<u>**Myths about entrepreneurship.**</u>

***a. Entrepreneurs are born, not* made**

b. Entrepreneurs are gamblers and take big risks?
***Entrepreneurs are gamblers.* Not true! Entrepreneurs are risk takers, but the risks are informed and calculated.**

c. Entrepreneurs are motivated primarily by money?
***Money is the key to entrepreneurial* success. Not true! Money is no guarantee of success: There's a lot more to it than that; many entrepreneurs start with very little.**

d. Entrepreneurs should be young and energetic?
***You have to be young to be an entrepreneur.* Not true! Age is no barrier to entrepreneurship; with age often comes experience, contacts, and other useful resources.**

e. Entrepreneurs love the spotlight(kwigaragaza) ?
f. All entrepreneurs need is luck
Being at the right place in the right time is always an advantage, but luck happens when "**preparation meets opportunity"**

***g. You have to have a* degree *in business to be an entrepreneur.* Not true! You may not need a degree at all; although a business degree is not necessary, it helps to study and understand business fundamentals.**

An entrepreneur is an innovator or developer who: recognizes and seizes opportunities, converts these opportunities into commercial ideas, adds value through time, effort, money or skills, assumes the risks and realizes rewards from these efforts.
Entrepreneurship is therefore referred to as the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying direct /indirect rewards and risks. It is also a process

The term **Political entrepreneur** may refer to any of the following:
- someone (usually active in the fields of either politics or business) who founds a new political project, group, or political party

Entrepreneurs contribute in economic growth through five different types of innovations. These are introduction of:
- A new type of product in the market
- A new type of technology
- A new market
- A new source of supply of inputs
- A new organization

ENTERPRISE

Systematic activities or organization created for business venture especially directed towards profits, the venture so set up is called the enterprise.

The above definitions evoke six basic aspects of Entrepreneurship:

- Seeking opportunities
- Initiative taking
- Having the tenacity to push the idea through to reality
- Creating something new of value to the entrepreneur and target market
- Taking risk
- Expecting rewards.

(as a lecturer explain how you will motivate the student to be entrepreneur ?// The answer is downm you may add advantages of entrepreneurship)

Reasons/motive to become an entrepreneur

- Be your own boss:
- Pursue your own ideas: .

. Pursue financial rewards:

Self-employment

Why it is necessary to undertake an entepreuneur activity whith open eye ?

Ans :
It's important, to go into the business venture with your eyes wide open, as starting and running a business is not for everyone and you need to be sure that you have what it takes otherwise you could be in for a lot of problems and possible financial ruin.
 In addition, it's very stressful moving into strange territory on your own and you have to be able to handle pressure and uncertainty without allowing them to affect you negatively.

Types of entrepreneurs

Bruce Barringer classifies them as follows:

Government point of view about entrepreneurship

 Employment Generation
 Entrepreneurs increase the national income
 Dispersal of economic power amongst the population

Balanced regional development
Nursery for entrepreneurship talent
Reduce the harmful effect of monopoly

Common characteristics of entrepreneurs

- ***Internal locus of control:***
- ***High energy level:***
- ***High need for achievement:***
- ***Tolerance for ambiguity:***
- ***Self-confidence*:**
- ***Passion and action orientation:***
- ***Self-reliance and desire for independence*:**
- ***Flexibility***

What is required to start up?

- ✓ Motivation and confidence
- ✓ Abilities and skill development
- ✓ Ideas in relation to the market
- ✓ Resources and operations
- ✓ Planning and organization

Critical factors that trigger the startup of new ventures:

- ✓ A person gets an idea for a new business either through a deliberate search or a chance encounter.
- ✓ Whether or not he decides to pursue that idea depends on factors such as: Alternative career prospects, family, friends, role models, the state of the economy, the availability of resources…
- ✓ There is almost always a *triggering event* that gives birth to a new organization.

Benefits of entrepreneurship.

a. **Opportunity to get control.**
b. **Offers a chance to make a difference**
c. **To reap high Profits**
d. **Helps people work to their full potential**
e. **Offers a chance to pursue their interests.**
f.

Disadvantages/Drawbacks of entrepreneurship

- **Uncertainty of Income.**
- **Risk of Losing Invested Capital**
- **Long Hours and Hard Work**
- **Lower Quality of Life until the Business is Established**
- **High Levels of Stress**
- **Complete Responsibility**

Challenges of entrepreneurship

External Challenges:
- The economic cycles: recession, boom, depression and recovery
- Interruptions in supplies
- Labour market trends
- Government regulations e.g. tax laws
- Natural catastrophes

Personal Factors
- **Financial:** risk of losing money
- **Career risk:** unemployment when business collapses
- **Psychic risks**: collapse of business can lead to depression and/or low self-esteem.
- **Social risk:** entrepreneur may give up social life which affects family and relations.
- **Lack of skills and experience**: Inability to see the business through even when it is a good business opportunity
- **Mismanagement:** Misuse of resources, wastage of stocks, embezzlement
- **Poor business ethics**: Unfair business practices, conflict with the law

Definition of 'Gross Domestic Product - GDP'

The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis.

GDP = C + G + I + NX

Where:
"C" is equal to all private consumption, or consumer spending, in a nation's economy
"G" is the sum of government spending
"I" is the sum of all the country's businesses spending on capital
"**NX**" is the nation's total net exports, calculated as total exports minus total imports. (NX = Exports - Imports)

ENTREPRENEURS Vs MANAGERS

ENTREPRENEURS Vs MANAGERS	
Risk taking	
An Entrepreneur assumes risk	By contrary, the manager does not share in business risks
Status	
An Entrepreneur is self-employed and is his/her own boss	A manager is a salaried person and is not independent of the employer
An entrepreneur needs intuition, creative thinking and innovative ability	A manager depends more on human relations and situational capabilities
En entrepreneur starts a career with a new idea	A manager starts a career as an implementer of a predetermined idea
Entrepreneurship involves combining resources to initiate changes in production	Management involves combining or coordinating resources
Entrepreneurship is a discontinuous phenomenon	While management is an ongoing or continuous process
Entrepreneur organizes and operates for personal gain	A manager organizes and operates the enterprise as per the decisions of the entrepreneur and works for salary
The gains of an entrepreneur are uncertain and irregular and can at times be negative	On the contrary the salary of a manager is fixed, regular and can never be negative.

A broad entrepreneurial process

The process has four distinct phases:
(1) **Deciding to become an entrepreneur and identify and evaluate the opportunity**
(2) **Developing successful business ideas and determining the required resources**,
(3) **Moving from an idea to an entrepreneurial firm**, and
(4) **Managing the resulting enterprise**

Different types of people's needs (Hierarchy of Needs by Abraham Maslow)

It is recommended to use the following three ways which can ease the process of identifying successful opportunities:
1. Observing trends
2. Solving a problem
3. Finding Gaps in the Market Place

Three ways to identify a business opportunity

Observing trends
2. Solving a problem
3. Finding Gaps in the Market Place

Observing trends: PEST analysis(P.E.S.T. factors (economic, social, technological, political and regulatory trends) are the most important trends Entrepreneurs may wish to follow.)

Creativity, an important asset in generating ideas

Creativity is the process of generating a new idea. On an individual basis, the creative process can be broken into five stages:

- Preparation
- Incubation:
- Insight:
- Evaluation:

- Elaboration:

Techniques for Generating Ideas

Brainstorming:

Focus group

Library and internet search

Customer advisory boards

Attendance at trade shows, exhibitions…

Make sure the following are looked at before wasting time and your energy into the feasibility study and business plan:

- .Strength of the Business Idea
- **Industry-Related issues:**

✓ Number of competitors
✓ Stage of industry life cycle
✓ Growth rate of Industry
✓ Is the industry crowded?
✓ Importance of industry's products and services to customers
✓ Industry operating margins

- **Market &Customer Related issues**
- Founder (s) related issues: (- Self-assessment of founders: Be honest and fair)
- Financial Issues

dimensions of business viability:

- Market Viability
- Technical Viability
- Business Model Viability
- Management Model Viability
- Economic and Financial Model viability
- Exit strategy viability

_**Business and market analysis will** contribute considerably to the feasibility study. Consideration should be given to using traditional business analysis techniques such as

SWOT (**S**trength, **W**eakness, **O**pportunity and **T**hreads),

PFF (**P**orters **F**ive **F**orces) and

PEST (**P**olitical, **E**conomic, **S**ocial, and **T**echnological analysis). Although they may not provide information which is a perfect fit to the proposed business model, they will provide a strong starting point for future analysis.

Business Plan: the meaning

A business plan is a written narrative, typically 25 to 35 pages long, that describes what a new business intends to accomplish and how it intends to accomplish it.
For most new ventures, the business plan is a dual-purpose document:
– Inside the firm, it helps the company develop a "**road map"** to follow in executing its strategies and plans.
– Outside the firm, it introduces **potential investors and other** stakeholders to the business opportunity the firm is pursuing and how it intends to pursue it.

WRITING THE BUSINESS PLAN

1.Executive summary-
2. *Industry* analysis-nature of the industry,
3. *Company* description-
4. *Products and services* description-
5. Market description-
6. ***Marketing* strategy-**
7. **Operations description-**
8. **Staffing description-**
9. Financial projection-
10. Capital needs-
11. **Milestones**-A time table of dates showing when key stages of new venture will be completed.

Following financial statements:

(1) Source and use of funds
(2) Depreciation schedules
(3) Sales and Cost of Goods or Services Sold Schedules
(4) Loan Amortization Schedule
(5) Income Statement
(6) Cash Flow Statement
(7) Balance sheet
(8) Break even analysis

A Balance Sheet includes the following items:

Left Side:
 Current Assets: cash, inventory, and other short-term assets that can be liquidated within one year.
 Long-Term Assets: equipment, property, plant, and other long-term assets that are not be liquidated within one year.
 Other Assets: assets that cannot be classified under the two previous categories

Right Side:
 Current Liabilities: debts that will be paid within one year.
 Long-Term Liabilities: debts that will be paid in two years or more.
 Owner's Equity: retained earnings, and contributed capital owned by the owner(s) of the business.

Sample balance sheet

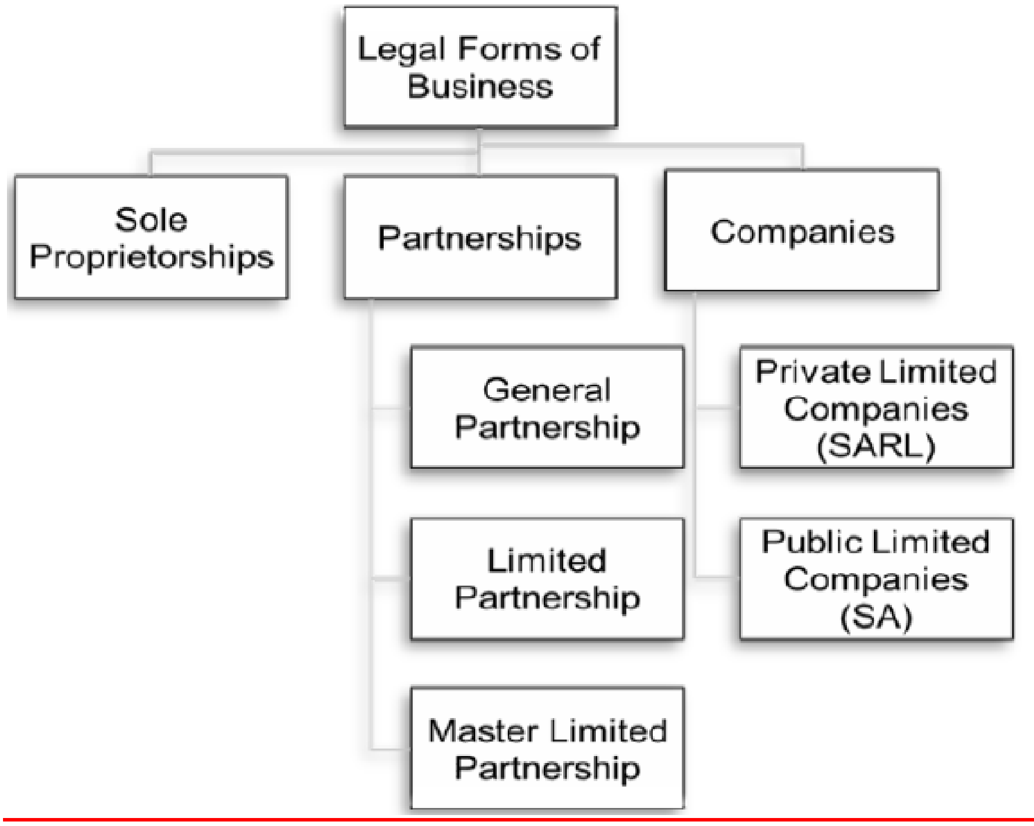
Company name			
Balance sheet for year ending Dec 31,year 1			
Assets		Liability owners equity	
Current assets		Current liabilities	
Cash	18,855$	Business loan	12,773$
Inventory	5,000$	Total current liabilities	12,773$
Total current assets	23,855$		
Long term assets		Long term liabilities	
Total equipments	25,000$	Business loan	14,392$
Total	25,000$	Total long term liabilities	14,392$
Less accumulated depreciation	4,535$	Total liabilities	27,165$
Total long term assets	20,465$		
		Owners equity	
Other assets		Contributed capital	11,500$
Total other assets	0$	Retained earnings	5,655$
		Total owners equity	17,155$
Total assets	44,320$	Total liabilities &owners equity	44,320$

Break even analysis

The Breakeven Analysis is a technique for evaluating the relationship between a firm's fixed costs, variable costs, profits, and sales. The operating breakeven point is the volume of sales at which the business revenues just equal its operating costs. It can be measured in terms of either units or dollars.
The breakeven analysis tells the business owner how much sales must be generated to cover both fixed and variable expenses.

The breakeven formula is:
Breakeven sales = fixed costs + variable costs, or
Breakeven sales = the point at which pretax profit equals ZERO.

LEGAL FORMS OF BUSINESS



SOURCES OF FINANCE for a business

1.Personal sources/Internal sources

- Personal Savings.
- Founder's capital.
- Asset sales.
- Retained earnings.
- Limiting credit to customers.
- Stock reduction.
- Depreciation.

2.External sources

- Bank loans
- Loans from family and friends
- Government grants
- Hire-purchase
- Leasing
- Investors.

>>>> Another source of seed money for new ventures is referred to as "**bootstrapping**". Bootstrapping is the use of creativity, ingenuity, and any means possible to obtain resources other than borrowing money or raising capital from traditional sources.

Bootstrapping

- Buying used instead of new equipment
- Coordinating purchases with other businesses
- Leasing equipment instead of buying
- Obtaining payments in advance from customers
- Minimizing personal expenses
- Avoiding unnecessary expenses
- Sharing office space with other businesses
- Applying for and obtaining grants

In Rwanda, Banque Rwandaise de Developpement (BRD) and the **Business Development Fund** (**BDF**) programs are two important sources of early-stage funding for technology firms. These programs provide cash grants to entrepreneurs who are working on projects in specific areas.

Meaning of Financial Management
Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

Functions of Financial Management

1.Estimation of capital requirements:

2.Determination of capital composition:

3.Choice of sources of funds:
4. Investment of funds:
5. Disposal of surplus:
6. Management of cash:
7.**Financial controls:**

(((Assets = Liabilities + Shareholders' Equity)))

MARKETING MANAGEMENT

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals.

Types of market segmentation

-Geographic;
-Demographic;
- Psychographic;
- Behavior;

MARKETING 4Cs/4Ps
• Consumer wants and needs/Products
• Cost/Price
• Convenience/Place
• Communication/Promotion

An off Growth Matrix

Management functions
The basic aim of managing is to achieve certain objectives or goals. The manager must be sure of the objectives he desires to attain or of the end result to be ensured.

1. Planning
2. Organizing
3. Staffing

4. Motivating
5. Directing
6. Coordinating
7. Controlling