Entrepreneurship (CoTM 5271)

For CoTM 5th Year G1&2 Students

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I. An overview of Entrepreneurship

A. Introduction

- The term was used in 16th & 17th century French.
- Used initially to describe contractors :
  - Actors
  - Builders
  - Tax Collectors etc
- Later used to describe individuals who took unusual risks such as : military heroes who lead very dangerous expeditions/journies
- In18th century German, used to describe undertakers/somebody who sets about doing a task

➢ There had been different views about the concept

Adam Smith & Jean Baptiste

- **O**ne of the four basic factors

The other three:

- ✓land
- ✓ labor
- ✓ capital/seed money

Joseph Schumpter (1934)

Innovative (new and creative) ways of getting things done through creations of **new ideas and processes**, and generation of **creative combination of resources** to drive economic activity.

Peter Drucker

(A famous management writer, 1974)

- The process that has to do with redirection of resources from area of low / diminishing results to areas of high / increasing results.
- Because of these differing views, therefore, the concept is still far from definitive.

ACTIVITY ?

Reflection

What does you Group Understand from the concept

“Entrepreneurship”?

B. Entrepreneurship defined

- No ultimate definition of the term
- Authoritative from different disciplines/fields define it differently :
  - ✓Economists
  - ✓Psychologists
  - ✓Philosophers
  - ✓Corporate Managers

- In view of the common things that are emphasized by different writers on **entrepreneurship** in their description of the concept, the following definition, however, seems sounder:

"**Entrepreneurship is the processes of creating a new venture as an independent business endeavor, usually positioned to grow and be profitable for the founders" (Holt, 1990, G.3)**

Implications of the definition

- **Success in entrepreneurship involves:**
  1. Creation of enterprises- usually small
  2. Planning of venture (business enterprise) activities
  3. Organizing of resources (Like what ???)
  4. Furnishing (providing) of the inspiration/motivation and appropriate leadership
  5. Exercising of appropriate control activities etc.

Cont…

- Information & know how
- Human resources
- Financial and physical assets
- Networks & Relationships

Entrepreneur?/Reflection

Entrepreneur versus Manager

- Generally, an entrepreneur and a manager are considered to mean the same and are used as interchangeable terms. In many cases, the roles of entrepreneur and manager may have common characteristics.
- In **proprietorship and partnership and even in small companies** the entrepreneur himself acts as the Chief Executive/Manger.
- But main points of distinction between entrepreneur and manager are described as follows:

Who is an entrepreneur then?

- **Entrepreneur is a person who possesses the following qualities:**
  - Has the ability to see and evaluate business opportunities
  - Gather the necessary resources to take advantages of the opportunities
  - Initiate appropriate actions to ensure success
  - Action oriented
  - Is highly motivated and takes risk to achieve goals

Group Works

1. Identify up to three business opportunities that are related to your area of training(education)/back ground ,or available in your environment; and which are ahead of you.
2. Give good reasons why they are considered as your business opportunities?
3. List down the resources and required and will enable you take advantages of the opportunities.

C .Characteristics of Successful Entrepreneurs

Tentative qualities of successful entrepreneurs:

- Need for achievement
- Willingness to take risk
- Self-confidence. **(Broom ,1983)**

Research → Characteristics common to

Highly successful entrepreneurs.

- Self confidence
- Energy, diligence (carefulness)
- Ability to take calculated risks
- Creativity
- Flexibility

Characteristics of Successful ctd….

- Positive response to challenges
- Dynamism, leadership
- Ability to get along with people
- Knowledge of products or technology
- Responsiveness to criticism
- Perseverance (firmness), determination
- Resourcefulness (inventiveness)
- Need to achieve
- Independence
- Foresight(ability to think ahead)

Characteristics of Successful ctd....

- Profit orientation
- Perceptiveness (sharpness)
- Optimism (hopefulness)
- Versatility (adaptability)
- Receptiveness to suggestions
- Knowledge of market

Reflections

How much of these characteristics are found with each one of you?

E. Benefits of Entrepreneurship

The major ones are:

- **A. Job Creation-** new jobs particularly for youth unemployment.
- **B. Source of innovation-** initiates appropriate actions to produce new and qualitative products/services competition.
- **C. Enhances/increases Productivity and Economic efficiency : -** by enabling to introduce techniques and methods
- **D. It is a means for minority groups and women:-** It is one of the ways for them to enter into the prevailing economic situation.

F. Personal Entrepreneurial Competencies

1. Opportunity seeking
2. Persistence
3. Commitment to work
4. Risk taking
5. Demand for quality and efficiency



ACHIEVEMENT

1. Goal Setting
2. Information Seeking
3. Systematic Planning and Control



PLANNING

1. Persuasion and Networking
2. Self-confidence



POWER

F1 . Opportunity seeking

- Sees and acts on new biz opportunities
- Seizes/takes hold of unusual /strange opportunities to obtain financing, equipment, land, workspace, assistance, etc.

F2 .PERSISTENC

- Takes repeated or different actions to overcome an obstacle
- Makes personal sacrifice or expends extraordinary efforts to complete a job
- Sticks with judgment in the face of opposition or early lack of success

- Did not complete education degree
- Became storekeeper, warehouse worker, farm manager
- Started as canteen concessionaire (holder of small business outlet inside another establishment) &



F3. Commitment to work

- Accepts full responsibility for problems in completing a job for customers
- Pitches in with workers or their place to get the job done.
- Expresses a concern for satisfying a customer

F4 Risk taking

- Takes what he or she perceives to be moderate risks
- States a preference for situations that involve moderate risks

Now a multimillion enterprise with 1000 employees, borrowed 3k from savings bank with ring as collateral to extend her kitchen for meat processing



Discussion

Think of one situation in your life involving some sort of risk. Write small paragraph describing that risk situation.

- What fears did you have in taking the risk?
- What was achieved by taking the risk?
- What preparation did you make before taking the risk?
- What were the biggest obstacles to achieving your goal?
- What have you learned about your risk-taking attitudes?
- What would you like to change about your risk-taking attitude?
- What are the most important factors when taking a risk?
- Was the goal worth the risk involved?
- How could the risk have been minimized?
- What information was needed before taking the risk?
- What people and other resources could have helped to minimize the risk to achieve this goal?

Important Questic

There are ***REWARDS****..There are* ***RISKS****…then*

Do you have what it takes to be a successful entrepreneur?





F5.Demand for quality and efficiency

- Always strives/struggles to raise standards
- Aims for excellence/distinction
- Strives to do things better, faster, cheaper

F6.Goal Setting

- Sets clear and specific short term objectives
- Sets clear long term goals

1 Million Birr IN 2020

	Minimum **monthly** target	Min. **daily** target
Profit	**28,000**	**1,000**
Sales	**70,000**	**2,700**



F7. Information Seeking

- Personally seeks information on clients, suppliers, and competitors
- Seeks experts for business or technical advice
- Uses contacts or networks to obtain information

F8.Systematic Planning and Monitoring

- Develops logical/coherent, step by step plans to reach goals
- Looks into alternatives and weighs them
- Monitors progress and shifts to alternative strategies when necessary to



F9 Persuasion and Networking

- Networking is when a group of like-minded people gather and help each other
- Employs deliberate strategies to influence or persuade others
- Uses business and personal contacts to accomplish objectives

Strategies to Network Effectively

- **Concern/regard for others** –worry about others
- **Always wear a smile-** makes you appear approachable
- **Use humor/funny quality-** eases pain, releases burdens and can keep your stress levels down
- **Laughter-** Like humor, will keep the blues (sadness) away
- **Give a little extra-** share an extra portion of your kindness, joy, peace and patience with those you meet
- **Caring/warmth-** People do not care how much you have and how much you know, until they know how much you care

F10.Self Confidence

- Believes in self
- Expresses confidence in own ability to complete a difficult task or meet a challenge

Drill

1. What are some of the ways in which you can express your confidence in your own ability?
2. Mention about some of the happenings in which you have expressed your confidence in your own ability Since last week? (15 munites)

II. Basis for a Personal Entrepreneurial Strategy

- Self assessment based on evaluation of
  - Your thoughts and actions
  - Feedback from others



    - Become aware of blind spots/area of your ignorance/
    - Reinforce your concepts of your strengths and weaknesses
- Evaluation of data that you gather
- Develop insights/clear perception/ about yourself
- Establish goals to fill in the blank spots
  - Education
  - Experience
- Make appropriate choices-to find fit with the ideas that present themselves.

2.1 Crafting the Strategy

- Profile(write short description of) the past
  - What have you done
  - What are your lifelong preferences
  - What would you most like to be doing (**Windows and Corridor principle)**
  - How has your history influenced your value system, motivations, attitudes and behaviors

Crafting the Strategy ctd….

- Profile the present (cont'd)
  - Take stock of your entrepreneurial attitudes, needs, wants
  - Compare with key attributes(quality) of an entrepreneur
    - Determination, commitment, perseverance, goal orientation, internal locus of control (internal feeling of how to sustain **the drive and energy** required to overcome the laziness in forming something new and to manage the new enterprise and make it grow).
  - Compare with the Behavioral Orientation
    - Promoter or Trustee
  - Compare with the external environmental demands
    - Stress, time constraints, commitment required, ethics

Crafting the Strategy ctd…

- Get Constructive Feedback
  - Solicit/ask for the feedback (from which sources??)
  - Understand the context/situation/
  - Set up the interchange/exchange ideas/-ask questions first
  - Be sure you understand what you are being told. Ask clarifying questions.
  - Encourage straight forward answers-build a supportive climate.
  - Feedback needs to be both positive and negative.
  - Get feedback in writing.
  - No hidden agendas and no games- be honest with yourself
  - Don’t become defensive
  - Be an active listener and listen to answers carefully.
  - Don’t reach conclusions prematurely

2.2. Structure of a Personal Entrepreneurial Strategy

- Vision(a guiding image for success, it is what success looks like, it is knowing “in your bones” what can or must be done)
- Strengths
- Weaknesses
- Personal Wants
- Specific Goals
- Plan to fill in the missing pieces
- Personal strategy-How will you accomplish each of the goals
- Get feedback from trusted sources

A. **Business Idea Generation**

- How do you get an idea to start a business?

B. **Business Idea Selection**

- How do you select the best and viable business idea/s out of the list of ideas?

Notes

- A profitable business idea is sitting under your nose
- Opportunities and possibilities are always out there
- What is required is concrete thinking versus creative thinking

Concrete thinking-certain and specific thinking rather than vague or general thinking

Creativity- the ability to bring something new into existence

2.1.Examples of business Ideas

- Animal feeding enclosure
- School supplies for kindergarten schools
- Vegetables processing
- Food preparation services
- Research services
- Massaging and reflexology services
- Day care center
- Messengerial service etc
- Semiskilled labor supply etc

2.2. Sources of Business Ideas

- **Hobbies**/an activity engaged in for pleasure and relaxation/
- **Talents**/natural ability to do something well/
- **Work experiences**
- **Unsatisfied needs in your community**

2.3 .Tools for Idea Generation

- **Brainteaser –** opening up and stimulating creative thinking
- **Brainstorming**
- **Environmental scanning**
- **Trigger**

Brainstorming

Brainstorming

- May be done individually or in groups
- Limit group size to 8–10
- Clearly state topic or problem

Ground Rules

- Avoid criticizing ideas
- Don't censor any ideas
- Suspend judgments
- Write down ALL ideas
- Keep ideas flowing
- Tag on, improve, modify and build on other ideas
- Think freely, wild ideas okay
- Establish a time limit, i.e., 10 minutes
- Enforce the rules

2.4.Business idea to business opportunity

- Not all business ideas will sell
- Assess the environment for opportunities and see if the business is worth pushing through

Business Creation Exercises

Recall the business opportunity/ies you identified earlier. In line with that opportunity/those opportunities try to assess your self in terms of the following questions

- What skills do I have? (I am good at doing the following…)
- What are my interests? (I enjoy doing the following…)
- What are my experiences? (I have work or educational experience of the following)
- What business networks do I have ? (I know the following people, friends and relatives who can help me…)
- What are the businesses that I can make?

Environmental scanning

- Recognizing business opportunities after scanning the training room/area environment
- Identifying groups with common denominator and their respective needs
- Identifying resources that help to meet the needs

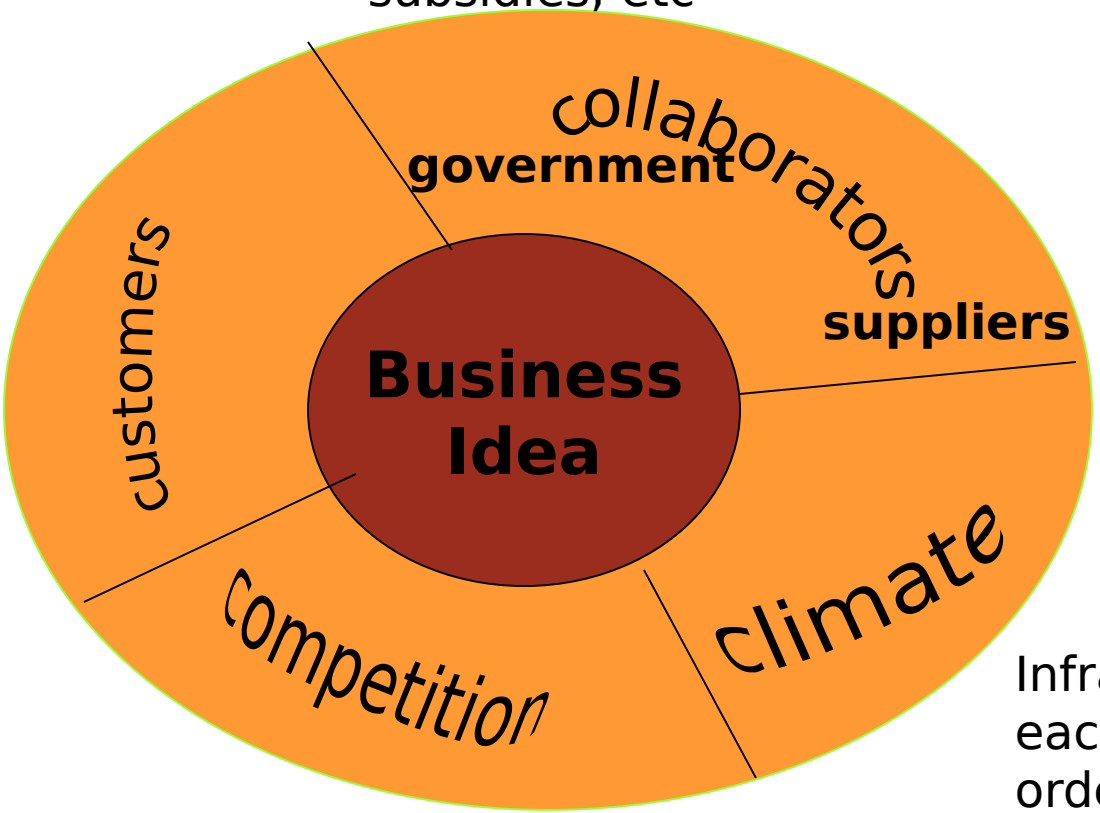
Business Environment

Rules & regulations, requirements, incentives, subsidies, etc

Availability of local, domestic or export sources of raw materials, people, technology

Needs,

Trends, business growth, purchasing power, etc



Infrastructure,peace and order, etc

Number of competitors, price, quality of service, etc

B.Business idea selection

- The Funnel model
  - a. Macro screening
  - b. Micro screening
  - c. SWOT Analysis

A. Macro screening

- First selection/ filtering
- Use the following basic criteria :
  - Is there sufficient demand?
  - Own capabilities ?
  - Own sufficient financial resource?
  - (at least 20 %)
  - Are there many similar project in the area?

B. Micro screening

- Stricter viability test

- Pre – step criteria :
  - Availability of appropriate market
  - Access to raw material
  - Availability of technology

Micro screening parameters/limiting factor

- Solvent demand
- Availability of qualified personnel
- Availability of technology equipment
- Availability of raw material
- Competitors
- Critical success factor

Micro screening table

Project	Sol. DD.	Qlfd. Prsnl.	Tchnlgy	Raw mater- ial	Total	Comp- titors	Corre-cted Total	Critical Success factor
	(+)	(+)	(+)	(+)	(=)	(-)	(=)	

C. SWOT Analysis

- The last exercise of refining a business idea
- The finding of the analysis gives concrete ground for undertaking market studies

- What are the common legal forms of business?

SWOT Analysis Framework

Strengths	weaknesses
Opportunities	Threats