a problem occurs, a successful entrepreneur sees it as a learning opportunity. The lessons an entrepreneur takes from any given situation are then used in successive iterations of the entrepreneur’s ideas to develop and refine them.
5. **Curiosity:** A wide-ranging curiosity about how the world works and where things tie together is extremely common among successful entrepreneurs. Always keep your mind active – this will strengthen your ability to see things from different angles and think laterally.
6. **Optimism:** Despite all the difficulties inherent in the entrepreneurial lifestyle, successful entrepreneurs maintain an optimistic view of life and the world. Being optimistic about a situation could mean the difference between seeing it as an unsolvable problem or an opportunity to be explored.
7. **Confident:** Confidence is a characteristic of the entrepreneur. Not all of us are born with confidence, but that does not mean we are not capable of it. Many confident women and men gain their sense of self-esteem and faith in their ability to greet challenges by acting even when they lack the confidence and then gaining strength and belief in themselves by seeing the results and gaining the praise and respect of others.

8. **Feels a Sense of Ownership:** Taking responsibility for getting things done and doing them with care and attention means to act like an owner. Rather than viewing a problem as someone else's, the entrepreneur sees it as his or her own and takes pride in finding a solution, leaving things in better shape than they were before encountering them, and improving upon situations rather than leaving them unattended.
9. **Able to Communicate:** Entrepreneurs recognize that the most important part of any business is the human element. Human resources whether in the form of clients, employees, or strategic partners are what makes or breaks a business, and communication is the key to successful relationships with people. The entrepreneur works to sharpen communication skills, whether those are written, spoken, or non-verbal messages conveyed through body language. And to support communication, he or she will take advantage of all available tools and resources.
10. **Passionate about Learning:** Entrepreneurs are often "autodidactic" learners, which means that much of what they know they learned not in a formal classroom setting but instead on their own by seeking out information, asking questions, and doing personal reading and research. They also are quick to learn from their own mistakes which mean they are less prone to keep repeating them due to arrogance, ego, or blindness to one's own faults, shortcomings, or errors in judgment.
11. **Team Player:** Those who go into business for themselves but do not utilize teamwork wind up without the team but still have all the work to get done. They shoulder the whole burden for themselves, and wind up just trading their old job for a new and more demanding one – in an attempt to be self-employed. But the new venture carries greater personal and financial risks. On the other hand, team players know how to succeed by employing the physics of interpersonal synergy and dynamic relationships.
12. **System-Oriented:** Good systems allow us to reproduce great results every time with less and less exertion of energy or resources. Entrepreneurs rely upon systems before they rely upon people, and they look for system based solutions before searching for human resource solutions. If the person gets the job done but falls sick or leaves, the job is threatened. But if a system is created to get the job done, anyone can step in and follow the blueprint to get the desired result. Similarly, when troubleshooting and problem solving, the entrepreneur will first examine and study the system because a flaw in the system will produce a flawed outcome each and every time. Designing, implementing, and perfecting systems is one of the most useful and rewarding skills of an entrepreneur.
13. **Dedicated:** Entrepreneurs dedicate themselves to the fulfilment of their plans, visions, and dreams, and that tenacity of purpose generates electricity throughout the whole organization. One of the biggest reasons that companies fail is because they lose focus. Target a goal, clarify the objective, refine the brand, and narrow the margin of error.
14. **Grateful:** Being grateful for what we have opens us up to receive more, and one reason that is true is because those who are grateful appreciate what they are given. They respect it and nurture it. They do their best to make it grow instead of allowing it to dwindle away due to neglect.
15. **Extrovert (Outgoing):** Because business is all about people, entrepreneurs tend to be socially outgoing. They get excited about sharing ideas, products, and services, and that excitement is contagious to their employees, clients, friends, and other contacts both within and beyond the business sphere.
16. **A Leader by Example:** Entrepreneurs not only lead themselves through self-motivation as self-starters who jump into tasks with enthusiasm, but they are also skilled at leading others.

They know the importance of teamwork, and they understand the need to appreciate others, support them, and reward them accordingly. True leaders do not become indispensable, otherwise things fall apart in their absence and they can never rise to the highest level of entrepreneurial freedom and prosperity. Neither do they squander the potential of those working under their guidance.

17. **Not Afraid of Risk or Success:** Many people could be successful if they only took chances. And many people who do take chances and become somewhat successful find the realization of their dreams an overwhelming possibility, so they sabotage their continued success by retreating back into a comfort zone of smallness. Entrepreneurs are not immune to fear. But they prioritize their approach to life so that the fear of failure, frustration, boredom, hard work, and dissatisfaction far outweighs the lingering fear of success.

Entrepreneurial Skills

- **Ability to plan:** Entrepreneurs must be able to develop business plans to meet goals in a variety of areas, including finance, marketing, production, sales and personnel.
- **Communication skills:** Entrepreneurs should be able to explain, discuss, sell and market their goods or services.
- **Marketing skills:** Good marketing skills, which result in people wanting to buy goods or services, are critical to entrepreneurial success.
- **Interpersonal skills:** The ability to establish and maintain positive relationships with customers and clients, employees, financial lenders, investors, lawyers and accountants, among others, is crucial to the success of the entrepreneur's business venture.
- **Basic management skills:** Even if entrepreneurs hire others to deal with the day-to-day tasks of the business, entrepreneurs need to know whether their company has the correct resources.
- **Leadership skills:** The ability to develop a vision for the company and to inspire employees to pursue it is imperative for success.

Tips for those wanting to enter the world of entrepreneurship:

- **Learn from others' failures.** Rather than admiring the small percentage of businesses that grow to become successful, study those that end up failing. Research will greatly increase your chances of success, since most companies have made common mistakes that have led to their demise. Having the humility to learn from the mistakes of others before making them yourself is the secret to success.
- **Make sure this is what you want.** Because entrepreneurship entails so much hard work, it is critical to ensure you're following the right path. If this is something you really want, then think long-term, and be persistent. The vast majority of great entrepreneurs failed multiple times before they finally found the business idea that took off and brought them success.
- **Solve problems.** Entrepreneurs should always be in search of problems to solve and not the other way around. They should not start with a solution looking for a problem.
- **Be passionate.** To be successful, you should find your passion and then build a business around that. The passion is what will get you through the stumbling blocks and prevent you from quitting in the middle of the race.

- **Get advice from those who have done it.** Advised would-be business owners to find mentors who are successful, as well as to read books, network with people they admire and look into great educational programs to help them throughout the process.

Review Questions

1. Define the terms
 - (a) Entrepreneur
 - (b) Entrepreneurship
 - (c) Information technology entrepreneurship
 - (d) Entrepreneurial mindset
2. Describe five qualities of a successful entrepreneur.
3. Explain five qualities of a successful entrepreneur.
4. Explain any five requisite skills of a successful entrepreneur.
5. Describe any four factors that influence entrepreneurship development in an individual.