

Entrepreneurship and Business Development

- **Course Title: Entrepreneurship**
- **Course Number: MGMT 1012**

Credit Hour: 3

- **Prerequisite: None**
- **Academic year: Year : I**
- **Semester : II**

COURSE OBJECTIVES

Upon successful completion of this course, students should be able to:

- Define entrepreneurship
- Understand more about the specific management issues involved in setting up and running a small enterprise.
- Demonstrate an understanding of the impact of entrepreneurship on the economy.
- Recognize and overcome obstacles to creative problem-solving.
- Describe the element of an effective business model/plan.
- Develop a concept for an innovative product or service
- Recognize that entrepreneurial success in the 21st century depends on teamwork and diversity.
- Develop a personal framework for managing the ethical dilemmas and social responsibilities facing entrepreneurs.
- Equipped with the basic knowledge and skills of starting and operating a business for they will be the future managers (or even Owner-managers) of these firms.
- Identify traits/characteristics of an entrepreneur/ entrepreneurs as exhibited in behavior
- Analyze elements of the entrepreneurial mind set and discuss the implications for functioning as a successful entrepreneur.

CHAPTER ONE: THE NATURE OF ENTREPRENEURSHIP

1.1 INTRODUCTION

1.2 Historical Origin of Entrepreneurship

1.3 Definitions of Entrepreneurship and Entrepreneur

1.4 Types of Entrepreneurs

1.5 Role of Entrepreneurs in Economic Development

1.6 Entrepreneurial Competence and Environment

1.6.1 Entrepreneurial Mindset

1.6.2 Entrepreneurship and Environment

1.7 Creativity, Innovation and Entrepreneurship

1.7.1 Creativity

1.7. 2 Innovation

1.7.3 from Creativity to Entrepreneurship

CHAPTER TWO: BUSINESS PLANNING

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2.2 Opportunity Identification and Evaluation

2.3 Business Idea Development

2.4 Business Idea Identification

2.4.1 The Need wills Your Business Fulfill for the Customers

2.4.2 Good or Service will your Business Sell

2.4.3 Identifies Potential Customer

2.4.4 Strategy for Selling Goods or Services/ How is Your Business Going to Sell Good or Services?

2.4.5 Relation between Business and Environment

2.5 Methods for Generating Business Ideas

2.6 Business Idea Screening

2.7 Concept of Business Plan

2.8 Developing a Business Plan

2.8.1 Business Planning Process

2.8.2 Essential Components of Business Plan

2.9 Sample Business plan Format

2.4.4 Strategy for Selling Goods or Services/ How is Your Business Going to Sell Good or Services?

2.4.5 Relation between Business and Environment

2.5 Methods for Generating Business Ideas

2.6 Business Idea Screening

2.7 Concept of Business Plan

2.8 Developing a Business Plan

2.8.1 Business Planning Process

2.8.2 Essential Components of Business Plan

2.9 Sample Business plan Format

CHAPTER THREE: BUSINESS FORMATION

3.1 INTRODUCTION

3.2 The Concept of Small Business Development

3.3 Forms of Business (A Short Explanation)

3.4 Definition and Role/Importance of SMEs in Developing Countries

3.4.1 Definition of SMEs

3.4.2 Role/Importance of MSEs in Developing Countries

3.5 Setting up Small Scale Business

3.6 Small Business Failure and Success Factors

3.6.1 Small Business Failure Factors

3.6.2 Small Business Success Factors

3.7 Classification of Enterprises in Ethiopian Context

3.8 Main Supporting Packages for MSEs Development in Ethiopia

3.9 Problems of Small Scale Business in Ethiopia

3.10 Organizational Structure and Entrepreneurial Team Formation

3.10.1 Introduction

3.10.2 Designing the Organization

3.10.3 Building the Management Team and a Successful Organization Culture

CHAPTER FOUR: PRODUCT/SERVICE DEVELOPMENT

4.1 INTRODUCTION

4.2 The Concept of Product/Service Technology

4.3 Product/Service Development Process

4.4 Legal and Regulatory Frameworks for Entrepreneurs

4.5 Intellectual Property Protection/Product/Service Protection

4.5.1 What is Intellectual Property?

4.5.2 Patents

4.5.3 Trademarks

4.5.4 Copyrights

4.6 The Intellectual Property System in Ethiopia

CHAPTER FIVE: MARKETING

5.1 INTRODUCTION

5.2 Meaning and Definitions of Marketing

5.3 Core Concepts of Marketing

5.3.1 Needs, Wants and Demand

5.4 Importance of Marketing

5.5 Marketing Philosophies

5.6 Marketing Information Systems

5.6.1 Marketing Research

5.6.2 Marketing Intelligence

5.6.3 Competitive Analysis

5.7 The Marketing Mix Strategy

5.7.1 The 4 P's Of Marketing/The Marketing Mix

5.7.2 What Is Marketing Strategy?

5.8 Selling of Customer Service

5.8.1 The Concept of Service

5.8.2 The Concept of Customer

5.8.3 Strategic Activities needed for Quality Customer Service Delivery

5.8.4 Customer Handling and Satisfaction

CHAPTER SIX: BUSINESS FINANCING

6.1 INTRODUCTION

6.2 Financial Requirements

6.3 Sources of Financing

6.3.1 Internal Sources (Equity capital)

6.3.2 External Sources (Debt capital)

6.4 Lease Financing

6.4.1 Types of Lease

6.5 Traditional Financing in Ethiopian (Equib/Idir, Etc.)

6.6 Crowd Funding

6.6.1 How is Crowd Funding Different?

6.6.2 The Benefits of Crowd funding

6.6.3 Types of Crowd Funding

6.7 Micro Finances

6.7.1 What is Micro Finance?

6.7.2 Importance of MFIs

6.7.3 Micro Finances in Ethiopia

CHAPTER SEVEN: MANAGING GROWTH AND TRANSITION

7.1 INTRODUCTION

7.2 Timmons Model of Entrepreneurship

7.3 New Venture Expansion Strategies

7.3.1 Introduction

7.3.2 Methods of Growth

7.3.3 The Ansoff Matrix – Growth Strategy

7.3.3.1 Selecting a Product-Market Growth Strategy

7.3.4 Expansion Issues

7.3.5 Choosing not to Grow

7.4 Business Ethics and Social Responsibility

7.4.1 Introduction

7.4.2 Three Approaches to Corporate Responsibility

7.4.3 Business Ethics Principles

Assessment

- Continuous assessment:- assignments (individual and group), quiz, mid exam and final exam

Text Book

- **Entrepreneurship Module, Ministry of Science and Higher Education (MoSHE) Addis Ababa, Ethiopia
September, 2019**

- **Reference Books:**

- *Barringer, Bruce R. Entrepreneurship: Successfully launching new ventures. Pearson Education India, 2008.*
- *HirshRobertD. and D. and PetersMichaelP. "Entrepreneurship" Fifth Edition, Tata McGraw Hill Edition, 2002.*
- *Kuratko, Donald F. and Hodgetts, Richard H., Entrepreneurship: Theory, Process, Practice, 7th edition ,2008 ISBN 0-324-32341-7, Thomson South-Western.*
- *Thomas J.Peters and Robert H.Waterman , Jr, In search of Excellence .Lessons from American's Best Run Companies,1982*
- *Holt David H. "Entrepreneurship – New venture Creation "Eastern Economy Edition, 2000.*
- *How to Write a Business Plan, Ethiopian Chamber of Commerce, 2004.*
- *HailayGebretinsae, Entrepreneurship and Small Business Management, 2nd Edition.*
- *DonaldF.Kutatko and RichardM.Hodgetts, "Entrepreneurship: A Cotemporary Approach" Fourth Edition.*
- *Barringer , Bruce R, Ireland, R. Duncce, Entrepreneurship: successfully launching new ventures, 4th Edition, Pearson Prentice Hall.2012*
- *Steven D.Strauss , The Small Business Bible; Everything you need to know to succeed in your small business,John Wiley and Sons, inc.,2005*

CHAPTER ONE

THE NATURE OF ENTREPRENEURSHIP

1.1 Introduction

- The word '**entrepreneur**' is widely used, both in **everyday conversation** and as a technical term in management and economics.
- Its **origin** is from a **French word**, ***entreprendre***, where an entrepreneur was an individual commissioned to **undertake a particular commercial project**.
- Entrepreneurship is then **what the entrepreneur does**.

1.2 Historical Origin of Entrepreneurship

What is entrepreneurship?

Offering a specific and **unambiguous definition** of the term entrepreneurship /entrepreneur presents **a challenge**.

During the **ancient period** the word entrepreneur was used to refer to **a person managing large commercial projects** through the resources provided to him.

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- In the **17th Century** a person who has signed a **contractual agreement** with the government to provide required products or **to perform service was considered as entrepreneur.**
- In the **18th Century** the **first** theory of entrepreneur has been developed by Richard Cantillon.
 - He said that **an entrepreneur is a risk taker: because they all operate at risk.**
 - For example, **the merchants buy products at a known price and sell it at unknown price** and this shows that **they are operating at risk.**

Cont'

- In the late 19th and early 20th Century an **entrepreneur was viewed from economic perspectives.**
- In the middle of the 20th Century the perception of an entrepreneur as **an inventor was established.**
- From the historical development it is possible to understand the fact that the **perception of the word entrepreneur was evolved from managing commercial project to the application of innovation (creativity) in the business idea.**

**What is
Entrepreneurship ????**

1.3 Definitions of Entrepreneurship and Entrepreneur

- **Entrepreneurship** is the art of **identifying** viable business opportunities and **mobilizing** resources to convert those opportunities into a successful enterprise **through** creativity, innovation, risk taking and progressive imagination.
- **Entrepreneurship** is also defined as the dynamic process of creating an incremental **wealth** (asset, equity, time ...)

➤ **Entrepreneurship** is the process of creating something new **with value** by devoting the necessary time and effort, assuming the accompanying financial, mental and social risk and receiving **reward**.

✓ *The above definition informed that:*

- **Creation** has to have some **value/ importance/** for the society/ organization/ and so on.
- Entrepreneurship process require enough **time**.
- Entrepreneurship assumes necessary **risk**: creation of new thing has full of

➤ **Entrepreneurship** is the process of an **action** of an entrepreneur undertaken to **establish** his/her **enterprise**.

- **Process of entrepreneurship includes five critical elements:-**

1. The **ability to perceive** an **opportunity**.

2. The **ability to commercialize** the perceived opportunity i.e. **innovation**

3. The **ability to follow** it on a **sustainable basis**.

4. The **ability to follow** it through **systematic means**.

5. The **acceptance of risk or failure**.

What is Entrepreneur???

Definition of Entrepreneur

- **An entrepreneur is an individual who:** has the ability to identify and pursue a business opportunity; undertakes a business venture; raises the capital to finance it; gathers the necessary physical, financial and human resources needed to operate the business venture.
- **An entrepreneur is a person who:** create the job not a job-seeker; has a dream, has a vision; willing to take the risk and makes something out of nothing.

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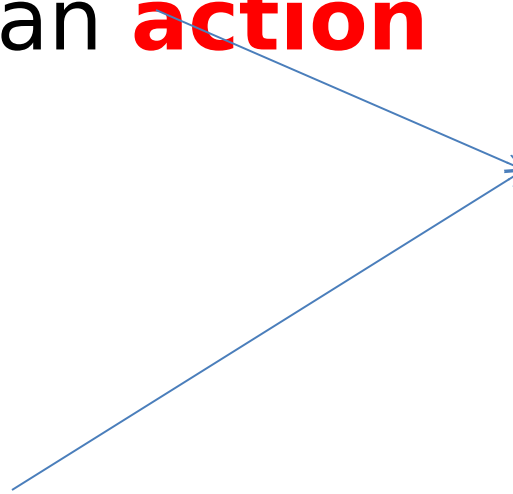
- An entrepreneur is any person **who creates and develops** a business idea and **takes the risk of setting up an enterprise** to produce a product or service which satisfies customer needs.
- **Entrepreneur** is an **innovator** or **developer** who recognize and seizes the **opportunities** and **convert** this opportunities in to

In general

Entrepreneurship is an **action**

Enterprise

(**act**)



Entrepreneur is an **actor**

1.4 Types of Entrepreneurs

- Entrepreneurship can take **three** different forms. They are:

1.The individual entrepreneur: An individual entrepreneur is someone who started; acquired or franchised his/her own independent organization. The major portion of this module is also devoted to describe the basic features and activities of the individual entrepreneur.

2.Intrapreneur: An Intrapreneur is a person who does entrepreneurial work within large organization. The process by which an intrapreneur affects change is called Intrapreneurship.

3.The Entrepreneurial Organization: The entrepreneurial function need not be embodied in a physical person. Every social environment has its own way of filling the entrepreneurial function.

What is the **role of
Entrepreneurs For Nation
Economic
Development ???**

Role of Entrepreneurs in Economic Development

- **Improvement in per capita Income/Wealth Generation**
- **Generation of Employment Opportunities**
- **Inspire others Towards Entrepreneurship**
- **Balanced Regional Development**
- **Enhance the Number of Enterprise**
- **Provide Diversity in Firms**
- **Economic Independence**
- **Combine Economic factors:**
- **Provide Market efficiency:**
- **Accepting Risk:**
- **Maximize Investor's Return**

Entrepreneurial Competence and Environment

- Entrepreneurial Mindset

Who Becomes an Entrepreneur?

The Young Professional

The Inventor

The Excluded

- **Qualities of an Entrepreneur**

Opportunity-seeking

Persevering

Risk taking

Demanding for efficiency and quality

Information-seeking

Goal setting

Planning

Persuasion and networking

Building self-confidence

Listening to others, Demonstrating
leadership

**What is the difference
between
Manager and
Entrepreneur ???**

Manager and Entrepreneur

Manager

- Management is a profession, which, in principle, can be learnt by formal education and/or practice.
- The manager is not necessarily the full risk taker of the business.
- Managers tend to be custodial; prefer to stick to proved ways of doing business.
- Managers are more oriented to the achievement of short-term goals.
- They are rewarded by minimizing risk and avoiding

Entrepreneur

- Entrepreneurship is not a profession; rather, it is a style of life – a tradition. It is not easy to learn it.
- The entrepreneur is the full risk taker. He or she is the creator of the business.
- Entrepreneurs' activity seeks change by exploiting opportunities.
- They look at their business growth over a long period of time.
- Entrepreneurs put their own personal finance at risk and they

Investor and Entrepreneurs

Investors

- They are people who invest their money on a business
- They are profit and/or other forms of utility maximizers.
- They do not necessarily maintain strong physical and/or spiritual attachment with their business.
- They are not necessarily risk-takers.
- They are not necessarily job-creators
- They may duplicate or copy things done by others
- They are an organization, a group of organizations, and even the state can be (and often are) investor.

Entrepreneurs

- They are people who invest not only their money but also their idea, time, physical & mental energy, and, of course, their own life on business.
- They are opportunity maximizers, spiritual satisfaction hunters.
- They maintain very strong physical and spiritual attachment with their business.
- They are necessarily risk-takers.
- They are necessarily job-creators. At the minimum, an entrepreneur creates a job for himself or herself.
- They are innovators. Duplicating or copying without any change will not make one an entrepreneur.
- "Entrepreneur" refers to individuals, not to organizations, groups of organizations or the state. Existence of corporate entrepreneurship often referred to, as "Intrapreneurship" is debatable; and if it exists, it must be substantially different type of ER.

• **The Entrepreneurial Tasks:**

Owning Organizations

**Founding New
Organizations**

**Bringing Innovations to
Market**

**Identification of Market
Opportunity**

**Application of Expertise
Provision of leadership**

1.6.2.2 Environmental Factors Affecting Entrepreneurship

**combination of financial,
institutional, cultural and
personality factors**

determines the **nature and
degree of entrepreneurial
activity at any time.**

**The personal backgrounds
of the entrepreneurs** are
determined mainly by the
environment in which they **are
born and brought up and**

A multitude of environmental factors determine:-

- the entrepreneurial spirit among people.
The entrepreneurs in turn create impact on the environment.
- **The interaction between the entrepreneur and his environment is an ongoing process.**
- At any given point of time, the entrepreneurs derive meanings from the environment prevailing at that time and try to **adapt and/or change the environment to suit their needs.**

Some of the environmental factors which hinder entrepreneurial growth are given below:

- Sudden changes in Government policy.
- Outbreak of war or regional conflicts.
- Political instability or hostile Government attitude towards industry.
- Excessive red-tapism and corruption among Government agencies.
- Ideological and social conflicts.
- Unreliable supply of power, materials, finance, labor and other inputs.
- Rise in the cost of inputs.
- Unfavorable market fluctuations.
- Non-cooperative attitude of banks and financial institutions.

***What is the linkage among
innovation, Creativity
Entrepreneurship ? ? ?***

Creativity, Innovation and Entrepreneurship

- **creativity** is the development of ideas about products, practices, services, or procedures that are novel and potentially useful to the organization.
- *Creativity is an act of creating new ideas, imaginations and possibilities.*
- These three terminologies are chronologically interrelated and it is very important to look into them to get their full picture.

Creativity, Innovation and Entrepreneurship

• Steps in the Creative Process

1. **Opportunity or problem Recognition**
2. **Immersion:** focus on the problem and becomes engage in it and collect information that seems relevant.
3. **Incubation:** information is being arranged into meaningful new patterns.
4. **Insight:** Solution ideas for the problem flashes into the person's mind at an unexpected time
5. **Verification and application:** gathering supporting evidence, using logical persuasion, and experimenting with new ideas.

Barriers to Creativity

- searching for the one 'right' answer
- focusing on being logical
- blindly following the rules
- constantly being practical
- viewing play as playful
- becoming overly specialized
- Ambiguity
- fearing looking foolish
- fearing mistakes and failure
- believing that 'I'm not creative'

Innovation

***Innovation** is the introduction of something new and effective into the market.*

- ✓ There are **four distinct types of innovation**:
- **Invention** - developing or discovering new product, service or process, which doesn't exist before
- **Extension** - the expansion of a product, service or process
- **Duplication** - defined as replication of an already existing product, service or process
- **Synthesis** - the combination of existing concepts and factors into a new formulation

The Innovation Process

- 1. Analytical planning:** carefully identifying the product or service **features** as well as the **resources** that will be **needed**.
- 2. Resources organization:** **obtaining** the required resources, materials, technology, human or capital resources
- 3. Implementation:** **applying** the resources in order to accomplish the plans
- 4. Commercial application:** the **provision of values** to customers, reward employees and satisfy the stakeholders.

Major areas in which valuable innovation might be made.

- A. New product(both goods and services)
- B. New Production Techniques
- C. New Way of Delivering the Product or Service to the Customer
- D. New Operating Practices
- E. New Means of Informing the Customer about the Product
- F. New Means of Managing Relationship within the Organization

Comparison between Creativity and Innovation

Creativity

- *quality thinking of new ideas and putting them into reality*
- Imaginative process
- Not quantifiable
- Thinking something new
- There is no Money Consumption
- No risk is happen

Innovation

- *act of executing the creative ideas into practice*
- Productive process
- quantifiable
- Introducing something new
- There is Money Consumption
- Their is risk

In general Creativity is the ability to develop new ideas and to discover new ways of looking at problems and opportunities. **Innovation** is the ability to apply creative solution to those problems and opportunities in order to enhance people's lives or to enrich society.

Entrepreneurship = creativity + innovation.

THE END