

# IT SUPPORT SERVICE

## NTQF Level I

# Learning Guide #42

Unit of Competence: Develop Understanding Of Entrepreneurship

Mode Title: Developing Understanding Of Entrepreneurship

LG Code: ICT IITS1 M11 L03- 37

TTLM Code: ICT ITS1 TTLM11 1018 V2

Lo 3: Discuss How to Organize an  
Enterprise

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics –

- Definition of enterprising
- Definition of entrepreneurs
- Role of entrepreneurs
- Use of enterprising

Upon completion of this Learning Guide, you will be able to –

- Analyze and discuss the principles, concept and terminology of entrepreneurship
- Identify the different / various forms of enterprises in the community and their roles
- Categorize and classify the identified enterprises
- Identify and interpret the terms and elements involved in the concept of enterprising
- Explain functions of entrepreneurship in business and how the entrepreneurs improved business and economic environment

#### Learning Activities

1. Read the specific objectives of this Learning Guide.
2. Read the information written in the “Information Sheets 1” in pages 3-6.
3. Accomplish the “Self-check” in page 7.
4. If you earned a satisfactory evaluation proceed to “Operation Sheet 1” in pages 8-9. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity # 1.
5. Read the “Operation Sheet 1” and try to understand the procedures discussed.
6. If you satisfactorily performed Operation Sheet 1, proceed to “Operation Sheet 2” in pages 10-12. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Operation Sheet 1.

## Creativity

### Meaning of Creativity

- ✓ Creativity is the ability to design, form, make or do something in a new or different way or it is the ability to come up with innovative solutions to needs/problems and to market them.
- ✓ An entrepreneur's creativity is often the difference between success and failure in business.
- ✓ It often distinguishes high-growth or dynamic businesses from ordinary/average firms.
- ✓ To be creative, entrepreneurs need to keep their mind and eyes open to their environment.
- ✓ Creative ideas are needed anywhere there are problems with unknown solutions.
- ✓ In the business world, entrepreneurs use creativity to solve everyday problems, promote products and services, update products and services, and make use of limited resources.
- ✓ Some people believe that they are not creative. They may overlook situations in which they have odd ideas, or they may avoid sharing their ideas with others.
- ✓ People can develop their creative potential through learning and practice.

## Business Ideas

### Meaning of Business Idea

- A business idea is the response of a person or persons, or an organization to solve an identified problem or to meet perceived needs in the environment (markets, community, etc.).
- A good business idea is essential for starting a successful venture and to stay ahead of competition.
- Finding a good idea is the first step in transforming the entrepreneur's desire and creativity into a business opportunity.
- Good business ideas, however, do not usually just occur to an entrepreneur.

### Why Generate Business Ideas

There are many reasons why entrepreneurs or would-be entrepreneurs need to generate business ideas.

Here are just a few:

- ✓ You need a great idea to start a new business
- ✓ Business ideas need to respond to market needs
- ✓ Business ideas need to respond to changing consumer wants and needs

- ✓ Business ideas help entrepreneurs to stay ahead of the competition.
- ✓ Business ideas help entrepreneurs to stay ahead of the competition.
- ✓ Business ideas are needed to exploit technology and do things better
- ✓ Business ideas are needed because the life cycles of products are limited.
- ✓ Business ideas help to ensure that businesses operate effectively and efficiently.
- ✓ Business ideas help to solve natural resource scarcity, pollution and depletion.

#### Sources of Business Idea

- Hobbies/Personal Interests
- Personal Skills and Experience
- Mass Media (newspapers, magazines, TV, Internet)
- Business Exhibitions
- Surveys
- Customer Complaints
- Natural scarcities and pollution
- Changes in Society
- Brainstorming
- Being Creative

#### Brainstorming

- ❖ is a technique for creative problem-solving as well as for generating ideas.
- ❖ Its objective is to come up with as many ideas as possible.
- ❖ There are FOUR RULES for BRAINSTORMING:
  1. Don't criticize or judge the ideas of others
  2. Freewheeling is encouraged-ideas that seem to be wild or crazy are welcome.
  3. Quantity is desirable – the greater the number of ideas, the better
  4. Combine and improve upon the ideas of others.

#### Business Opportunity

##### What is a Business Opportunity?

- A business opportunity may be defined simply as an attractive investment idea or proposition that provides the possibility of a monetary return for the person taking the risk.
- A good idea is not necessarily a good business opportunity.

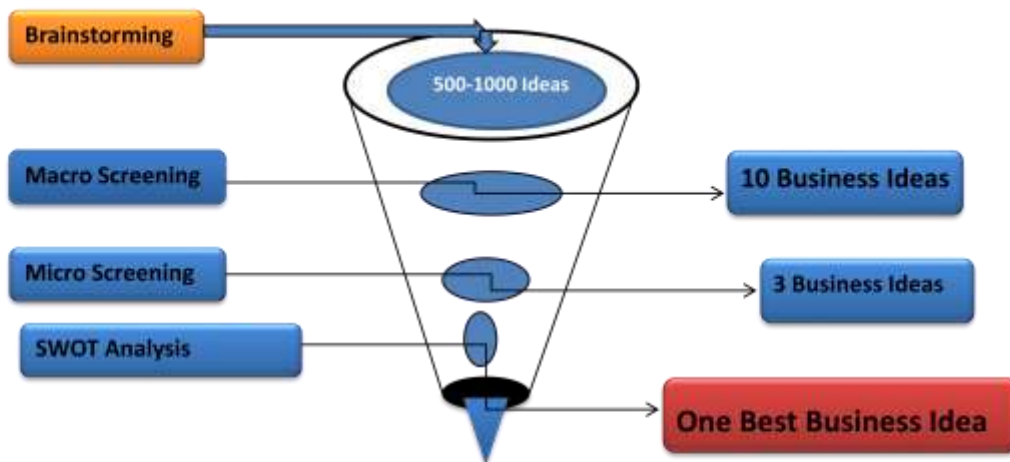
- So, what turns an idea into a business opportunity?

To be a good business opportunity, it must fulfill the following criteria:

- Real demand
- Return on investment
- Availability of resources and skills
- Meet objectives
- Be competitive

## Generating and Screening Project Ideas

### Filtration Funnel Model



## 1. Macro Screening Criteria (1<sup>st</sup> Stage Screening)

- ✓ Marketability
- ✓ Availability of raw materials & other inputs
- ✓ Ease of implementation
- ✓ Financial ability of the entrepreneur
- ✓ Consistency with government priorities
- ✓ Marketing Viability
- ✓ Technical Viability
- ✓ Organizational and Management Viability
- ✓ Financial Viability
- ✓ Environmental Viability
- ✓ Ecological Viability

### 1. Marketing Viability

- Target market for the products and why would customers buy the product
- Size and growth rate of target market
- The level of actual market demand and anticipated future market potential
- Demand and supply situation, factors and trends
- Direct and indirect competition
- Marketing Practices

### 2. Technical Viability

- Technology & its source
- Machines and equipments
- Production process
- Raw Materials, power & other inputs
- Infrastructure and Facilities
- Location & layout of site, building & plant

### 3. Organizational and Management Viability

- Abilities, competencies, skills, experience, values and motivations of management/key officers as per the requirements of project.
- Sketch personnel requirements: what people will be needed now, in a year, in the long term? What skills and qualifications are required and what financial implication results?

#### 4. Financial Viability

- Project startup capital
  - Sources of financing/capital
  - Balance sheet projections
  - Cash flow projections
  - Profitability/Income projections
  - Break even analysis (BEA)
- Expected return on investment (ROI) & its viability for the entrepreneur (Cost benefit analysis)

#### 5. Environmental Viability

- What are the types of effluents and emission generated?
  - What needs to be done for proper disposal of effluents and treatment of emissions?
- Will the project be able to secure all environmental clearance and comply with all statutory requirements?

#### 6. Ecological Viability

- What is likely damaged caused by the project to the environment?
- What is the cost of restoration measures required to ensure that the damage to the environment is contained within acceptable limits?

# Micro screening

No	Project idea	Availability of demand	Availability of raw materials	Availability of technology	Availability of qualified manpower	Total	Competitors	Corrected total	Critical success factor
		+	+	+	+	=	-	=	
1		4	3	5	5	22	3	19	
2									
3									
	5= very high	4= high	3= average	2= low	1= Very low				

### 3. SWOT analysis

#### Strengths:

Strengths are within the control of the entrepreneur and they occur at present. Strengths should be capitalized and harnessed to make weaknesses redundant.

#### Example:

1. Technical expertise
2. New improvements of product
3. Good network with customers
4. Managerial experience
5. Superior technology
6. Distribution system
7. Product features (utility durability, etc.)



### Weaknesses:

Weaknesses are within the control of the entrepreneur; they occur at present. They are "lack of...", "missing...", or weak points. As far as possible, weaknesses should be eliminated!

#### Example:

1. Weak selling effort
2. Lack of working capital
3. Inexperienced managers or employees
4. Technological obsolescence
5. Poor design of product

### Opportunities:

Opportunities are positive or favorable factors in the environment which the entrepreneur. They are, however, mostly beyond the control of the entrepreneur. They are different from strengths in the sense that strengths are positive internal factors of the business.

#### Example:

1. Few and weak competitors
2. No such products in the market
3. Rising income of target market
4. Scarcity of product in the locality
5. Growing demand for the product
6. Favorable government policy/programs
7. Availability of technical assistance
8. Low interest rate on loans
9. Access to cheap raw material
10. Adequate training opportunities

### Threats:

Threats are negative or unfavorable external factors in the environment and normally beyond the control of the entrepreneur. They adversely affect the business, if not eliminated or overcome. Threats differ from weaknesses in as much as they are beyond the control of the entrepreneur. Both have a negative impact on the business.

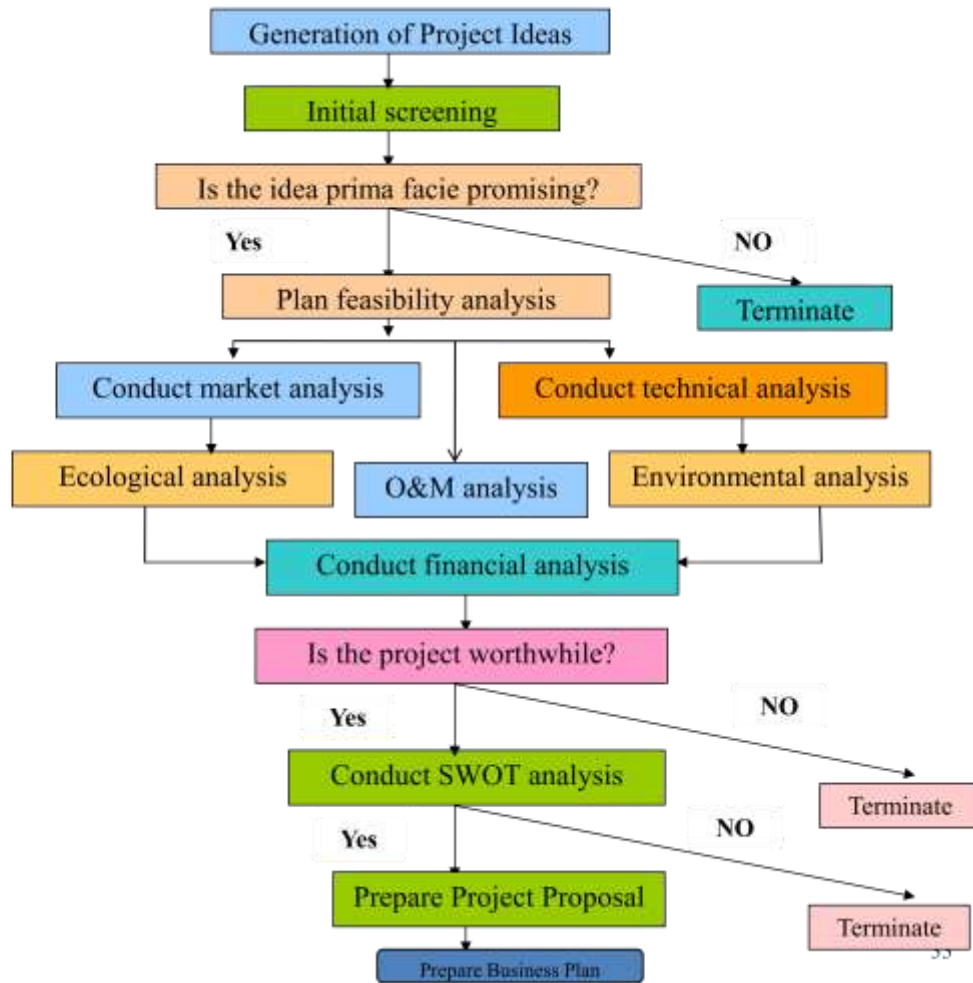
#### Example:

1. Hanging government regulations
2. Smuggling
3. Raw materials shortages
4. Insufficient power

5. Corruption
6. Poor infrastructure
7. Rising costs of raw materials
8. Too much/Unhealthy competition
9. Government bureaucracy

## SWOT Analysis Framework

<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>- Managerial expertise</li> <li>- Low cost of production</li> <li>- Good customer handling</li> <li>- Availability of assistance</li> <li>- Sufficient capital</li> <li>- Unique product</li> </ul>	<p><b>Weakness</b></p> <ul style="list-style-type: none"> <li>- High cost of production</li> <li>- Shortage of inventory</li> <li>- Poor customer handling</li> <li>- Shortage of capital</li> <li>- Poor quality product</li> </ul>
<p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>- Few and weak competitors</li> <li>- Favorable government policy</li> <li>- Availability of cheap raw materials</li> <li>- Increasing income of target market</li> <li>- Availability of low interest loan</li> <li>- Availability of technical support</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Natural disaster</li> <li>- Changing government policy</li> <li>- Shortage of raw materials</li> <li>- Change in consumer taste</li> </ul>



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