

Getting Started...

“...The Potential is Tremendous....”

Opportunity, Growth and Wealth

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ENPR 41043 | Entrepreneurship and Small Business Management

4th Year (Semester VII) | 2021

Module Outline

Compulsory Subject : 3 credits

Prerequisite: ENPR 31042

Hourly Breakdown : Theory 45 h Practical 10h Independent learning: 95 h

Course Aim/Intended Learning Outcomes:

On successful completion of this Course unit, students should be able to:

LO-1 Develop an understanding of the nature of entrepreneurship

LO-2 Construct a feasibility study

LO-3 Prepare a comprehensive business plan

LO-4 Demonstrate working knowledge of balance sheet, income statement and cash flow statement

LO-5 Describe funding sources and capital structure of company

LO-6 Describe operational and organizational structures of a business

LO-7 Demonstrate primary management skills

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Course Content: (Main topics, Subtopics)

1. Laying the groundwork for small business

Introduction (why start a business, small businesses in Sri Lanka, How does society benefit, what is a small business), Technology entrepreneurship, corporate entrepreneurship, Individuals and small business start up, Business idea generation and initial evaluation

2. Due Diligence on the business idea

External analysis, business mission and strategy, analysing cash flow and other financial information

3. Establishing the business

Establishing the legal foundation, establishing operations, financing and accounting

4. Building the business

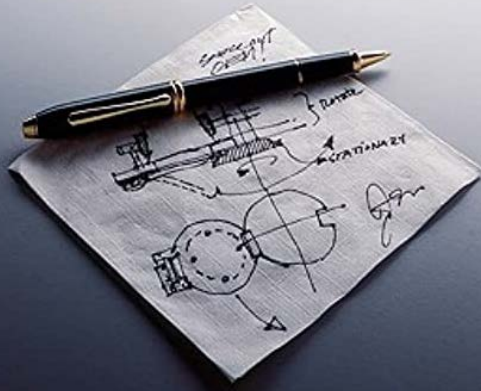
Human resource management, marketing, financial analysis

5. Other issues

Exit/harvest/turnaround, franchising and purchasing an existing businesses³

Entrepreneurship

A Small Business Approach



Charles E. Bamford | Garry D. Bruton

Small Business Management 18e

LAUNCHING AND GROWING ENTREPRENEURIAL VENTURES

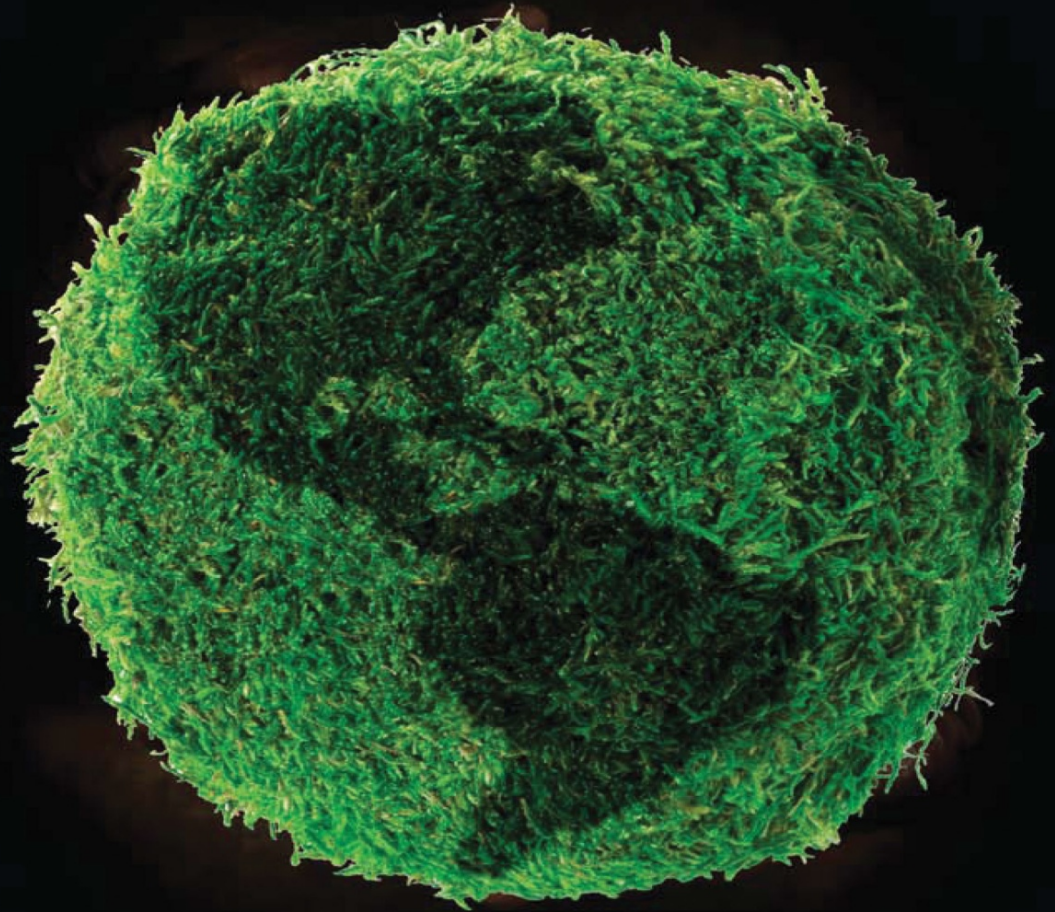
Longenecker • Petty • Palich • Hoy



seventh edition

business

a changing world



O.C. Ferrell | Geoffrey A. Hirt | Linda Ferrell



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Businesses are all
around us!



The Nature of Business

What is a *business*?

Individuals or organizations trying to provide products that satisfy customer's needs.



The Nature of Business

What is a **product**?

A good or service with tangible and intangible characteristics that provide satisfaction and benefits



Goods

Tangible items
that are made,
bought and
sold

- Automobile
- Computer
- Loaf of bread
- Television

Examples of Goods



Examples of Services

Examples of Goods



Examples of Services

Services

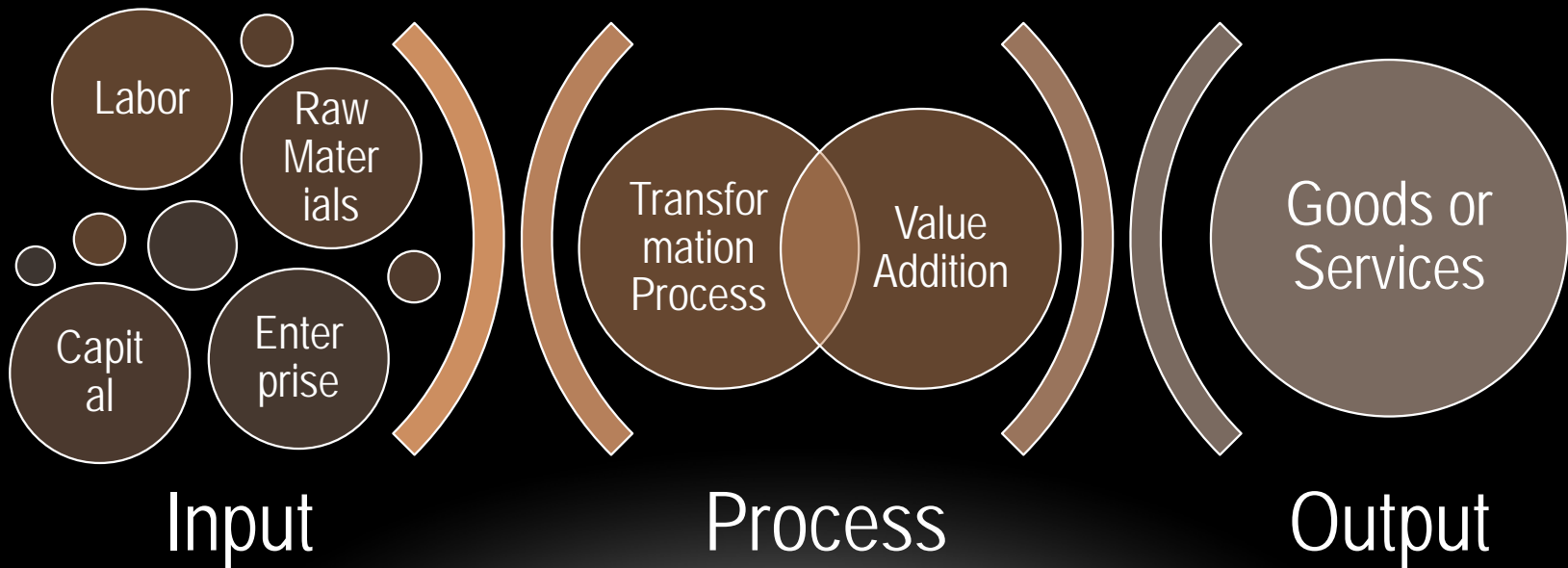
Activities that other people or businesses do for you

- Vehicle services
- Information technology
- Consulting
- Entertainment

| | Goods | Services |
|---------------|--|---|
| Location | Requires a production location- factory | The location is where the service is provided – either physically (e.g. a builder) or virtually (e.g. telesales or via a website) |
| Output | The output from production is stock – which can be transported and/or stored for future sale | Service is delivered at a point in time – it cannot be stored! A shop has to be open to sell. Service provider has to be there |
| Cost | Production costs will include the costs of raw materials and other inputs into the production process | The main cost of a service business is the people involved |
| Relationships | Requires close liaison with suppliers | Require high levels of customer satisfaction |
| Quality | Quality can be built-in to the product through good design and production processes designed to ensure the right quality is achieved | Quality is measured by the quality of customer service. |
| Management | Harder to manage Quite costly to set up. The production process needs to be in place and working before goods can be produced. | Relatively easy to start a service business, particularly using franchises, where a business format has already been established |

Business Process

Business Process describes what happens inside.



The Primary Goal of Business

Earn a Profit

- Profit is the difference between what it costs to make and sell a product or provide a service and what a customer pays for it.
- Profit is the reward for the risks that businesses take in providing products.



Non-Profit Organizations

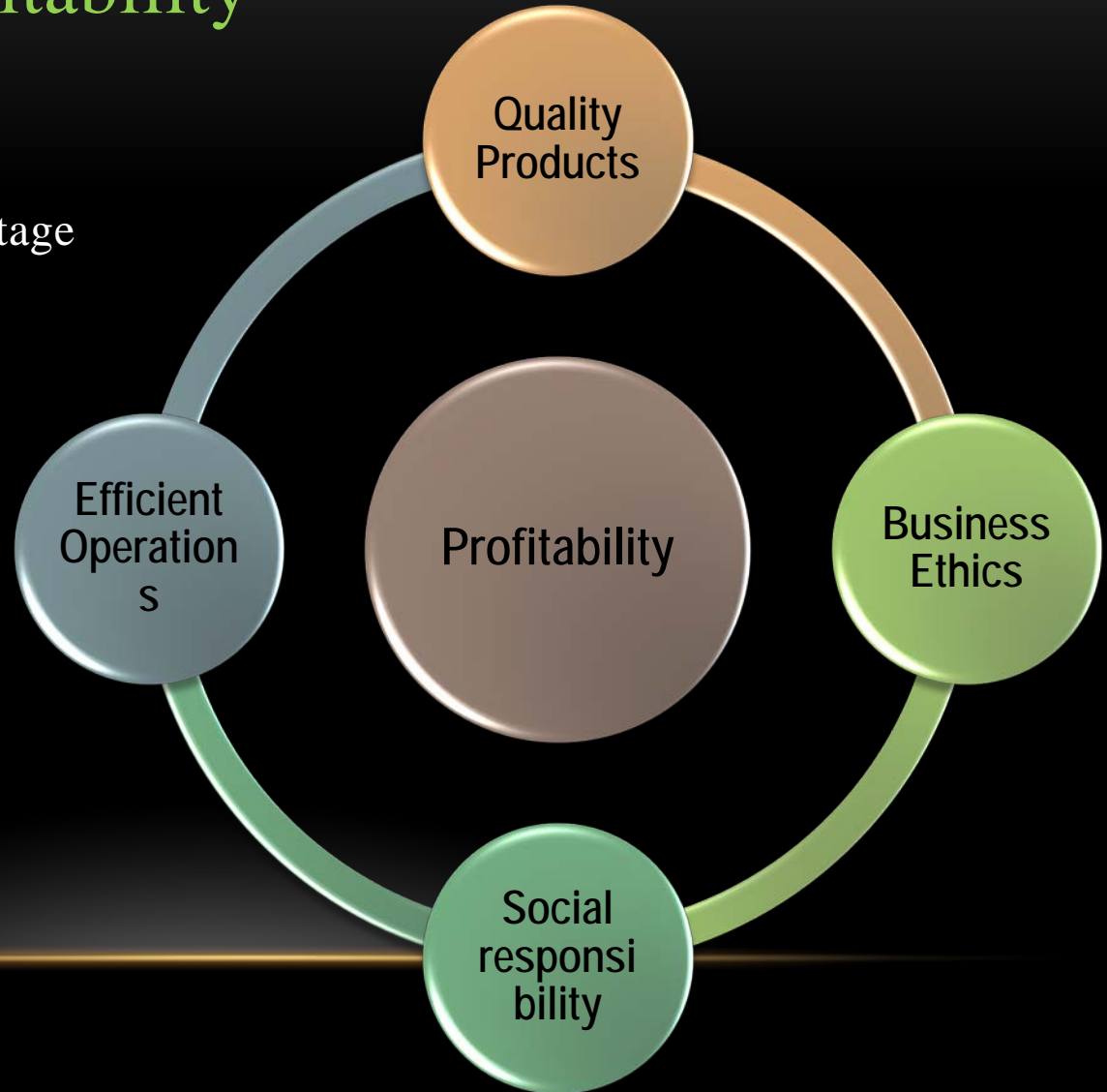
Not all businesses are profit oriented

- Nonprofit organizations provide goods and services but do not have the fundamental purpose of earning profits.



Maintaining Profitability

- **Know-How**
 - Value creation
 - Competitive advantage
- **Management Skills**
 - Planning
 - Organizing
 - Controlling
 - Leading
- **Marketing Skills**
 - Products
 - Price
 - Promotion
 - Distribution



People & Activities of Business

Stakeholders

Those that have a stake in the success and outcomes of a business are considered stakeholders.



People & Activities of Business

Process – Production and Manufacturing

- Plan activities
- Plan and develop products
- Organize staff
- Control tasks

Management – Focus on employees and resources

- Coordinating employee's actions
- Organizing people and resources for efficiency
- Motivating employees toward business goals



Marketing – Focus on satisfying customers

- Determine what products customers want
- Determine distribution
- Determine place
- Determine promotion

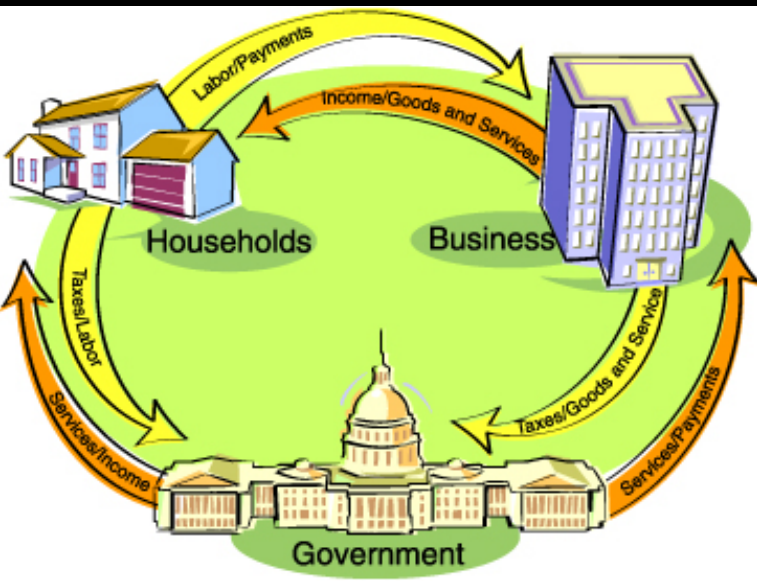
Finance – Primary responsibility of owners

- Obtaining money
- Using money effectively
- Accountants, stockbrokers, bankers

Economic Drive for Business Development

Central issues of economics

- How to fulfill the unlimited demand for goods and services with a limited supply of resources

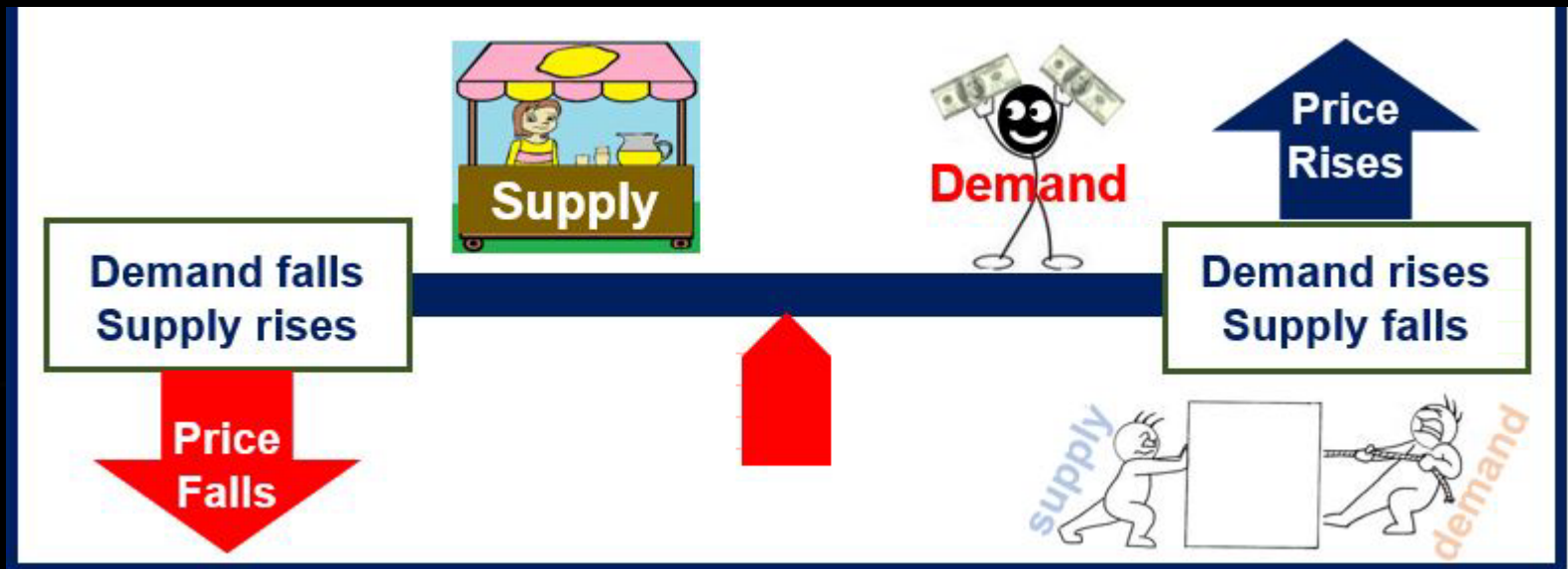


- How a society distributes its resources to produce goods and services
 - Natural resources (land, forests, minerals, water)
 - Human resources (labor)
 - Financial resources (capital)

Economic Drive for Business Development

Demand -- number of goods/services consumers buy at given price at a specific time

Supply -- number of products businesses will sell at different prices at a specific time



Economic Drive for Business Development

Main questions to consider before developing a business

- How will goods/services be produced?
 - With what resources?
 - What types and quantities of goods/services will satisfy the consumer needs?
 - How are goods/services distributed to consumers?
-

Economic Drive for Business Development

More questions to ask

- Economic system
 - Communism
 - Socialism
 - Capitalism
 - Mixed
- Economic Cycles
 - **Economic Expansion** – economy is growing and consumers are spending money
 - **Economic Contraction** – spending declines, layoffs, economy slows down
 - Inflation– condition characterized by continuing rise in prices
 - Recession– decline in production, employment, and income
 - Unemployment– % population wants to work but unable to find jobs
 - Depression– unemployment very high; consumer spending low; business output sharply reduced

Economic Drive for Business Development

More questions to ask

- Competition - Rivalry among businesses for consumers' money
 - Pure competition – many small businesses in same product market
 - Monopolistic or duopolistic competition – One or two businesses with little difference in products
 - Oligopoly– very few businesses selling a product



Why Businesses are Important

- Job creation – thousands of new businesses are started each year
- Stimulate investment and innovation through risk-taking
- Businesses enable an economy to respond to changing global conditions
- Businesses pay substantial taxes
- Businesses encourage competition in markets
- Attract foreign investments and capital
- Fuel the economy
- Contribute to society development

By Starting a Business...

- Make a living
- Make a fortune!
- More control over working life
- Need for flexible working
- Escape an uninteresting job or career
- Develop skills for career success
- Pursue an interest or hobby
- Be the boss
- Satisfaction from building something
- Change in personal circumstances



