

Creating and Starting the Business Venture

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Characteristics of Success

- i) a **great sense of independence**
- ii) a strong sense of enterprise
- iii) **motivation** by personal and family considerations and by professional choices
- iv) high **valuation of one's own time**
- v) **expectation of quick and concrete results**

Requisites for Success

- i) **Sensitivity** to internal and external changes affecting the business
- ii) Ability to **react quickly** to those changes
- iii) **Access to** accurate and useful operating and **marketing information**
- iv) Effective but **humane use of human resource**
- v) Acquisition of **sufficient investment capital** at a reasonable price and effective **handling of government laws**, rules and regulations.

Strategic Planning

- i) formulation of grand strategy (mission)
- ii) formulation of strategic plans
- iii) implementation of strategic plans and;
- iv) strategic control – corrective action based on evaluation and feedback.

Strategic Planning

- **SWOT analysis** reveals a **capability profile** for a business with any of the following key capabilities:
 - i) quick response to market trends;
 - ii) rapid product development;
 - iii) rapid production and delivery;
 - iv) continuous cost reduction;
 - v) **continuous improvement** of processes, human resource and product;
 - vi) greater **flexibility of operations**.

SWOT Analysis

Aids to Strategic Planning

- *Growth share matrix*
- *Opportunity matrix* or Ansoff Opportunity Matrix.
- Profit Impact of Market Strategy
- *Position audit/situation audit* questionnaire (PAQ)
- **Product Life Cycle** and the
- **Scenario approach** incorporating PEST and SWOT analyses.

Developing Business Ideas

- **Creativity** an area that has been neglected by the world of academia and the education system in general.
- Sources of business ideas include
 - Customers' comments
 - Suppliers' suggestions,
 - Problems that beset business,
 - "Serendipity" in problem solving and,
 - Examining a challenging situation and considering possible opportunities

Challenges of Creativity

- When **dealing with complex business decisions** is:
 - **never admit hopelessness**;
 - **identify and balance conflicting business interests**;
 - consider intangible factors that may lead to business alternatives;
 - **assess risk and uncertainty** involved;
 - consider long term implications;
 - **use an interdisciplinary input**;
 - **use “pooled” decision making** and;
 - **consider value judgments**:
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Challenges of Creativity

- ii) When **coping with business uncertainty**:
 - entrepreneurs who can assess the degrees of certainty in a situation (certainty, risk or uncertainty) make more effective decisions.
 - A condition of **certainty exists when solid factual basis allows accurate prediction of decision's outcome**.
 - A condition of risk exists when a decision is made on the basis of incomplete but reliable information.
 - A condition of **uncertainty exists when little or no reliable factual information is available**.

Creativity in Business

- **Creativity in business** –
 - defined as the re-organization of experience into new configuration.
 - a function of knowledge, imagination and evaluation.
- **Creativity is a five step process** comprising
 - i) **problem identification** (leading to inspiration or generating new ideas),
 - ii) preparation (the conscious search for knowledge and experimentation),
 - iii) **incubation** (the unconscious assimilation of knowledge),
 - iv) illumination (the realization that the idea or solution is feasible) and
 - v) **verification** (validation or testing that the idea or solution has value).

Creativity Techniques

- i) **Brainstorming**;
- **ii) Checklist** – the use of active verbs to give an idea or a product a new meaning,
- **iii) Value analysis** – used to re-examine a product or service with the purpose of reducing its costs without reducing its utility to the consumer.
- Other **sources of business ideas** include:
 - i) Licenses, patents, and franchise and import substitution,
 - ii) **Agency for foreign based companies**,
 - iii) Disinvestment areas by big companies and
 - iv) **Mental practice of looking for inconsistencies** in the way systems are supposed to operate

Business Idea Realisation

- The ***choice of what type of business to enter is influenced by personal value system***, education, training, financial ability and family situation. The mission is to find a business which will help achieve set objectives while still satisfying other personal needs.
- Therefore, there is ***need for adequate preliminary investigation concerning a chosen venture***.
- In particular there is need to investigate
 - i) **Government regulations**
 - ii) **the economic environment**

Steps In Realizing Business Ideas

- Developing a **time table**
- Establishing **business objectives**
- Setting up the **organisation structure**:
- **Personnel requirements**
- **Physical facilities needed**:
 - what **location** to choose and
 - whether **to buy, build or lease** the physical facilities.
- **Planning the market**: consider
 - building an image for the business,
 - channels of distribution to use and pricing.
- **Budgets**: these are instruments of both planning and control.
The main **objective is to maximize revenue, minimize costs and increase profits.**
- **Locating sources of funds**:

Business Planning

- A **business plan** serves three purposes:
 - It **guides** a business's **operations by charting future course** and **devising a strategy for success**.
 - It **attracts lenders and investors**:
 - serves as a business financing market tool for loan applications and
 - shows ability to repay the loan and produce attractive returns.
 - It **forces the entrepreneur to look at business idea in light of reality**.

Business Plan

- **Contents include:**
 - An *executive summary*
 - **Product description:** description of product of service
 - *Market and competition:* an expose of business strengths, weaknesses, threats and opportunities derived from five force analysis marketing strategies based on 4Ps.
 - **Production methods:** a description of the plant equipment and machinery including the technology and the source of raw material.
 - *Fixed assets requirements* including business premises, plant and machinery, furniture and fittings, and IT requirements.
 - **Financing plans:** statements on long term and short term financial requirements, financial structuring and cash flow projections
 - *Financial statements:* including profit projections and balance sheet projection.
- The above **sub sections should preferably address three questions: where are we now; where do we want to be and; how do we get there?**

THANK YOU