

BIT-Entrepreneurship III

Presented

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Contents

- Small business ownership
- Motives and drive for success
- Characteristics of success
- Requirements for success


SB Ownership

- **SB ownership and mgt as an occupation represents a way of life:**
 - It provides and determines physical and psychological environment in which person lives
 - It selects and strengthens traits which person most frequently uses
 - It comes with status in the community
 - It leads to satisfaction of individual needs posited by **Maslow, Herzberg and McClelland**

Successful Entrepreneurs

- **Successful entrepreneurs:**
 - Possess a high need for achievement
 - Have **high level of individualism**
 - Have a high need for independence
 - Have a **high ability to take calculated risks**
 - Have an internal locus of control - believe in himself as **capable to influence or manipulate situations to his advantage**
- **Successful entrepreneurs are:**
 - **Determined, and learn from mistakes**
 - Innovative, seize chances, and manage people well
 - **Pragmatic problem solvers and decision makers**
 - Dedicated, focused, highly motivated and committed and
 - **Have high levels of morale**

Entrepreneurial Drive


- **Entrepreneurship is a mindset**
 - It is **the art of finding  profitable solutions to problems.**
- **Successful entrepreneurs**
 - are people who are able to identify problems and then come up with a solution before someone else does.
- **Entrepreneurs**
 - are **ambitious** and have a **strong passion to achieve,**
 - proactively respond to challenges with enthusiasm, confidence and, determination that they have the potential to achieve.

Surveys on Entrepreneurs



- **Oxford** surveyed (500) UK hi-tech industry entrepreneurs indicate their **motives to venture out**:
 - 12% money
 - 39% independence
 - 30% challenge
 - 19% other
- **Richard Daft** in a similar survey (500) of US fast growing businesses indicated:
 - 29% to create something new
 - 24% to control my life
 - 14% to make money
 - 14% to be my own boss
 - 10% to prove I can do it
 - 8% frustration
 - 2% other reasons
- **Close analysis of the surveys** reveals that
 - money is a poor motivator
 - independence, achievement and the challenge are high motivators

Personality and Effort

- Surveys revealed that **entrepreneurial personality differ for each successful entrepreneur** since individuals are born with unique traits.
- **Common characteristics** are:
 - Internal locus of control
 - high energy levels
 - high need to achieve
 - tolerance for ambiguity
 - high awareness of passing time and
 - self confidence
- Survey also indicated **time put into work** (hours/week)
 - 24% less than 50hrs 
 - 24% between 50 – 59hrs
 - 28% between 60 – 69hrs
 - 13% between 70 – 79hrs
 - 11% more than 80hrs

Successful Entrepreneurs

- **Failure to succeed results from** any of or a combination of the following weaknesses:
 - Too much left to chance
 - Too many decisions were made by hunch or through intuition
 - Crucial obstacles went unnoticed amount of **time and effort demanded of entrepreneur was underestimated.**
- **Five unique characteristics for success:**
 - Having a great sense of independence
 - Having a strong **sense of enterprise**
 - Motivated by personal and family consideration as by professional choice
 - High valuation of one's time
 - Expectation of **quick and concrete results**

Successful Entrepreneurs

- **Sense of independence:**
 - strong desire to be independent and outside any form of control or any other type of restraint on initiative
- **Sense of enterprise:**
 - gives entrepreneurs a desire to use ideas, abilities, ambition, aspirations and initiatives to the greatest degree possible
- **Personal/family consideration:**
 - motivated as much by family as by profit making motive
- **Perception of time:**
 - Time is valuable because of the many duties to perform in an SB – in large orgs duties are delegated to right people
 - Jealously guard time from intruders and may be irritated by intrusion
- **Expectation of quick results:**
 - Expect concrete results from investment in time or capital
 - Expect quick turnover of small investment in business rather than engaging in long-term planning
 - Willing to take risks and have determination and perseverance to capitalise on the risks

Requirements for Success

- **Sensitivity** to internal and external changes affecting business
- **Adaptability** to react quickly to changes
- **Access to accurate and useful** operating and marketing **information**
- **Effective but humane use** of human resource
- **Acquisition of sufficient investment capital** at reasonable price
- **Effective handling of government laws** and regulations

Next lecture:
Strategic Planning

Strategic Planning for SMEs

- Serves as cutting edge for entire mgt process
- Without SM, businesses work at cross-purposes not knowing what to do
- SM not exclusively mgt but involves every one in enterprise
- SM assists in
 - Encouraging imagination and vision
 - Understanding better mgt's thoughts and actions
 - Greater teamwork and cooperation

Strategic Planning

- SM is a process of strategic planning, implementation and control
- SM has four steps:
 - Formulation of grand strategy (how to achieve plan)
 - Formulation of strategic plans
 - Implementation of strategic plans
 - Strategic control – corrective action based on evaluation and feedback

Strategic Planning

- Grand strategies are derived from **situation analysis** of the business/enterprise **using the SWOT/PEST analysis**.
- SWOT/PEST analysis **gives vision of where the enterprise is headed** and where it should be headed focusing on competitiveness
- Situational analysis is **finding enterprise's niche** through SWOT analysis
- From SWOT analysis **capability profile** can be derived

Strategic Planning

- **Key capabilities** include:
 - Quick response to market trends
 - Rapid product development
 - Rapid production and delivery
 - Continuous cost reduction
 - Continuous improvement of process, hr, and products
 - Greater flexibility of operations.

Strategic Planning Techniques

- **BCG Matrix** (explain)
- **PEST – Opportunities and Threats analysis** to develop **scenarios**
- **Opportunity (Ansoff Opportunity Matrix)** – I used to identify opportunities in terms of markets and in the context of product development
- **PIMS (Profit Impact of Market Strategy)** strategic approach – identifies factors which have significant on profitability. PIMS identifies nine factors:
 - **Investment intensity**, Productivity, **Market share**, Market growth
 - **Quality management**, Innovation, **Vertical integration**
 - Cost push, Current strategic effort
- **Position/Situation audit** – comprehensive framework for systematically collecting and appraising all data relevant to strategic planning
- **Product Life Cycle** as an aid to planning (explain)

Next Lecture: Requirements To Start

Motives

- Ensure you have **requisite knowledge, skills and personality traits**.
- **Rewards of owning a business** can be in the following ways:
 - Earning a lot of money – bearing in mind tax obligations and legal requirements
 - Performing a **satisfying service** to the community
 - Obtaining prestige in your community
 - Finding **new challenges and new experiences**
 - Being proud of what you have built

Self-assessment

- Before deciding to venture out **assess personal desire, willingness and ambition** in the following areas:
 - **Technical and managerial know-how**
 - Preparation, Experience, Ability
 - **Perseverance, Willingness to work**
 - Outgoing personality, Judgment
 - **Competitive spirit, Health and stamina**

Risk Assessment

- **Before risking your money, time and effort,** consider the following:
 - Sacrifice of personal and family comfort
 - Making money or performing useful service
 - Having the right patience and tenacity
 - Skills and knowledge to harness resources and retain customers
 - Directing activities to success
 - Money to get started and above all
 - **Business idea**

Starting Business

- **Have a viable business idea**
- **Source of ideas:**
 - customers, suppliers:
 - employees, business problems,
 - community supply problems,
 - lack of or inadequate availability of desired items
- **Start small and learn from mistakes as business grows:**
 - Involve spouse
 - Grow business gradually using profits and savings
 - Do not start business on borrowed funds.
- **Cheap sources of business funds include:**
 - relatives, friends, own savings.
- **Be careful of sourcing funds from institutions and relatives**
- **Manage relatives** well

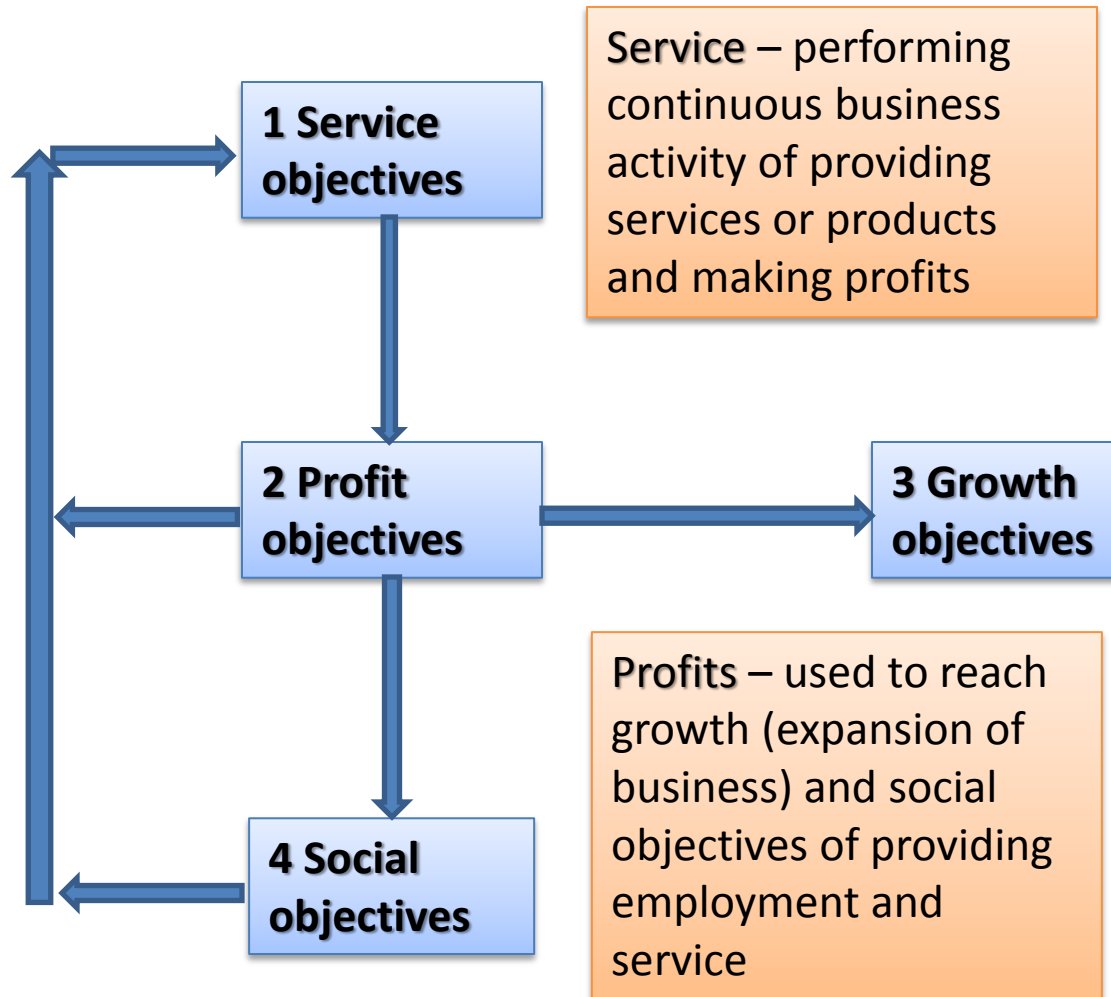
Starting Business

- Choice of business
- Investigate
- Before selecting review abilities and other related
- Eliminate by considering factors
- Economic environment scanning
- Market study
- Legal admin structure
- Financial structure
- Production set up

Small Business Objectives

- Set by entrepreneur
- All SB activities are aimed at achieving set objectives
 - Objectives determine character of business
 - Objectives are the focal point of all entrepreneurial functions
 - SB objectives differ from personal objectives
- Business objectives are of two sets:
 - Overall enterprise objectives
 - Subsidiary objectives of the individual parts of the bsn org
- Business objectives are interrelated

Small Business Objectives



Business Objectives

- **Service objectives** - these must be achieved if profit objective is to be attained
 - Profits must be used to reach social and growth objectives
 - In turn social objective must enhance the service objective.
- Service objective is to perform useful service in society by producing goods and distributing goods and services to the public
- In profit oriented orgs, the primary objective is service to the public in form of goods/services at a cost to ensure fair price to the consumer and adequate profits to the owners
- Entrepreneur must keep in mind the prime objective of providing service , but with a **profit as a natural consequence**

Business Objectives

- **Profit objective:**
- Business enterprise is expected to make profit from its operations
- **Profits are needed:**
 - create new jobs;
 - acquire new facilities and ;
 - develop new products and/or services
- Profits are **not self-generating:**
 - they come into existence through satisfying demand for a product/service.

Business Objectives

- **Social objectives** pertain to people in the community other than customers:
 - Employees, the government,
 - suppliers and the community itself
- **Business owners:**
 - must effectively serve the identified groups
 - **have a social responsibility**
 - occupy a trusteeship position and
 - **should act to protect the interests of customers**, employees, suppliers and the general public as well as to
 - **make a profit**
 - Should have a moral code soundly based on fairness and honesty in relationships with above groups
- **Important social contribution** of enterprise
 - **is to provide employees with a sense of belonging, identity and esprit de corps**

Business Objectives

- **Growth objective:** entrepreneur should be concerned with growth
- Entrepreneurs should be clear on the following:
- Seeking **stability or mere survival** of enterprise
- Seeking **satisfactory profits considering effort and investment intensity**
- Seeking to **maximise profits**
- **Satisfied with smallness** of business
- **Desire to grow and challenge** large firms

End