PHOENIX RESEARCH INSTITUTE

BUSINESS STUDIES

Entrepreneurship

COURSE AIMS

The course aims at exposing you (students) to the necessary information that will add to the student 's knowledge on Entrepreneurship. The aim of the course shall be achieved by:

- ✓ Introducing you to the concept of Entrepreneurship.
- ✓ Examining the meaning, scope and nature of Entrepreneurship.
- ✓ Dilating copiously the roles of Entrepreneurship.
- ✓ Assessing Entrepreneurship architecture and design.

COURSE OBJECTIVES

Upon successful completion of this course, you should be able to: Discuss succinctly the concept of Entrepreneurship. And ability to apply the knowledge successfully in both business and non-business environment.

Table of Content

Chapter One

What is Entrepreneurship?

Introduction

Entrepreneurship: The art of identifying sustainable business opportunities and mobilizing resources to convert those opportunities into a successful enterprise through taking risk and responsibilities powered by progressive imagination.

Entrepreneurship: This is a process of accepting the responsibility and the risk for a business operation with the expectation of making a profit.

The concept of entrepreneurship was first established in the early 18th century, and the meaning has evolved ever since. Many simply equate it with starting one‗s own business. Most economists believe it is more than that.

To some economists, the entrepreneur is one who is willing to bear the risk of a new venture if there is a significant chance for profit. Others emphasize the entrepreneur‗s role as an innovator who markets his innovation. Still other economists say that entrepreneurs develop new goods or processes that the market demands and are not currently being supplied.

In the 20th century, economist Joseph Schumpeter (1883-1950) focused on how the entrepreneur‗s drive for innovation and improvement creates disorder and change. Schumpeter viewed entrepreneurship as a force of ―creative destruction.‖ The entrepreneur carries out ―new combinations,‖ thereby helping render old industries obsolete. Established ways of doing business are destroyed by the creation of new and better ways to do them.

Business expert Peter Drucker (1909-2005) took this idea further, describing the entrepreneur as someone who actually searches for change, responds to it, and exploits change as an opportunity. A quick look at changes in communications from typewriters to personal computers to the Internet illustrates these ideas.

Most economists today agree that entrepreneurship is a necessary ingredient for stimulating economic growth and employment opportunities in all societies. In the developing world, successful small

businesses are the primary engines of job creation, income growth, and poverty reduction. Therefore, government support for entrepreneurship is a crucial strategy for economic development.

The culture of a community also may influence how much entrepreneurship there is within it. Different levels of entrepreneurship may stem from cultural differences that make entrepreneurship more or less rewarding personally. A community that accords the highest status to those at the top of hierarchical organizations or those with professional expertise may discourage entrepreneurship. A culture or policy that accords high status to the ―self-made‖ individual is more likely to encourage entrepreneurship.

Entrepreneurship is a process of accepting the responsibility and the risk for a business operation with the expectation of creating wealth and improved livelihood, and the business for profit motives operations with progressive imaginations. (T.Nguni)

Entrepreneurship The process of converting opportunities and ideas into actual business ventures that creates wealth and a livelihood for the initiator /promoter.

Entrepreneurship is the ability to formulate or start-up an enterprise and run it successfully. Content

BUILDING SELF-CONFIDENCE

Self-confidence is the state of being certain that a chosen course of action is the best or most effective given the circumstances. Confidence can be described as a subjective, emotional state of mind, but is also represented statistically as a confidence level within which one may be certain that a hypothesis will either be rejected or deemed plausible. Self-confidence is having confidence in oneself when considering a capability. Overconfidence is having unmerited confidence-believing something or someone is capable when they are not.

Characteristics of a self-confident person

A person with self-confidence may exhibit some of the following characteristics:

- Risk-taking: willing to take risks and go the extra mile to achieve better things.
- Independent: entrepreneurs like to be their own masters and want to be responsible for their own decisions.
- Perseverance: Ability to endure and survive setbacks and continue to build confidence in whatever you do in your business.
- Able to learn to live with failure. Entrepreneurs are going to make mistakes. They are human. But they learn from these mistakes and then move on.
- Ability to find happiness and contentment in work.
- Doing what you believe to be right, even if others mock or criticise you for it.
- Admitting mistakes and learning from them

An entrepreneur does not simply impose his/her idea on others. Rather, he/she listens to other people in their sphere of influence, analyses their input in line with his/her own thinking and makes an informed decision.

Demonstrating leadership

An entrepreneur does not only do things by him/herself, but also gets things done through others. Entrepreneurs inspire, encourage and lead others to undertake the given duties in time

TYPES OF ENTREPRENEURS

From the general historical background of entrepreneurship we learnt various attributes and what it takes for one to be an entrepreneur. In a more capitalist approach an Entrepreneur, is one who assumes the responsibility and the risk for a business operation with the expectation of making a profit or earning an extra income out of business channels.

Case study:

The parable of the Gold Coins or the parable of the three servants (Matt. 25. 14-30)

The parable talks about a man who had gone for a long journey, but before he left, he gave each servant according to their ability as follows: to one he gave five thousand silver coins, to another he gave two thousand, and to another he gave one thousand then he left. The servant who had received five thousand coins went at once and invested his money and earned another five thousand. In the same way the servant who had received two thousand coins earned another two thousand. But the servant who had received one thousand coins went off, dug a hole in the ground, and hid his master‗s money. Upon the masters coming back, the servant who received five thousand coins came, hand in over the five thousand and on top of that he handed over another five thousand coins he realised from the investment. In the same way the servant who had received two thousand coins he came handed in the two thousand he received plus another two thousand he achieved from the investment.

The servant who had received one thousand coins came in and said, ‗master I know you are a hard man; you reap, harvest where you did not sow, and you and gather crops where you did not scatter seed. I was afraid, so I went off and hide your money in the ground. Look! Here is what belongs to you.' This servant made his master very annoyed with him; were the master commanded to have the servant thrown outside in the darkness, where he will cry and grind his teeth. The one who received five thousand was honoured, including for two thousand coins. As entrepreneurs, what do we learn from this parable? How BEST we can use our God given or inborn talents and qualities of an entrepreneur available.

Note:

To be honoured is to achieve growth, profit, prosperity, recognition, having solutions, care, productivity, competitive, positive image, confidence, riches and self-respect.

To be thrown in darkness means: suffering, business loss, dishonest, selfishness, poor, jealous, lack of business ideas, destitute, unproductive, failure, loser, and out of business.

Prayer is very important in all areas of business and non-business environment. Hard work pays. Remember, a person or people have exceptional abilities. Use them!

In relation to entrepreneurship, this parable talks about how best we can use our abilities, brains, and including talents as regards to the availability of resources.

The entrepreneur generally decides on the product, acquires the facilities, and brings together the labour force, capital, and production materials. If the business succeeds, the entrepreneur reaps the reward of profits; if it fails, he or she takes the loss.

According to the Austrian-American economist Joseph A. Schumpeter stressed the role of the entrepreneur as an innovator, the person who develops a new product, a new market, or a new means of production. One important example was Henry Ford. In the industrialized economies of the late 20th century, giant corporations and conglomerates have largely replaced the individual owner-operator. There is still a place for the entrepreneur, however, in small businesses as well as in the developing economies of the Third World nations.

The following are the types of entrepreneurship as expressed in percentages to signify the number of entrepreneurs involved in running businesses.

a) **Idealist**: The idealist entrepreneur is the most common type of entrepreneur shown above. She/he likes innovation and enjoys working on something new or creative or something personally meaningful.

b) **Optimizers**: The optimizer entrepreneur comes in a close second and is content with the personal satisfaction of simply being a business owner. Satisfaction of being a business owner becomes cardinal.

c) **Hard Workers**: The hard workers entrepreneur category includes persons who enjoy putting in long hours to build a larger more profitable business. They like the challenge it presents and of course reap the most rewards if the business turns out to be a multi-million dollar enterprise. Hard work comes with all businesses but as we now see not everyone works hard for the business to grow as this group of entrepreneurs does.

d) **Jugglers**: The juggler entrepreneur likes the concept that the business gives them a chance to handle everything themselves. They are usually people with lots of energy and exist on the pressure of meeting deadlines, paying bills and of course making payroll.

e) **Sustainers**: The sustainers entrepreneur category consists of people who like the thought of balancing work and a personal life. Most often they do not wish the business to grow too large where it will cut into their personal life too much.

This type just needs enough to survive. No big hopes and dreams of a multinational corporation or interviews. Normally, creativity and innovation is important (idealist), ownership, hard work and working under pressure thriving to meet a company bills and requirements (juggler). These four types of entrepreneur are quiet important to adapt. **DESCRIPTION OF ENTREPRENEURS**

Entrepreneurs can be described as follows:

- The **Manager Entrepreneur:** This is the type of person who becomes involved with start-ups once they have received a fair bit of funding and are just beyond the first high-risk stage. These people often call themselves entrepreneurs because they are close to entrepreneurs and have worked at start-ups. I think it is safe to say these entrepreneurs are more like managers then entrepreneurs and they might be very good at it too.
- The **Setup for Failure Entrepreneur**: This is the kind of entrepreneur that has failure written all over everything he does. All he does is complain, and when he takes on a project it is too

ambitious and destined to fail even before he starts. He never gives up, of course, but you wish he would.

- The **Lifestyle Entrepreneur**: Some people just want to live the life and act the part. They promote entrepreneurship, have lots of ideas about entrepreneurship but they don‘t actually do anything. Well, maybe consult a bit on the side.
- The **Cash-flow Entrepreneur**: This entrepreneur doesn‘t think about anything except money. In general that can be a good thing for an entrepreneur but some people overdo it. Entrepreneurship is about the bottom-line but also about innovation, inspiring your team, thinking ahead and building something out of nothing. Spending your days with a calculator counting your money might feel productive, but is it entrepreneurial?

Tip:

Being an entrepreneur is not a clearly defined thing. We balance our lives and try to stay away from the extremes. Some days we are managers and other days we are motivators or there to inspire.

Being an entrepreneur means being different kinds of things at different moments. That makes it a challenging but never boring profession.

QUALITIES OF A SUCCESSFUL ENTREPRENEUR

Successful business people have many traits in common with one another. They are confident and optimistic. They are disciplined self-starters. They are open to any new ideas which cross their path. Here are the personalities of a successful entrepreneur.

1. Disciplined: These individuals are focused on making their businesses work, and eliminate any hindrances or distractions to their goals. They have overarching strategies and outline the tactics to accomplish them. Successful entrepreneurs are disciplined enough to take steps every day toward the achievement of their objectives.

2. Confidence: The entrepreneur does not ask questions about whether they can succeed or whether they are worthy of success. They are confident with the knowledge that they will make their businesses succeed. They exude that confidence in everything they do.

3. Open Minded: Entrepreneurs realize that every event and situation is a business opportunity. Ideas are constantly being generated about workflows and efficiency, people skills and potential new businesses. They have the ability to look at everything around them and focus it toward their goals.

4. Self Starter: Entrepreneurs know that if something needs to be done, they should start it themselves. They set the parameters and make sure that projects follow that path. They are proactive, not waiting for someone to give them permission.

5. Competitive: Many companies are formed because an entrepreneur knows that they can do a job better than another. They need to win at the sports they play and need to win at the businesses that they create. An entrepreneur will highlight their own company‘s track record of success.

6. Creativity: One facet of creativity is being able to make connections between seemingly unrelated events or situations. Entrepreneurs often come up with solutions which are the synthesis of other items. They will repurpose products to market them to new industries.

7. Innovative: ability to discover new things and ways of doing them. It also involves ground breaking.

8. Determination: Entrepreneurs are not dissatisfied by their defeats. They look at defeat as an opportunity for success. They are determined to make all of their endeavours succeed, so will try and try again until it does. Successful entrepreneurs do not believe that something cannot be done.

9. Strong people skills: The entrepreneur has strong communication skills to sell the product and motivate employees. Most successful entrepreneurs know how to motivate their employees so the business grows overall. They are very good at highlighting the benefits of any situation and coaching others to their success.

10. Strong work ethic: The successful entrepreneur will often be the first person to arrive at the office and the last one to leave. They will come in on their days off to make sure that an outcome meets their expectations. Their mind is constantly on their work, whether they are in or out of the workplace.

11. Passion: Passion is the most important trait of the successful entrepreneur. They genuinely love their work. They are willing to put in those extra hours to make the business succeed because there is a joy their business gives which goes beyond the money. The successful entrepreneur will always be reading and researching ways to make the business better.

12. Leadership qualities: The aim of leadership qualities is aimed at improving the performance of man and machine, to improve quality, to increase output, and simultaneously to bring pride of workmanship to people.

Successful entrepreneurs want to see what the view is like at the top of the business mountain. Once they see it, they want to go further. They know how to talk to their employees, and their businesses soar as a result.

REASONS OF BECOMING AN ENTREPRENEUR

Entrepreneurship is the new American and global dream. Everyone wants it but few are bold enough to do what it takes to make that dream a reality.

But what is it that drives would-be entrepreneurs to strike out on their own? What were some of the world‘s most successful founders, small business owners, and CEO‘s thinking when they decided to unleash their genius into the world?

Here are reasons why being your own boss (entrepreneurship, in general) is overwhelming.

As an entrepreneur you can:

1. Develop financial independence: You are completely in charge of your earning potential. —Financial independence means different things to different people. To some, it means having the cash to buy

what they want. To others, it means saving for retirement or a home. And for some folks, it simply means opening the bills without dread. Whatever your definition, it means you command your money and not the other way around. That‗s a victory worth celebrating.‖

2. Set your own schedule: For the most part, as an entrepreneur you have greater command of your schedule. However, you will likely have many more demands on it as well. ―Contrary to popular

belief, you don‗t come into the world with nothing but your naked self. You‗re actually already in possession of one of your most important gifts: time.‖ What will you do with yours?

3. Bring your ideas to life: Entrepreneurs bring ideas to life. ―If you know that you will not find peace in your life until your vision becomes a reality, you are willing to invest valuable resources, and acquire new knowledge‖ it could be time to start your own business.

4. Have creative freedom: A small business owner‗s creativity is not defined or constricted by corporate red tape. Many entrepreneurs enjoy the creative freedom associated with calling their own shots. That freedom includes, ―the freedom to create authentically, to create a life, job, relationships, and greater purpose that represents your deepest values and to create without fear, self-recrimination, or judgments (external or internal), according to Awaken creativity.com.

5. Release the fear of being fired; you won‗t likely fire yourself: The fear of being fired can make anyone‗s workplace uncomfortable. However, as an entrepreneur it is highly unlikely that you will fire yourself. There is a ―random quality that exists in layoffs and terminations; working overtime and generating significant revenue for your organization will not necessarily guarantee that you escape the axe.‖ But layoffs can be a good thing. There are plenty of entrepreneurs who have celebrated being let go in fact, getting fired led them to entrepreneurial success.

6. Finally be challenged-in a good way: Entrepreneurship is challenging and rewarding. As a startup and successful small business you will overcome operational and common issues including competition, funding, planning, and the list goes on. But challenges breed solutions and equip you with the potential to innovate and disrupt industries.

7. Build something that will last a lifetime; create a legacy: What will be your life‗s legacy? According to SUCCESS magazine your legacy is, ―something you create during your life solely to benefit future generations. Business philosopher and author Jim Rohn suggests that, ―Those who came before leave us the world we live in. Those who will come after will have only what we leave them. We are stewards of this world, and we have a calling in our lives to leave it better than how we found it, even if it seems like such a small part.

8. Work from home, your own commercial office space or anywhere in the world: Working from home has become increasingly common; even more so for startups, home-based business owners, freelancers and solopreneurs. While 4.2 million workers did their jobs from home at least one day a week in the last decade, according to Census Bureau reports, entrepreneurs enjoy this luxury on a regular basis. Whether we choose to work from a home office, a leased office or the beaches of the world we work hard to conduct business anywhere and everywhere on our own terms.

9. Gain personal fulfillment by pursuing your passion: Entrepreneurs aren‗t stuck in a career that they aren‗t passionate about. Sadly, that is not the case for many employees who report into a thankless

job, day-in and day-out. Small business owners are driven by the pursuit of their passions in life. Economist Larry Smith, in a TED Talk, asserts why some will fail to have a great career. Don 't let that be you. What 's your excuse for not following your passion?

10. Impact the lives of many through social entrepreneurship: Social entrepreneurs identify a social problem and start a venture to solve it. The era of the social entrepreneur is here. The —role played by entrepreneurs in advancing positive social changes‖ is growing according to David Bornstein in a NY Times post. —I don 't mean businesspeople solving social ills, but people spreading new approaches through nonprofits and businesses, or within government to address problems more successfully than in the past.

THE BENEFITS OF ENTREPRENEURSHIP TO THE PEOPLE

Though entrepreneurs face a number of challenged coupled with risks, a successful business performance provides a number of benefits to the communities. The following are summarized benefits among others:

1. Employment for the community

2. Increase in income levels

3. Exposure to business activities in a form of encouragement, motivation and aspirations both at a local and international level.

4. Poverty reduction

5. Improvement of health systems, diet and the general standard of living.

6. Increase in self-sustainability.

7. Availability of wide range of products/services which has come closer to people.

8. The community have had abilities to make choices of the available products offered by the entrepreneurs or business owners.

9. Development of infrastructure/superstructures and the extended construction of malls for example.

10. It contributes to higher participation in business creativity and innovation.

11. It has contributed to a reduction in unlawful acts.

Failures and Success of an Entrepreneur

Business failure refers to a company ceasing operations following its inability to make a profit or to bring in enough revenue to cover its expenses. A profitable business can fail if it does not generate adequate cash flow to meet expenses. Cash flow is an inflow and outflow of income or money within a business operation. Money that goes out of business for example in a form of a salary is called cash out flow and money that comes in the business as result of making a sale is called cash inflow.

The business can fail as a result of the following reasons;

- Failure to care for employees, result to mental touchier and demotivation.

- Poor business relationship with the stakeholders
- Because of bad name, bad image of the business or the bad behaviour or practice of an entrepreneur.
- Lack of business confidentiality technics. For example an entrepreneur should not disclose to the market or the employees his interest of being so interested in profit. It should be a factor and only attainable in cost management. An entrepreneur being a profit oriented individual if a factor already known by employee, the government etc.
- Wars: when war break out as in the country of operation.
- Recessions: due to decline in economic activity within an economy, usually characterized by higher unemployment and less investment in new plants and equipment. Normally such a period can last for six months.
- High taxation: if businesses are heavily taxed and no room for growth.
- High interest rates: being the price paid for a loan. This retards business growth as more income will be spent in paying back.
- Excessive regulations: too much of unnecessary rules.
- Poor management decisions: Normally without consultations and being too authoritative and self-centred mainly by vocal and selfish individuals.
- Insufficient marketing: not having enough promotional and communicational activities to educate and communicate persuasive information to the general public of the company products and services.
- Inability to compete with other similar businesses, or a lack of interest from the public in the business's offerings.
- Some businesses may choose to shut down prior to an expected failure.
- Lack of trust and over controlling by the top management.
- Too much of ―It‘s My Company‖ slogan by the owner to the employees. This block the flow of business positive development and company growth.
- Others may continue to operate until they are forced out by a court order.

The Small Business Administration, in an article on small business failure, lists additional reasons for failure from Michael Ames module on ‗Small Business Management‘ this includes:

a. Lack of experienced staff or the risk taker (entrepreneur) to ran the business.

b. Insufficient capital to grow the business.

c. Poor inventory management system.

d. Over-investment in fixed assets.

e. Poor credit arrangement management.

f. Unexpected growth: normally this happens if an entrepreneur did not expect the business to grow rapidly and becomes difficult to manage. When a business grow unexpectedly, it demand an additional skill of business sustainability and this can only be attained if the owner accept to spend enough to attract required skills e.g. consultants, professionals in those field and being result oriented.

Advice to an entrepreneur: -

You accepted the risk known and unknown to you in setting up the business; therefore, you must be very particular and eager to learn, welcome ideas from others, regardless of their status in your business or outside your business for the benefit and sustainable growth of the business and you. This is because most business crises are caused by the mistakes of top management. The most prominent causes of a crisis are that the top management continued with a strategy that was no longer working for the company in the beginning, and that they lost touch with the market and their customers and did want to adapt to changes occurring around them. Having a clear strategy that is communicated well to all operational areas, one that uses and builds a strong relationship, is desirable for every company, but is often not the case. Incorrect strategic decisions are often made because of the lack of a clear strategy, and they can have a significant impact on a company 's financial position in the market.

Make changes, but not changes to cost the business. It's better to strengthen not to tighten the system.

Chapter Two

Introduction

BUSINESS ORGANISATIONS AND ETHICS

A business activity is any legal activity that may be owned by one person as a sole proprietor or can be owned jointly by two or more people thereby creating a partnership. The main aim of many business operations is to make a profit either in the short or long term. A business may be in the form of manufacturing something for sale, buying and selling in exchange for money with main interest to make profit. Businesses may range from banking, insurance, retail trade, producing beer, providing educational services and operating in a commercial sector. Other businesses to fall under the commercial sector are as follows; Pick n Pay, Shoprite Chain Stores, Game stores, lodge hotel, transport services etc.

Business

What is business?

Business is an activity which involves buying and selling of different products/ or services in exchange for money.

Therefore, a business unit is an undertaken that participates in implementing business activities. A business may be owned by one person as a sole proprietor or can be owned jointly with another person or group of individuals as a partnership. Another way in which a business could be owned is through the establishment of a limited liability company. A limited liability company can be privately or publicly owned. Another form of business organization could be through a cooperative society. The government may on behalf of the entire community own businesses.

Ethics

Are principles or standards of human conduct, sometimes called morals that an entrepreneur is expected to obey in conducting business activities. The study of such principles is known as moral philosophy.

The following are business ethics an entrepreneur must follow:

a) Honesty: the quality, condition, or characteristic of being fair, truthful, and morally upright.

b) Integrity: possession of firm principles or the quality of possessing and constantly adhering to high moral principles or professional standards.

c) Fairness: quality of being fair or the condition of being just or neutral.

d) Loyalty: state of being loyal or the quality or state of being dependable.

e) Dependability: to be reliable or able to be trusted or depended on all business and non-business aspects.

f) Flexibility: able to adapt to new situation or able to change or be changed according to circumstances. Not to be rigid in business operations.

g) Punctuality: keeping to agreed time or arriving or taking place at the arranged time.

h) Responsibility: authority to act or authority to make decisions independently with the aim to better others.

i) Adaptability: changing easily or able to adjust easily to a new environment or different conditions of business cycles.

j) Tolerance: ability to endure hardship or the ability to put up with harsh or difficult conditions without giving up.

CHARACTERISTICS TO STARTING A BUSINESS

Motivation: What is the incentive for starting a business? Is it money alone? Truly, many entrepreneurs achieve great wealth. However, money is almost always tight in the start-up and early phases of a new business. Many entrepreneurs do not even take a salary until they can do so and still leave the firm with a positive cash flow.

Strategy: What is the strategy for distinguishing the product or service? Is the plan to compete solely on the basis of selling price? Price is important, but most economists agree that it is extremely risky to compete on price alone. Large firms that produce huge quantities have the advantage in lowering costs.

Realistic Vision: Is there a realistic vision of the enterprise's potential? Insufficient operating funds are the cause of many failed businesses. Entrepreneurs often underestimate start-up costs and overestimate sales revenues in their business plans. Some analysts advise adding 50 percent to final cost estimates and reducing sales projections. Only then can the entrepreneur examine cash flow projections and decide if he or she is ready to launch a new business.

Decisions and Downfalls

One important choice that new entrepreneurs have to make is whether to start a business alone or with other entrepreneurs. They need to consider many factors, including each entrepreneur's personal qualities and skills and the nature of the planned business.

In the United States, for instance, studies show that almost half of all new businesses are created by teams of two or more people. Often the people know each other well; in fact, it is common for teams to be spouses.

There are many advantages to starting a firm with other entrepreneurs. Team members share decision-making and management responsibilities. They can also give each other emotional support, which can help reduce individual stress Companies formed by teams have somewhat lower risks. If one of the founders is unavailable to handle his or her duties, another can step in.

Team interactions often generate creativity. Members of a team can bounce ideas off each other and —brainstorm‖ solutions to problems.

Studies show that investors and banks seem to prefer financing new businesses started by more than one entrepreneur. This alone may justify forming a team.

Other important benefits of teaming come from combining monetary resources and expertise. In the best situations, team members have complementary skills. One may be experienced in engineering, for example, and the other may be an expert in promotion.

In general, strong teams have a better chance at success. In Entrepreneurs in High Technology, Professor Edward Roberts of the Massachusetts Institute of Technology (MIT) reported that technology companies formed by entrepreneurial teams have a lower rate of failure than those started by individuals. This is particularly true when the team includes a marketing expert.

Entrepreneurs of different ages can create complementary teams also. Optimism and a —can-do‖ spirit characterize youth, while age brings experience and realism. In 1994, for example, Marc Andreessen was a talented, young computer scientist with an innovative idea. James Clark, the founder and chairman of Silicon Graphics, saw his vision. Together they created Netscape Navigator, the Internet-browsing computer software that transformed personal computing.

But entrepreneurial teams have potential disadvantages as well. First, teams share ownership. In general, entrepreneurs should not offer to share ownership unless the potential partner can make a significant contribution to the venture.

Teams share control in making decisions. This may create a problem if a team member has poor judgment or work habits.

Most teams eventually experience serious conflict. This may involve management plans, operational procedures, or future goals. It may stem from an unequal commitment of time or a personality clash. Sometimes such conflicts can be resolved; in others, a conflict can even lead to selling the company or, worse, to its failure.

It is important for a new entrepreneur to be aware of potential problems while considering the advantages of working with other entrepreneurs. In general, the benefits of teaming outweigh the risks. A prospective entrepreneur needs to come up with a good idea. This will serve as the foundation of the new venture.

Sometimes an entrepreneur sees a market need and has an idea for a product or service to fill it. Other times an entrepreneur gets an idea for a product or service and tries to find a market for it. A Scottish engineer working at General Electric created putty that bounces but had no use for it. In the hands of a creative entrepreneur, it became a toy, —Silly Putty,‖ with an enthusiastic market: children.

The idea doesn‘t have to be revolutionary. Research, timing, and a little luck transform commonplace ideas into successful businesses. In 1971, Chuck Burkett launched a firm to make an ordinary product, novelty key chains. But when he got a contract with a new venture in Florida Disney World he started making Mickey Mouse key chains, and achieved tremendous success.

There are many ways to look for ideas. Read a lot, talk to people, and consider such questions as: What limitations exist in current products and services? What would you like that is not available? Are there other uses for new technology?

What are innovative ways to use or to provide existing products? In Australia in 1996, two entrepreneurs founded Aussie Pet Mobile Inc. to bring pet bathing and grooming to busy people‘s homes. It is now a top U.S. franchise business.

Is society changing? What groups have unfulfilled needs? What about people‘s perceptions? Growing demand for healthy snacks created many business opportunities in the United States, for example.

Business ideas usually fit into one of four categories that were described by H. Igor Ansoff in the Harvard Business Review in 1957:

An existing good or service for an existing market. This is a difficult approach for a start-up operation. It means winning over consumers through merchandising appeal, advertising, etc. Entry costs are high, and profit is uncertain.

A new good or service for a new market; this is the riskiest strategy for a new firm because both the product and the market are unknown. It requires the most research and planning. If successful, however, it has the most potential for new business and can be extremely profitable.

A new good or service for an existing market. (Often this is expanded to include modified goods/services.) For example, entrepreneurial greeting-card makers use edgy humour and types of messages not produced by Hallmark or American Greetings the major greeting-card makers to compete in an existing market. An existing good or service for a new market. The new market could be a different country, region, or market niche. Entrepreneurs who provide goods/services at customers‘ homes or offices, or who sell them on the Internet, are also targeting a new market people who don‘t like shopping or are too busy to do so.

The last two categories have moderate risk, but product and market research can reduce it. They also offer opportunities for utilizing effective start-up strategies innovation, differentiation, and market specification.

FACTORS TO BUSINESS GROWTH

Favorable Economy

It is sometimes thought that the economic environment is of concern only to businesses whose socially approved mission is the production and distribution of goods and services that people want and can pay for. But it is also of the greatest importance to other types of organized enterprises. A government agency takes resources, usually from taxpayers, and provides services desired by the public. A church takes contributions from members and serves their religious and social needs. A university takes resource inputs from taxpayers, students, and contributors of various kind and transforms these into educational and research services. If the economic is favorable, more customers will be able to afford buy product/services, and able to remain with enough disposable income for other use.

Capital

Almost every kind of organization needs capital machinery, buildings, inventories of goods, office equipment, tools of all kinds, and cash.

But organized enterprises are usually dependent for capital requirements on various suppliers, whose job it is to produce the many materials and other items of capitals that an organization requires for its operation.

This means that all kinds of operations are dependent on the availability and prices of needed capital items. Societies vary considerably in this availability if such resources. Most of the entrepreneurs have been saying that their major target to double their capital was dependency on the citizen economic empowerment commission (CEEC), it was very clear to hear that in an interview in their expression, because the citizen economic empowerment commission (CEEC) was always giving out affordable loans to the interested entrepreneur. This has given more entrepreneurs to raise their capital and affords to buy additional and supplements capital assets for the business as well as improving on their business.

Labour

Another important input from the economic environment is the availability, standard and cots of labour force available.

The cost of the labour force is another important factor as an economic factor for an enterprise, although automation mitigates high labour costs. The relatively high wages demanded by most Zambians often create cost problems for producers in this country. Hence forcing many entrepreneur employing low qualified people to manage to afford paying them their demands. Many entrepreneurs are on cost effective in the countries just in order to avoid spending more on different requirements.

Market existence

One of the most important factors for the success of an enterprise is its customers. Without them, a business cannot exist. But to capture customers, a business must try to find out what people want and will buy. In general different organization or companies will call their customers different names for example, Universities and colleges have students and alumni to satisfy. Similarly, police, fire, and government health departments must serve the public.

To be sure, the expectations and demands of the various publics served by organized enterprises are influenced by noneconomic as well as economic factors in the environment. The principal ones are people‘s attitudes, desires, and expectations, many of which arise from cultural patterns in the social environment. Still, economic factors play a major role. People want as much as possible for their money, whether it goes to businesses, government, or charitable organizations.

Another factor in the market is the appearance of substitute products.

At least most of the entrepreneurs they are very confident with the large turn up of the customers buying and enjoying their services in exchange for money. Any business which is receiving at least enough customers a day give an assurance to the business growth. In interview I was able to take note that most of the entrepreneur had a close contact with their customers who were even expecting more from them.

Technological

One of the most pervasive factors in the environment is technology. It is science that provides knowledge, and it is technology that uses it. The term technology refers to the sum total of the knowledge we have of ways to do things. It includes inventions, technique, and the vast store of organized knowledge about everything from aerodynamics to zoology. But its main influence is on ways of doing things, on how we design, produce, distribute, and sell goods as well services.

The impact of technology is seen in new products, new machines, new tools, new materials, and new services of innovative entrepreneurs. A few of the benefits of technology are; greater productivity, higher living standards, more leisure time, and a greater variety of products. But this was not a threat to the entrepreneur because the advancement in technology had given them a greater opportunity to doing potential businesses with their customers.

In a general way, we know that the impact of technology has been wide and pervasive, so much so that we refer to various developments as —revolutions‖, such as the industrial revolution of the eighteenth century or the computer revolution of the latter half of the twentieth century. But we do not always appreciate the precise developments that make up these revolutions, said an entrepreneur.

To better comprehend the wide scope of technological change, consider the following categories and examples:

- Increased ability to master time and distance for the movement of freight and passengers: railroads, automobiles and truck, airplanes, space vehicles (to some extent).
- Increased ability to generate, store, transport, and distribute energy: electricity, nuclear power, the laser.
- Increased ability to design new materials and change the properties of others so that they better serve needs: steel alloys, synthetic fibers, plastics, and new drugs.
- Mechanization or automation of certain mental processes: the computer, which greatly expands our ability to store, manipulates, select, and supply data.
- Extension of the human ability to sense things: radar, the electron microscope, night-vision instruments.
- Increased understanding of individual and group behaviour and how to deal with it: psychological bases of motivation, group behaviour patterns, improved managerial techniques

Now the above technological changes become very difficult for an entrepreneur to achieve because of hindrances in terms of financial resources which are very limited and difficult to find. Although that the case, it was noted that entrepreneurs were enjoying the advancement in technology.

Social

The business operator became very happy on this engine of the business growth because the social environment is made up of the attitude, desires, expectations, degrees of intelligence and education, beliefs, and customs of people in a given group of society. The political and legal environment is primarily that complex of laws, regulations, and government agencies and their actions which affects all kinds of enterprises, often to varying degrees.

The concept of social responsibility requires organizations to consider the impact of their actions on society because both potential and prospective customers come from the society considered by the organization. The ethical environment which could well be included as an element in the social environment includes sets of generally accepted and practiced standards of personal conduct.

These standards may or may not be codified by law, but for any group to which they are meant to apply, they sometimes have virtually the force of law.

Although managers of various enterprises have been criticized for not being responsive to the social attitudes, beliefs, and values of particular individuals, groups, or societies. But attitudes and values differ among workers and employers, rich and poor people. This variety makes it difficult for managers to design an environment conducive to performance and satisfaction. It is even more difficult to respond to these forces when they are outside the enterprise. Yet managers have no choice but to take them into account in their decision-making.

More especially that it enable a business grow therefore it becomes a factor to consider by many business operator or entrepreneurs.

Legal aspect

More especially if the laws are too much in favour of the customers or consumers as these are the ones who bring business to the business. In this case it encourages many customers to buy because it gives more privilege and protection

It is therefore required that managers are expected to know the legal restrictions and requirements applicable to their actions.

Choosing a Product and a Market

It is easy to be captivated by the promise of entrepreneurship and the lure of becoming one‘s own boss. It can be difficult, however, for a prospective entrepreneur to determine what product or service to provide. Many factors need to be considered, including: an idea‘s market potential, the competition, financial resources, and one‘s skills and interests. Then it is important to ask: Why would a consumer choose to buy goods or services from this new firm?

One important factor is the uniqueness of the idea. By making a venture stand out from its competitors, uniqueness can help facilitate the entry of a new product or service into the market.

It is best to avoid an entry strategy based on low cost alone. New ventures tend to be small. Large firms usually have the advantage of lowering costs by producing large quantities.

Successful entrepreneurs often distinguish their ventures through differentiation, niche specification, and innovation.

Differentiation is an attempt to separate the new company‘s product or service from that of its competitors. When differentiation is successful, the new product or service is relatively less sensitive to price fluctuations because customers value the quality that makes the product unique.

A product can be functionally similar to its competitors‘ product but have features that improve its operation, for example. It may be smaller, lighter, easier to use or install, etc. In 1982, Compaq Computer began competing with Apple and IBM. Its first product was a single-unit personal computer with a handle. The concept of a portable computer was new and extremely successful.

Niche specification is an attempt to provide a product or service that fulfils the needs of a specific subset of consumers. By focusing on a fairly narrow market sector, a new venture may satisfy customer needs better than larger competitors can.

Changes in population characteristics may create opportunities to serve niche markets. One growing market segment in developed countries comprises people over 65 years old. Other niches include groups

Defined by interests or lifestyle, such as fitness enthusiasts, adventure-travel buffs, and working parents. In fact, some entrepreneurs specialize in making —homemade‖ dinners for working parents to heat and serve.

Innovation is perhaps the defining characteristic of entrepreneurship. Visionary business expert Peter F. Drucker explained innovation as —change that creates a new dimension of performance. There are two main types of product innovation. Pioneering or radical innovation embodies a technological breakthrough or new-to-the-world product. Incremental innovations are modifications of existing products.

But innovation occurs in all aspects of businesses, from manufacturing processes to pricing policy. Tom Monaghan‘s decision in the late 1960s to create Domino‘s Pizza based on home delivery and Jeff Bezos‘ decision in 1995 to launch Amazon.com as a totally online module store are examples of innovative distribution strategies that revolutionized the marketplace.

Entrepreneurs in less-developed countries often innovate by imitating and adapting products created in developed countries. Drucker called this process —creative imitation. Creative imitation takes place whenever the imitators understand how an innovation can be applied, used, or sold in their particular market better than the original creators do.

Innovation, differentiation, and/or market specification are effective strategies to help a new venture to attract customers and start making sales.

TYPES OF BUSINESS UNITS

Business units rang from sole proprietor, partnership, private limited company, public limited company, and cooperatives

Sole Trader

The term Sole means One, and the term Proprietor means Owner. This type of business unity sometimes is known as Sole Trader; where the term trader means merchant or dealer in variety. This is a business owned by only one person who provides all the capital needed to set up and manage the organization and takes profit as his/her reward. The owner uses his/her labour assisted sometimes by one or two workers and/ or family members. This is normally a small business in size though it is not always small.

This type of business may involve retail trade, builders, hairdressing, radio and TV repairs, farming, fishing, consultancies, bar, restaurant, hotels, travel agencies, legal firm, home finders, estate agencies, etc. All such business activities are owned and managed by the sole proprietor.

Features of the Sole Proprietor

In a sole proprietorship, the individual entrepreneur owns the business and is fully responsible for all its debts and legal liabilities. More than 75 percent of all U.S. businesses are sole proprietorships. Examples include writers and consultants, local restaurants and shops, and home-based businesses.

This is the easiest and least expensive form of business to start. In general, an entrepreneur files all required documents and opens a shop. The disadvantage is that there is unlimited personal liability all personal and business assets owned by the entrepreneur may be at risk if the business goes into debt. The main features of Sole Proprietorship are as follows among others:

i. It is a business owned by only one person who provides all the capital needed to set up and manage it and takes all the profit as his reward.

ii. It is the simplest and most common type of business enterprise.

iii. The owner uses his/her labour, assisted perhaps by one or two workers or family members.

iv. The business tends to be small in size although it is not always so.

v. This type of business enterprise is not confined to the retail trade.

ADVANTAGES AND DISADVANTAGES OF A SOLE PROPRIETOR

Advantages of a Sole Trader

The following are the advantages of a sole trader / proprietor:

i. Business set up: The business is easy to set up, control and manage.

ii. Capital required: It requires a small amount of capital to set up; as a result, many people are able to run this type of business.

iii. Decision: The owner makes independent and quick decisions on how the business is to be run.

iv. Owner and customer relationship: The owner has personal contact with his/her workers as well as customers and is likely to be familiar with all the aspects of the business. This is one of the main reasons for the continued survival of the sole proprietors.

v. Profit sharing: The owner takes all the profits made by the business and this gives him/her encouragement to work hard.

vi. Privacy of business affairs: Business affairs are kept private except when completing tax returns.

vii. The owner will be familiar with all aspects of the business with timely solutions to problems if any.

viii. The sole proprietor is self-employed and gets a sense of satisfaction for working for him/herself.

Disadvantages of a Sole Proprietor

The following are the disadvantages of sole proprietor:

i. Unlimited liability: The personal assets are at risk because the business has unlimited liability. In an event that the sole trader borrows money from any institution or individual, he/she must pay back the whole of it otherwise her/his personal assets would be attached and auctioned to raise the money to repay the debt.

ii. The business cannot do without the owner. The business may close down when the owner dies, as the owner is everything to the business. There is no sharing of workload.

iii. It is more difficult for the sole trader to borrow money than in other forms of business, making expansion difficult. The sole trader may not borrow money, as the sole trader does not provide financial collateral as security.

iv. The size of the business is rather too small. Thus, it is unable to benefit from the economies of scale making it more expensive to run than larger organizations. There may not be any division of labour.

v. The sole proprietor is self-employed. This means he/she does not have such benefits as state social security or retirement benefits, which are enjoyed by those employed by other companies or government departments.

vi. Shortage of capital prevents the sole proprietor from providing modern equipment, for example the use of computerized stock control. He/she cannot afford to provide services such as credit, delivery, and other amenities to his/her customers thereby making such businesses unattractive to customers.

vii. The risks of failure are as high as there is severe competition from especially large-scale businesses.

viii. Division of labour may be difficult to organize because of the small size the business, thus there is little sharing of workload and therefore always overloaded. This affects his/her efficiency and productivity.

Formation of a sole trade business

As it has already been explained in the advantages of the sole trader, the business being easier to form, normally; the owner of the business registers a business name with a registrar of companies. Current, the offices are situated at kwacha house or opposite Lotti house Cairo, Lusaka, and a fee is charge though very affordable unlike registering a Limited or Public company.

Main sources of finances

The sources of finance for the sole proprietor may be through selling of Personal assets such as land, buildings, cattle or shares held in a company. Other sources could be through borrowing from a friend, family member or the bank though not very common unless collateral is provided.

Partnerships Business / Enterprises

Partnership, in law, term applied to an association of two or more persons who have agreed to combine their labour, property, and skill, or some or all of them, for the purpose of engaging in lawful business and sharing profits and losses between them; in this definition the term business includes every trade, occupation, and profession. The parties forming such an association are known as partners. Partners may adopt a fictitious name or use a real family name. In Zambia, just like most states require the filing of a certificate of partnership with the registrar of companies or county clerk when an assumed name is used. The agreement to form a partnership is known as a partnership contract, the most important provision of which spells out the manner in which profits are to be distributed.

A partnership can be formed only by contract; the Statute of Frauds requires the agreement to be in writing if the term exceeds one year; failure to comply results in a partnership at will. Any number of persons may contract to form a partnership, and firms of partners may enter into partnership with one another. By contrast, in most states, a corporation has no power to enter into a partnership unless such power is expressly given in the corporate charter. New members may be admitted into an existing partnership only with the consent of all the partners. The agreement of partnership generally is for a definite term of years; if no duration is specified, it is said to be a partnership at will and can be terminated at any time by any partner. By agreement of the members, a partnership may be dissolved or terminated and the terms of the partnership agreement modified at any time. Death or bankruptcy of a partner, the insanity or misconduct of a partner, and the end of the period fixed for the duration of the partnership also operate to terminate the partnership

A partner acts as an agent of the firm in the conduct of its business. Authority to act depends not only on the express powers given to a partner by the partnership agreement, but also on the implied powers resulting from the partnership relation and the nature of the business conducted. In the case of a partnership formed to conduct a wholesale or retail business, for example, a partner has implied power to borrow money for trade purposes, to buy on cash or credit, to make contracts and negotiable instruments to hire employees, to pay firm debts and sell or mortgage property for that purpose and to receive payment of debts owed the firm. A partner must, however, exercise the highest degree of good faith in all dealings with the other partners, devote time and attention to the partnership business, and must account to the other partners for any secret profits made in the conduct of the partnership business. The liability of a partner for partnership debts is said to be unlimited, except when the partner is a limited one in a limited partnership organized in accordance with the provisions of a state statute permitting such limitation of liability.

Partnership deed as a legal document that binds all partners.

The details in the partnership deed include the following:

i. The objectives of a partnership.

ii. The financial contribution of each partner.

iii. The sharing of profits and losses.

iv. The rights and obligations of each partner.

v. The amount of money to be paid as salary to each partner.

vi. The name of the partnership and

vii. The treatment of capital invested.

Features of a Partnership

A partnership consists of two or more people who share the assets, liabilities, and profits of a business. The greatest advantage comes from shared responsibilities. Partnerships also benefit by having more investors and a greater range of knowledge and skills.

There are two main kinds of partnerships, general partnerships and limited partnerships. In a general partnership, all partners are liable for the acts of all other partners. All also have unlimited personal liability for business debts. In contrast, a limited partnership has at least one general partner who is fully liable plus one or more limited partners who are liable only for the amount of money they invest in the partnership.

The largest disadvantage of any partnership is the potential for disagreements, regardless of how well or how long the partners have known each other. Experts agree that a partnership agreement drawn up by an experienced lawyer is essential to a successful partnership. It is often used to: create a mechanism for resolving disagreements; specify each partner‘s contribution to the partnership; divide up management responsibilities; and specify what happens if a partner leaves or dies.

Corporations: Corporations are recommended for entrepreneurs who plan to conduct a large-scale enterprise. As a legal entity that has a life separate from its owners, a corporation can sue or be sued, acquire and sell property, and lend money.

Corporations are divided into shares or stocks, which are owned by one, a few or many people. Ownership is based on the percentage of stock owned. Shareholders are not responsible for the debts of the corporation, unless they have personally guaranteed them. A shareholder‘s investment is the limit of her liability. Corporations can more easily obtain investment, raise capital by selling stock, and survive a change of ownership. They provide more protection from liability than other forms of business. Their potential for growth is unlimited.

However, corporations are more complex and expensive to set up than other forms of business and are usually subject to a higher level of government regulation.

i. Can be formed by between two and twenty people but professional partnerships like that of lawyers, doctors, engineers etc can be formed by more than twenty people.

ii. The capital of the partnership is raised by contribution of each partner and does not need to be equal. Partners can lend capital to a partnership with interest payment depending on the provisions in the partnership deed.

iii. In a partnership, ownership and control are not separated, thus partners own and control the partnership.

iv. A partnership has no separate legal entity. Thus the liability of partners is just like in a sole proprietorship.

v. Each and every partner is entitled to be involved in the running of a business. A decision of any one partner binds the partnership.

vi. Partnerships are common among professions such as estate agents, insurance brokers, lawyers, doctors, accountants.

Advantages of Partnerships

A partnership has the following advantages:

i. A Partnership is easy to set up, as it does not involve long costly procedures.

ii. Division of labour is possible, as there are many people involved with various skills and experiences.

iii. More people are involved in the business so more capital can be raised.

iv. Expenses and management of the business are shared.

v. The individuality of each partner is not totally lost, as partners maintain many of the personal advantages of the sole proprietorship.

vi. There is greater continuity in a partnership than in sole proprietorship. In case of death or resignation, the remaining partners can form a new partnership.

vii. Decision-making is consultative leading to improved quality of decisions.

viii. A partnership is not required to publish its accounts annually so there is secrecy.

Disadvantages of Partnerships

The following are the disadvantages of Partnership.

i. Decisions may be delayed by disagreements among partners.

ii. Partners have unlimited liability and are therefore personally liable for the debts of the partnership. Personal assets are at risk.

iii. Lack of capital may limit expansion as it depends on partners for raising capital.

iv. When one partner dies or leaves, a new partnership is required, which may be awkward to the remaining members.

v. Membership in a partnership is limited to twenty except for professional partnerships. This restricts the ability of the partnership to raise capital.

vi. One partner‘s decision can be binding on all the other partners even if it is a wrong decision. This makes the partnership a risky affair.

vii. A partnership is a delicate business and can break at any time.

Private Limited Company

According to the Company‘s Act of Zambia, the two documents namely the Memorandum of Understanding and Articles of Association have been combined to create the Articles of Association. The promoters of the company should submit the articles of association to the Registrar of Companies. The Registrar of Companies shall issue a certificate of incorporation once the application complies with the Company‘s Act.

The Articles of Association

The articles of association shall include the following information:

i. Name of the company with the last word being limited.

ii. Objectives of the Company.

iii. The statement of limited liability for its shareholders.

iv. The authorized capital thus the amount of capital to be raised by the shareholders.

v. The number of shares issued to each Director.

vi. The rights, obligations and powers of the directors.

vii. The procedure for calling annual general meetings.

viii. The rights and power of each type of shareholder.

ix. The procedure for electing directors.

x. The issue, transfer and forfeiture of shares.

xi. Procedure for dealing with any alterations in the amount of capital.

xii. Procedure for distributing profits and carrying out auditing.

A limited liability company is controlled and governed by a board of directors, which is elected by the shareholders at annual general meetings.

Characteristics of a Private Limited Liability Company

The main features of a private limited liability are as follows:

i. A private limited company is a separate legal entity meaning the company has its own legal existence separate from that of its shareholders.

ii. A private limited company is not allowed to sell its shares to the general public unless by approaching people individually.

iii. Shares of a private limited company are not transferable without the agreement of the other shareholders.

iv. Shareholders in a private limited company have control over the company.

v. A private limited company is not required by law to publicise its accounts annually.

vi. The liability of shareholders is limited to capital invested.

vii. At least two people and not more than fifty can form a private limited company.

viii. A private limited company is usually a small family business, though it is not always so.

ix. The capital and ownership of a private limited company is divided into shares.

x. Profits earned are usually shared in proportion to the number and value of shares held.

Advantages of a private limited company

Forming a private limited company is probably the most secure way of owning a business. The benefits of this kind of business are as follows:

i. It is a legally separate entity or personality from the owners.

ii. The liability of shareholders is limited, so their personal assets are not at risk.

iii. It can easily raise more capital by selling shares though not publicly.

iv. The company has sure continuity, as it does not depend on one person.

v. Shareholders have direct control over the company's affairs. They present their views at the annual general meeting.

vi. The founders can retain control over the company by holding the majority of its shares.

Disadvantages of private limited company

The disadvantages of a private limited company are listed below.

i. There are too many legal formalities to comply with.

ii. Lack of capital can restrict the growth of a private limited company.

iii. The shares are not freely transferable without approval of the existing shareholders.

iv. Accounts should be audited annually, hence the need to engage services of an Auditors.

v. The company is less flexible when compared to a sole proprietorship.

vi. It is a costly exercise to form a limited liability than that of a sole Proprietorship.

vii. Not easy for such a company to borrow money from the banks, etc.

Public Limited Companies

A public limited company is a corporate association of at least two persons, which is registered with the Registrar of companies and owned by the shareholders who have limited liabilities. Public Limited companies are generally quoted at the Lusaka Stock Exchange where members of the public can freely trade in shares for such companies.

Public limited companies use the prospectus as an invitation to members of the public to buy shares in the company. The prospectus gives information on the number of shares being sold and at what price.

Characteristics of a Public Limited Companies

A public limited company may be characterised by the following attributes:

i. It is a company formed by at least two persons without a maximum number.

ii. It is a separate legal entity and is registered with the Registrar of Companies.

iii. The Board of Directors are elected by the shareholders controlling it.

iv. Shares of the public company are freely bought and sold on the stock exchange. There are no restrictions on the transfer of shares to third parties.

v. The liability of shareholders is limited to the capital they have invested or agreed to invest in the company.

vi. The day to day running of the business is in the hands of the Managing Director. The Board of Directors deal with the Managing Director on policy issues.

Advantages of Public Limited Companies

The advantages of the Public Limited Company include the following:

i. The company is a separate legal entity and as such the liability of shareholders is limited to the amount of shares they hold in the company.

ii. Its shares are freely transferable on the Lusaka Stock Exchange.

iii. It has assured continuity.

iv. It can raise more capital by the sale of shares and debentures to the public through the Lusaka Stock Exchange.

v. It can easily borrow money from banks and other financial institutions.

vi. It can employ specialists in such fields as marketing, accounting and human resource management, which is more efficient.

vii. Its sheer size makes it possible for the company to buy modern equipment and technology.

viii. It buys in bulk and therefore enjoys economies of scale and possible discounts.

Disadvantages of Public Limited Company

When you form a public limited company, there are some disadvantages you may find as follows:

i. It is difficult and expensive to form.

ii. It has to comply with many regulations set to protect employer, employee and other stakeholders.

iii. Raising capital tends to be very expensive.

iv. It may grow and become too large and difficult to manage.

v. Original owners usually lose control over it as it has become too big.

vi. There is little secrecy, as its accounts must be published annually. This is a legal requirement.

vii. Decisions tend to be delayed because of the amount of administration or bureaucracy involved such as those that require board approval.

viii. The risk of takeover bids by other companies because shares of a public limited company can easily be bought on the stock exchange.

Cooperative Societies

Cooperative societies are businesses established and managed by a group of customers on a cooperative principle of ownership, operation and distribution. The cooperative societies are owned and financed by their members who buy from the stores.

Membership is open to anyone who buys a share in the society. Cooperative societies are democratically controlled with each member having one vote.

Generally, cooperative societies pursue social objectives in addition to profit.

In Zambia, the most common cooperative societies have tended to be agricultural cooperative societies at both district and provincial levels. Because of difficulties faced by provincial agricultural cooperative societies, the focus has shifted to primary cooperative societies at the village level.

Characteristics of cooperative societies

The following are features of cooperative societies particularly those for trading activities:

i. The members or owners are people who have bought shares in the society and are also the main customers.

ii. A maximum amount of shares is set as an individual's shareholding. Thus, the number of shares that one can buy in a society is restricted to prevent rich people from taking over the control of the society.

iii. Members have one vote irrespective of the number of shares one holds at any particular time.

iv. Profits or surpluses are divided as dividends to members in relation to the amount of goods traded from the business.

v. In the case of retail business, a committee elected by members manage the business.

vi. The societies may offer special benefits such as scholarships, funeral benefits and other social amenities to the society members.

Advantages of cooperative societies

The advantages of cooperative societies include the following:

i. The customers especially members enjoy lower prices since they are given dividend stamps each time they purchase goods from the store.

ii. Such cooperative society businesses are convenient as they are near to the customers.

iii. Anybody can do business with the cooperative society and is not restricted to members only.

iv. They are democratically controlled in the interest of customers and each member has a right to be heard.

v. Another major problem is that capital raised through the sale of shares is limited given the restriction of the number of shares an individual can buy, making it difficult to expand.

Disadvantages of the cooperative societies

The disadvantages of the cooperative societies include the following:

The stores are inefficient as the issuing of divided stamps is a slow process.

i. It involves a lot of paperwork.

ii. Over time, cooperative societies tend to amalgamate in order to withstand stiff competition.

iii. Many members do not attend meetings as a result; a few members dominate societies.

iv. Lack of qualified management team retards the progress of the societies. Poor management, poor planning and poor financial control plagued many cooperative societies. This has forced many cooperative societies to close down.

v. Another major problem is that of capital, as capital raised through the sale of shares is limited given the restriction given on the number of shares an individual can buy• making it difficult to expand.

ENTREPRENEUR'S RESOURCE MOBILISATION

The Entrepreneur‘s Need for Capital

Many entrepreneurs struggle to find the capital to start a new business. There are many sources to consider, so it is important for an entrepreneur to fully explore all financing options. He also should apply for funds from a wide variety of sources.

Personal savings: Experts agree that the best source of capital for any new business is the entrepreneur‘s own money. It is easy to use, quick to access, has no payback terms, and requires no transfer of equity (ownership). Also, it demonstrates to potential investors that the entrepreneur is willing to risk his own funds and will persevere during hard times.

Friends and family: These people believe in the entrepreneur, and they are the second easiest source of funds to access. They do not usually require the paperwork that other lenders require. However, these funds should be documented and treated like loans. Neither part ownership nor a decision-making position should be given to these lenders, unless they have expertise to provide. The main disadvantage of these funds is that, if the business fails and money goes lost, a valuable relationship may be jeopardized.

Credit cards: The entrepreneur‘s personal credit cards are an easy source of funds to access, especially for acquiring business equipment such as photocopiers, personal computers, and printers. These items can usually be obtained with little or no money paid up front and with small monthly payments. The main disadvantage is the high rate of interest charged on credit card balances that are not paid off in full each month.

Banks: Banks are very conservative lenders. As successful entrepreneur Phil Holland explains, —Many prospective business owners are disappointed to learn that banks do not make loans to start-up businesses unless there are outside assets to pledge against borrowing.‖ Many entrepreneurs simply do not have enough assets to get a secured loan from a lending institution.

However, if an entrepreneur has money in a bank savings account, she can usually borrow against that money. If an entrepreneur has good credit, it is also relatively easy to get a personal loan from a bank. These loans tend to be short-term and not as large as business loans. 45 © **By Tonny Ng'uni: Business Development Consultant: +26 0955-112660 email: t.nguni@yahoo.com**

Venture investors: This is a major source of funding for start-ups that have a strong potential for growth. However, venture investors insist on retaining part ownership in new businesses that they fund.

Formal institutional venture funds are usually limited • partnerships in which passive limited partners, such as retirement funds, supply most of the money. These funds have large amounts of money to invest. However, the process of obtaining venture capital is very slow. Several modules, such as Galante's Venture Capital & Private Equity Directory, give detailed information on these funds.

Corporate venture funds are large corporations with funds for investing in new ventures. These often provide technical and management expertise in addition to large monetary investments. However, these funds are slow to access compared to other sources of funds. Also, they often seek to gain control of new businesses.

Angel investors tend to be successful entrepreneurs who have capital that they are willing to risk. They often insist on being active advisers to businesses they support. Angel funds are quicker to access than corporate venture funds, and they are more likely to be invested in a start-up operation. But they may make smaller individual investments and have fewer contacts in the banking community.

Government programmes: Many national and regional governments offer programs to encourage small- and medium-sized businesses. In the United States, the Small Business Administration (SBA) assists small firms by acting as a guarantor of loans made by private institutions for borrowers who may not otherwise qualify for a commercial loan.

Other Sources of Financing

Intellectual property is a valuable asset for an entrepreneur. It consists of certain intellectual creations by entrepreneurs or their staffs that have commercial value and are given legal property rights. Examples of such creations are a new product and its name, a new method, a new process, a new promotional scheme, and a new design.

A fence or a lock cannot protect these intangible assets. Instead, patents, copyrights, and trademarks are used to prevent competitors from benefiting from an individual's or firm's ideas.

Protecting intellectual property is a practical business decision. The time and money invested in perfecting an idea might be wasted if others could copy it. Competitors could charge a lower price because they did not incur the start-up costs. The purpose of intellectual property law is to encourage innovation by giving creators time to profit from their new ideas and to recover development costs.

Intellectual property rights can be bought, sold, licensed, or given away freely. Some businesses have made millions of dollars by licensing or selling their patents or trademarks.

Every entrepreneur should be aware of intellectual property rights in order to protect these assets in a world of global markets. An intellectual property lawyer can provide information and advice.

Intellectual Property

The main forms of intellectual property rights are:

Patents: A patent grants an inventor the right to exclude others from making, using, offering for sale, or selling an invention for a fixed period of time - in most countries, for up to 20 years. When the time period ends, the patent goes into the public domain and anyone may use it.

Copyright: Copyrights protect original creative works of authors, composers, and others. In general, a copyright does not protect the idea itself, but only the form in which it appears - from sound recordings to modules, computer programs, or architecture. The owner of copyrighted material has the exclusive right to reproduce the work, prepare derivative works, distribute copies of the work, or perform or display the work publicly.

Trade Secrets: Trade secrets consist of knowledge that is kept secret in order to gain an advantage in business. ―Customer lists, sources of supply of scarce materials, or sources of supply with faster delivery or lower prices may be trade secrets,‖ explains Joseph S. Iandiorio, the founding partner of Iandiorio and Teska, an intellectual property law firm. ―Certainly, secret processes, formulas, techniques, manufacturing know-how, advertising schemes, marketing programs, and business plans are all protectable.‖

Trade secrets are usually protected by contracts and non-disclosure agreements. No other legal form of protection exists. The most famous trade secret is the formula for Coca-Cola, which is more than 100 years old.

Trade secrets are valid only if the information has not been revealed. There is no protection against discovery by fair means such as accidental disclosure, reverse engineering, or independent invention.

Trademarks: A trademark protects a symbol, word, or design, used individually or in combination, to indicate the source of goods and to distinguish them from goods produced by others. For example, Apple Computer uses a picture of an apple with a bite out of it and the symbol (®) which means registered

trademark. A service mark similarly identifies the source of a service. Trademarks and service marks give a business the right to prevent others from using a confusingly similar mark.

In most countries, trademarks must be registered to be enforceable and renewed to remain in force. However, they can be renewed endlessly. Consumers use marks to find a specific firm's goods that they see as particularly desirable — for example, Barbie dolls or Toyota automobiles. Unlike copyrights or patents, which expire, many business's trademarks become more valuable over time.

Intellectual Property: A Valuable Business Asset

Any entrepreneur who is contemplating a new venture should examine the strengths of small businesses as compared to large ones and make the most of those competitive advantages. With careful planning, an entrepreneur can lessen the advantages of the large business vis-à-vis his operation and thereby increase his chances for success.

The strengths of large businesses are well documented. They have greater financial resources than small firms and therefore can offer a full product line and invest in product development and marketing. They benefit from economies of scale because they manufacture large quantities of products, resulting in lower costs and potentially lower prices. Many large firms have the credibility that a well-known name provides and the support of a large organization.

How can a small firm possibly compete?

In general, small start-up firms have greater flexibility than larger firms and the capacity to respond promptly to industry or community developments. They are able to innovate and create new products and services more rapidly and creatively than larger companies that are mired in bureaucracy. Whether reacting to changes in fashion, demographics, or a competitor‘s advertising, a small firm usually can make decisions in days - not months or years.

A small firm has the ability to modify its products or services in response to unique customer needs. The average entrepreneur or manager of a small business knows his customer base far better than one in a large company. If a modification in the products or services offered or even the business‘s hours of operation would better serve the customers, it is possible for a small firm to make changes. Customers can even have a role in product development.

Another strong point comes from the involvement of highly skilled personnel in all aspects of a start-up business. In particular, start-ups benefit from having senior partners or managers working on tasks below their highest skill level. For example, when entrepreneur William J. Stolze helped start RF Communications in 1961 in Rochester, New York, three of the founders came from the huge corporation General Dynamics, where they held senior marketing and engineering positions. In the new venture, the marketing expert had the title —president‖ but actually worked to get orders. The senior engineers were no longer supervisors; instead, they were designing products. As Stolze said in his module Start Up, —In most start-ups that I know of, the key managers have stepped back from much more responsible positions in larger companies, and this gives the new company an immense competitive advantage.‖

Additional strength of a start-up is that the people involved the entrepreneur, any partners, advisers, employees, or even family members have a passionate, almost compulsive, desire to succeed. This makes them work harder and better.

Finally, many small businesses and start-up ventures have an intangible quality that comes from people who are fully engaged and doing what they want to do. This is —the entrepreneurial spirit,‖ the atmosphere of fun and excitement that is generated when people work together to create an opportunity for greater success than is otherwise available. This can attract workers and inspire them to do their best.

THE STRENGTHS OF SMALL BUSINESS

Most economists agree that entrepreneurship is essential to the vitality of any economy, developed or developing.

Entrepreneurs create new businesses, generating jobs for themselves and those they employ. In many cases, entrepreneurial activity increases competition and, with technological or operational changes, it can increase productivity as well.

In the United States, for example, small businesses provide approximately 75 percent of the net new jobs added to the American economy each year and represent over 99 percent of all U.S. employers. The small businesses in the United States are often ones created by self-employed entrepreneurs.

—Entrepreneurs give security to other people; they are the generators of social welfare, Carl J. Schramm, president and chief executive officer of Ewing Marion Kauffman Foundation, said in February 2007. The foundation is dedicated to fostering entrepreneurship, and Schramm is one of the world's leading experts in this field.

Others agree that the benefits of small businesses go beyond income. Hector V. Baretto, administrator of the U.S. Small Business Administration (SBA), explains, —Small businesses broaden the base of participation in society, create jobs, decentralize economic power, and give people a stake in the future.

Entrepreneurs innovate and innovation is a central ingredient in economic growth. As Peter Drucker said, —The entrepreneur always searches for change, responds to it, and exploits it as an opportunity. Entrepreneurs are responsible for the commercial introduction of many new products and services, and for opening new markets. A look at recent history shows that entrepreneurs were essential to many of the most significant innovations, ones that revolutionized how people live and work. From the automobile to the airplane to personal computers individuals with dreams and determination developed these commercial advances.

Small firms also are more likely than large companies to produce specialty goods and services and custom-demand items. As Schramm has suggested, entrepreneurs provide consumers with goods and services for needs they didn't even know they had.

Innovations improve the quality of life by multiplying consumers' choices. They enrich people's lives in numerous ways – making life easier, improving communications, providing new forms of entertainment, and improving health care, to name a few.

Small firms in the United States, for instance, innovate far more than large ones do. According to the Small Business Administration, small technology companies produce nearly more patents per employee than large firms. They represent one-third of all companies in possession of more patents.

According to the 2006 Summary Results of the Global Entrepreneurship Monitor (GEM) project, —Regardless of the level of development and firm size, entrepreneurial behaviour remains a crucial engine of innovation and growth for the economy and for individual companies since, by definition, it implies attention and willingness to take advantage of unexploited opportunities. The GEM project is a multi-country study of entrepreneurship and economic growth. Founded and sponsored by Babson College (USA) and the London Business School in 1999, the study of International and regional institutions, such as the United Nations and the Organization for Economic Cooperation and

Development, agree that entrepreneurs can play a crucial role in mobilizing resources and promoting economic growth and socio-economic development. This is particularly true in the developing world, where successful small businesses are primary engines of job creation and poverty reduction.

For all of these reasons, governments may wish to pursue policies that encourage entrepreneurship.

Policy of temporary economic liberalization need to be introduced to revitalize the economy, such as increasing investments agriculture and food production, and permitting business growth.

Chapter Three

Business Structuring

Introduction

Describe factors to consider before forming a company: Locality, Start-up capital, Trading hours, Source of raw materials, Competitors, Advertising, Banking, Pricing

BUSINESS STRUCTURING

The following are the key areas to restructure business of the company:

1.1 Define your company. A business plan won't be useful until you're certain what your company exists for. What will you accomplish for others? What products and services will you produce or provide? Write down all the specific needs your company will satisfy. Potential investors need to know that your business will be meaningful and marketable to people who can use your product or service. So concentrate on the external needs your company will meet. What will your product or service enable people to do better, more cheaply, more safely, or more efficiently? Will your restaurant make people‘s palates delirious with new taste sensations? Will your new mousetrap help people capture mice without feeling sick to their stomachs? Will your new bubble gum scented bubble bath revolutionize the way children agree to take nightly baths?

2.1 Choose a winning strategy. Once you‘ve established the competitive advantage your business offers, you will be able to select the best strategy to reach your goal. How will you distinguish your product or service from others? Although there are millions of types of businesses, there are actually only a few basic strategies that can be applied to make any enterprise successful. The first step in selecting an effective strategy is to identify a competitive advantage for your product or service. Your competitive advantage may include designing special features not found in rival products. It may entail superior service characteristics such as speedier delivery, a lower price, or more attentive sales people; these are never to be sniffed at as possible winning ways, as many companies grow complacent and can be overtaken by giving customers experiences that are better

than the average expectations. Even where your product or service is already well established, perhaps you‘re establishing an image or brand of exceptional quality or reputation.

3.1 Design your company. Consider how will you hire and organize your workforce. By the time you‘ve reached this stage of thinking about your potential business concept, you‘ll probably have a good idea of the number of people you‘ll need and the skills they‘ll require to get your enterprise up and running. Keep in mind that your initial plans will undoubtedly change as your business grows. You may need to hire more managers to supervise your expanding staff or to set up new departments to meet new customer demands. Projected growth and expansion for your company should be mentioned in your business plan, but it‘s not the primary focus. For now, you want to secure help in getting started and convince your funding sources that you will become profitable.

4.1 Consider the practical issues of running a business. Think about your role as leader or boss of the business. As you think about hiring personnel and organizing your workforce, you must also confront your desire and ability to be a good boss. Decide how you will handle your employees' entitlements. For example, salaries and wages, their insurance and retirement benefits, as well as analysing the extent of your knowledge of tax related issues. Investors will want to know if you‘re capable of running the business. Do you need to bring in experienced managers right away? Will you keep some of the existing employees or hire all new people? And where do you find these potential employees? Funding sources will also want to know if any of your partners expect to work alongside you or if their obligations are only financial. Your plan will need to specify the key management jobs and roles. Positions such as president, vice presidents, chief financial officer, and managers of departments will need to be defined along with stating who reports to whom.

5.1 Decide on a marketing plan. One of the most common flaws in plans is the entrepreneur‘s failure to describe exactly how customers will be reached and how products will be presented to them. Potential investors, staff, and partners won‘t be convinced that your idea can succeed until you‘ve established well-researched and effective methods of contacting your customers—and the assurance that once you‘ve reached them, you can convince them to buy your product or service.

6.1 Consider how you will reach your customers. What will you say to persuade and convince customers that your product or service is better value, timelier, more useful, etc. to the consumer than the rival product or service? If it currently has no rival, how will you properly explain the purpose of and the consumer's need for the product?

7.1 What advertising and promotional efforts will you employ? For example, two for the price of one specials or free coupons inside those same kid-oriented cereal boxes? Where can you locate lists of the greatest concentrations of children under the age of eight or whatever group constitutes your market?

8.1 Build a dynamic sales effort. The word —sales‖ covers all the issues related to making contact with your actual customers once you‘ve established how to reach them through your marketing campaign. In a nutshell, this part of your business plan is about how you will attract customers or clients for your product or services.

9.1 What will your basic sales philosophy be? Building long-term relationships with a few major clients or developing a clientele of many short-term customers?

HOW TO WRITE A BASIC BUSINESS PLAN

Writing a business plan dramatically increases your chances of success as an entrepreneur. This simple business plan template is an excellent tool to get you thinking about your business idea and help you describe the fundamentals of your business. This easy formula covers the basics that any reader of a business plan will want to know to evaluate the business quickly and easily.

Here are some common purposes and goals for business plans.

1. To evaluate initial start-up costs.

2. To establish the fundamental viability of a project.

3. To define your products, services and customers and assess competitors.

4. To map out the business model, the goals and the strategy used to achieve them.

5. To communicate to others (banks, investors, partners, etc.) the business idea.

THE KEY TYPES OF BUSINESS RESOURCES

- Human Resources: This refers to the employees in the organisation
- Financial Resources: this refers to money available in operations
- Capital Resources: Money or equipment that may have been put in business.
- Material Resources: This refers to production requirements, in the manufacturing of goods.
- Time Resources: Period to accomplish task and meeting the targets.

SOURCES OF BUSINESS IDEAS

1. Your own profession as an Accountant (have you thought of what ideas can be derived from your profession?)

2. Shortages in your neighborhood or community

3. Your talents, interests and hobbies

4. Reading business journals, newspapers and magazines

5. On the internet

6. Attending Trade Fairs, National Commercial and Agricultural Shows and Exhibitions

7. Paying attention to Government Pronouncements

8. Attending business seminars and workshops

9. Visiting places of high entrepreneurial activities

10. Seeking to associate with successful entrepreneurs

11. Man's basic needs of food, shelter and clothing

12. Society's changing preferences

13. Visiting and talking to Business Development Specialists

14. Inefficiencies in existing businesses

15. Consulting and/or observing existing entrepreneurs

16. Media (TV, Radio)

Typical structure / format for a business plan for a start-up venture

- Cover page and table of contents
- Executive summary
- Mission statement
- Business description

- Business environment analysis
- SWOT analysis
- industry background
- competitor analysis
- market analysis
- marketing plan
- operations plan
- management summary
- financial plan
- attachments and milestones

Classic questions addressed by a business plan for a start up venture are as follows:

- ✓ What problem does the company's product or service solve?
- ✓ What niche will it fill?
- ✓ What is the company's solution to the problem?
- ✓ Who are the company's customers, and how will the company market and sell its products to them?
- ✓ What is the size of the market for this solution?
- ✓ What is the business model for the business (how will it make money)?
- ✓ Who are the competitors and how will the company maintain a competitive advantage?
- ✓ How does the company plan to manage its operations as it grows?
- ✓ Who will run the company and what makes them qualified to do so?
- ✓ What are the risks and threats confronting the business, and what can be done to mitigate them?
- ✓ What are the company's capital and resource requirements?
- ✓ What are the company's historical and projected financial statements?

Revising the business plan Cost overruns and revenue shortfalls Cost and revenue estimates are central to any business plan for deciding the viability of the planned venture. But costs are often underestimated and revenues overestimated resulting in later cost overruns, revenue shortfalls, and possibly non-viability.

Legal and liability issues. An externally targeted business plan should list all legal concerns and financial liabilities that might negatively affect investors. Depending on the amount of funds being raised and the audience to whom the plan is presented, failure to do this may have severe legal consequences.

Limitations on content and audience, Non-disclosure agreements (NDAs) with third parties, non-compete agreements, conflicts of interest, privacy concerns, and the protection of one's trade secrets may severely limit the audience to which one might show the business plan. Alternatively, they may require each party receiving the business plan to sign a contract accepting special clauses and conditions.

This situation is complicated by the fact that many venture capitalists will refuse to sign an NDA before looking at a business plan, lest it put them in the untenable position of looking at two independently developed look-alike business plans, both claiming originality. In such situations one may need to develop two versions of the business plan: a stripped down plan that can be used to develop a relationship and a detail plan that is only shown when investors have sufficient interest and trust to sign an NDA. Traditionally business plans have been highly confidential and quite limited in audience. The business plan itself is generally regarded as secret. However, the emergence of free software and open source has opened the model and made the notion of an open business plan possible.

An open business plan is a business plan with unlimited audience. The business plan is typically web published and made available to all.

In the free software and open source business model, trade secrets, copyright and patents can no longer be used as effective locking mechanisms to provide sustainable advantages to a particular business and therefore a secret business plan is less relevant in those models.

Venture capital: Venture capital assessment of business plans - focus on qualitative factors such as team.

Business plan contests - provides a way for venture capitalists to find promising projects.

The better the business plan, the better your chances of landing that big initial investment.

Within corporations, fundraising is the primary purpose for many business plans, since they are related to the inherent probable success/failure of the company risk.

Total quality management (TQM) is a business management strategy aimed at embedding awareness of quality in all organizational processes. TQM has been widely used in manufacturing, education, call centres, government, and service industries, as well as NASA space and science programmes.

Management by objectives (MBO) is a process of agreeing upon objectives (as can be detailed within business plans) within an organization so that management and employees agree to the objectives and understand what they are in the organization.

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. Business plans can help decision makers see how specific projects relate to the organization's strategic plan.

Business plans are used in some primary and secondary programmes to teach economic principles.

The business goals may be defined both for non-profit or for-profit organizations. For-profit business plans typically focus on financial goals, such as profit or creation of wealth. Non-profit, as well as government agency business plans tend to focus on the ‗organizational mission' which is the basis for their governmental status or their non-profit, tax-exempt status, respectively although non-profits may also focus on optimizing revenue.

The primary difference between profit and non-profit organizations is that ‗for-profit' organizations look to maximize wealth versus non-profit organizations, which look to provide a greater good to society. In non-profit organizations, creative tensions may develop in the effort to balance mission with margin or revenue.

Satires: The business plan is the subject of many satires. Satires are used both to express cynicism about business plans and as an educational tool to improve the quality of business plans.

Chapter Four

Introduction

STRATEGIC MANAGEMENT, FORMULATION, IMPLEMENTATION & EVALUATION

It is a need not a want to an entrepreneur or a core person in a business or institution to have such Skills and Arts to meet satisfactory objectives.

Definition of Strategic management

Strategic management is the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives. It is the process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement the policies and plans to achieve the organization's objectives. Strategic management, therefore, combines the activities of the various functional areas of a business to achieve organizational objectives. It is the highest level of managerial activity, usually formulated by the Board of Directors and performed by the organization 's Chief Executive Officer (CEO) and executive team. Strategic management provides overall direction` to the enterprise and is closely related to the field of organization Studies

—Strategic management is an on-going process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly i.e. regularly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment.‖ (Lamb, 1984)

STRATEGY FORMULATION, IMPLEMENTATION & EVALUATION

Content

Strategic management is a combination of three main processes namely;

- ✓ Strategy formulation
- ✓ Strategy implementation and
- ✓ Strategy evaluation

Strategy formulation involves:

a. Performing a situation analysis, self-evaluation and competitor analysis: both internal and external; both micro-environmental and macro-environmental.

b. Concurrent with this assessment, objectives are set. This involves crafting vision statements (long term view of a possible future), mission statements (the role that the organization gives itself in society), overall corporate objectives (both financial and strategic), strategic business unit objectives (both financial and strategic), and tactical objectives.

c. These objectives should, in the light of the situation analysis, suggest a strategic plan. The plan provides the details of how to achieve these objectives.

This three-step strategy formulation process is sometimes referred to as determining where you are now, determining where you want to go, and then determining how to get there. These three questions are the essence of strategic planning and SWOT analysis.

Strategy implementation involves:

Allocation of sufficient resources (financial, personnel, time, technology support)

- Establishing a chain of command or some alternative structure (such as cross functional teams).
- Assigning responsibility of specific tasks or processes to specific individuals or groups.
- It also involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary.
- When implementing specific programs, this involves acquiring the requisite resources, developing the process, training, process testing, documentation, and integration with (and/or conversion from) legacy processes.

Strategy evaluation involves:

- Measuring the effectiveness of the organizational strategy.

General approaches

In general terms, there are two main approaches, which are opposite but complement each other in some ways, to strategic management:

The Industrial Organization Approach

Based on economic theory deals with issues like competitive rivalry, resource allocation economies of scale Assumptions rationality, self-discipline behavior, profit maximization.

The Sociological Approach

Deals primarily with human interactions Assumptions bounded rationality, satisfying behavior, and profit sub-optimality.

Strategic management techniques can be viewed as bottom up, top-down, or collaborative processes. In the bottom-up approach, employees submit proposals to their managers who, in turn, funnel the best ideas further up the organization. This is often accomplished by a capital budgeting process.

Proposals are assessed using financial criteria such as return on investment or Cost-Benefit analysis. The proposals that are approved form the substance of a new strategy, all of which is done without a grand strategic design or a strategic architect. The top-down approach is the most common by far. In it, the CEO, possibly with the assistance of a strategic planning team, decides on the overall direction the company should take. Some organizations are starting to experiment with collaborative strategic planning techniques that recognize the emergent nature of strategic decisions.

The Concept of Strategy

What is strategy?

Overall Definition:

Johnson and Scholes (Exploring Corporate Strategy) define strategy as follows:

"Strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations".

In 1988, Henry Mintzberg looked at the changing world around him and decided it was time to re-examine how strategic management was done. He examined the strategic process and concluded it was much more fluid and unpredictable than people had thought. Because of this, he could not point to one process that could be called Strategic planning. Instead he concludes that there are five types of strategies. They are:

- Strategy as plan - a direction, guide, course of action - intention rather than actual.
- Strategy as ploy - a maneuver intended to outwit a competitor
- Strategy as pattern - a consistent pattern of past behavior - realized rather than intended.
- Strategy as position - locating of brands, products, or companies within the conceptual framework of consumers or other stakeholders; strategy determined primarily by factors outside the firm.

In 1998, Mintzberg developed these five types of management strategy into 10 —schools of thought‖. These 10 schools are grouped into three categories. The first group is prescriptive or normative. It consists of the informal design and conception school, the formal planning school, and the analytical positioning school. The second group, consisting of six schools, is more concerned with how strategic management is actually done, rather than prescribing optimal plans or positions.

The six schools are the entrepreneurial, visionary, or great leader school, the cognitive or mental process school, the learning, adaptive, or emergent process school, the power or negotiation school, the corporate culture or collective process school, and the business environment or reactive school. The third and final group consists of one school, the configuration or transformation school, and hybrid of the other schools organized into stages, organizational life cycles, or —episodes‖.

Strategy as perspective - strategy determined primarily by a master strategy

In other words, strategy is about:

- Where the business trying to get to in the long-term (Direction)
- Which markets a business should compete in and the kinds of activities that are involved in such markets (Markets; Scope)

- How the business can perform better than the competition in those markets (competitive advantage)
- Resources (skills, assets, finance, relationships, technical competence, and facilities) are required in order to be able to compete (Resources)?
- The values and expectations of those who have power in and around the business (Stakeholders)

Strategy at Different Levels of a Business/ The strategy hierarchy

Strategies exist at several levels in any organization - ranging from the overall business (or group of businesses) through to individuals working in it.

Corporate Strategy - is concerned with the overall purpose and scope of the business to meet stakeholder expectations. This is a crucial level since it is heavily influenced by investors in the business and acts to guide strategic decision-making throughout the business. Corporate strategy is often stated explicitly in a "mission statement". Corporate strategy, then, refers to the overarching strategy of the diversified firm. Such corporate strategy answers the questions of "in which businesses should we compete?" and "how does being in one business add to the competitive advantage of another portfolio firm, as well as the competitive advantage of the corporation as a whole?"

Since the turn of the millennium, there has been a tendency in some firms to revert to a simpler strategic structure. This is being driven by information technology. It is felt that knowledge management systems should be used to share information and create common goals. Strategic divisions are thought to hamper this process. Most recently, this notion of strategy has been captured under the rubric of dynamic strategy, popularized by the strategic management text module authored by Carpenter and Sanders. This work builds on that of Brown and Eisenhart as well as Christensen and portrays firm strategy, both business and corporate, as necessarily embracing on-going strategic change, and the seamless integration of strategy formulation and implementation. Such change and implementation are usually built into the strategy through the staging and pacing facets.

Business Unit Strategy - is concerned more with how a business competes successfully in a particular market. It concerns strategic decisions about choice of products, meeting needs of customers, gaining advantage over competitors, exploiting or creating new opportunities etc.

Operational Strategy - The ―lowest‖ level of strategy is operational strategy. It is very narrow in focus and deals with day-to-day operational activities such as scheduling criteria. It must operate within a budget but is not at liberty to adjust or create that budget. Operational level strategy was encouraged by Peter Drucker in his theory of management by objectives (MBO).

Operational level strategies are informed by business level strategies which, in turn, are informed by corporate level strategies. Business strategy, which refers to the aggregated operational strategies of single business firm or that of an SBU in a diversified corporation refers to the way in which a firm competes in its chosen arenas

Is concerned with how each part of the business is organized to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, people etc.

SWOT ANALYSIS AND ITS APPLICATION

A SWOT analysis gives a summary of the strengths and weaknesses of the company together with the opportunities and threats it faces.

Family Stars Investments Ltd decides what portfolio of businesses and products is best for the company and how much support to give each one. This helps to provide the strategic objectives that guide the company's various activities.

Then each business and product unit develops detailed marketing and other functional plans to support the company's various activities and wide plans. Thus marketing planning occurs at the business-unit, product and market levels. It supports company strategic planning with more detailed planning for specific marketing opportunities.

The Planning Process

Putting plans into action involves four stages: Analysis, Planning, Implementation and Control.

- ✓ Analysis: Planning begins with a complete analysis of the company's situation. The company must analyse its environment to find attractive opportunities and to avoid environmental threats. It must analyse company strengths and weaknesses, as well as current and possible marketing actions, to determine which opportunities it can best pursue. Analysis feeds information and other inputs to each of the other stages.
- ✓ Planning: Through strategic planning, the company decides what it wants to do with each business unit. Marketing planning involves deciding marketing strategies that will help the company attain its overall strategic objectives. Marketing, product, or brand plans are at the centre of this.
- ✓ Implementation: Implementation turns strategic plans into actions that will achieve the company's objectives. People in the organization who work with others, both inside and outside the company, implement marketing plans.
- ✓ Control: Control consists of measuring and evaluating the results of plans and activities, and taking corrective action to make sure objectives are being achieved. Analysis provides information and evaluation needed for all the other activities.

The strategic plan contains several components: the mission, the strategic objectives, the strategic audit, SWOT analysis, portfolio analysis, objectives and strategies. All of these feed from and feed into marketing plans.

A mission states the purpose of the company. Firms often start with a clear mission held within the mind of their founder. Then, over time, the mission fades as the company acquires new products and markets. Other problems can occur when the mission may remain clear but no longer fits the environment.

The luxury goods firms in the prelude case are struggling with that problem. When an organization is drifting, the management must renew its research for purpose. It must ask:-

- What business are we in?
- What do consumers value?
- What are we in business for?
- What sort of business are we?
- What makes us special?

These simple-sounding questions are among the most difficult that the company will ever have to answer.

Successful companies continuously raise these questions and answer them. Asking such basic questions is a sign of strength, not uncertainty. Many organizations develop formal mission statements that answer these questions.

A mission statement is a statement of the organization‘s purpose; what it wants to accomplish in the larger environment. A clear mission statement acts as an ‗invisible hand‘ that guides people in the organization, so that they can work independently and yet collectively towards overall organizational goals. Traditionally, companies have defined their business in product terms. But mission statements should be market-oriented. What business are we in? Asking this question helps. Market definitions of a business are better than product or technological definitions. Products and technologies eventually become out-dated, but basic market needs may last forever. A market-oriented mission statement defines the business based on satisfying basic customer needs. Thus Rolls Royce is in the power business, not the aero-engine business. Visa‘s business is not credit cards, but allowing customers to exchange value, to exchange assets, such as cash on deposit or enquiry in a home, for virtually anything, anywhere in the world. Creative 3M does more than just make adhesives, scientific equipment and healthcare products; it solves people‘s problems by putting innovation to work for them.

Who are our customers?

This is a probing question. Who are the customers of hungry lion? If customers are know it saves operation cost.

What are we in business for?

This is a hard question for non-profit-making organizations. Do universities exist to educate students or to train them for industry? Is the pursuit of knowledge by the faculty the main reason for their existence? If so, is good research of economic value or is pure research better?

What sort of business are we?

This question guides the strategy and structure of organization. Companies aiming at cost leadership seek efficiency. These firms, like shoprite or Kwiksave, run simple, efficient organization with careful cost control. These contrast with differentiators, like Sony, who aim to make profits by inventing products, such as the Walkman, whose uniqueness gives a competitive edge.

Focused companies concentrate upon being the best at serving well-defined target market.

They succeed by tailoring their products or services to customers they know well. In Britain, Coutts & Co., a Royal Bank of Scotland subsidiary, does this by providing ‗personal banking' to the very wealthy. Michael Porter describes a fourth option that occurs if firms do not define how they are to do business: stuck in the middle.

Management should avoid making its mission too narrow or too broad. A lead-pencil manufacturer that says it is in the communication equipment business is stating its mission too broadly.

A mission should be:

- Realistic: Singapore International Airlines is excellent, but it would be deluding itself if its mission were to become the world's largest airline.
- Specific: It should fit the company and no other. Many mission statements exist for public relations purposes, so lack specific, workable guidelines. The statement ‗we want to become the leading company in this industry by producing the highest-quality products with the best service at the lowest prices' sounds good, but it is full of generalities and contradictions. Such motherhood statements will not help the company tough decisions.
- Competence: Based on distinctive competencies.
- Motivating: It should give people something to believe in.

Advice to a business owner.

A company's mission should not say 'making more sales or profits'. Profits are only a reward for undertaking a useful activity. A company's employees need to feel that their work is significant and that it contributes to people's lives.

Content

VISION

Vision guides the best missions. A vision is a contagious dream, a widely communicated statement or slogan that captures the needs of the time. Sony's president, Akio Morita, wanted everyone to have access to ‗personal portable sound', and his company created the Walkman.

Richard Branson thought ‗flying should be fun', so he founded Virgin Airlines. Julian Richer has become a business guru after making his Richer Sounds hi-fu dealer the ‗Friendliest, cheapest, busiest', most profitable and productive in the industry.

The company's mission statement should provide a vision and direction for the company for the next 10-20 years. It should not change every few years in response to each new turn in the environment. Still, a company must redefine its mission if that mission has lost credibility or no longer defines an optimal course for the company. The hostile environment caused siemens, the German electronics giant, to review its strategy. Its seven core statements provided strong communications to drive its strategy, structure and style of management.

From mission to strategic objectives

The company's mission needs to be returned into strategic objectives to guide management. Each manager should have objectives and be responsible for reaching them. For example, its fertilizer business unit is one of International Minerals & Chemical Corporation's many activities. The fertilizer division does not say that its mission is to produce fertilizer. Instead, it says that its mission is to increase agricultural productivity'. This mission leads to a hierarchy of objectives, including business objectives and marketing objectives.

The mission of increasing agricultural productivity leads to the company's business objective of researching new fertilizer that promises higher yields. Unfortunately, research is expensive and requires improved profits to plough back into research programmer. So improving profits become another key business objective. Increasing sales or reducing costs improves profiles. Sales increase by improving the company's share of the domestic market, or by entering new foreign markets, or both.

These goals then become the company's current marketing objectives. The objective to ‗increase our market share' is not as useful as the objective to ‗increase our market share to 15 percent in two years'.

The mission states the philosophy and direction of a company, whereas the strategic objectives are measurable goals.

Strategic audit

‗Knowledge is power': so stated Francis Bacon, the sixteenth-century philosopher, while according to the ancient Chinese strategies Sun Zi, The strategic leader who does not want to buy information is inconsiderate and can never win'. The strategic audit covers the gathering of this vital information. It is the intelligence used to build the detailed objectives and strategy of a business. It has two parts: the external audit and the internal audit.

The external audit or marketing environment audit examines the microenvironment and task environment of a company. Euro Disney's problems can be partly explained by an excessive faith in company strengths and too little attention being paid to the microenvironment. French labour costs make the park much more expensive than in America, Europe's high travel costs add to guests' total bill, and the north European climate takes the edge of all-year-round operations.

The internal audit examines all aspects of the company. It covers the whole value chain described by Michael Porter. It includes the primary activities that follow the flow of goods or services through the organization: inbound logistics, operations, outbound logistics, sales and marketing, and after-sales services. In addition, it extends to the support activities on which the primary activities depend: procurement, technology development, human resource management and the infrastructure of the firm.

These go beyond traditional marketing activities, but marketing strategy depends on all of them.

A key to the Italian Bennetton's international success is a system that allows it to change styles and colours rapidly. Unlike traditional mass-clothing manufacturers, which have to order fabrics in colours and patterns over a year ahead of seasons, Benneton's design and manufacturing technology allows it to change within a season.

Reading financial statements is basic to understand the state of a company and seeing how it is developing. The operating statement and the balance sheet are the two main financial statement used. The balance sheet shows the assets, liabilities and net worth of a company at a given time.

The operating statement is the more important of the two for marketing information. It shows company sales, cost of goods sold, and expenses during a specified time period.

SWOT analysis draws the critical Strengths; Weakness, Opportunities and Threats form the strategic audit. The audit contains a wealth of data of differing importance and reliability. SWOT analysis cleans these data to show the critical items from the internal and external audits. The number of items is small for forceful communications, and they show where a business should focus its attention.

Opportunities and Threats

Managers need to identify the main threats and opportunities that their company faces. The purpose of the analysis is to make the manager anticipate important developments that can have an impact on the firm. A large pet food division of a multinational company could list the following.

Opportunities

- ✓ Economic climate: Because of improved economic condition, pet ownership is increasing in almost all segments of the population.
- ✓ Demographic changes: (1) Increasing single parenthood, dual-income families and ageing will increase the trend towards convenient pet foods; and (2) the aged population will grow and increasingly keep pets as company.
- ✓ Market: The pet food market will follow the human market in the concern for healthy eating pre-prepared luxury foods.
- ✓ Technology: New forms of pet food that are low in fat and calories, yet highly nutritious and tasty, will soon emerge. These products will appeal strongly to many of today‘s pet and tasty, will soon emerge. These products will appeal strongly to many of today‘s pet food buyers, whose health concerns extend to their pets.

Threats

- ✓ Competitive activity: A large competitor has just announced that it will introduce a new premium pet food line, backed by a huge advertising and sales promotion blitz.
- ✓ Channel Pressure: Industry analysts predict that supermarket chain buyers will face more than 10,000
- ✓ Demographic changes: Increasing single parenthood and dual-income families will encourage the trends towards (1) pets that need little care, and (2) smaller pets that eat less.
- ✓ Politics: European Union Legislation will force manufacturers to disclose the content of their pet food. This will adversely affect the attractiveness of some ingredients like kangaroo and horsemeat.

Not all threats call for the same attention or concern; the manager should assess the likelihood of each threat and the potential damage each could cause. The manager should then focus on the most probable and harmful threats and prepare plans in advance to meet them.

Opportunities occur when an environmental trend plays to a company‘s strength. The manager should assess each opportunity according to its potential attractiveness and the company‘s probability of success. Companies can rarely find ideal opportunities that exactly fit their objectives and resources.

The development of opportunities involves risks. When evaluating opportunities, the manager must decide whether the expected returns justify these risks. A trend or development can be a threat or an opportunity, depending on a company‘s strengths. The development of the steel braced radial tyre was an opportunity for Michelin, which used its technological lead to gain market share. To the rest of the industry, the new technology was a threat because the tyre‘s longer life reduced total demand and the new technology made their plant obsolete.

Strengths and Weaknesses

The strengths and weaknesses in the **SWOT** analysis do not list all features of a company, but only those relating to critical success factors. A list that is too long betrays a lack of focus and an inability to discriminate what is important.

The strengths or weaknesses are relative, not absolute. It is nice to be good at something, but it can be a weakness if the competition is stronger. Mercedes is good reliable luxury cars with low depreciation, but this stopped being strength when Honda‘s Acura and Toyota‘s Lexus beat Mercedes on all three fronts in the American market. The Japanese products were not cheap, but they were styled for the American market and came with all the extras those buyers of German Luxury cars had to pay for.

Finally, the strengths should be based on fact. Ink buying Skoda, Vw has acquired a well-known brand name, but is the name strength? A failure to understand true strengths can be dangerous. A well-known aircraft manufacturer for years promoted the quality of its after-sales service. Only after another company acquired it did it find out that t its reputation was the worst in the industry.

A major pet food manufacturer could pitch the following strengths and weaknesses against opportunities and threats.

Strengths

- Market leader in the dry cat food market
- Access to the group‘s leading world position in food technology.
- Market leader in luxury pet foods.
- The group‘s excellent worldwide grocery distribution.
- Pet food market leader in several big markets, including France, Italy, Spain and South America.

Weaknesses

- Excessive product range with several low-volume brands.
- Most brand names are little known, and are cluttered following acquisition.
- Relatively low advertising and promotions budget.
- Product range needs many manufacturing skills.
- Poor store presence in several large markets: Germany, UK, USA and Canada.
- Overall poor profit performance

The pet food company shows how some parts of the SWOT balance. The strengths in dry and luxury pet foods match demographic trends, so this looks like an opportunity for growth. Access to food technology should also help the company face changing consumer tastes and legislation.

The weakness suggests a need for more focus. Dropping some uneconomic lines in the mass wet pet food market; simplifying the brand structure and concentrating on fewer manufacturing processes could release

resources for developing the dry and luxury markets. By using its access to worldwide grocery distribution, the company could become profitable and focused.

THE BUSINESS PORTFOLIO

The business portfolio is the collection of business and products that make up the company. It is a link between the overall strategy of a company and those of its parts. The best business portfolio is the one that fits the company‛s strengths and weakness to opportunities in the environment. The company

1 Analyses its current business portfolio and decide which business should receive, less or no investment.

2 Develops growth strategies for adding new products or business to portfolio. Analysing the current business portfolio

Portfolio analysis helps managers evaluate the business making up the company. The company will want to put strong resources into its more profitable business and phase down or drop its weaker ones. Financial times-owned publishers Dorling Kindersley needed ‗remedial surgery‛ to allow them to concentrate on their core business portfolio business of illustrated modules. In doing so they scaled back activities such as CD-ROM publishing, video production and door-to-door sales network.

Management‛s first step is to identify the key business making up the company. These are strategic business units. A strategic business unit is a unit of the company that has a separate mission and objectives, and which can be planned independently from other company businesses.

An SBU (Strategic Business Unit) can be a company division, a product line within a division, or sometimes a single product or brand.

The next step in business portfolio analysis calls for management to assess the attractiveness of its various SBUs and decide how much support each deserves. In some companies, this occurs informally. Management looks at the company‛s collection of businesses or products and uses judgment to decide how much each SBU should contribute and receive. Other companies use formal portfolio-planning methods.

The purpose of strategic planning is to find ways in which the company can best use its strength‛s to take advantage of attractive opportunities in the environment. So most standard portfolio analysis methods evaluate SBUs on two important dimensions: the attractiveness of the SBU‛s market or industry.

The best-known portfolio-planning methods were identified by the Boston Consulting Group, a leading management consulting firm, and by General Electric and Shell.

The Boston Consulting Group Box

Using the Boston Consulting Group approach, a company classifies all its SBU‘s according to the growth-share matrix. On the vertical axis, market growth rate provides a measure of market attractiveness. On the horizontal axis, relative market share serves as a measure of company strength in the market. By dividing the growth-share matrix as indicated, four types of SBU (strategic business unit) can be distinguished:

1 Stars: stars are high-growth, high-share business or products. They often need heavy investment to finance their rapid growth. Eventually their growth will slow down, and they will turn into cash cows.

2 Cash cows: cash cows are low-growth, high-share business or products. These established and successful SBUs need less investment to hold their market share. Thus they produce cash that they company uses to pay its bills and to support other SBU‘s that need investment.

3 Question marks: Question marks are low-share business units in high-growth markets. They require cash to hold their share, let alone increase it. Management has to think hard about question marks; which ones they should build into stars and which ones they should phase out.

4 Dogs: Dogs are low-growth, low-share businesses and products. They may generate cash to maintain themselves, but do not promise to be large sources of cash.

The 10 circles in the growth-share matrix represent a company‘s 10 current SBU‘s. The company has two stars, two cash cows, three question marks and three dogs. The areas of the circles are proportional to the SBU‘s sales value. This company is in fair shape, although not in good shape.

It wants to invest in the more promising question marks to make them stars, and to maintain the stars so that they will become cash cows as their markets mature. Fortunately, it has two good sized cash cows

A. What is planning?

B. Explain the stages involved in the planning process.

C. Discuss the SWOT analysis

D. Discuss the differences between a Mission statement and a Vision.

whose income helps finance the company‘s question marks, stars and dogs. The company should take some decisive action concerning its dogs and its question marks. The picture would be worse if the company had no stars, or had too many dogs, or had only one weak cash cow.

Once it has classified its SBUs, the company must determine what role each will play in the future. There are four alternative strategies for each SBU. The company can invest more in the unit to build its share. It can invest just enough to hold the SBUs share at the current level. It can harvest the SBU, milking its short-term cash flow regardless of the long-term effect. Finally, the company can invest the SBU by selling it or phasing it out and using the resources elsewhere.

As time passes, SBU‘s change their positions in the growth-share matrix. Each SBU has a life cycle. Many SBU‘s start out as question marks and move into the star category if they succeed.

They later become cash cows as market growth falls, then finally die off or turn into dogs towards the end of their life cycle. The company needs to add new products and units continuously, so that some of them will become stars and, eventually, cash cows that will help finance other SBUs.

TYPICAL EXAMINATION QUESTIONS

Choose five questions only (20 marks each)

Time allowed for this paper is 3 hours

The paper may have two sections, section (A) which is compulsory and section (B) choosing.

As an entrepreneur, interpret in a lecture form to the group of funded citizen to join the world of business.

1 A man is known by the company he organizes.

2 Entrepreneurship will become a core skill which all our young people will need to exploit the opportunities emerging from science and technology, culture and communications.

3 Everything is always impossible before it works. That is what entrepreneurs are all about doing what people have told them is impossible.

4 I estimate one entrepreneur can recognize another at 300 yards on a misty day.

5 The entrepreneur is like an eagle...he soars alone, he flies alone, and he hunts alone.

6 Entrepreneurs should be able to spend 80 percent of their time getting customers.

End of Question Paper

Self-assessment activity

TYPICAL EXAMINATION QUESTIONS

Time allowed for this paper is 3 hours

Case study:

The parable of the Gold Coins or the parable of the three servants (Matt. 25. 14-30)

The parable talks about a man who had gone for a long journey, but before he left, he gave each servant according to their ability as follows: to one he gave five thousand silver coins, to another he gave two thousand, and to another he gave one thousand then he left. The servant who had received five thousand coins went at once and invested his money and earned another five thousand. In the same way the servant who had received two thousand coins earned another two thousand. But the servant who had received one thousand coins went off, dug a hole in the ground, and hid his master 's money. Upon the masters coming back, the servant who received **five thousand coins** came, hand in over the five thousand and on top of that he handed over another five thousand coins he realized from the investment. In the same way the servant who had received **two thousand coins** he came handed in the two thousand he received plus another two thousand he achieved from the investment.

The servant who had received **one thousand coins** came in and said, ‗master I know you are a hard man; you reap, harvest where you did not sow, and you and gather crops where you did not scatter seed. I was afraid, so I went off and hide your money in the ground. Look! Here is what belongs to you. '

This servant made his master very annoyed with him; were the master commanded to have the servant thrown outside in the darkness, were he will cry and grind his teeth. The one who received five thousand was **honored**, including for **two thousand coins**

Requirements: (answers must be in essay form 10 marks each question)

1. As an entrepreneur what have you learnt from this parable?

2. What does the following statements mean in business; **To be thrown outside in the Darkness** and **To be honored**

3. Explain the reasons people become entrepreneurs.

4. As a business consultant, discuss the advice you would give to the master before he command the throwing of this person outside in the Darkness where he will cry and grind his teeth, so that you save this person. Mind you are doing this based on humanitarian grounds.

End of Question Paper

Self-assessment activity

TYPICAL EXAMINATION QUESTIONS

SUBJECT: **ENTREPRENEURSHIP**

Choose five questions only.

1. Explain the main difference of the following business units Sole trader and partnership, limited company & public limited companies

2. What do you understand by the term entrepreneurship? Why business owners always think of resource management?

3. Discuss the main reasons entrepreneurs need to motivate their employees with reference to Maslow's needs.

4. Explain the main challenges faced by entrepreneurs.

5. State how the following factors can affect business operations: **Political**, **Social**, **Economic** and **Technological**.

End of Question Paper

All self-check questions including, exam type and assignments, answers are in this module. Just study carefully you get the answers.

Self-assessment activity

ASSIGNMENTS AND SELF-CHECK UP

1. Briefly explain the various types of businesses units pointing out the characteristics, ethical considerations, advantages and disadvantage of each business units.

2. Identify the various stakeholders of an organization and briefly discuss the expectations of each one of them.

3. Explain how you would advise your friend the advantages of and disadvantages of being a sole trader.

4. You have been asked to give a presentation on the advantages and disadvantages of partnership type of business. What would you include in your paper?

5. As an experienced entrepreneur, explain the features of the private limited company and public limited company by outlining advantages and disadvantages of these types of businesses.

6. Distinguish between a partnership, sole trader, cooperatives and a public limited company. What are the advantages and disadvantages of each type of business type?

7. Based on the general understanding of entrepreneurship, clearly outline the benefits the process has brought to improving the lives of the communities.

8. If you own the company do you own the stakeholders? Discuss.

9. What is the best way of managing business resources?

10. Discuss the benefits of manpower planning and human resource management in running the business.

Reference

-1996, Good News Bible, Gideon Publisher, London

Acs, Zoltan J. —How is Entrepreneurship Good for Economic Growth?‖ Innovations, MIT Press Journal (Winter 2006): pp.97-107. http://www.mitpressjournals.org/doi/pdf/10.1162/itgg.2006.1.1.97

Beardwell, J, 2010, Human Resource Management, Sixth Edition, Macmillan, London

Boddy, D, 2008, Introduction to Management Fourth Edition, Pearson Education, England

Business Environment, 2009, London Centre of Marketing, Study Material, LCM London

Business management, 2009, London Centre of Marketing, Study Material, LCM, London

Corporate Strategy and Planning, 2008, Association of Business Executive, Study Material.

David, F, 2011, Strategic Management, Thirteenth Edition, Harper and Row London

Drucker, Peter F. Innovation and Entrepreneurship. New York: Harper Business, 1985.

Bygrave, William D. and Andrew Zacharakis, editors. The Portable MBA in Entrepreneurship, 3rd Edition. Hoboken, NJ: John Wiley & Sons, 2004.

Edward E, 2000, A General Theory of Entrepreneurship Publications, Ballantine, Washington.

Harrison, R, 1992, Employee Development, 2nd Edition, Macmillan, Washington

http://www.sba.gov/advo/research/conf_summary.pdf.

Ng‘uni T, 2014, Class / lecture Notes, Lusaka.

Principles of Entrepreneurship, U.S. Department of State/Bureau of International Information Programs / journal

Strategic Human Resource Management, 2009, London Centre of Marketing, Study Material

Strategic Business Management, 2009, London Centre of Marketing, Study Material, LCM, London

U.S. Department of State. —Entrepreneurship and Small Business.‖ eJournal USA: Economic Perspectives, Volume 11, Number 1 (January 2006). http://usinfo.state.gov/journals/ites/0106/ijee/ijee0106.htm