

ENTREPRENEURSHIP & SMALL BSN MGT

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Order Of Presentation

- General Perspectives and Definitions
- Development and Importance of Entrepreneurship
- Constraints on Entrepreneurship
- Entrepreneurial Drive and Mind-set
- Attributes of Successful Entrepreneurship

General Perspectives

- **Application of entrepreneurial skills**
- Entrepreneurial skills include:
 - Ability to turn a business idea into a workable reality with all associated risks
 - Ability to organize and manage the necessary resources to achieve an objective satisfactorily.
 - Ability to manage cash flow, people and time.
- These **skills are vital to successful entrepreneurship.**

Definitions

- Stokes (2006) lists vital skills:
- **i) *Technical skills:*** -
 - having product/service knowledge,
 - market/industry understanding;
- Technical skills relate to understanding of products or services on offer and market and industry environment
- **ii) *Management competencies:***
 - competencies in marketing finance and human relations;
 - management competencies relate to managing key functions of the business.
- **iii) *Personal attributes:***
 - being innovative and being determined,
 - having an external focus and being a team leader.

Personal Attributes

- ***Innovative:*** Innovation is needed if business is to develop, to be different from rest of competition, and continue to seek advantages over others;
- ***Determined:*** desire for independence and control over own destinies and to succeed
- ***Externally focused:*** foresight to identify and exploit opportunities on a continuous basis.
- ***Team leader:*** effective delegation and training and involvement of others are important prerequisites for sustained growth

Entrepreneurship

- Hisreath & Peters (1995) describe entrepreneurship as “the process of creating something different with value devoting the necessary time and effort, assuming all the accompanying financial psychic and social risks and receiving the resultant rewards of monetary and personal satisfaction”.
- Drucker (1986) defined **an entrepreneur** as ‘someone who always searched for change, responded to it and exploited it as an opportunity’.
- Drucker in addition made **innovation a necessary part of entrepreneurship**.

Entrepreneurs

- **Entrepreneurship** is the ability to formulate, start up an enterprise and run it successfully.
- **An enterprise** is defined as a venture, a project, an activity or an endeavor.
- **An entrepreneur** –
 - takes risks to set up and run a business or an undertaking or a project;
 - exercises initiative and organizes and manages resources to achieve something;
 - takes the present situation and modifies it to his advantage; -
 - makes money by starting or running a business involving financial risks.

Entrepreneur Types

- **Three types:**
- ***The craftsman*** –
 - small business owners who directly provide a product or service, and enjoy doing it.
- ***The promoter*** –
 - the archetypal ‘wheeler-dealer’ who does deals, often starting, growing and running several different businesses in the pursuit of personal wealth.
- ***The professional manager*** –
 - the owner who adopts a more structured approach to building an organization on the lines of a ‘little big business’.

Advantages of SMEs

- Closeness with customers, employees and suppliers
- Doing more individualized work for customers than large organisations
- Relatively small overheads and other costs
- Sources of innovation, new materials, processes, ideas, services, and products
- Flexibility of operation.
- Produce (experienced) people
- Keep large businesses on their toes.
- Developing risk takers and fostering flexibilities.
- Provides employment opportunities for many people.

Development and Importance

- Small Businesses role in the Economy:-
 - Role of coordinating resources
 - Create employment
 - Bring inventions and innovations

Importance

- **In EU**, SMEs
 - are the driving force behind the economic prosperity in Europe
 - employed over 120 million people in 2002
- **In the Arab World** SMEs play an important role in economic growth, export promotion and employment creation and small business development.
- **In South Africa** Finance Minister released a package of incentives for small business, which include preferential tax rates

Importance to National Development

- **In Botswana** SMEs advocate for
 - integration of entrepreneurship into the school curriculum and
 - provision of material and financial assistance,
 - education, training,
 - strategic awareness and entrepreneurial orientation.
- **In Zambia** citizen economic empowerment

Constraints on Entrepreneurship

- **Business failure of two types:**
- ***Formal failure*** caused by
 - lack of experience in the business (12%),
 - lack of managerial experience (15%),
 - unbalanced experience (18%),
 - incompetence (47%)
 - other (8%)
- ***Personal failure*** due to
 - *individual attributes*-lack of personal capacity and creativity

Requisite Individual Attributes

- ***Self- preparation***
- *Not keeping abreast with trends*
- ***Sources of funds***
- *Starting big*
- ***Inability to plow back profits***
- ***Other causes of personal failure:*** poor business records, business experience, stock turnover, poor inventory control and sales.
- ***External causes;*** environmental conditions, lack of entrepreneurship development programs, market reforms, government policies

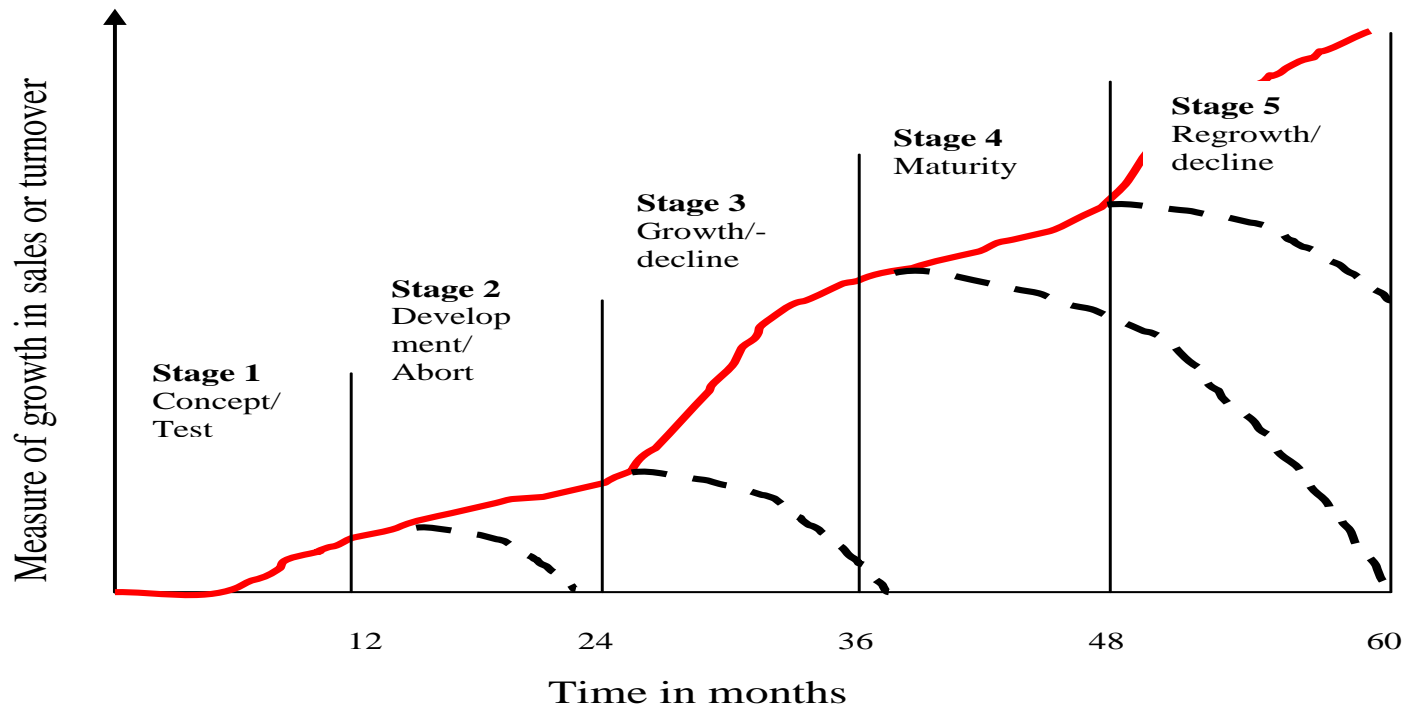
Problem of Ignorance

- *Lack of knowledge about environmental factors* leading to failure to:
 - identify target markets
 - pinpoint/profile likely customers – means that future of business is left to chance
- *Lack of a formal plan* – risk is reduced by a thorough analysis of the proposed business.
- *Lack of information* – collecting useful information is a fundamental and primary task.
- *Lack of skills* – plan for acquisition of requisite skills.

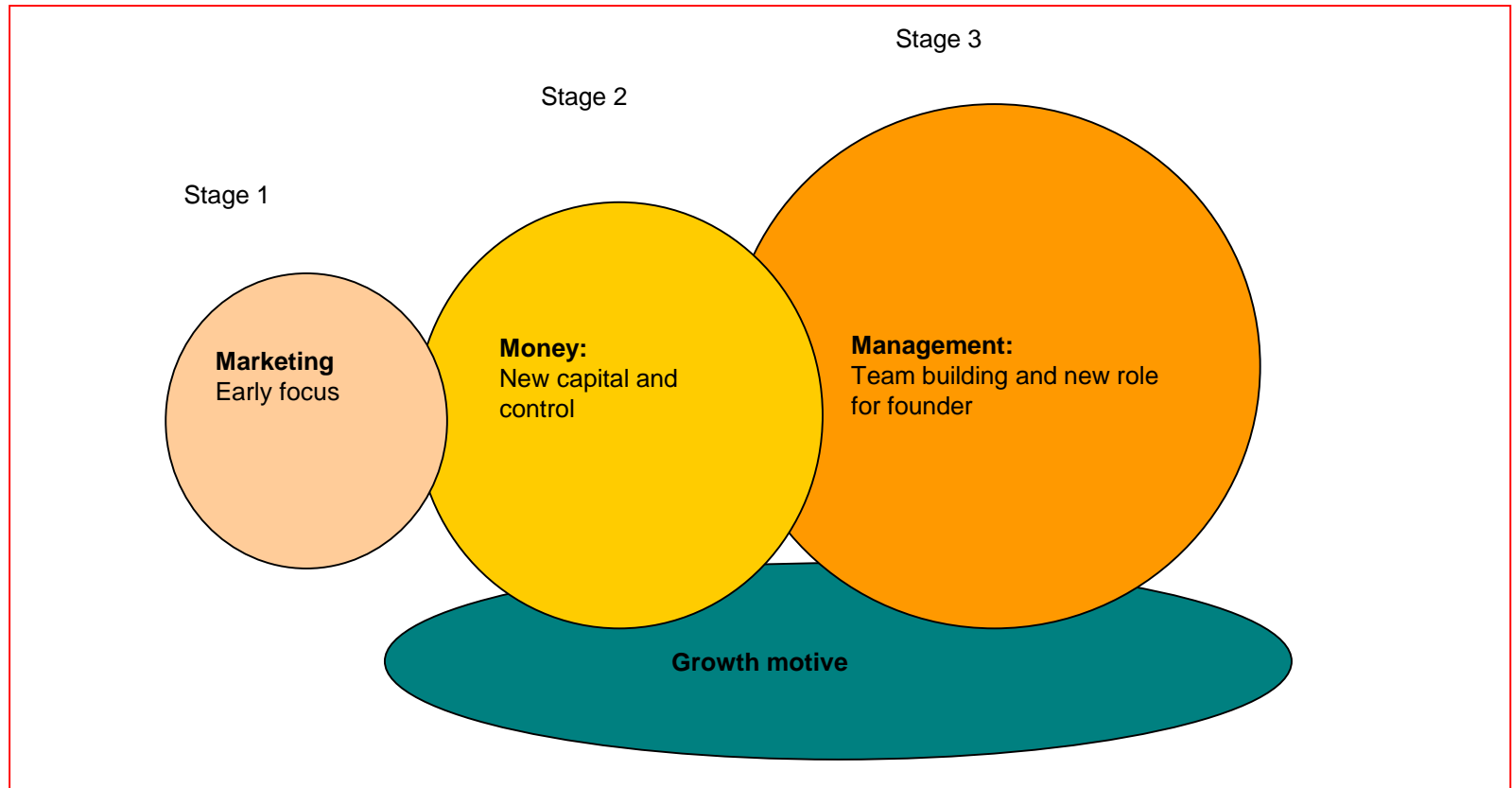
Problem of Growth

- **Growth has a built-in dilemma** for many small businesses.
- Firstly, if owners are inefficient and lack initiative, their business will flounder and fail.
- Secondly, if the owners are mediocre, their businesses will continue to be small and to be constantly plagued with problems of smallness.
- Thirdly, loss of advantages of smallness will occur if the owners are efficient and capable, as businesses grow and become successful.
- Successful businesses owners **run the risk of losing** the very things they seek from their business firms – **autonomy and control.**

Growth Strategy



Regrowth/decline



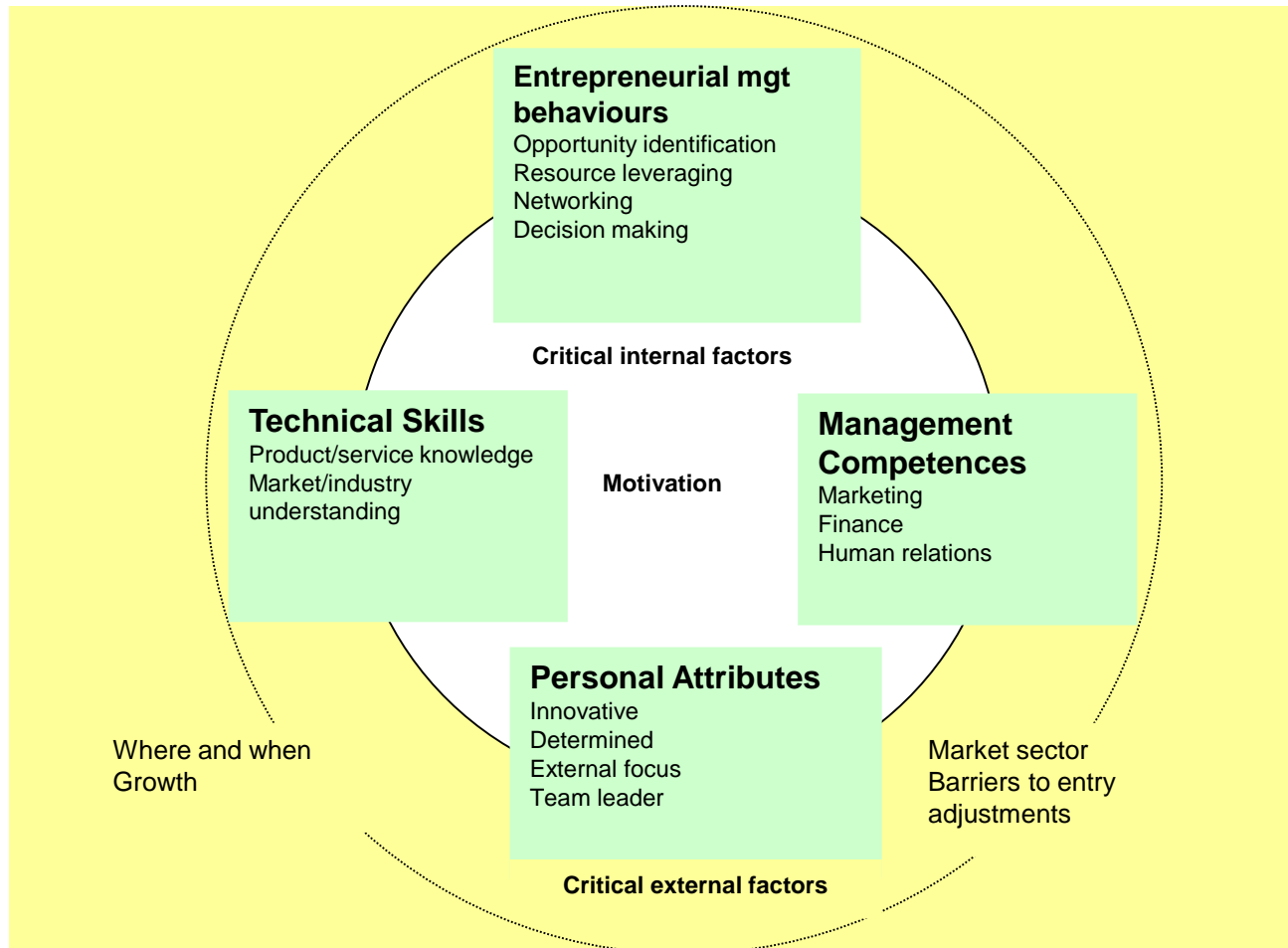
Drucker's Growth Suggestions

- A strong **focus on the market**
- **Financial foresight**, especially planning cash needs in advance of growth
- Building a **top management team** before it is required
- Careful definition of the **founder's role** in the enterprise

Framework for Business Growth

- **Strategy** – four strategy areas that influence growth
 - **external equity** – more likely to be obtained from outside by growing businesses
 - **marketing positioning** – high growth businesses tend to occupy deliberately chosen market niches where they can exploit innovations
 - **innovation** –key to growing businesses
 - growth is restricted if **non-owning managers** are not recruited

Success Strategies for Growth



Common Problems of Small Businesses

- ***Government regulations*** *in general and paper work*
- ***Inflation levels and high interest rates***
- ***Taxes and national budget deficits***
- ***Labour unions and minimum wage laws***
- ***Environmental restrictions***
- ***Lack of capital***
- ***Crime and corruption***

THANK YOU