

## S.5 ENT ONE NOTES

Instructions.

- Read and write these notes in your books.

### ENTREPRENEUR, INTRAPRENEUR AND ENTERPRISING PERSON

An entrepreneur is a person who conceptualizes/interprets/scans, implements, maintains and expands business in the face of risk and uncertainty. They achieve profit and growth by identifying opportunities and marshaling the necessary resources to capitalize on those opportunities

An entrepreneur can be described as someone who:

- i. Owns and manages his/her own business
- ii. Identifies new products/services or opportunities
- iii. He is creative and innovative
- iv. Organizes and controls resources to ensure a profit for the business
- v. Has the ability and insight to market, produce and finance a service or product
- vi. Has financial means or can obtain financing to support the business

Is willing to take calculated risks

Characteristics of a Good Entrepreneur / Personal Entrepreneurial Characteristic (P.E.C's)

As earlier noted an entrepreneur is an individual with the ability to spot business activity in the environment, gather resources to manage the business and manages it successfully.

For an entrepreneur to fulfill the above he or she must have particular traits or characteristics which enable him to succeed in business and these are commonly known as the personal entrepreneurial characteristics and they include the following;

1. Risk taking: All businesses are risky regardless of the size and nature hence a good entrepreneur must have the ability to analyze the different risks facing a particular business and come up with appropriate remedies or solutions to the problems.
2. Innovativeness and creativity. A good entrepreneur should have the ability to come up with new ideas that will help to develop and expand his or her business.
3. Self-confidence: this refers the belief in one's self that is for an entrepreneur to be successful; she or he must have a positive attitude towards himself and the business he/she is operating.
4. Persistence. A successful entrepreneur must continuously carry on with the business being operated regardless of the difficulties being faced.

5. Hard work. That is, she/ he must be able to serve the customers for long hours i.e. early in the morning to late evening.
6. Goal setting. For an entrepreneur to be successful, he/she must set targets to be achieved in the business in the given period of time. The goals set must be smart and within the limits of the resources available in the business.
7. Accountability. A business will help in planning for the development of an enterprise. It is also important that entrepreneurs keep their books of accounts for purpose of controlling finances of their business.
8. Decision making. Entrepreneurs must be able to make appropriate decisions at an appropriate time so as to promote business development.
9. Net working. Successful entrepreneurs normally work hand in hand with other entrepreneurs in the same field or line of business. This helps some one to be able to get new ideas to business as expansion hence good entrepreneurs should not look at competitors as rivals or enemies but rather partners in development.
10. Leadership. A successful entrepreneur should be a good leader to direct business resource (money and human resource towards the rightful direction).
11. Concern for quality. Entrepreneurs should provide services or produce goods that can meet the consumers' expectation so as to have a large market. This implies that entrepreneurs should take the relevant precautions to produce high quality products to the certification of the consumers' expectation.
12. Builds for the future. The goal for most successful business people is to build a secure and stable income for themselves and improved livelihood and wealth for their families based on their own abilities
13. Copes with failure. This involves recognizing the failure, learn from it and seeking new opportunities
14. Responds to feed back. An entrepreneur should obtain useful feedback and advice from others
15. Demonstrates initiative. Successful entrepreneurs take the initiative and put themselves in positions where they are personally responsible for the success or failure
16. Willing to listen. A successful entrepreneur has the ability to seek for help from other people such as bank officials, accountants and business advisers
17. Sets own standards. A successful entrepreneur sets his/her own performance standards and work towards achieving them
18. Copes with uncertainty. The business environment is uncertain in terms of sales, material delivery, prices and bank support
19. Builds on strengths. Successful entrepreneurs base their work upon the strengths they have such as manual skills, interpersonal skills, selling skills, organizational skills etc

20. Committed. A successful entrepreneur is committed in terms of time, money and lifestyle

21. Reliability and integrity. A successful entrepreneur is honest, fair and reliable in terms of effects the promises made

#### MAJOR COMPETENCIES REQUIRED FOR SUCCESSFUL ENTREPRENEURSHIP

There are three major competencies for successful entrepreneurship namely

A body of knowledge

A set of skills

A cluster of traits

#### KNOWLEDGE.

It is a set or body of information stored, which may be recalled at an appropriate time

Knowledge in business is manifested in the following aspects:

- A business opportunity
- Customers
- Production process
- Business management assistance
- Market
- Competition
- Technical matters

#### SKILL.

This refers to the ability to apply knowledge acquired through practice. A skill can be technical or managerial

Examples of technical skills

- Engineering
- Computing
- Sewing
- Carpentry
- Mechanics
- Catering

Examples of managerial skills

- Marketing

- Time management
- Financial management
- Organizational
- Planning
- leadership

## TRAITS

It is the aggregate/ totality of peculiar/unique qualities/ characteristics that constitute personal individuality

## Challenges of an Entrepreneur

A challenge is difficult to which a business is exposed and disposes several tasks that an entrepreneur must accomplish so as to have a successful business. The major challenges of an entrepreneur therefore include the following:

1. Sourcing for business capital. Entrepreneurs are faced with a challenge of raising enough funds for finance activities in form of buying machinery and equipment, raw materials, paying human resources etc and as such they would be potential entrepreneurs who are limited by inadequate funds.
2. Challenge of market. Some times it becomes difficult for the entrepreneur to find quality customers to whom he / she can sale the products.
3. Poor funds management. Some times entrepreneurs tend to misuse business fund that is using business money for personal gains. Worse still entrepreneurs fail to distinguish between business capital and business profits there by consuming business capital mistakenly taking it to be profits of the business.
4. Profit maximization. Entrepreneurs face a challenge of maximizing profits amidst competitive market environment. In most cases, entrepreneurs tend to lower the prices of their products hence leading to low profits.
5. Maintaining the stock level. This is done by consumers at the same time and this causes a threat of loosing the would be potential customers due to inadequate stock.
6. Increasing business learning expenses such as payment for business consumables (electricity, water, insurance cover etc) is a major challenge to most entrepreneurs and as such it reduces the would-be business profits.
7. Production and maintaining capital output. At times it may be difficult for entrepreneurs to produce quality out put because of factors that may be difficult to control.
8. Challenge of acquiring and maintaining quality man power in a business. This may intemally affect the quality of output.

## Remedies / Solution to the Above Challenges

In an effort to address the above challenge, the entrepreneur follows the steps below;

1. The entrepreneur may apply for a bank loan or may resort to other sources of business funding such as selling personal property, fund raising, or begging from donors so as to overcome the challenge of inadequate capital.
2. The challenge of inadequate market may be addressed by intensifying sales promotion activities such as advertising i.e. giving free gifts, discounts customers etc.
3. Proper book keeping is an appropriate measure to poor funds management. In this case the entrepreneur may employ qualified financial managers and effectively supervise them to ensure that business funds are not dis-appropriative.
4. Purchase of quality inputs such as raw materials, machinery, human resource (labour) and the effective supervision of the product process will help to create quality output for consumers' satisfaction.
5. Profit maximization can be achieved through reducing business operation costs and proper handling of customers.

vii.

The intrapreneur. An entrepreneur is a person who focuses on innovation and creativity and who transforms a dream or an idea into a profitable venture, by operating within the organizational environment. Intrapreneur identify opportunities within an existing business and create profits for the business from this opportunity

Features of an intrapreneur.

- i. Work in an existing business
- ii. Is hired to manage the business
- iii. Identifies new products/services or opportunities for an existing business
- iv. Is creative and uses ability/insight to market/produce/finance a service/product
- v. Organizes and controls resources to ensure a profit for the existing business
- vi. Prefers benefits of an existing business such as a salary and available resources

An enterprising person.

Is a person who takes on imaginative and risky projects. An enterprising person is ambitious and energetic

Features of an enterprising person

ENTREPRENEURIAL SKILLS

## A motive

This is one's strong desire to do something. Motivation therefore refers to the process of arousing one's interest or desire towards doing a particular activity so as to achieve the pre determined goal. Or is an inner state that activates or moves the intervening variables. Intervening variables are internal and psychological processes which are not directly observable and in turn account for behavior of individuals

Motivation may also refer to the process of indirectly forcing some one to conduct him or herself in the accepted manner so as to achieve the goals in life.

Entrepreneurial motivation therefore refers to an individual's strong desire, drive and dedication towards work so as to achieve the intended business goals and objectives.

Entrepreneurial motivation may also refer to an inner dynamic force that makes an entrepreneur and consequently leading to business success.

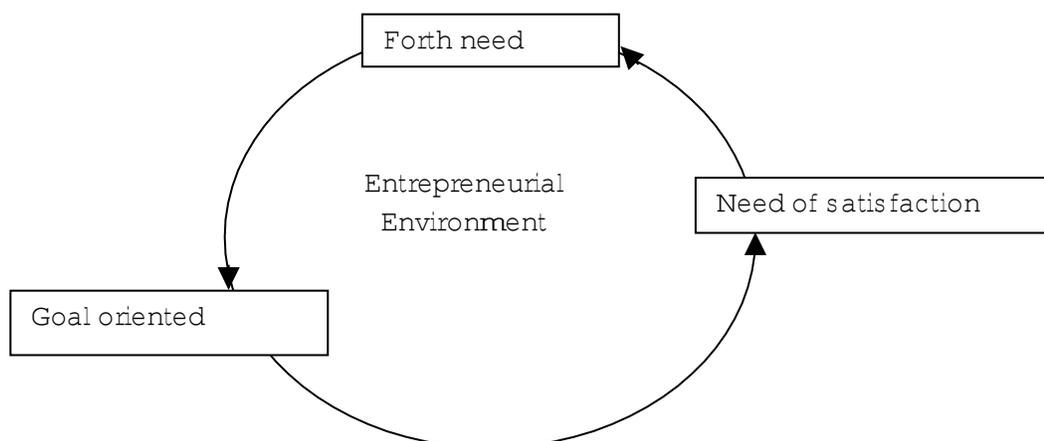
In short, entrepreneurial motivation is a result of having a desire to achieve recognition and self esteem (self respect) in society.

## The Process of Entrepreneurial Motivation

There are three major steps or ways towards achieving entrepreneurial motivation and these include;

1. The felt need. This involves identifying or determining what is to be achieved or accomplished i.e. an entrepreneur must identify specific goals in a specific field or area.
2. Goal oriented behavior. The entrepreneur is expected to live a goal driven or directed life, this involves making necessary preparation towards achieving goals achieved in the first stage. It may also include having constant reference to the set goal while carrying out business activities he / she is also makes constant review of a set goal. This will help him or her to remain focused, work hard and become a successful entrepreneur.
3. The need for satisfaction. This involves removing all the destructions that may hinder the entrepreneur to achieve the set goals. It involves removing all obstacles that may destroy the ability to remain focused and concentrate on the set goals. Such obstacles may include; discouragement from friends, cultural or traditional thinking perception, distrust of ones' self etc.

## An Illustration of Entrepreneurial Motivation



## The Classical Approach of Entrepreneurial Motivation

The classical psychologists try to explain the concept of entrepreneurial motivation basing on the fact that, individuals have personal motives which forces them to act or behave in a particular way.

According to this theory therefore, entrepreneurial motivation comes as a result of developing personal or individual motives which helps one to concentrate on particular tasks so as to achieve the pre - determined goals. These motives can be divided into four major categories.

- a) The unconscious motive. This theory asserts / assumes that some times individuals are not aware of what they want to achieve hence they keep trying different options until they achieve their goals.
- b) Power motive. Power refers to one's ability to influence individuals ....Which is helpful in achieving one's purpose or objective? Where the entrepreneur has the power he / she will be motivated to open up business and run it there by leading to entrepreneurial motivation.
- c) The affiliation motive. This refers to the desire to work with other people or to work with others. Entrepreneur must have the affiliation motive if they are to be successful in business. Through working and cooperating with other individuals, one may benefit from their expertise or skills hence promoting the success of his or her own business.
- d) The competence or achievement motive. This refers to the desire to have excellent performance and uniqueness in doing things. If one is to become a successful entrepreneur, he or she must have a strong desire or drive towards having an excellent performance.

### ACHIEVEMENT MOTIVATION

This refers to an intense urge to excel and do something unique. People with a strong need to achieve have an intense desire for success. They want to be challenged, so they set moderately difficult goals for them selves, take realistic risks and prefer to assume personal responsibility to get a job done

Behavioral characteristics associated with the strong need for motivation

Formulation of a concrete goal

Goals are formulated in such away that they strength one's ability and efforts

Goals set are not impossible or too difficult but are not too easy

Developing a strong, internal commitment or involvement with the goal

Taking personal responsibility for the outcome

Analyzing the environment to create opportunities for achievement, rather than passively waiting for chances to come one's way

Experimenting with novel activities to reach the goal

Seeking help from experts rather than from friends to overcome both external blocks and internal or personal limitations

Deriving maximum satisfaction from the achievement itself, and less from other factors like recognition and money

Learning from feedback, analyzing whether the goal set was too high to be realistically attainable, or whether the right methods were employed or changes should be carried out

### CHARACTERISTICS OF STRONG ACHIEVERS

Achievers in life are characterized by the following features;

1. They work for long hours thus having limited time for resting, gossiping or paying visits (leisure).
2. They demand for specific and prompt feedback for what is being done.
3. They are not afraid of any possible failure. To them, failure creates an opportunity for future achievements.
4. They have strong desire for success and they only love sharing their success with others, hence, strong achievers are not selfish.
5. They set goals periodically and carry out periodical assessment or appraisal to determine the extent to which the goals have been achieved.
6. They normally take realistic risks and take up personal responsibility for any failure as a result of their decisions. They normally don't blame anyone or any situation in case of any failure.

Advantages of Achievement Motivation/motivation

1. It increases self confidence among entrepreneurs and hence creating self drive and desire to achieve more.
2. It helps the entrepreneur to calculative take up bearable risks so as to avoid big losses that may hinder business progress.
3. It promotes creativity and desire to start other businesses with the confidence that they will succeed.
4. It provides a basis for measuring the extent to which the entrepreneur is achieving the goals set i.e. it forms a basis for performance judgment.
5. It creates self interest among the entrepreneurs hence promoting hard work and commitment to the business established.
6. It helps to solve the problems encountered during business operations, this is due

to the strong desire one may have towards achieving something.

7. It helps to build the culture of personal responsibility for any failure encountered during business operation other than blaming other individuals.
8. With the help of achievement motivation, the entrepreneur is able to set realistic goals that will be attained with the business for a given period of time.
9. It helps the entrepreneur to realize the importance of working together with other people so as to achieve highly.

#### Disadvantages of Achievement Motivation

1. Sometimes it leads to setting of unrealistic goals due to too much enthusiasm there by causing failure and discouragement to the would be potential entrepreneurs.
2. Sometimes, individuals are reluctant to accept responsibility for business failure, hence, Failure to accept personal responsibility for business failure or problems encountered makes it difficult to promote or develop the achievement motivation among entrepreneurs.
3. Individuals lack competence in setting goals and determining what they wish to achieve in future. Hence limiting the level of developing achievement motivation. It encourages negative thinking where the entrepreneur will always think of the weaknesses and threats instead of business strength and opportunities.

#### Hindrances or Obstacles of Entrepreneurial Motivation

The process of enhancing entrepreneurial motivation is limited by the following factors;

1. Limited education or sensitization. Most Ugandans are either illiterates or semi-literate and worse still they are not well sensitized on how to carry out business hence their degree of creativity and self motivation is low.
2. Inadequate provision of physical economic infrastructure such as banks, roads, electric dams etc discourages entrepreneurial motivation since the would be potential entrepreneurs are lacking access to resources that promotes business activities.
3. Social or cultural and religious rigidities hinder entrepreneurial motivation i.e. in some cultures women are not allowed to carry out businesses and yet other individuals are looked upon as inferiors, this discourages them to get involved in productive activities.
4. Insecurity and political instability. Individuals may not easily be motivated to do things where they are living in a politically unstable or insecure environment this is because they are not sure of what is to happen next.
5. Limited time for leisure. Some individuals are over worked hence having no time to refresh their minds, reflect on their activities and build the interest to do more

work.

6. Economic instabilities in the community. The increase and fall in factor prices and prices of final goods limits entrepreneurs from achieving the set goals hence an obstacle of entrepreneurial motivation
7. Unfavorable government policy of taxation and subsidization. High taxes charged on entrepreneurs and low subsidies granted on them hinder them from achieving the set goals
8. Inadequate capital needed to facilitate business activities hinders entrepreneurs from achieving motivation
9. Limited role models to arouse interests of entrepreneurs limits them to achieve their goals

### Ways of Promoting Entrepreneurial Motivation

1. Developing a positive attitude towards business and entrepreneurship as a whole. This can be achieved by associating with the positive side of the business and neglecting negative comments about business.
2. Setting realistic goals to be achieved and these must be inline with the available resources struggle to use the available resources to make ends meet i.e. achieve the set goals and objectives.
3. Carrying out periodical evaluation of yourself and the business operated to determine the level of achievement and draw other plans to achieve more in future.
4. Having trust in one's self, bearing in mind that success comes to those who believe in getting it. Believing in one's self will assist in concentrating on what is to be achieved and hence promoting personal motivation.
5. Opportunity seeking, individuals must search for opportunities if they are to achieve entrepreneurial motivation. Always take advantage of any chance which comes your way.
6. Being creative i.e. always develop ways of doing things in a unique way.
7. Learning from past experiences
8. Networking with successful entrepreneurs to acquire their thinking, mannerisms and characteristics
9. Being result oriented. This involves focusing on specific problems and taking actions to solve the problem
10. Setting work objectives that are achievable with an impact

### 2. THE CONCEPT OF CREATIVITY IN BUSINESS.

Creativity refers to one's ability to come up with new or unique ideas, concepts and

solutions and market them within the community hence the entrepreneur's level of creativity determines his success or failure.

### Features of Creative People

Creative thinkers are characterized by the following;

1. Sensitivity. They are usually sensitive to the environment around them. They critically assess the environment to find out what is beneficial to them and the possible dangers they are likely to face, they don't take things for granted.
2. They are driven by the concept or originality i.e. they believe in doing things in a unique way. They generate ideas, redesign them and come up with completely new item.
3. They normally have independent thinking. They observe the prevailing situation, gather information and come up with a personal judgment and conclusion.
4. They are quick to ask questions and quite 'slow' to react to the questions asked unto them hence they have an inquisitive mind.
5. They normally want to carry out research so as to establish new ideas.
6. Flexibility. They can easily change with the changing circumstances hence they are not rigid to particular situations.
7. They have a strong desire to change for better with a purpose of growing richer and acquiring property.

### Obstacles to Creativity In Business

1. Negativity of individuals. This refers to the tendency of focusing on negative outcome rather than the concentration on the positive aspects of the business hence failing individuals to think creatively about the prosperity of his or her business.
2. Lack of self confidence and self will. This hinders creativity because so many people under estimate their potential to do certain things.
3. Fear or anxiety. Some individuals have the fear to venture into particular aspects or businesses. They fear taking up risks there by reducing their level of creativity.
4. Limited time. Some individuals are too busy that is, they have a lot of work to do and less time is set for leisure. Hence pre occupying their minds with too much work gives them less time for creativity.
5. Unfriendly environment characterized by noise, sickness etc hinders creative thinking because it interrupts the individuals mind towards generating ideas and solution to particular problems.
6. Cultural or religious hindrances. Some cultures and religions hinder people from being creative especially where some one is required to follow pre established

norms or beliefs.

7. Competition: Business men are out competed and pushed out of business by their competitors. Hence hindering their creativity.
8. Pressure or stress. Creativity in business is reduced by too much pressure causing stress and desire to give up.
9. Conflicting goals or objectives. Where the entrepreneur set goals that conflicts with the business established the level of creativity will be lowered.

#### Solutions for the Above Obstacles

1. An individual should concentrate on positive aspects of the business than negative ones in order to overcome the problem of negativity.
2. An individual should create the positive attitude towards business by coping with the modern way of operating business than depending on traditional ones. Hence eradicating rigidity.
3. An individual should have a time table to follow while working in order to avoid over working and avoid occupying their minds with too much work.
4. An individual should select a good or friendly environment in order to think creatively for example a place that has no noise.
5. An individual should avoid clinging on business unfriendly religious and cultural practices so as to promote creativity and development of his or her business.
6. An individual should seek for advice from other people who are already prominence by avoiding stressing themselves due to over thinking.
7. An individual should set realistic goals which can help him or her to achieve what he or she may want to achieve in future.

#### TECHINICS FOR DEVELOPING CREATIVE ABILITY

Below is a list of things that one has to do in order to be creative.

1. Thinking beyond the invisible frame work that surrounds the problems or situations.
2. Recognizing when assumptions are being made and challenge them. So as to come up with realistic or practical ways of doing things.
3. Developing ideas from more than one source i.e. gather views from different areas so as to come up with a unique way of doing things.
4. Transferring technology from one field to another.
5. Drawing on the experiences of other individuals or business to widen the field or vision.
6. Being open and prepared to use chance and predict things or events to the

advantage of the prevailing situation.

7. Exploring thought processes and okay elements of the mind at work in analyzing evaluating and synthesizing, practicing fortune i.e. have a wide attention seen and range of interest.
8. Noting down thoughts and ideas that apparently drop into the mind so that they are not forgotten.
9. Using analogy i.e. improving imaginative thinking to find models or solutions in nature, in existing products, services or in the organization.
10. Trying as appropriate to sometimes make the stranger familiar and the familiar stranger to spark new ideas.
11. Making connections with points that apparently irrelevant outside sphere of experts, lacking authority or disguised.
12. Suspending judgment to encourage the creative process and avoid premature criticism
13. Stimulating curiosity in everything and the skills of observation, listening, reading and recording.
14. Spotting narrow minded thinking and widening the field of vision to draw on experiences of other individuals

#### STAGES OF CREATIVE PROCESS

1. Preparation. This involves information gathering, analysis and exploring solutions
2. Incubation. This involves letting the mind work to continue the process
3. Illumination. This involves inspiration i.e. an individual is not thinking about a problem but is in a relaxed frame of mind
4. Verification. This involves testing ideas, solutions to problems, insights for applicability. If the solutions to problems are slow to come, there is need to leave the matter alone. However the entrepreneur should re-asses with
  - A new starting point
  - A different perspective
  - Fresh motivation
  - Further consultation

#### IMPORTANCES OF CREATIVITY

Creative ideas are needed any where when there is problem without un known solution in the business world it is used for the following;

1. It leads to development of new and original ideas by using the existing ideas as a starting point.

2. Its used to update products and services
3. It enables an entrepreneur to make proper use of limited sources.
4. It's used to promote products and services of the business.
5. It's used to solve every problem in the business.

### 3. INNOVATION

It is the way of transferring the resources of an enterprise through creative people (persons) into new resources and wealth. This is the act of introducing something new. It results into new product categories and increases the firm's productivity

#### TYPES OF INNOVATIONS

Innovation is often divided into the following types;

1. Business model innovation. This involves changing the way business is being done in terms of capturing value e.g. Nile breweries verses Uganda breweries.
2. Supply chain innovation. This is where innovation occurs in the sourcing of input products from supply and delivery of out put products to customers (consumers).
3. Marketing innovation. This is developing of new marketing method with improvement in product designing or packaging product promotion or pricing.
4. Organizational innovation. This involves the creation of new business structures, practices and models.
5. Process innovation. This involves the implementation of new or significantly improved production or delivery method.
6. Product innovation. This involves the introduction of new goods or services that are improved for resistance in terms of ease or views.
7. Financial innovation. This involves the development of new financial product and service, combining basic financial attributes i.e. risk sharing, liquidity and crediting innovative ways as well as exploiting the weakness of the tax law.

#### SOURCES OF INNOVATION

There are 7 sources of innovation; out of which 1<sup>st</sup> four sources of innovation come from within the industry and the last three lies in the societal environmental.

1. Unexpected occurrences, unexpected success, failure or unexpected outside event can be a symptom of unique opportunity for an innovative person to exploit. It's often through such an expected occurrence that new ideas are got and new information brought to light.
2. Incongruities. Is a difference between reality and what companies or industries assumed to be or between what is and what ought to be. This creates and innovatives opportunity. This promotes innovation because the difference

between estimates and realities forces one to think innovatively for better results.

3. Process need. Sometimes there may exist a gap (missing link) in the production process or in the process of operating a business. This provides an opportunity for an innovative person to think positively so as to come up with an idea to fill the missing link.
4. Industry and market changes. Here, the opportunity of an innovative product / service or business approach occurs when the underlying foundation of industry or market shifts.

The external sources of innovations include;

1. Demographic changes. Changes in population size, age structure, sex composition, employment, levels of education and income can generate innovative opportunities for example an increase in the levels of education in Uganda has created more innovative members of society there by leading to a strong private sector personal employment.
2. Changing perception mood and meaning. Innovative opportunities can develop a society's general assumption, attitudes and beliefs change for example, despite the fact that health care in Uganda are continuously becoming better and more accessible, people have become increasingly concerned about their health and the need for better and more accessible health care.
3. New knowledge. Advances in sciences and scientific knowledge can create new products and new markets.

NB: If you are looking for a new business opportunity, monitoring those seven sources may provide you with an innovation opportunity.

#### CHARACTERISTICS OF INNOVATION / AN INNOVATOR

1. A compelling vision. Innovative people believe that they are part of something better to come and that their willingness to contribute to the vision will make it happen. They have the ability to formulate and articulated compelling vision for their organization to people who can make it happen.
2. Opportunity oriented, an innovator is constantly thinking about new ways of doing things and is not afraid to know that if this does not work out, there is always another way to do it.
3. Self disciplined, an innovator is able to take his time so that he is doing something important first. They have the ability to do the hard work to make it happen.
4. Inner directed (personal motivation). Innovators are inner directed and goal oriented and do not need any one else to motivate them. Because of the self discipline and ability to focus, innovators get up in the morning and get going. No body tells them what to do.
5. Extra ordinary persistent. An innovator is committed to achieving his / her goals. He keeps going and does not let any obstacles get in the way.

6. Passionate about beliefs. Innovative people are truly passionate about what they believe. They give it every thing they are, they are passionate about one another and they go after that with all their hearts and soul. They put all their efforts in achieving that one thing and are totally focused on that.
7. Trend spotter. An innovator is a trend spotter; he or she is able to identify something new and its social responsibilities.
8. Associates with positive people. Innovative people usually surround themselves with positive people towards creating something new.

## PRINCIPLES OF INNOVATION

There are five principles that can help you to take advantages of new innovation that you may have discovered.

1. Begin with an analysis of the opportunity.
2. Analyze the opportunity to see if people would be interested in using the innovation.
3. To be effective, the innovation must be simple and clear focused on a specific need.
4. Effective innovation starts small by appealing to a small limited market, product or service requires little money and few to people to produce and sell it. As the market grows, the company has time to find its processes and stay ahead of the imaging competitions.
5. Leadership in the beginning, it's unlikely to be innovative enough too successfully established itself.

## WAYS TO FOSTER INNOVATION IN SMALL BUSINESSES

Innovation can be promoted through the following;

1. Being a fast thinker i.e. Innovative entrepreneur must be fast in thinking and judging the environment with in which he / she operates.
2. Learning new things, innovative individuals must always accept to learn new things or ideas as they come their way hence should be able to adopt himself or herself to a new environment.
3. Generate new rules aiming at competitive advantage over other entrepreneurs.
4. Expecting change i.e. innovative people must accept to be changed with change hence he / she should avoid being rigid in the way of doing things.
5. Setting goals. Innovative entrepreneurs must set goals (perform parameters) which will assist them to think creatively and innovatively.
6. Avoiding barriers to development i.e. entrepreneurs must work hard to dissolve or fight any internal or external hindrances to his or her innovation such hindrances may include inadequate finances, discouragement from friends etc.

7. Thinking global. Think of operating business on a global/ international basis
8. Implementing new rules. This makes the entrepreneur achieve competitive advantage and profits
9. Developing innovative strategies. This involves developing mechanisms to promote persistent innovation
10. Doing well for others, success will be easier to attain

#### ADVANTANGES OF INNOVATION IN BUSINESS

1. It helps to improve on the products quality hence attracting more customers, increasing business sales and productivity.
2. It helps to promote persistent growth and development of the business hence ensuring business expansion.
3. Through innovation technological transformation can be achieved in the business.
4. Innovation helps the entrepreneurs to achieve the set goals and objectives with a short period of time.
5. It helps to remove barriers to development within the enterprise.
6. It creates a reputation to the business hence attracting more customers.
7. It helps to lower the operational costs especially were technological transformation has been achieved in the enterprise.
8. Innovation helps the entrepreneur to come up with a range of products hence enabling consumers to exercise their choice.
9. Innovativeness helps the entrepreneur to develop new ways of distributing his or her products so as to reach customers in different areas.

Why small businesses respond to innovation successfully more than the large businesses

- i. Most small business owners are willing to try new approaches to make their businesses more successful
- ii. Small businesses understand customer needs, identify new opportunities and fix problems quickly and effectively
- iii. Small businesses can quickly implement new business practices and adapt to changing market conditions
- iv. Small businesses traditionally rely on strong local social networks to share information needed for innovative thinking

Why small businesses respond to innovation successfully more than the large businesses

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#### 4. COPYING WITH CHANGE IN BUSINESS

Change refers to the process of coming up with a completely different method of doing things. It may also involve transforming an object into a different item.

It is inevitable to avoid change in business since the activity its self is dynamic hence an entrepreneur needs to embrace change if he or she is to remain competitive in business.

#### FORMS OF CHANGE

There are mainly three major types of change namely;

1. Development change. This is the type of change which involves general improvement in the business's way of doing things e.g. change in the production method, processes, packaging of products etc.
2. Transitional change. Refers to a change which replaces existing processes or procedure with something completely new to the company for example merging, creating new products, and new technology. This involves a complete change in the way things are done in a business. It is a gradual process aimed at changing the difference departments within an enterprise.
3. Transformational change. It refers to a change which involves both transitional and developmental change. This is the drastic change that involves the general change in methodology or ideologies of the business.

Causes of change in a business.

1. Change in the level of competition. Due to a competitive environment with which business operates, change becomes inevitable because the entrepreneur must think innovatively so as to outcompete others.
2. Change in technology. Technological changes force the entrepreneur to change the way he or she does things in a business e.g. advertisement in technology forces the entrepreneur to abandon the out date or obsolete methods of production.
3. Change in the level of efficiency. The need for effective performance may cause several changes in an enterprise so as to be able to perform effectively and

efficiency to be able to perform effectively and efficiently.

4. Change in the environmental factors. Some times change may be brought as a result of existing environment within which the entrepreneur operates e.g. fencing the business premises may be as a result of encroachment by intruders.
5. Change of desire. Change may be brought about as a result entrepreneurs need to change.

#### Reasons for resisting change

Some individuals fear changes because of the following;

1. It is costly i.e. it requires large initial financial requirements. Comes with several costs.
2. Change is time consuming hence individuals reluctantly accept to change.
3. Change benefits a few at the expense of the majority hence creating reluctance among the individual to embrace it.
4. Inadequacy, people fear to change because of their inability to cope with the new changes that is individuals have a general belief that they lack personal ability to cope with the new changes.
5. Insecurity associated with change, that people fear change because of the insecurity which may come along with the changes encountered such insecurity may either be financial or social in nature.
6. Individual stubbornness. This may mainly be due to rigidities of individuals or different societies.

#### Importance of change in the business

Change may be useful to an entrepreneur in the following ways;

1. It leads to the production of good quality products hence leading to consumer satisfaction and creation of a big market.
2. Change leads to the development of new techniques of the production with in the enterprise hence helping the entrepreneur to transform his or her technology.
3. It leads to creation of business opportunities hence helping the entrepreneur to explore his or her potential in different businesses.
4. It leads to the total transformation of an individual's life and the society in general.
5. It leads to the growth and development of an enterprise hence helping the entrepreneur to earn more income.

#### CRITICAL CHANGE AREAS

The outline of what the future may hold for change in small business operates in the future includes:

- i. Capital will be more difficult and expensive to obtain and might become virtually

unavailable to many small businesses

- ii. Raw materials will be increasingly costly and difficult to obtain. Small firms will rely on large inventories or switch to other substitutes
- iii. Labour is likely to be abundant. Abundant labour will be substituted for scarce capital
- iv. Technology will be more important to small businesses in future. They will continue to profit from technological advanced
- v. Market based on products which consume large amounts of increasingly costly resources will tend to decline while those which make smaller demands on irreplaceable resources or actually conserve them will tend to flourish
- vi. Government regulation is almost certain to increase, as elected officials struggle to keep the country prosperous
- vii. Entrepreneurs will have to exhibit greater professionalism and foresight if they are to guide the small business sector through a period of economic scarcity which now underway

#### EFFECTS OF CHANGE ON BUSINESS

- i. It leads to increased complexity of methods of production
- ii. It leads to redundancy for many workers due to reliance on technology
- iii. It enables employees to upgrade their skills or acquire new skills
- iv. It leads to geographical relocation of industries and workers

#### WAYS OF COPING WITH CHANGE/ TECHNIQUES FOR COPING WITH CHANGE

- i. Understanding the situation. There is need to understand the driving and restraining forces whether they are increasing or decreasing and their effect to the business in the short and long run
- ii. Defining the problem. This involves finding out the real cause for change and its effects
- iii. Finding alternatives. It involves exploring the potential of each realistic alternative, its advantages and disadvantages so as to choose the best alternative
- iv. Selecting action. After spelling out the alternatives and carefully studying their impact and potential, the entrepreneur selects the best action that suits the goals and objectives

### 5. NEGOTIATION SKILLS

Negotiation refers to the process of bargaining so as to reach an agreement over something or over a situation. Or it is process of bargaining that precedes an agreement. It involves a meeting between two or more parties to bargain over

something so as to reach a compromise.

Basic concepts of negotiation

Negotiation can prevent the "zero sum perception" which is the "winner takes it all view". By using negotiation as a tool, one produces a "positive sum" situation in this case; no party comes out exclusively the best

"Home theorem" implies that items are evaluated differently by different parties. These evaluations can undergo a change by negotiation devices such as inducement, alternatives and re-organization of ideas

"Toughness or softness" means holding out or giving in. this has two aspects

Deciding when to hold out or give in. this depends on value of item at stake and ability of a party to knock off a bit in order to achieve a compromise

There are valuable moments, meanings, measures and manipulate effects of toughness and softness

Nature of negotiation

Negotiation is a balanced process i.e. both parties are on an equal level in terms of information, facts or approach

Negotiation is not finite. Moves can go in all directions. This means that there is no determined winning strategy especially when various elements of the situation are not known and are not fixed. This requires the leader to be persistent and tolerant

Both learners parties anticipate and react during the process of negotiation resulting in double motivations

Principles of Negotiation

Negotiation s skills are built on the following principles;

1. Be focused. That is, always look at the future prospects and avoid looking at what happened in the past because it will distort or hinder the negotiation process and hence failing to reach a compromise.
2. Avoid being too rigid, that is always give room to views of other individuals, evaluate them and come up with a fair conclusion.
3. Set goals to be achieved during the negotiation process.
4. Prepare to negotiate that is make the research about the commodities to be sold and the customers to whom to sale before engaging the negotiation process.
5. Always create an option (plan B) to act as a fall back in case the negotiation process fails to materialize.
6. It doesn't require all parties or sides to be right for negotiations to take place
7. Set the tone and look apart. When you come into a room for the first time, you should look the part i.e. wear professional clothes, avoid wearing distracting jewellery, maintain eye contact and be a good listener

8. Know what you want and what the other side wants. You should have a detailed plan of what you want and what you are willing to give up to get what you want i.e. the price

#### Key to successful negotiation

- i. Negotiating outcomes should be a win-win for both parties
- ii. Both parties should feel satisfied with the results
- iii. Do not become emotional
- iv. Focus on solving problems
- v. Use the negotiation style of other party to achieve positive outcomes
- vi. Be flexible in your demands
- vii. Be prepared to compromise i.e. do not expect all your demands to be met
- viii. Ask relevant questions and be a good listener. You can not learn anything when you are talking

#### The Characteristics of the Good Negotiator / Attribute

1. Integrity. A good negotiator must be honest to the parties / party with whom she or he is negotiating. This will help to build trust in him or her.
2. Empathy. This refers to one's ability and understanding the views of others. This will help to create a fair ground for the negotiation process.
3. Patience. Negotiators should endure all challenges that come up during the negotiation process. This will help an individual to accommodate the views of others in the negotiation exercise.
4. Self confidence. A good negotiator should have confidence in himself and the subject matter upon which negotiation is best.
5. Persistence. Negotiators do not give up easily that is they should persistently continue with the negotiation process until the objective is achieved.
6. Ingenuity. Good negotiators should have the ability to endure and influence the negotiation process.

#### The basic rules of negotiating.

The following forms the possible rules followed, when negotiating with customers or workers in the business.

1. Listen actively to the views presented by one party while giving less attention to non issue and more attention to the crucial views. In this way, the entrepreneur should distinguish between issues and mere conversation. (jokes)
2. Balance the strength and the weaknesses and in the negotiation process so as to come up with a fairly compromising situation.

3. In case of negotiating for salaries with wages always have a fall back. This is because some times workers tend to demand more than what enterprises can offer thus the entrepreneur should be flexible enough to compromise with the workers situation.
4. Make a joint concession i.e. use visibly convincing examples to make an individual accept what is offered.

#### Challenges Faced in the Negotiation Process

1. Time pressure. In most cases time may not be enough to allow the two parties to negotiate favourably so as to reach a fair compromise. This may be due to varying urgency of the matter under negotiation.
2. Influence from other decision makers. Some times individuals may not exercise the negotiating skills fully due to the influence exerted on them by their superiors or senior administrators.
3. Delayed tactics. Some time negotiators tend to delay the negotiation exercise so as to make the other party impatient and give up with the negotiation exercise.
4. Making early joint concessions. This is where the negotiators make a premature agreement during the negotiation process hence this may lead to an unfair compromising situation to one of the parties. Some negotiators begin with early concession and then wait for you to reciprocate the spirit of relationship-building you probably will and later thank them and continue exploring
5. Aggressive behavior. Some times some individuals are too aggressive thereby causing an undue influence in the negotiating process.
6. Letting the positions over ride the interest. Some times individuals tend to allow the prevailing position or situation to overshadow their personal interest hence leading to unfair compromise.
7. Negotiator's personal problems may make it difficult to carry on with the negotiation process. Such problems may be personal sickness, marital problems, financial problems etc.
8. Linking logic. This is based on the assumption of a person being correct in one thing, he/she must be correct in another. It is important to understand the other persons point to see whether the logic he/she is applying is sound or correct
9. Price only negotiation. Some negotiators pay attention to only price and ignore non price factors like short and long term relations and larger interests
10. Last-minute wavering, some negotiators tend to squeeze several additional concessions as the negotiation nears completion which may lead to disagreement

#### Solutions to the above challenges.

1. Time pressure. This can be solved by allowing a considerably long period of time to both parties involved in the negotiation exercise.
2. The challenge of the influence from other decision makers may be solved by

consulting superiors before entering into any negotiation.

3. Delaying tactics. This can be solved by adding exercise in order to give another party an opportunity.
4. Being emotionally balanced to overcome aggressive behavior. This can be solved by being emotionally balanced and psychologically composed during the negotiation process i.e. never allow emotions to overshadow personal reasoning or intellectualism.
5. Neglecting the negotiator's personal problems. This can be solved by cooperating with each other during the negotiation process.
6. Making joint concessions. This can be solved by negotiating with individuals and getting a good agreement that may bring in sales and products.
7. Letting the position override the interest. This can be solved by not allowing prevailing situations to overshadow the personal interests hence leading to failure to compromise.

Ways of overcoming challenges in negotiation

a) If the work load is increasing

- i. Look for tasks to eliminate
- ii. Review work you could handle yourself
- iii. Review ways to combine similar
- iv. Consider use of temporary or part time

b) If there are problems of turnover

- i. Help new employees identify with their group
- ii. Develop stable work groups with members who can identify

c) If the work load is declining

- i. Work on improving efficiency
- ii. Do house keeping that has been postponed
- iii. Start projects that could generate
- iv. Start projects that could generate new work

d) If there is a group of employees who are controlling production

Remove misunderstandings, if any

Find out if it is to the group's advantage to slow down

Find out and deal with the real problems

e) if employees are dissatisfied with their pay

- i. review benchmark jobs compared with similar jobs in other enterprises

- ii. compare pay with comparable jobs in the area
- iii. adjust inequalities, if there are any
- iv. adjust assignments
- v. communicate on the broad pay issue
- vi. if workers are spending too much time on any one job
- vii. review managements' objectives and standards for this job
- viii. clarify the degree of perfection needed and why
- ix. ask the group for ideas on cost reduction and work simplification
- x. set specific targets and follow up on them

if you go over budget

- i. Identify the sources of increased cost or expense
- ii. Ask for suggestions on cost reduction and waste control
- iii. Get explanations of increased cost
- iv. Curtail or freeze some activities
- v. Review the results expected from this activity

Preparing for negotiation

Good negotiation requires advance preparation, understanding of the underlying assumptions and needs to be satisfied on both sides, a basic knowledge of human behavior and mastery of a range of negotiating techniques

- i. The first step is to "do your home work" about the other sides i.e. make research
- ii. Decide whether to use an individual or a team as your representative. This enables consultations to be made
- iii. Select the meeting site i.e. is it in the business premises for a small business or any other place. This saves transport costs and time

Negotiation skills

- i. Clarity in communication is essential. Do not engage in long paragraphs
- ii. Stick to objectives and avoid personalizing situations
- iii. Control your emotions
- iv. Occasionally showing anger may be effective but never lose your temper

## TECHNIQUES OF COMMUNICATING WITH CUSTOMERS

The following are techniques of communicating with customers tactfully

1. Communicating frequently to customers. It is important to communicate frequently to customers through e-mail, direct mail, phone contacts, face to face

etc so as to keep a close contact with them.

2. Offering customer rewards. This involves reducing prices for commodities, giving T-shirts etc these enable customers to remember business products
3. Holding special events. This helps to keep business employees and customers in close contact for example organizing visitation days, parents' meetings, anniversaries etc
4. Promoting a two-way communication in negotiation. This involves allowing both the staff and customers to participate in the decision-making process
5. Ensuring customer care services. This involves performing business tasks with a high degree of dedication and solving their problems immediately.
6. Visiting customers. This involves designing a marketing tool to build relationship between employees and customers
7. Launching multicultural programs. This involves communicating in more than one medium for example on radios, televisions, internet etc

#### BASIC RULES IN NEGOTIATING WITH EMPLOYEES

1. Balancing both strengths and weaknesses. It is important to know what we want and get ways of achieving it
2. Listening actively to your employees. It is important to listen to employees' concerns because it is from such concerns that solutions are generated.
3. Having a fallback position. This involves determining the maximum salary the company can offer to employees
4. Making concessions together. It should be a win-win situation i.e. as the employee is demanding salary increment tie it with performance related expectations.

#### TECHNIQUES FOR NEGOTIATING WITH EMPLOYEES OVER SALARY

1. Setting a maximum wage ( a ceiling) this involves determining the maximum salary the business offer to employees. This saves time during negotiation.
2. Setting a minimum wage (a floor). This is a wage below which the business cannot employ workers. It is the minimum salary/wage the business can offer to employees
3. Determining the mode of payment. This involves determining whether employees are to be paid weekly, monthly or hourly. Hourly payments are suitable for temporary jobs or workers while a fixed payment is suitable for collared employees
4. Making the payment attractive. This involves accompanying salary with benefit packages like bonuses and allowances inform of housing, insurance etc.

5. Avoiding legal tussles. It is important to first consider the laws related to payment of workers, amount to pay, mode of payment before you decide to avoid legal tussles.
6. Being sensitive. This involves keeping employees' personal needs in mind before determining their payment packages e.g. for working mothers make sure that the benefits you are giving can enable them meet day care services

## EMPLOYEES

### EMPLOYEES ABOUT WAGES

#### 6.RISK TAKING

A risk is the possibility of suffering harm, loss or danger. A business risk is a factor(s) that may have a negative impact on the profitability or success of a company

A risk situation occurs when a choice is required between two or more alternatives whose potential outcomes are not known and must be subjectively evaluated

The greater the possible loss or gain, the greater the risk involved and the reverse is true. Risk takers make decisions in conditions of uncertainty and balance potential success against potential loss

#### FACTORS THAT INFLUENCE RISK TAKING

1. Degree of attractiveness of the risk/level of returns
2. The extent to which the risk taker is prepared to accept the potential loss
3. Degree of probability of success and failure
4. The degree to which one's own efforts increase the likelihood of success and decrease the likelihood of failure

#### TYPES OF RISKS

There are basically three types of risks.

1. Low risks

2. Moderate risks
3. High risks.

1. Low risks.

These are very minimal risks that do not yield a lot of benefits with an entrepreneur in case he or she succeeds, however, such risks tend to discourage entrepreneur from investing into new business businesses for fear of failure. This type of risk usually makes entrepreneurs to only invest in similar business.

2. Moderate risks

These are risks which can be forecasted, managed and calculated by an entrepreneur. This means that there is a high chance that such risks will not happen or may not affect the business so much for example bad debts, death, fire, accidents etc.

3. High risks

These are risks whose chance of happening is very high and yet the entrepreneur has very little control over it. If such a risk happens, the business will fail and collapse and there will be no chance of recovering.

However, if it succeeds, then the entrepreneur is likely to get very high profits for example smuggling goods, selling prohibited goods.

#### EXAMPLES OF RISKS FACING ENTREPRENEURS IN UGANDA

- (i) Death
- (ii) Fire outbreak
- (iii) Theft and burglary
- (iv) Smuggling of goods
- (v) Bad debt
- (vi) Accident
- (vii) Natural calamities e.g. earth quakes, landslides, lightening, floods
- (viii) Competition.
- (ix) Poaching
- (x) Changes in technology
- (xi) Change in customers, tastes, fashion, preference and demand.

- (xii) Poor working conditions resulting into strikes, reduction in the number of employees.

## ASSESSING OF RISK

This involves determining the potential success or loss arising from the risk i.e. what will be out of risk in case it happens or not.

## FACTORS TO CONSIDER WHEN ASSESSING THE RISKS OR INFLUENCING RISK ASSESSMENT.

1. Experience and ability. This determines whether the person involved in the business has the required knowledge and experience to run and manage the business (risks).
2. Viability of the business idea. This is based on whether the business idea chosen would be profitable in a given area. It is viable the business will get profits if it is not viable, the business will get losses.
3. Availability of market. If the people in an area are in need, willing and able to buy the business products out of the risk, the business will get profits. But there is no market. The business will make losses out of you.
4. Flexibility of the business. It will be less risky, if the choices and decisions of the business can easily be changed one to another.
5. Honest and reliability. It is important to know whether the people the business is dealing with i.e. suppliers, employee's customers etc are honest and reliable but if they are not, then assessing of risks will be very difficult.
6. Cash flow. It is important to establish whether the business will generate enough cash to finance the business expenditure or not easy but if the cash is not readily available, risk assessment will be difficult.
7. Pricing policy. It is important to know how much to tell your products because high prices are relatively low, then the business can compete with others hence a risk of profits.

## PROCEDURES FOR ANALYSING A RISK SITUATION

The following are steps involved in analyzing a risk situation

1. Assessing the risk. This is the first step and it involves establishing whether the risk can happen or not. The entrepreneur can decide to maintain the current

status/level of demand, purchase more equipment to meet the demand etc

2. Determining goals and objectives. This involves considering company's policies and objectives in undertaking a risk. This helps to find out whether the risk is in line with the goals and objectives of the company or not
3. Clarifying the alternatives. This involves surveying the various alternatives so as to assess the costs involved effectively
4. Gathering information and weighing the alternatives. This involves intensive information gathering on each alternative to make appropriate choices. It involves carrying out cost-benefit analysis
5. Minimizing risks. This involves realistic assessment of the extent to which the entrepreneur can effect the risks. It includes clear awareness of the entrepreneurial abilities and the company's capacities, forming strategies and ways of affecting change
6. Planning and implementing the best alternative. This involves designing a time table, defining goals and getting feedback