Chapter 1: Entrepreneurship and Entrepreneur: Basic Theories and Governing Laws

1. Definition and Variations of Entrepreneur

Entrepreneur:

- are individuals who create, manage, and operate new businesses, taking on financial risks for profit.
- They are innovators who aim to create value by offering new products, services, or processes.
- They organize, manage, and take on the risks of a business.

Variations of Entrepreneur:

- *Innovator*
  - introduces new products or services, ideas, or products to the market.
- *Imitator*
  - are individuals who copy or enhance existing products or services, often combining the qualities of innovators and hustlers to create innovative solutions.
- *Hustler*
  - Works hard to achieve business goals.
  - are willing to get their hands dirty, often starting small with dreams of bigger success.
- *Researcher*
  - Invests time and effort into thorough research before starting a business.
  - Researchers analyze ideas thoroughly before acting, relying on data and facts to minimize risk.
- *Buyer*
  - Buys an existing business and manages it.
  - Buyers have the capital to acquire existing businesses, minimizing the risks associated with startups.
- *Social Entrepreneurs* - Focus on creating social change rather than just profit.
- *Serial Entrepreneurs* - Continuously launch new businesses.
- *Intrapreneurs* - Work within an organization to innovate and drive growth.

2. The Concept of Risk in Business and Management

Risk: - The possibility of loss or failure in business.

Business risk - refers to the potential exposure a company or organization faces to factors that could potentially lower its profits or lead to its failure, threatening its ability to achieve its financial objectives.

Types of Risks:

- *Strategic Risk*
  - Strategic risk refers to decisions that impact a business's success when it doesn't operate according to its business model or plan. This can lead to a company's strategy becoming less effective over time and struggling to achieve its goals.
  - For instance, ABC Store, a low-cost provider for working-class shoppers, faces a strategic risk if its main competitor, XYZ Store, undercuts ABC's prices, affecting its overall success.
- *Compliance Risk(regulatory risk)*
  - also known as regulatory risk
  - is a form of business risk that primarily occurs in highly regulated industries.
  - For instance, in the wine industry, a three-tier distribution system is in place, requiring wholesalers to sell wine to retailers and then to consumers.
  - However, many states do not have this system, posing compliance risk for brands that fail to understand the specific requirements of each state. This could lead to noncompliance with state-specific distribution laws, fines, or legal action.

- *Operational Risk:*
  - refers to risks arising from daily operations and challenges that disrupt them.
  - This type of business risk is within a corporation, particularly when a company's day-to-day operations fail.
  - For instance, in 2012, HSBC faced operational risk and a large fine from the U.S. Department of Justice due to insufficient anti-money laundering efforts in Mexico.
- *Reputational Risk:*
  - refers to the potential damage a business's reputation can cause, either due to past business risks or a new occurrence, which can lead to customer loss and decreased brand loyalty.
  - EX. HSBC's reputation suffered after a fine for poor anti-money laundering practices.
- *Financial Risk:*
  - Potential loss of money.
  - The potential for monetary loss.
- *Market Risk:*
  - Risks due to market fluctuations.
  - The risk that demand may not meet expectations.

What Are the 4 Main Types of Business Risk?

The four main types of risk that businesses encounter are strategic, compliance (regulatory), operational, and reputational risk. These risks can be caused by factors that are both external and internal to the company.

Risk Management:

- Risk management involves identifying, assessing, and controlling threats to an organization's capital and earnings, often through diversification, insurance, or contingency planning to minimize loss and maximize success.

Why Is Risk Management Important in Business?

Risk management is crucial in business as uncertainty in operations can lead to risks that can threaten a company's short-term profits and long-term existence. A thorough and carefully designed risk management plan, which can be iteratively adjusted to address new and unexpected risks, increases the likelihood of a business surviving the impact of both internal and external risks.

3. Governing Laws

The Magna Carta for Small Enterprises (R.A. No. 6977 (1991)):

- Aims to promote, develop, and assist small enterprises in the Philippines.
- Aims to support and promote the growth of small enterprises in the Philippines.
- Provides incentives, financial support, and resources to small business owners.
- Provides funding, technical support, and easier access to loans.

The Magna Carta for Micro, Small, and Medium Enterprises (MSMEs) or (R.A. No. 9501 (2008)):

- Strengthens the role of MSMEs in economic development.
- Offers a comprehensive policy framework for MSME development.
- Enhances access to credit, technology, and markets for MSMEs.
- Expands on R.A. No. 6977 to include Micro, Small, and Medium Enterprises.
- Goals include providing incentives, financing, and support to help MSMEs become competitive in the local and global markets.

Importance: These laws enable MSMEs to thrive, which is vital for economic growth and job creation.

4. Drivers of Entrepreneurship

Entrepreneurial drivers are a set of internal and external factors that influence a person to pursue entrepreneurial activities. There are six key drivers, each equally important for entrepreneurship development. Risk-taking behavior is often considered an internal driver for entrepreneurs, but it is an integral part of all economic and social activities, making it not a unique driver for entrepreneurship.

- Innovation: Creating new products, services, or processes.
- *Economic Opportunity:* Capitalizing on market gaps or demands.
- *Independence:* Desire to be one's own boss and control one's destiny.
- *Passion and Motivation:* Personal interests and enthusiasm driving business initiatives.
- *Social Impact:* A motivation to address social issues through business.
- *Technological Advancement:* New technologies open opportunities for creative businesses.
- *Societal Needs:* Addressing social issues or contributing to community welfare.

Chapter 2: Organization and Management

a. Definition and Functions of Management

- ***Management*** involves planning, organizing, leading, and controlling an organization's resources to achieve specific goals, while also coordinating and overseeing activities to achieve these goals efficiently and effectively.
- **Functions (often summarized as POLC):**
  - ***Planning***: Setting objectives and determining the best course of action to achieve them. *Example*: A marketing manager creating a campaign strategy for a new product launch. A retail store manager planning a sales strategy for the holiday season.
  - ***Organizing***: Arranging resources and tasks to achieve objectives or implement the plan. *Example*: An HR manager developing a team structure for a new department. A project manager organizing teams and assigning tasks to complete a product launch.
  - ***Leading***: Motivating and directing/guiding employees to work towards organizational goals. *Example*: A team leader inspiring their team to meet a project deadline. A team leader motivating employees through regular feedback and team-building activities.
  - ***Controlling***: Monitoring performance and evaluating progress to ensure goals are met. *Example*: A financial manager reviewing monthly budget reports to track spending. A restaurant manager reviewing sales numbers and adjusting staffing to meet demand.

b. Levels of Management

- ***Top-Level Management:*** Executives responsible for overall direction and success of the organization. *Example*: CEO, President, Board of Directors.
- ***Middle-Level Management:*** Managers who oversee departments or divisions and implement top management's policies. *Example*: Department Heads, Regional Managers.
- ***First-Line/Level Management:*** Supervisors who manage the day-to-day activities of non-managerial employees. *Example*: Team Leaders, Office Managers, Foremen.

c. Strategic and Operational Level

- ***Strategic Level:*** Long-term planning focusing on achieving organizational goals and competitive advantage. *Example*: Developing a five-year growth plan to expand into new markets.
- ***Operational Level:*** Short-term, day-to-day activities and processes that ensure efficient functioning. *Example*: Scheduling staff shifts and managing inventory for a retail store.

d. Managerial Skills

1. *Conceptual Skills*

- **Definition**: The ability to think abstractly and understand the big picture, making strategic decisions that benefit the organization as a whole.
- **Level of Management:** Primarily required at the Top-Level Management (executives like CEOs, presidents, and general managers), where broad, long-term decisions are made.
- **Example**: A CEO uses conceptual skills to assess market trends and decide on a future product direction.

2. Interpersonal Skills (also referred to as Human Skills)

- **Definition**: The ability to interact effectively with others, including communication, conflict resolution, and team-building skills.
- **Level of Management:** Crucial at all levels of management because it helps managers at every level work effectively with people.
- **Example**: A middle manager uses interpersonal skills to motivate team members and encourage collaboration within departments.

3. Intrapersonal Skills

- **Definition**: Self-awareness and the ability to manage one's own emotions, motivations, and stress levels, helping a manager stay resilient and focused.
- **Level of Management:** Important for all managers, but particularly beneficial for middle and lower management, where handling daily pressures and setting an example for employees is key.
- **Example**: A department head practicing intrapersonal skills by managing their stress during a high-stakes project to maintain morale.

In summary:

- Conceptual Skills align mostly with top-level management.
- Interpersonal Skills (human skills) are important for all levels of management.
- Intrapersonal Skills are beneficial across all levels, especially in middle and lower management.

Chapter 3: Forms of Business Organizations

a. Sole Proprietorship/Single Ownership

- A business owned and operated by one individual, with no distinction between the owner and the business.
- This form offers complete control to the owner, who is responsible for all decisions, liabilities, and profits.
- Example: A local bakery run by a single baker who handles everything from baking to sales.
- Luna's Bake Shop, a small bakery run by one owner who manages all baking, finances, and sales. Luna bears all risks and profits and is responsible for any debts the bakery incurs.

Advantages:

- Full control and decision-making power.
- Simple to establish and dissolve.
- Owner receives all profits.

Disadvantages:

- Unlimited personal liability.
- Limited access to capital and resources.
- Heavy reliance on the owner's skills and abilities.

b. Partnership ownership

- A business owned by two or more individuals who share management and profits.
- Partners can contribute funds, skills, and other resources, making it easier to pool resources compared to a sole proprietorship.
- Example: A law firm where several lawyers share ownership, profits, and responsibilities.
- Star Marketing Consultants, a firm owned by three partners, each bringing unique expertise. They share profits but also bear joint liability for any debt the business incurs.

Types:

- General Partnership: All partners have equal liability and management responsibilities.
- Limited Partnership: Includes both general and limited partners; limited partners have restricted liability and no management authority.

Advantages:

- Combined resources and expertise.
- Shared decision-making and risk.
- Easier access to capital compared to sole proprietorship.

Disadvantages:

- Joint and several liability for general partners.
- Potential for conflicts between partners.
- Profit sharing.

c. Corporation

- A legal entity that is separate from its owners (shareholders), providing limited liability to its owners.
- It has many of the same rights and responsibilities as an individual, such as owning assets, borrowing money, and entering contracts.
- Owners (shareholders) have limited liability and are not personally responsible for corporate debts.
- Example: A technology startup that raises funds by selling shares to investors and operates under a board of directors.
- *TechSolutions Inc.*, a software company with hundreds of shareholders who invest in the business. Shareholders benefit from the company's profits (through dividends) but aren't liable for debts.

Types of Corporations:

- **C Corporation**: Pays corporate income taxes and can have unlimited shareholders.
- **S Corporation**: Passes income to shareholders to avoid double taxation, but has limitations on the number and type of shareholders.
- **Non-Profit Corporation**: Established for charitable, educational, or social purposes and does not pay corporate taxes.

Advantages:

- Limited liability for shareholders.
- Easier access to capital through the sale of stock.
- Perpetual existence.

Disadvantages:

- More complex and expensive to establish and maintain.
- Double taxation for C Corporations (corporate and dividend taxes).
- Increased regulatory requirements.

Chapter 4: Business and Its Environment

a. Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis

- SWOT Analysis is a strategic planning tool used to identify and evaluate the internal and external factors that can impact an organization's success.
- It helps identify the business's *Strengths* and *Weaknesses* (internal factors) as well as *Opportunities* and *Threats* (external factors).

- **Strengths**:
  - Internal aspect that give the business a competitive advantage.
  - Example: A tech company with a strong R&D department known for innovative products. Unique coffee blends, cozy atmosphere, loyal local customer base.
- **Weaknesses**:
  - Internal attributes that may hinder an organization's performance.
  - Example: A restaurant with limited seating capacity, restricting customer volume. Limited seating, lack of online presence.
- **Opportunities**:
  - External factors that the organization can exploit to its advantage.
  - Example: A fashion brand recognizing a growing trend in sustainable clothing. Growing demand for eco-friendly products, potential partnerships with local bakeries.
- **Threats**:
  - External factors that could cause trouble for the organization.
  - Example: A local bookstore facing competition from online retailers. Increased competition from larger coffee chains, rising cost of supplies.

b. Political, Economic, Social and Technological (PEST) Aspects

- PEST Analysis is a framework that evaluates macro-environmental factors affecting an organization, aiding in understanding broader market dynamics by considering different aspects of the external environment.

- ***Political***:
  - Government policies, regulations, and legal issues.
  - Example: Changes in trade tariffs impacting an export-based company. Import/export regulations affecting parts, trade agreements with supplier countries.
- ***Economic***:
  - Economic conditions and trends such as inflation, exchange rates, unemployment, and economic growth..
  - Example: An economic recession leading to reduced consumer spending, affecting a luxury goods retailer. Exchange rate fluctuations affecting costs, increasing demand due to rising incomes.
- ***Social***:
  - Societal trends and cultural factors demographics, and consumer behavior.
  - Example: Increasing health consciousness driving demand for organic food products. Growing demand for eco-friendly devices, interest in digital detox products.

- ***Technological***:

- Technological advancements and innovations.
- Example: The rise of e-commerce platforms disrupting traditional brick-and-mortar stores. Rapid advancements in 5G technology, R&D into foldable screens.

c. Linkages of Resources

- The connections and interactions between an organization's resources (human, financial, physical, informational) that enhance its capabilities.

- ***Human Resources:*** Skilled and motivated employees driving productivity. Example: A software company leveraging its talented developers to create cutting-edge applications.
- ***Financial Resources:*** Access to capital and financial stability. Example: A startup securing venture capital funding to expand its operations.
- ***Physical Resources:*** Tangible assets like facilities and equipment. Example: A manufacturing plant utilizing advanced machinery to increase production efficiency.
- ***Informational Resources:*** Data and knowledge that inform decision-making. Example: A marketing firm using consumer data analytics to refine advertising strategies.

Internal Linkages: Efficient coordination between departments like production, marketing, and customer service to enhance productivity and performance.

External Linkages: Relationships with suppliers, vendors, and partners to ensure smooth operations, such as timely supply of raw materials and access to new markets.

Example: A clothing brand can demonstrate linkages of resources as follows:

Internal Linkages: Coordination between design and production teams to reduce time-to-market for new collections.

External Linkages: Partnership with sustainable fabric suppliers and an e-commerce platform for expanded reach.

Vertical Linkages

Vertical linkages refer to the connections within a company's supply chain or value chain. These linkages involve relationships between different levels of production or distribution, either upstream (supply side) or downstream (distribution side).

Upstream (Backward) Linkages: Refers to activities or relationships with suppliers and resource providers, i.e., entities that provide the inputs a company needs for production. This is also known as backward integration when a company expands or strengthens control over its suppliers.

Example: A car manufacturer forming close relationships with its parts suppliers (engines, tires) or even acquiring a tire manufacturing company to secure a reliable supply chain.

Downstream (Forward) Linkages: Refers to activities or relationships with distributors, retailers, or customers—those who help get the final product to the end consumer. This is also referred to as *forward integration* when a company expands or strengthens control over distribution and sales channels.

Example: The same car manufacturer might establish its own branded dealerships or acquire a dealership chain to improve control over how cars are sold and serviced.

In Summary:

Upstream = Backward Linkages: Focus on supply sources.

Downstream = Forward Linkages: Focus on distribution and customers.

Horizontal Linkages

Horizontal linkages refer to relationships with other companies or entities operating at the same level in the value chain or industry. These linkages typically involve cooperation, alliances, or partnerships with competitors or complementary businesses.

Example: Two companies in the same industry might form a strategic alliance to share technology or distribution networks. A soft drink company forming an agreement with a snack company to bundle products together would be an example of horizontal linkages.

Example in another context: A tech company might form horizontal linkages by partnering with other software companies to offer complementary products (e.g., a gaming company partnering with a hardware company to create compatible products).

Summary

Vertical Linkages: Connections within a company's supply chain (upstream and downstream).

Horizontal Linkages: Partnerships or collaborations between businesses at the same stage in the value chain or in the same industry.

Chapter 5: Sustainable Value Creation

a) Sustainability Concept

- ***Sustainability*** involves meeting the needs of the present without compromising the ability of future generations to meet their own needs. It focuses on a balance between economic growth, environmental protection, and social well-being.

Principles:

- ***Environmental:*** Protecting natural resources and reducing negative impacts on the environment. Example: A company reducing its carbon footprint by implementing energy-efficient practices.
- ***Economic:*** Ensuring long-term economic viability and profitability. Example: Investing in renewable energy sources to reduce future operational costs.
- ***Social:*** Promoting social equity and improving the quality of life for communities. Example: A business supporting local education programs and fair labor practices.

b) Value Chains Defined

- A ***value chain*** is a series of activities that an organization performs to create value for its customers. It encompasses everything from product development to delivery and post-sales support.
- Inputs(raw materials)

Components:

- ***Inbound Logistics:*** Receiving and storing raw materials. Example: A car manufacturer receiving steel and other components from suppliers.
- ***Operations:*** Transforming raw materials into finished products. Example: Assembling cars on the production line.

- ***Outbound Logistics:*** Distributing finished products to customers. Example: Shipping cars to dealerships.
- ***Marketing and Sales:*** Promoting and selling products. Example: Running advertising campaigns and sales promotions for new car models.
- ***Service:*** Providing post-sales support and services. Example: Offering maintenance and repair services for sold vehicles.

c) Value of the Social Enterprise Ecosystem/External Forces

- *Social Enterprise Ecosystem* refers to the external forces that support and influence social enterprises, which are businesses that prioritize positive social impact alongside financial returns.
- The social enterprise ecosystem consists of various external forces and stakeholders that impact a business's ability to create and sustain value. These include customers, suppliers, regulators, competitors, and the community.

Impact of External Forces:

- ***Customers:*** Demand for sustainable and ethical products can drive businesses to adopt sustainable practices. Example: A fashion brand using eco-friendly materials due to consumer demand for sustainable clothing.
- ***Suppliers:*** Collaboration with sustainable suppliers enhances the overall value chain. Example: Partnering with suppliers who follow ethical sourcing practices.
- ***Regulators:*** Compliance with environmental and social regulations. Example: Adhering to government regulations on waste management and emission controls.
- ***Competitors:*** Competitive pressure to innovate and improve sustainability. Example: Competing companies adopting green technologies to gain market advantage.
- ***Community:*** Engaging with local communities to support social and environmental causes. Example: A company participating in community clean-up programs and supporting local charities.

Summary:

Sustainability Concept: Emphasizes meeting current needs responsibly for future generations through environmental, social, and economic practices.

Value Chains: Encompasses all activities adding value to a product or service, from initial production to delivery and beyond.

Social Enterprise Ecosystem / External Forces: Describes the supportive external factors that help social enterprises achieve their sustainable and social objectives.

Chapter 6: Elements of Business Enterprise Model

a. Definition of Business Model (Traditional)

business model

- A business model is a framework that outlines a company's creation, delivery, and capture of value.
- It includes its purpose, strategies, infrastructure, organizational structures, operational processes, and policies.
- Traditional business models focus on traditional revenue generation methods like product sales, services, or manufacturing.
- A business model includes the target market, value proposition, revenue streams, and cost structures.

Example:

Retail Store: A brick-and-mortar store that buys products from wholesalers and sells them to consumers. The business model focuses on physical sales, customer service, and in-store experience.

Traditional Business Models:

- **Product-Based Model:** Selling goods directly to consumers or retailers.
- **Service-Based Model:** Providing a service in exchange for a fee.
- **Retail Model:** Selling products from multiple brands directly to customers.

b. Value Proposition and Operating Model (Value Chain)

Value Proposition:

- The unique value a company offers to its customers. It defines the products or services that satisfy customer needs and differentiates the company from competitors.

- what makes the product or service appealing and valuable to the target market. It answers why customers should choose this business over competitors.

- Example: A smartphone company offering the latest technology with a sleek design and user-friendly interface, targeting tech-savvy consumers.

Operating Model (Value Chain):

- The set of activities and processes that a company undertakes to deliver its value proposition to customers.

- This includes everything from product development to delivery and post-sales support.

- often aligned with the *Value Chain*, describes how the company organizes its activities to deliver this value effectively.

Example:

Inbound Logistics: Sourcing high-quality components from reliable suppliers.

Operations: Assembling the smartphone using advanced manufacturing techniques.

Outbound Logistics: Distributing the finished product to retail stores and online platforms.

Marketing and Sales: Promoting the smartphone through advertising campaigns and sales promotions.

Service: Providing customer support and warranty services.

Example(both): *IKEA's Value Proposition* is offering stylish, affordable, and functional home furnishings for customers who are willing to assemble them themselves. Its *Operating Model* includes efficient supply chain management, in-house product design, a flat-pack shipping method to reduce costs, and self-service showrooms, which allow IKEA to maintain low prices and wide product availability.

c. Distinguishment of Business Model and Business Plan

Business Model:

- A conceptual framework that outlines how a company creates value, delivers products or services, and generates revenue.
- Focus: Describes the core aspects of a business and how it operates.
- Example: A subscription-based streaming service that provides users access to a library of movies and TV shows for a monthly fee.

Business Plan:

- A detailed document that outlines the goals of a business, the strategies to achieve those goals, and the financial projections.
- Focus: Provides a roadmap for the business, including marketing, financial, and operational plans.
- Example: A new startup's business plan detailing its target market, marketing strategies, funding requirements, and financial projections for the next five years.

Example(both): *Amazon*'s business model centers around being an online marketplace, offering products and services directly and through third-party sellers, with multiple revenue streams including e-commerce, cloud computing (AWS), and subscription services (Prime). In contrast, its business plan would contain specific strategies for expanding markets, increasing Prime memberships, financial projections, new product launches, and operational goals to support its growth over the next few years.

Summary:

1. **Business Model (Traditional)**: Describes the structure of how a company generates revenue, including the target market and revenue streams.
2. **Value Proposition and Operating Model (Value Chain)**: Outlines the unique benefit offered to customers and how the company's processes support delivering that value.
3. **Difference Between Business Model and Business Plan**: A business model is a high-level conceptual overview of how the business operates, while a business plan is a detailed, actionable roadmap for executing the model.

CHAPTER 7

Planning is a critical management function that involves setting objectives and determining the best course of action to achieve them. Effective planning helps businesses anticipate future challenges, allocate resources effectively, and ensure that everyone is aligned toward common goals.

Purpose of Planning: Ensures goals are defined, reduces uncertainty, guides decision-making, and enhances resource allocation.

· **Types of Planning:**

- ***Strategic*:** Long-term, broad goals.
- ***Tactical*:** Medium-term, supports strategic goals.
- ***Operational*:** Short-term, daily operations.
- ***Contingency*:** Prepares for unexpected events.

Common Issues in Planning: Include lack of clear objectives, poor communication, insufficient resources, rigid plans, failure to involve stakeholders, and overlooking external factors.

CHAPTER 8

Production: The process of converting inputs into goods or services that fulfill customer needs.

Factors Influencing Production: Include technology, labor, supply chain, quality control, and market demand.

Goods vs. Services Production: Goods are tangible and standardized, while services are intangible, customized, and often produced at the point of delivery.

Chapter 9: Marketing for Small Business

Marketing is essential for small businesses to boost brand awareness, attract customers, and compete effectively. It involves strategies for promoting products or services, often tailored to a specific budget and target audience.
Example: A small coffee shop uses a distinctive logo and branding to build recognition and differentiate itself from other coffee shops in the area.

The **Marketing Mix** is a foundational concept consisting of four elements—***Product, Price, Place, and Promotion***—that help small businesses structure their marketing strategies.

Product: Refers to the goods or services a business offers and how these meet customer needs.

Example: A local bakery creates unique products, such as vegan or gluten-free options, to cater to health-conscious customers.

Price: Determines the amount customers are willing to pay, taking into account competition and perceived value.

Example: A small handmade jewelry business may price its items higher due to the craftsmanship and materials used, positioning it as a premium product.

Place: Refers to where the product or service is available, whether in-store, online, or both.

Example: A boutique clothing shop sells through its physical store and online, allowing it to reach local and broader audiences.

Promotion: Involves the methods used to advertise the product or service, including social media, email marketing, or in-store events.

Example: A small restaurant hosts weekly promotions on Instagram, such as “happy hour discounts,” to attract followers and drive in-store traffic.