Technical Articles Theme 01

Title: History and Introduction of Entrepreneurship

Videos: 1-12

Topics Covered

1. Course Introduction
2. History of entrepreneurship (Part a): The beginning
3. History of entrepreneurship (Part b); as an emerging discipline
4. History of entrepreneurship (Part c); Current practices
5. What is entrepreneurship? The definition
6. Who is an entrepreneur? The definition
7. Role of entrepreneurship in economic development and growth
8. Role of entrepreneurship in economic development and growth (country cases) Part 1
9. Role of entrepreneurship in economic development and growth (region wise) Part 2
10. The decision to become an entrepreneur
11. Common myths about entrepreneurs
12. The potential benefits of being entrepreneur

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The Rise of Entrepreneurship

Entrepreneurship is a buzzword nowadays. Entrepreneurship is about doing business, creating profits, and adding workforce to an economy. A business graduate has the choice to establish himself as a job creator or a job seeker. Governments, educational institutions, financial institutions, and NGOs support entrepreneurship through the availability of finance and the development of incubation centers. **Entrepreneurship has emerged as a discipline** over the years. Entrepreneurship is a practical and experiential subject. Entrepreneurs are expected to be intelligent, genius, and super-smart people. Starting an enterprise and then establishing it as a successful business is not a coincidence, rather it is engineered with the right business process, stable approach, and decisions. Studying entrepreneurship enlightens fresh business graduates with the theory, evolution, dimensions, and challenges of the modern business world. Entrepreneurship is also helpful for in-action businessmen to equip them with technical handling of business matters i.e. marketing, financial and administrative management. A human being who has got some talent as an artist, musician, or has got any other business skills is a potential entrepreneur. A potential entrepreneur can learn the art of doing business i.e. entrepreneurship from mentors (academicians, industry experts, and tech entrepreneurs) who guide you to make smart management, marketing, and strategic decisions.

The act of entrepreneurship is rooted in the **enterprising nature of mankind** since pre-historic times. The enterprising nature of mankind urges him to discover non-routine actions in a dynamic way i.e. creation of new ventures and finding solutions to the existing problems and challenges, faced by society at large. Initially, humans were hunter-gatherers and used to live in form of isolated entities, known as tribes. Their only adventure was to hunt for their food and shelter and then survive against Mother Nature by confronting different weather conditions. In this pursuit, humans' enterprising nature ventured fire lightening techniques, tool-making techniques, food hunting, and storing methods. The enterprising nature of mankind further urged him to try different methods to grow food that channelized different farming methods. **Farming at a large scale brought the big economic revolution, also called as big green revolution** to mankind at that time. The big green revolution turned hunter-gatherer **tribes into agricultural societies**. Humans were required to have rules, traditions, and governance to run the emerging agricultural societies. Agricultural societies started to produce surplus food which got being traded among the multiple tribes. In that way, the concept of **merchant entrepreneur** emerged when excess got traded. Mankind further developed the **great Silk Road** in ancient times to develop trade relations between different continents of the world.

The invention of **the steam engine** brought the **industrial revolution** by fulfilling the transportation needs of traders among the farthest trade destinations and markets. The industrial revolution gave birth to the **era of manufacturing**, the establishment of big industrial units. In this way, an era of craft production led the way to an **era of mass production**. Railroads, iron factories, textile mills, mining, weapon industry, and all the scientific inventions to date are the fruits of the

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industrial revolution. The improvement in human living standards and increased traveling needs gave rise to big units and a decline in small business units. The United Kingdom government published the **Bolton Report** in 1971, indicating 8 important functions of small firms, depicting their importance to the economy. In the meanwhile, **Small Business Administration (SBA)** from the United States of America enlightened the importance of small firms and stressed the importance of their re-emergence. SBA pointed out that due to new inventions, technological changes, new industries and sub-contracting, demand for more services and variety, individual customer requirements, employment opportunities, privatization and tax benefits from the government are the main reasons why small firms are important to establish an enduring economy. The industrial revolution lead mankind towards a **technological revolution**, also called as computer revolution. All these revolutions are not accidental but in fact, credited to the human enterprising nature.

1946-First computer machine → 1954-First commercial computer → 1981-Personal Computer and www/.com revolution → 1993-Search Engine revolution → today-Social Media revolution/Artificial intelligence/machine learning.

Entrepreneurship as an Academic Discipline

An **academic discipline** is a branch of knowledge, a particular area of study, or a subject of study being taught in a college or university. Some of the most known academic disciplines are philosophy, geography, archeology, psychology, economics, history, mathematics, political science, social science, computer science, management science, and linguistics. **Entrepreneurship is an interdisciplinary discipline** in business administration, sociology, psychology, culture, marketing, finance, and geography. Economics is the mother discipline of entrepreneurship. The term entrepreneur is rooted in the French language in the 12th century. **"Entrepreneur"** means **"to take between"** (the act of risk-taking between buyer and seller and creating a venture).

- **Richard Cantillon**, an Irish French economist from the 17th century described the entrepreneur as a person who has an insight into a business opportunity and takes the risk by knowing the cost of the venture but the reward is unknown to him. "Entrepreneur is a person with foresight and confidence to operate in a condition where the cost may be known but rewards are uncertain"
- **Jean Baptiste Say**, a French businessman from the 18th century broadly categorized an entrepreneur as a buyer and seller and also as an innovative person. "The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield"

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- **Joseph Schumpeter,** an Austrian political economist from the 20th century described entrepreneurship as a discipline. Schumpeter labeled entrepreneurship as a process of creative destruction and directly linked it with innovation. According to him, an entrepreneur with an innovation and enterprise mindset extracts the resources from the conventional mode, innovatively bundles these resources to create value, take/manage risk and contribute to economic development. "The entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation"
- **William Jack Baumal,** an American economist from the 20th century categorized an entrepreneur as a business organizer and also as an innovative person.
- **David C. McClelland,** a behaviorist from the 20th century described entrepreneurs based on characteristics, attitudes, and skills.
- **Peter Drucker**, a management scientist from the 2oth century wrote the book "Innovation and entrepreneurship: practice and principles". Drucker also **linked entrepreneurship with innovation**. He further described that an entrepreneur comes with product innovation, production method innovation, new market development, supply chain development, and a new and better structure of an organization.

It is to particularly remember that word **"entrepreneurship" is not synonymous with small businesses or SMEs** but large firms can behave in an entrepreneurial way by foreseeing business opportunities, taking risks, and doing innovation in products or processes within an existing business setup. The **evolution of entrepreneurship as a discipline** and its current status as an innovative business practice has forced the establishment of business incubation centers.

Business Incubation Centers (BICs)

A **business incubation center** is a place that helps startup companies to develop, grow and mature as an established business by providing finance, office space, and mentoring services. A business incubation center is considered a Launchpad for startups. The **Higher Education Commission (HEC)** of Pakistan supports the incubation center development programs in the degree awarding institutes in Pakistan. **Virtual University of Pakistan (VUP)** has successfully established an incubation center: **Student Startup Business Centre (SSBC)** with the collaboration of the **Punjab Education Foundation (PEF)** and HEC Pakistan. You can find the details about SSBC at https://ssbc.vu.edu.pk/Default.aspx. There are many other national and international platforms that are providing incubation services to young entrepreneurs. **The Indus Entrepreneur (TIE)** is an international platform for entrepreneurs to get benefited from its eminent incubation services https://tie.org/. **Global Entrepreneurship Monitor (GEM)** is an information source that publishes data and reports about entrepreneurship echo-system and entrepreneurs. GEM reports discuss the importance of entrepreneurship in national and international contexts https://www.gemconsortium.org/

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Entrepreneurship and Entrepreneur (Definitions)

The term **entrepreneurship** is defined by different experts as following.

- "Entrepreneurship is the capacity and willingness to develop, organize and manage a business venture along with any of its risks to make a profit. The entrepreneurial spirit is characterized by innovation and risk-taking and is an essential part of a nation's ability to succeed in an ever-changing and increasingly competitive global marketplace" **(Businessdictionary.com)**
- "Entrepreneurship is defined as a process by which individuals pursue opportunities without regard to resources, they currently controlled. Entrepreneurship is an art of turning an idea into a business" **(Barringer and Ireland)**
- "Entrepreneurship is a dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risk in terms of equity, time and commitment to providing value for some product or service" **(Hisrich, peters, and shepherd)**

The term **entrepreneur** is defined by different expert sources as follows.

- "Entrepreneurs is an individual who takes initiative to bundle resources in innovative ways and is willing to take the risk to act" **(Hisrich, peters, and shepherd)**
- "Entrepreneur is the one who creates a new business in the face of uncertainty and risk to achieve profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them" **(Zimmerer and Scarborough)**
- "Entrepreneur is someone who exercises initiative by organizing a venture to take benefit of an opportunity and, as the decision-maker, decides what, how and how much of a good or service will be produced" **(Businessdictionary.com)**

The most common traits of entrepreneurs are that they have enterprising nature, motivated and committed, create new ventures, redefine value prepositions, and created jobs by opportunity hunting and establishing business units. Some of the leading **Pakistani entrepreneurs** are Aftab Iqbal (Tapal Tea), Adamjee Dawood (Adamjee Group), Mian Muhammad Din (Super Asia), Dr. Amjad Saqib (Akhuwat), Roshan Zafar (Kashf Foundation), Salim Ghauri (NetSol), and Monis Rehman (Rozee. pk). Most famous **international entrepreneurs** are Henry Ford (Ford Motors), Walt Disney (Disney) Steve Jobs (Apple Inc.), Richard Branson (Virgin Group), Mark Zuckerberg (Facebook), and Jack Ma (Alibaba.com).

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Entrepreneurship and Economy

The economy is defined by various literature sources as follows.
"The state of a company or region in terms of the production and consumption of goods and services and supply of money"
(https://www.oxfordlearnersdictionaries.com/definition/english/economy)

Three broad **categories of the economy** are factor-driven economy, efficiency-driven, and innovation-driven economies. Pakistan is an example of a factor-driven economy. A **factor-driven economy** has a subsistence agriculture background with an extraction business with heavy reliance on unskilled labor and natural resources. India is an example of an efficiency-driven economy. **The economy in an efficiency-driven phase** becomes more competitive with more efficient production processes and increase product quality. America and Japan are examples of innovation-driven economies. **The economy is in the innovation-driven** phase, businesses are more knowledge-intensive, and the services sector expands. (https://www.weforum.org/)

M. Porter in his book "The competitive advantage of nations" declared that "Entrepreneurship is at the heart of national advantage". Entrepreneurship has a **huge economic impact** because it acts as an innovation hub, creates jobs, adds to national income, and creates social change through social innovation. Entrepreneurship also **partners the economic development** by addressing environmental challenges, social value creation, the commencement of regional economic integrations i.e. SAARC, CPEC, and social value creation i.e. donations for education and research and development. Collectively entrepreneurs are the partners in the economic development of regions and countries.

Entrepreneurial Ecosystem

Information is a great resource for entrepreneurs for basic and strategic planning. Databases are important for entrepreneurship as these databases carry statistics, trend analysis, cases, and reports from national and international instances of entrepreneurship. **The Global Entrepreneurship and Development Institute (GEDI)** is a research organization that advances knowledge on the relationship between entrepreneurship, economic development, and prosperity. **Global Entrepreneurship Index (GEI)** is a flagship project by GEDI. GEI measures ecosystems at a national and regional level. Annual reports (International, regional and national cases) by GEI can be reached at https://thegedi.org/global-entrepreneurship-and-development-index/

Entrepreneurship Mindset

GEI defines **14 Pillars of an entrepreneurial ecosystem**, explained in the following table.

Sub-indexes	Pillars	Variables (individual / institutional)
ATTITUDES SUB-INDEX	OPPORTUNITY PERCEPTION	*OPPORTUNITY RECOGNITION*
		FREEDOM (ECONOMIC FREEDOM *PROPERTY RIGHTS)
	STARTUP SKILLS	*SKILL PERCEPTION*
		EDUCATION (TERTIARY EDUCATION*QUALITY OF EDUCATION)
	RISK ACCEPTANCE	*RISK PERCEPTION*
		COUNTRY RISK
	NETWORKING	*KNOW ENTREPRENEURS*
		AGGLOMERATION (URBANIZATION*INFRASTUCTURE)
	CULTURAL SUPPORT	*CAREER STATUS*
		CORRUPTION
ASPIRATION SUB-INDEX	PRODUCT INNOVATION	*NEW PRODUCT*
		TECH TRANSFER
	PROCESS INNOVATION	*NEW TECHLOLOGY*
		SCIENCE (GERD*(AVERAGEQUALITY OF SCIENTIFICAL INSTITUTIONS +AVAILABILITY OF SCIENTISTS AND ENGENEERS))
	HIGH GROWTH	*GAZELLE*
		FINANCE AND STRATEGY (VENTURE CAPITAL*BUSINESS SOPHISTICATION)
	INTERNATIONALIZATION	*EXPORT*
		ECONOMIC COMPLEXITY
	RISK CAPITAL	*INFORMAL INVESTMENT*
		DEPTH OF CAPITAL MARKET
ABILITIES SUB-INDEX	OPPORTUNITY STARTUP	*OPPORTUNITY MOTIVATION*
		GOVERNANCE (TAXATION*GOOD GOVERNANCE)
	TECHNOLOGY ABSORPTION	*TECHNOLOGY LEVEL*
		TECHNOLOGY ABSORPTION
	HUMAN CAPITAL	*EDUCATIONAL LEVEL*
		LABOR MARKET (STAFF TRAINING*LABOUR FREEDOM)
	COMPETITION	*COMPETITORS*
		COMPETETIVNESS (MARKET DOMINANCE*REGULATION)

Entrepreneurs: Antecedents and Myths

While studying entrepreneurship and entrepreneurs, it is very crucial to know that **why individuals become entrepreneur?** The common reasons to become an entrepreneur are explained here.

1. **Creativity doesn't fit the corporate environment**. Most creative-minded people choose the route to establish their entrepreneurial venture due to knowledge spillover. The employer does not recognize, accept and value one's abilities and creative skills.

2. **They want a lifestyle that isn't bound to nine to five**. Entrepreneurs are reluctant to adopt fixed office timing and follow the same working routine.

3. **Be their own boss.** Entrepreneurs do not like to be directed or controlled by further individuals when it comes to decision making, planning, and execution within a business setting.

4. **Entrepreneurs are active learners.** Entrepreneurs are eager to learn more and more and to learn quickly within a tight frame of time. They do so by surfing the rising tides of a startup venture.

5. **Entrepreneurs want to pursue their own ideas.** The enterprise mindset of entrepreneurs surges exceptional and enormous ideas frequently. Entrepreneurs tend to get hold of these dynamic ideas on their own.

6. **Entrepreneurial ideas are unconventional and very innovative.** Innovation, novelty, and uniqueness are the basic qualities of entrepreneurial ideas. A startup venture can absorb these attributes.

7. **Entrepreneurs assume that there are unlimited earning possibilities.** The entrepreneurial venture has got inbuilt ability to offer unknown rewards against the risk being taken at the right time.

8. **We can change the world.** Entrepreneurs are the change agents due to their social innovation instinct.

9. **Entrepreneurs are never retired from their work.** Entrepreneurs have posted their interests and insights into business ideas that never get old. Development, prosperity, and continuous improvement keep entrepreneurs afresh throughout their lives.

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10. **Entrepreneurs, necessarily do not require degrees.** Starting your venture does not need any formidable requirements such as a college degree or a diploma. Although an entrepreneur may need to acquire formal training to improve business and relevant skills as and where it is needed.

11. **Entrepreneurship brings autonomy, freedom, and responsibility.** Entrepreneurs are driven through the internal motivation of autonomy and freedom which meets the entrepreneurial venture in its way to accomplish such psychology of a human.

12. **Entrepreneurship brings a sense of achievement.** Entrepreneurs accomplish and achieve through progressive advancements attached to a business venture.

Common myths about entrepreneurship are.

1. **Entrepreneurs are born and they cannot be made.** This discussion is most common among the folks. This is a debate of nature vs nurture. Entrepreneurship is a combination of both nature and nurture. Individuals are from different genetic backgrounds and possess distinct individual characteristics. Furthermore, the external environment influences the individuals' behavior, career choice, and entrepreneurial activity.

2. **Entrepreneurs are very high-risk takers.** Entrepreneurs are risk managers as they take manageable moderate risk after cost and benefit analysis of a particular decision or investment in a due phase of time.

3. **Entrepreneurs are primarily motivated by money.** Financial reward has never been a primary source of motivation for entrepreneurs rather the entrepreneurs are motivated by the factors of self-actualization and personal achievements.

4. **Entrepreneurs are overwhelmed by their own ideas and do not listen to the advices.** Entrepreneurs are active learners and they show deep interest in the expert noise from the industry and market.

5. **Entrepreneurs are high tech wizards.** This is not true to have high-end technical skills and an IT background. Entrepreneurs with mere basic business knowledge can effectively manage an enterprise. Tech resources are the need of the hour and can be included in your team when needed.

6. **Entrepreneurs love the spotlight.** Entrepreneurs' storytelling and status sharing attribute is a source of knowledge and inspiration for the listener itself. Entrepreneurs have some

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other measures i.e. business success and challenges met up, to quench their self-actualization needs.

7. **Entrepreneurs must be inventors because they are innovators.** This is not true in all cases as this is not necessary and most of the time not possible for you to be an innovator and inventor at the same time. An entrepreneur may introduce an innovative idea i.e. Wright brothers gave the idea to fly which was later commercialized for the production of the passenger airplane (invention of the Airplane).

8. **You don't need to earn degree if you want to be an entrepreneur.** This myth is challenged in a way that a degree or a diploma is not the pre-requisite to establish a new venture, although formal training or degree may fulfill the upgraded needs of doing business.

9. **If you don't have money, you can't be an entrepreneur.** Entrepreneurship is a pursuit of opportunity beyond the resources you currently control or the finance you have in hand. You can better attract investment by bagging a unique business proposition.

10. **Entrepreneurs are usually young, super genius and super energetic: kind of a hero.** Age does not matter here. Colonel Harland Sanders, founder of KFC started his venture at the age of 65 and now it is the 2nd largest food chain in the world.

Potential Benefits of Being an Entrepreneur

1- **You are in charge of your own destiny.** An entrepreneur chooses his own path to create a venture. He employs his own team and makes his very own decisions. At the end of the day whatever he gets: profit or loss, he is responsible for his own acts and rewards what he has input in form of efforts and investment.

2- **You can be an innovator.** It is the case of knowledge spillover (as discussed earlier) when you find lesser room to let your innovation breath and finally your innovative and creative capability urges to take your own root to develop a unique value proposition.

3- **Entrepreneurship has no age limit.** An entrepreneur during all its business life span never gets retired. As a beginner he performs the basics of business and learn incrementally. At some point of business maturity of time he is likely to be a motivator and mentor for the young entrepreneurs. His utility in the business world always gets alive.

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4- **Full responsibility as a source of motivation.** An entrepreneur being a business owner, is responsible for many entities involved within a business i.e. investments, human resources and business opportunities. This equation of up scaled responsibilities keeps an entrepreneur motivated and affirm his role as a job creator in the society.

5- **You become contributor to the society.** An entrepreneur impacts the society in general and economy at large. He creates jobs and streamlines the financials of many individuals attached to a business unit. An entrepreneur causes positive change in the society through social innovation and business solution i.e. Akhuwat by Dr. Amjad Saqib.

6- **Power to pivot.** At any point of time you can take autonomous decisions regarding your business. The enterprise you are running is pivoted to you for all the decisions to be made i.e. change in business model, change in investment portfolio, and diversification etc.

7- **Experience the personal growth joy.** Most of the entrepreneurs come from humble background and then turn up an exemplary business success. You story, sometimes, is so enriched with instances of grit, struggle and resilience that it becomes a source of inspiration for young entrepreneurs.

8- **You become an expert, a solution provider.** Living an entrepreneurial life lets you develop rigorous insights of the industry processes and business tactics. Later you become a consulting sources for many startups.

9- **Resilience, recovery and learning process.** Being an entrepreneur you live a life full of remarkable experiences of resilience. In the meanwhile, you learn to recover from pitfalls in business and finally it becomes a learning journey.

10- **Financial and personal reward, become a role model.** Entrepreneurship gives you huge personal reward in form of money and accomplishments.

11- **Schedule flexibility and freedom.** Being a business entrepreneur, it lets you escape from routine job timings: nine to five. Entrepreneurship lets you freely schedule your daily routine tasks but it also takes effort to burn midnight oils.

12- **Work with the people you like.** It is your choice to employ resources and collaborate with the people, you declare feasible and beneficial for your business and your own personality.

13- **The chance to share your learning.** Being the part of an enterprise you learn from your team members and let other learn in the same proportion.

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14- **The legacy to next generation.** Business ideas, business models and social innovations are transferred to the next generations of entrepreneur i.e. family businesses etc.

----------The End----------

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Technical Articles Theme 02

Title: Routes to Entrepreneurship: Buying an Existing Business

Videos: 13-23

Topics Covered

13. The potential drawbacks of being entrepreneur
14. What is feeding your entrepreneurial fire (source of motivation)
15. How to become an entrepreneur?
16. Establishing new venture
17. Buying an existing business
18. Buying an existing business-Why on sale
19. Buying existing business-Financial Statements
20. Buying existing business-Evaluation
21. Buying existing business-Evaluation Methods
22. Factors to Consider in Valuing a Business
23. Buying Existing Business Negotiating and Closing the Deal

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Potential Drawbacks of Being an Entrepreneur

Though, there are countless benefits of being an entrepreneur but the drawbacks should not be ignored. There is no fixed income. Sometimes it is high due to higher sales/services and sometimes low. There is always risk of failure and in case of loss entire investment can go in vain. Unlike normal job hours entrepreneurs might have longer working hours depending on the nature of business. For the businesses with less startup finances quality of life suffers somehow until the business gets established. Stress level is ultimately high. Because everything is own responsibility so can't blame anyone. Family pressure, market trends and other factors may lead to discouragement. Entrepreneurs are not just limited to enjoying benefits but they might have to do several tasks at a time including financial analysis, physical efforts and many other. Due to uncertain income, sometimes there is risk for family expenses and social life. Debt becomes difficult and a burden until the business gets established. Meeting the deadlines is difficult. Even after properly set plans and procedures it is not sure to be successful in business as consumers and market has its own trends.

Source of Motivation to Become an Entrepreneur

Economy and economic indicators can lead to several new entrepreneurial ideas. These indicators can be: purchasing power, inflation or deflation, loan rates, price competition, industry growth rate, tax rebates and global ties. This can be understood with a simple example i.e. Due to ongoing projects of CPEC in Gwadar, people all over the country and in fact globally are pre planning to invest in Gwadar. **Demographic factors** also play an important role**.** Minorities have their own needs and festivals. A number of population falls under 25 years of age. They have their own needs and wants. They need to earn as well so it's better to be job creator instead of job seekers. In urban areas, there are a lot of working couples and have specific requirements in their daily life routines. Women entrepreneurs are increasing day by day due to increase in social media and several other factors. Unplanned urbanization might create a lot of problems as well as opportunities for potential entrepreneurs. There are many part time entrepreneurs who have started some business along with their jobs.

Universities are offering **degrees** in entrepreneurship which is ultimately a motivator for youngsters to start their own ventures**.** Universities have developed **incubation centers**. Even if you are not graduates, but have business ideas, universities support and facilitate that. Most online business these days offer services. There is overall **shift to service economy** which leads to several new ideas. **Technological advancements** lead to several new ideas. For example, in Japan there is a large number of old age people and youngsters are not available to take care of them so they have developed robotic nurses**.** Feeling of **achievement** that you have done something for betterment of people is itself a drive towards new ideas. **E-commerce and World Wide Web**

becomes a source somehow**.** This is age of internet and social media. Many businesses these days run only on social media.

How to become an entrepreneur?

Most of the people think that there is only one way to become entrepreneur i.e. creating your own business from scratch. Some also think that if you are having unique business idea only then you can be an entrepreneur. Another misconception is that if you have joined a family business only then you are called an entrepreneur. Only sole proprietorship is called entrepreneurship is also a myth. It is not appropriate to say that if you are an engineer, doctor, or chemist then you cannot be an entrepreneur, or you have to start business in your relevant field only. If you are from any profession you can start your business.

Sometimes when graduates during their studies think of starting their own ventures, they dropout and try their luck in business. This is called **academic spinout**. When students get to have some business idea through some teacher or some videos they watch and they then go for starting their own business it is called **inside out approach**. When somebody who is working somewhere or doing a job thought of some business idea, they then went to an incubation center of any university which supports and facilitates them for their venture is called **outside-in approach.**

There are multiple ways to become an entrepreneur which are:

- Establishing new venture
- Buying an existing business
- Family entrepreneurship
- Franchising

Establishing New Venture

Creating a new venture means: start-up. It means starting the business from scratch. It requires more time, risk and finance. The fate of start-up is uncertain. Usually the size is small and frustration increases when there is risk of failure.

Incubation centers are made to facilitate new ventures especially if they face challenges and problems. Through incubation centers and other facilitation centers people gather from different areas of industry thus it helps in **network development**. Legal and administrative issues might arise and through network you know where to approach. Initially it is assumed to have **market knowledge** but because they have not gone into market, they don't have much knowledge about actual market dynamics. Sometimes it is difficult to have **skilled labor** which is suitable for your venture. Initially startups have **limited finance**. It is mostly because of risk involved, people tend to invest less. Product/ service **design issues** may also arise.

Stages of New Venture Creation

Information seeking is one of the most critical parts. One must seek information if currently unaware. Cultural and market awareness is a must. There must be strong intention to start a business and must have strong determination. Idea for a product or a service must be clear. Must have knowledge about competition and price. Supplier info and every other possible information required for startup must be gained. Must have knowledge about the expected challenges. After start up, steps must be taken for growth and expansion. After business is established **networks** are developed which help in growth. You might have to go for certain **trainings** to grow. Several certified trainings are available for this purpose.

Key Points to Consider

Entrepreneurs must consider all the **economic factors** before starting new venture. What was the basic drive or intention to be entrepreneur must be kept in mind. There can be some worrisome issues for new venture. Potential entrepreneurs must foresee these issues. One must have a proper business plan for smooth running of business.

Some questions like: Which resources are most difficult to obtain? And what are the ways to obtain. What hurdles or issues can be faced in this regard? Must be considered before starting the business. As discussed earlier seeking market information is very much important to start and run the business smoothly. In addition to market information investor related information is also important. Factors regarding product development or product development plan must be clear. Competitors' information along with level of competition must be gathered beforehand.

Entrepreneurship myopia is a concept which states that, sometimes new entrepreneurs read stories of successful entrepreneurs and overlook the struggle of them which frustrates these new or potential entrepreneurs if they don't reach the similar point of success.

Buying an existing business

We have discussed in detail about starting a new venture. Now, for buying an existing business some important things must be kept in mind. Must have knowledge about the business one intends to buy. Relevant industry experience would also be a plus. One must research about all the possibilities regarding potential of expansion or at least maintenance at current level. Knowledge about current customers of the business and related market trends must also be kept in mind before buying an existing business. There might be certain practices regarding payment methods. Whether cash payment required or credit terms must be initially analyzed and worked out. Liabilities and receivables must also be kept in mind. If you are to enter new business, is it related to your existing business? Would it be profitable to diversify? Business model sustainability issues must also be considered. Is the brand image good so that you can buy? Must consider goodwill.

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Advantages of buying an existing business

Successful existing business may continue to be successful. It might already have best location which can benefit the buyer. Employees and suppliers are already established and working smoothly. Fixed expenses e.g. equipment's are already installed especially when buying a manufacturing unit. Productive quality is already known because already production is going on. Inventory is already in place and might have knowledge about inventory in hand and required things. Experience of previous owner might be useful because this is an opportunity for network development as well. Save the time, energy and cost of establishing new venture. Customers and market are already developed which can save from a lot of hassle.

Disadvantages of buying an existing business

In documents the business might be showing profits and receivables but in actual it's not that profitable. The business model might be faulty. It might not have proper supply chain or delivery system. The location could be unsatisfactory. Location at some faraway place might be a source of increase in expenses. Competitors might have purchased updated equipment. Outdated inventory might also be increase in cost. After a certain time, it might be observed that there are many liabilities which can be a source of bankruptcy. Financial assessment might conclude that you have bought an overpriced business. These include assessments can be done using several techniques including balance sheet, adjusted balance sheet, receivables and payables, capitalized earnings approach. There have been many examples in which due to negative brand image reputation of buyer collapsed. Sometimes crucial information or documentation might be missing. In some cases, business secrets are already known to previous owner. Existing employees may leave which usually happens. In case of partnership, the partners may create problems.

Finding Out Why the Business Is For Sale

Business might be running well but due to *old age or illness* he wants to sell. Owner might be shifting to different section of the country or probably *moving to some other country* and due to nature of the business he can't move the business. Sometimes it might happen that you are running your own business but you get another different but good option from other company. The business might be *no more profitable.* Contract with major *franchisors* might have ended and business is not profitable with local brand name so he wants to sell. Owner might have foreseen that the business is not going to grow in future and might *face loss* so he can sell.

Examining the Financial Data

When somebody buys an existing business, it is somehow evaluated on the basis of financial statements they show you. So, the following guidelines must be kept in mind.

1. Review financial statements and tax returns for the past five years. These statements show the performance of the business over the years.

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2. Recognize that financial data can be misleading. These can be misleading in the following heads.
    I. Assets overvalued
    II. Expenses overstated/understated
    III. Income underreported
    IV. Unrecorded debts
3. Adjust asset valuations to reflect the true state of the business

Investigating and Evaluating Available Businesses

When one has decided to buy existing business he/she must evaluate the same and keep following things in mind:

While evaluating about an existing business, hasty decisions should not be made. Professional services might be required. These can be **Accountants** especially chartered accountants because they are experts in business valuation so it is better to attain their services. They can accurately validate the information. There might be several legal agreements with entities so it would be better to attain services of **attorneys.** These may be domain experts relevant to the specific type/ field of business.

Evaluation Methods

Asset-Based Valuation Approach. Assets' value/price is determined. This approach is mostly buyer friendly but sellers usually do not agree with this approach because sometimes it is not suitable for assets of a running business.

Market-Based Valuation Approach. Looks at similar businesses sold recently and price is determined accordingly. Main issue is that in our country, there is hardly any platform where we can find such data. So implementation of this method is a bit difficult.

Earnings-Based Valuation Approach. Future earnings capacity is analyzed and price is determined accordingly. More the future earning capacity, higher the prices.

Cash Flow-Based Valuation Approach. On the basis of past cash flows, future cash flows are projected and price is determined. As it is a complex procedure, professional help of accountants might be required in this.

Determinants of a Firm's Capitalization Rate

Capitalization rate here is considered as rate at which business reinvest its earnings. Value of a business is usually determined at its capitalization rate. A Business that has to reinvest most of its earnings is considered a risky business and is less valuable as compared to a business that has to reinvest just a percentage of earning. Capitalization rate is determined on the basis of risk and projected growth. If there is high risk means capitalization rate is high so the value of the firm will

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be low. If the risk is low with low capitalization rate, firm's value will be higher. If projected growth will be high, it means firm has low capitalization rate and its value will be high. With low projected growth, there would be high capitalization rate and firm value will be low.

Factors to Consider in Valuing a Business

There are some **Non quantitative** Factors to Consider in Valuing a Business. If the business has more *competition* means more pressure and you can have to compromise on price and other factors in future. If there is *more customer* base and potential of the business, it can be profitable to buy that. If community can have *positive changes* with the business, it would be a better decision to buy that. *Odd legal commitments* e.g. improper rental agreements and supply chain agreements might create trouble. If there is employee or *trade unions*, agreements with those must also be checked. Situation of the *building* must also be checked. Poor condition of which might require major investments. Product *prices* can you set must also be kept in mind.

Negotiating and Closing the Deal

After evaluation and valuation of the business, we are towards the last step i.e. negotiating and closing the deal.

Terms of Purchase

While deciding about buying an already established business following things must be kept in mind.

- **Assets purchase or total entity.** It must be considered whether you are buying whole business or its assets. If you are buying assets only, you might not be owner of the name of the business
- **Indemnification clause.** This clause suggests that after a particular time if it is found out that due to some error at seller's end buyer faces any loss, seller has to bear that loss. This clause in the agreement is a guarantee for the buyer. Any misleading or hidden fact revealed after a time would be a penalty on the seller.
- **Payment in full or partial payments over time.** Experts recommend when you buy any business must not pay in full. 30 to 40% must be paid in advance and rest must be in 3 to 4 installments. Payment span must also be more than a year.

Closing the sale

Any lawyer or agency or firm can act as that third party to close the sale process and they must check all the documents including, Bill of sale**,** tax certifications and Payment-to-seller agreements and guarantees.

----------The End----------

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Technical Articles Theme 03

Title: Routes to Entrepreneurship: Joining a Family Business

Videos: 24-34

Topics Covered

24. Family business challenges and characteristics (Part 1)
25. Family business challenges and characteristics (Part 2)
26. Family business Advantages
27. The Family Business: Value and commitment
28. The Family Business: Professional Management
29. The Family Business: Roles and Relationships
30. The Family Business: Family Conflict Resolution
31. The Family Business family & non-family members
32. The Family Business: Successful Succession (Part 1)
33. The Family Business: Successful Succession (Part 2)
34. Family Business Teams

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Family Business

There is no hard and fast definition of what family business is. The ownership control is by members of a family. Not only one member of family or family with blood relations might be owners of the business but other relatives might also be involved. Family practices and value influence family business. If the business is successful it would transfer into generations. A company that two or more members of the same family own or operate together or in succession can be considered as Family business. *In others words we can say that a business owned controlled and joined by more than two family members is called Family Business.* There is interaction between an individual, family and business so this business becomes a unique entity. For example, if a graduate wants to join his family business where his father and brother are already working he is an individual plus part of the family and business as well. All these roles overlap in a family business.

Family Business Challenges and Characteristics

If family members have conflict with each other, it impacts the whole business. In addition to that if there is no male member in the family, it becomes really difficult for female family members to take over the business. Family businesses sometimes have to face **role conflicts**. If parents and children are there it becomes difficult to differ in their parent and professional roles. Parents and children might have different management styles. It is difficult to have **financial accountability** of family business as members don't want to justify their financial spending. Family issues and conflicts are reflected in business. Several major issues arise when there are **succession delays**. Sometimes senior family members have fear of death. They are reluctant to transfer business to next generation. Sometimes senior family members are hesitant to share responsibilities and power. Sometimes members feel **threat to personal identity** so they are reluctant to transfer authority. Parents do not want to be bias. So they are reluctant to transfer authority to single person which creates delays in succession. If one of the children is more engaged in business activities, others feel neglected which can be a basis for succession delays. Fear of retirement along with jealousy and rivalry also creates **unwanted delays in transfer of ownership**. Boundaries among family, ownership, management systems may become blurred. Because successful or running business is transferred to next generation, they are many times unable to keep it going successfully.

Family business has its **shared vision**, **values** and **goals**. They are not performing business haphazardly but have a proper plan. There are **well written procedures** and **expectations** regarding family participation in the business. It is clearly mentioned that how much participation of each family member would be there. It is clearly mentioned that after retirement/death who will take care of business. It is documented beforehand to avoid conflicts. They not only rely on **family wisdom** but have outside advisors and board members as well for advice. Family unions also

impact the business positively. Family business is supposed to have professional management and proper governance structures. Responsibilities of family members are usually pre-planned.

Some Research Facts about Family Businesses

After doing research we get to know that out of all businesses all over the globe 80% have family business structure. This ratio is common for both developed and developing countries. This family business can be with parents or any blood relations. If we research about any of the successful brand, we get to know that they have family business stories. It is generally said that not more than 30% family businesses transfer to next generations. 10 to 15% usually transfer to 3rd generation. Only 2 to 4% are those who transfer to 4th generation. If we locally look around in our country and cities we get to know that many sweets, jeweler, and other popular businesses are family owned.

Family Concerns	**Business Concerns**
Care and nurturing of family members	Production and distribution of goods and/or services
Employment and advancement in the firm	Need for professional management
Loyalty to the family	Effective and efficient operation of the firm

Family business Advantages

While choosing between starting a family business and starting a business from scratch there are certain advantages that shift the attention towards selecting and joining a family business rather than starting a venture from scratch. Let's have a look these one by one.

- Just like life, the journey of business is also not smooth. Business organizations also have ups and downs in it just like any person's life. It has happy and successful times and it has challenging times as well. During challenging times, the benefit that family business offers is strength of the relationship that holds family member together during tough times. It keeps them integrated with each other and the business. While in other non-family businesses the partner who are not family members leave or dissolve the business and getaway with their share.
- During tough times family members may sacrifice their financial benefits for sometimes to bring the firm into normal working conditions.
- Usually family businesses are distinguished from other businesses by the very status of being a family business. It gives strength that this business is owned by a family.

- Researches show that family businesses generally show a high level of concern for the community and contribute towards social work and welfare activities.
- Due to unbreakable family ties, family business plan for the long run showing long term commitment. Literature also supports that family businesses have better quality and values as compared to other businesses. The intensity and presence of these attributes may not be same in all family businesses but they do have some level of these attributes in one way or the other.
- In family businesses, motivation for success is high as all members try to achieve common goals leading towards mutual success. All members in family business have networks thus, the network of the business becomes wide which makes promotion of the business comparatively easy

The Family Business Unique Attributes

Now let's see how family business is different from other businesses in terms of its culture and commitment. The start/ initiation of family business usually take place by an individual -the founder of the business- whose core values are transmitted in to the business and shape up the culture of the organization. The founding member of the business has deep impact on the culture that is formed within the business. Every creation has the characteristics of its creator same is true for the businesses which have an imprint or reflection of the personal values of the founder. This reflection of the founder's personality and value still has deep roots within the family business even if the third generation or fourth generation is dealing the business now. Hence in family businesses usually certain common values are embedded in their cultures which can be witnessed in majority of family businesses in one way or the other. For example these values generally include mutual respect, integrity, and wise use of resources, fun and personal responsibility. Even the non-family members in the family business also exhibit these values. Similarly there are four kinds of commitments that affect the family business.

- Desire-based commitment
- Obligation-based commitment
- Need-based commitment
- Cost-based commitment

All these commitments affect the turnover and performance of the family businesses. All family members have to exhibit all these commitments because if any member lacks or ignore any of these commitments then it may cause turnover which means other family members leaving the family business or business performance is affected.

Let see what are the best practices for managing the businesses and how conflicts are resolved in family businesses. Literature has reported certain best practices over the years, all or some of which can be used in any family business. These are:

New thinking must be encouraged in family businesses and fresh insight must be gathered to avoid inertia which is a key issue in most of the family businesses. Due the inertia, family businesses cannot become compatible with the changing environment. Due to which they may ultimately phase out.

- You must take input from those non family members in the business to update your perspective.
- Hire the excellent managers rather than relying on the family members. Give chance to capable person for being the managers irrespective of the fact that he is the family member or non- family member.
- Make the organizational environment creative and flexible. It will benefit the business.
- Try to not only create the capital (it means all forms of capital) but also to conserve it.
- Succession planning must be timely done.

Every family business has its uniqueness, try to keep this unique advantage of family business and keep on exploiting it.

There are different kinds of roles in family business and what kind of possible conflict might arise in it. The family is very broad and it encompasses many different kinds of relationships that join the business during different times and stages of the family business. Like husband and wife, father and son or daughter, grandfather and grandchildren, cousins and in-laws. Succession planning is also a major issue in family business.

The Family Business: Successful Succession

There are different concerns for succession. Parental concerns for passing on the business to the children. Does my child possess the temperament and ability necessary for business leadership? How to motivate the child to take part and interest in the business? What type of education and capabilities will help them to become a part in business? At what time, they should engage their children in business. Should they include them at once or first train them? Then after making them part of business, how to prevent favoritism and also keep your relations healthy with their child?

One of the issues that arise in the family business is conflict among family members. As far as conflict is concerned, be it a family firm or a non-family business, there are chances that conflict may arise among people. Whenever people are working together, their interests may clash with each other and difference of opinion may exist and problems may arise. These conflict are realities of this world, so experts suggest that whenever conflict arise among family members within family businesses they may arrange family gatherings periodically but away from business environments usually at a remote area to discuss business matters.

Another suggestion is make a family business council to discuss family business matters and resolve the conflicts. The objective of the council must be to create harmony among them.

A constitution may be passed by the mutual consent of the family members. They may form a constitution decide certain principles and seek guidance from that constitution for the smooth and conflict-free flow of the business.

All these suggestions may not guarantee the success of the business but these may help to ensure the smooth flow of family business.

From management point of view, another challenge in the family business is that after certain years two different cadres are formed; Family members who are working and non-family members who are working. Then sometimes certain floors or areas are reserved for family members. Family member executives and non-family executives have different areas / floor dedicated for them in certain business.

Now we see the conditions that favor the leadership succession in the family business. First we will see what is succession? Succession is transferring ownership of the family business to the next generation. Succession means when the next generation of the family is joining the family business and they are assuming important business positions to carry out its activities in future.

The conditions that make succession in the family business easy, includes:

- A sound and profitable running business
- Stable and healthy relationships among family members joining the business
- If prior decisions regarding the succession process have been taken and planning about leadership succession is done in advance.
- If positive attitude and team oriented management structure of the overall family leadership makes succession easy.
- Never force the newly joining family member to join the business or a certain position in the business and always present the true and realistic preview about the opportunities that they have in the family business.
- Always be open to discuss the family issue because open communication and discussion will help resolve issue and will benefit the business.

Besides all this, keep it in mind that the new generation needs to be properly guided and mentored to become effective part of your family business. For business succession, a five stage process for succession is recommended. The different stages are:

First stage is pre-business involvement- some businessmen start taking their children to their firms during their summer vacations and start involving them by giving them small tasks and assignments of the business. Then they are given proper education which is suitable for their business. After that their competence is determined and then according to their competence, they formally join the business. As a final step their business succession is declared.

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During succession when ownership is being transferred to the next generation there are certain things that must be kept in mind. Like; following things needs to be considered

Who will inherit the firm and when? There are two separate points here; giving jobs to family members in the family business is something different and transferring ownership formally to family members is totally separate thing. So it's important to question that who will inherit the business? Will here be collective inheritance or a single individual will be made owner of the business. Should each heir receive the equal share? Should ownership be transferred gradually? Or should it be transferred at once? While transferring the business there will be certain tax considerations as well. How these tax implications will be handled? What to do with other wealth and assets of the founding entrepreneur besides this business?

All these questions must be dealt with care and consideration as these are very crucial for the smooth transfer of ownership to the next generation and also for keeping the business sustained. The sustenance of the business is important not only for the family but for the employees working in it and for the society at large.

Family Business Teams

Moving on in our discussion on relations in family business, we will discuss the teams that may exist in family businesses.

Husband wife team in family business such team exist in west but now in Pakistan such teams also exist specially in service sector like in private schools. Such teams provide to opportunity to share in each other's life. But in case of any conflict in family it may affect the business and other way around. At times, work increases so much and both becomes so busy that you do not get time for family life. An advantage of working together provides an opportunity to share the responsibilities.

Another team is **sons and daughters team**. When siblings join the business, there are chances that their personal preference might vary from one another and may be different from business. Their qualification may be different from business requirements. It is also possible that they are not capable to deal the affairs of the business or they do not have any interest to continue the family business. When they decide to join the business there are two possibilities: either they show a lot of cooperation or they may start competing with each other and become rivals.

At times **in-laws** of one family member also join and become part of the business. Then the in-laws of other individuals may also try to join. It may be that the in-laws joining the business may not capable. At such times disagreement about treating them and rewarding them may become an issue. Thus, in family businesses roles and relationship among business may have conflict and may show co-operations.

----------The End----------

Technical Articles Theme 04

Title: Routes to Entrepreneurship: Franchising

Videos: 35-41

Topics Covered

35. Franchising Opportunities-Introduction
36. Pluses and Minuses of Franchising
37. Franchising options
38. Franchising Cost
39. Franchisor Controls
40. Evaluating Franchise Opportunities
41. Franchisor and Franchisee Relationship

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Introduction to franchising opportunities

It is important to know the routes for entering the business world. There are four main routes for the entering business world and each has one its advantages and disadvantages. First method is to start a new business from the scratch. This is called "pure entrepreneurship route" and it is the riskiest route for a business as well. Second option is that if you do not want to start a business from the scratch, then you can avail the option of "franchising". This means you take a limited right of doing a business for an existing enterprise to a start your work. Third method is to "buy an existing business" that was already operating in the market. Fourth option is "to join the already existing family business". The riskiest of the options among these four is of pure entrepreneurship route. The least risky business option for a new venture is franchising business with less risk and more reward. In existing and family business, there is less risk and reward.

A franchise is a popular mode of business. In education sector of Pakistan, this model of business franchising is being used. In fast food business, fertilizers' business, petrol pumps business, telecom business and automobile industry etc., business model of franchising is being used. This is a kind of marketing system in which strong and existing business (franchiser) gives rights of business to the franchisee for operating its business based on a franchise agreement. This is basically a two party system.

Pluses and minuses of franchising

Frenching is a potential route to entry in an entrepreneurial world. It is important to assess the positive and negatives aspects of franchising mode of business. The plus points include that you do not enter alone in the franchising as the support of franchiser remains with you due to his business interests. You enter business world under the umbrella of an established business brand. Potential risk is less and it is a relatively secure mode of business. All franchisers give a business training to the new franchisee because it is a partnership relationship and they all get benefit. They may also provide financial help along with proven marketing methods. This helps in business success as well. Franchiser also provides managerial support to the franchisee. Startup time is less in franchising business. Overall, the failure rate is less in the franchising business.

Negative aspects of franchising cannot be ignored as well. It is not a cheap business. You have to invest a lot and have to give part of business earning such as royalty to the franchiser on regular basis. Growth of franchisee remains restricted. You cannot sell your own business or expand the business. Operations are monitored by the franchiser. Every franchise agreement has a termination clause that remains an advantage only for franchiser.

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Franchising options

It is important to know about the concept of franchising and its types. In Frenching, there are two parties. One grants the right of business to the other party based on the terms and conditions of franchise agreement. There are different methods of franchising. Most popular arrangement of franchising is "product and trade name franchising". In this arrangement, franchiser gives the right of only using his brand name to the franchisee and hence franchisee will sell his products or services. Generally, the franchising of schools and colleges in education sector happens on this pattern. Telecom sector also follows this pattern of franchising. Dealership in automobile industry is also based on the arrangement of "product and trade name franchising". Petrol pumps business also runs on the same franchising arrangement. Franchisee does not have to produce anything in this arrangement and franchisee only sells the products or services produced by the franchiser.

Second most popular form of franchising is "Business Format Franchising". Franchisee gets the similar system to operate as that of franchiser. So, in the apparent shape and appearance, a franchisee is a copy of franchiser under this arrangement. Example of business format franchising is of fast-food restaurants. All franchised branches of fast-food restaurants are often similar and they make the same product. Franchisee's branch is often a ditto copy of franchiser's branch.

Third method that is common in franchising but not much known is called "Piggyback Franchising". In this type, neither franchisee uses the name of franchiser nor does he deal in franchiser's products or business format. In fact, franchisee uses the location / premises allowed by the franchiser with exclusive right of use. For example, canteens in colleges and universities have exclusive rights to sell food items in those areas. Similarly, tyre shops, tuck shops and car service areas inside the petrol pumps are also the examples of piggyback franchising.

"Area developer" is another type of franchising. For example, a franchisee operating with an exclusive right of having franchiser's outlets in a city. "Multiple unit ownership" is another type. For example, if someone owns more than one outlet of a telecom company. "Master Licensing" is another type in which a company gives exclusive right of operations to the franchisee in its country. All of the above are the commonly used options of franchising.

Franchising Cost

Once an entrepreneur makes a decision about entering in franchising business, then it is important to know about the types of cost associated with franchising business. There are four types of costs that an entrepreneur will have to bear in franchising business. First type of cost is "initial franchise fee". This type of fee is usually non-refundable and taken at the start by the franchiser for commercial use of his name by the franchisee. For example, a school may sell the name as a franchise and can collect the initial franchise fee. Second type of cost is "cash investment" that is incurred for the development of infrastructure such as building etc. Third type of cost is "royalty payment". It is the type of cost that franchisee has to give to the franchiser based upon the earning

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of business. This payment usually ranges from 5 % or 25 % depending on the mutually decided agreement. Fourth cost is "advertising expense". Franchiser takes this cost of advertising from franchisee as he / she is also a beneficiary of the business.

Franchiser Controls

There are four types of controls often observed by the franchiser on franchisee. First type of control is "restriction of sales territory". This is the first type of restriction faced in franchising. For example, the franchisee cannot operate out of a specific area of a city. Second control of franchiser on franchisee is that franchisee has to follow the "approval of site and facility's appearance". For example, a franchisee of McDonalds will have to follow the same style of building, SOPs, design, layout and logo etc. Same applies to telecom sector. Third control is "restriction of goods / services to be sold". Franchisee can sell only those goods and services whose right has been granted by the franchiser. Fourth control is "required operating hours and advertising". These are the four controls of franchiser on franchisee.

Evaluating Franchise Opportunities

It is important to know about the opportunities available for franchising before starting such a business. Some of the techniques about evaluating franchise opportunities include personal observation. This may depend upon your own information. For example, your knowledge about a company that is selling franchise rights. Second option is of "advertisements". Franchise opportunities are often advertised in newspapers. Alternate words such as dealership, distributors etc. are also advertised.

After knowing about the franchise opportunity, it is important for the entrepreneur to investigate such opportunities. Getting information from multiple authentic sources is the key. Other sources of such investigation about a company include government agencies such as Securities and Exchange Commission (SECP), internet, and franchise consultants and also franchisers themselves provide information manuals. It is also important for a potential franchisee to meet the already existing business demands in franchise operations of their targeted company.

Franchisor and Franchisee Relationship

After purchasing the franchise, the relationship of franchiser and franchisee should be productive one. Both should be "responsive" to each other. They provide answers to each other's queries. Secondly, "empathy" is also important. One should understand the others. Communication is also important. Dependability is also important. It is important for both the stakeholders of franchiser and franchisee. Then the accessibility is also important as it is a give and take relationship. Anticipation is important for forecast about future. Structure of relationship needs to align as per

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the needs of both franchisee and franchiser. Open mindedness is also important. Franchiser has the upper hand in a franchiser – franchisee relationship but they would not like to spoil franchisee's business and instead the business growth of franchiser also depends upon the business growth of franchisee.

----------The End----------

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Technical Articles Theme 05

Title: Routes to Entrepreneurship: Characteristics of Successful Entrepreneurs

Videos: 42-55

Topics Covered

42. Co-entrepreneurship
43. Young entrepreneurs
44. Minority and Senior entrepreneurs
45. Part-time and home based entrepreneurs
46. Social entrepreneurs
47. Women entrepreneurs
48. Who are Wantrepreneurs?
49. The pitfalls in the journey of entrepreneurship and how to avoid pitfalls?
50. Characteristics of successful entrepreneurs (part a)
51. Characteristics of successful entrepreneurs (part b)
52. Characteristics of successful entrepreneurs (part c)
53. Some Key skills of successful entrepreneurs (Part a)
54. Some Key skills of successful entrepreneurs (Part b)
55. Some Key skills of successful entrepreneurs (Part c)

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Co-Entrepreneurship

Co means "two" people working together. Similarly, in co-entrepreneurship, two people work together on an entrepreneurial project. There is no restriction of age, gender, cost etc. in co-entrepreneurship. Sometimes, idea of business is developed together and everything is also shared in the business. They work in a team to establish a venture. Co-founder is also a term used for such entrepreneurs who create a business together. Serial entrepreneurs are those people who have a lot of experience of creating new ventures. They are very skilled people. They often establish a venture for selling it and then create another venture to sell that as well. Co-entrepreneurs are often those who have good skills of establishing a business or they can be good advisers of establishing a business. Third method to become a co-entrepreneur is to be an investor in an entrepreneurial venture. For an entrepreneurial venture, one has to manage a team and it is not easy to work in a team. Same applies to co-entrepreneurship. First challenge of co-entrepreneurship is "personality conflict". Second is "risk taking behavior". Third is "personal life and commitments". "Team conflicts" may also be there. "Financial matters" may also be a cause of concern. "Profit sharing" and "partnership dissolution" may be the other issues. If partnership deed was not there then more issues can arise while business dissolution if it was not registered business. Scale up issues may also arise if business gets flourished. These may differ in different types of the co-entrepreneurship. One partner may be highly committed versus other. Hence, in a good entrepreneurial venture, these issues should be managed properly.

Minority and Senior Entrepreneurs

Minority means a group of people who are less in number compared to a social group in any social environment. They usually face some disadvantage in the society. In the flag of Pakistan, while color is for minorities. Minority can be gender based, ethnicity, race, religion, linguistic and disability based. There may be certain basis upon which we declare a group as minority. For example, based on religion, Hindus, Christians, Sikhs, Parsis and Buddhist among many other are the minorities in Pakistan. These minorities can also become entrepreneurs but they also have to face competition in the entrepreneurial as well as in the job market. So, they often start business. Even in US, minorities are closely watched as they often do their own business. Main issue of minorities is that they often have to face discrimination in their country from dominant groups. For informal sources of finance through loan, they also face discrimination as they are often unable to provide collateral to banks for gaining loan. Senior entrepreneurs are those people who start their business after the age of 50 years. This is usually the age of retirement or early retirement. They often feel they can start small ventures. Corporate layoffs are also a reason. Personal fulfillment and self-actualization are other reasons for senior entrepreneurship. It may be for the need of additional income as well. Sometimes, people do it for spending quality time as well.

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Part-time and Home-Based Entrepreneurs

There are two approaches of entrepreneurship. Full-time or part-time entrepreneurship. Full-time entrepreneur has to bear time, cost and all the associated risk of the business only for a single business commitment. Part-time entrepreneurship is the one which is not the main source of income for an entrepreneur. An example of part time entrepreneurship might be of a person who is doing a job and is also doing a business in the additional time after office hours. Important considerations for part-time entrepreneurs are;

1. **The role of financial or non-financial motives:** Financial motive may be a lesser income in the job. Non-financial motive might be that the entrepreneur is developing the idea and once the business would develop, he would leave the job and will join the entrepreneurship as a full-time activity.
2. **Social pressure:** This is the second issue for which you want additional income to enhance living status. The problem is that due to extra efforts, an entrepreneur may get burnout in which stress increases and he may leave the business venture altogether.
3. **Over commitment:** Employment and business both demand time and social life and those may get effected simultaneously. You will have to manage both the risks with a good balance.

Home based entrepreneurship is more common in rural areas and it is also called micro or nano business. It is often a skill-based business at home. Mostly females are engaged in home-based business. Access to finance remains an issue as financial institutions don't see it as a mature business. Increased production / scale up becomes an issue for home businesses. Work life balance also becomes an issue.

Social Entrepreneurs

Social entrepreneurs solve community issues through novel business ideas. They are willing to take risk for positive change in society through their initiatives. So, they don't do their business only for profit. There are so many issues around us such as unemployment, poverty, minority association and disability etc. Then, why not that one should create a business that solves these problems and the one who solves these issues is a social entrepreneur. A social entrepreneur does business for social a cause. Often NGOs take such initiatives. But, business model of NGO stays only on donations or funds from local and international donors. To break that model which is not sustainable, a model of business and NGO was merged for social entrepreneurship.

Social entrepreneurship is actually a socio-economic business model. Whole profit gets re-invested in the same business. They often work with government and NGOs. Grameen bank is the best example of social entrepreneurship that was made for ultra-poor people who had no collateral. Grameen bank provided loans to such communities. Its recovery rate was highest and was 99 %.

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In Pakistan, Akhuwat Foundation is also an example of social entrepreneurship like Grameen bank. It does not charge interest as it offers "Qarz-e-Hasna". In 2010, a restaurant was started where waiters were blind just to make the people realize about their disability and to give jobs to disadvantaged. Three major issues of social entrepreneurship are there. First is financial sustainability. Therefore, Akhuwat also takes donations. Operation self-sufficiency and business sustainability are the other two issues.

Who are Wantrepreneurs?

Wantrepreneurs are those potential entrepreneurs who make unrealistic desires for starting a new business. They are also often confused about business idea and rely on so many other people and hence get confused. They also find it difficult to make timely decisions. They are often complaining and not willing to fail. They are day dreamer and risk-averse persons. The main difference between entrepreneur and wantrepreneur is that entrepreneur converts idea into a startup while wantrepreneur keeps on planning for the business idea. You have to decide whether to become and entrepreneur or a wantrepreneur. It is always better to use your energies for becoming entrepreneur rather than entrepreneur.

Pitfalls in the Journey of Entrepreneurship
How to avoid pitfalls?

Pitfall means an area of uncertainty. Pitfalls in the entrepreneurial journey happen due to the mistakes of entrepreneurs. One of those mistakes is "lack of managerial skills". For example, if you can design a good product but cannot manage the people then it is an issue. Second is the lack of experience. So, never over rely on lack of experience in new business. Poor financial control is another issue that can cause a pitfall. It is mainly because entrepreneur starts spending on personal financing as well. There are often poor controls as well that might be a source of entrepreneurial pitfall. "Weak marketing effort" is another issue. "Failure to develop a strategic plan" is another issue. You need to have plan B as well being an entrepreneur. One should know which competition to avoid initially. "Uncontrollable growth issues" are also a problem. Unplanned diversification in business creates problems as well. Selection of poor location is also an issue. For example, transportation may become an issue for poor location. Similarly, "incorrect pricing" is also a big issue that can lead towards an entrepreneurial pitfall. One should avoid over pricing as well as underpricing. One should avoid inability to make transition in the entrepreneurial journey. Self-awareness and awareness of business is the key. Networking also helps in the industry. An entrepreneur must tune himself for new and better qualities as an entrepreneur.

Characteristics of Successful Entrepreneurs (part a)

Learning about the characteristics of a successful entrepreneur can help a lot to the entrepreneurs for a better entrepreneurial experience. It also helps us in understanding the reasons that contribute to the success of entrepreneurs. Some of the major characteristics of a successful entrepreneur include;

- Passion for the business
- Tenacity despite failure
- Execution intelligence
- Discipline

If we study the autobiography of successful entrepreneurs of the world, then we would realize that all the successful entrepreneurs had a **passion for doing their own business** even from the start of their career. Without passion, a person can neither excel in the job nor in the business. So many aspects are associated with an entrepreneur when he starts a business. For example, financial risk gets attached to him. He has to manage a team for business. Time, energy and other resources are also utilized by an entrepreneur. Even while spending all these financial and non-financial resources, one cannot make an organization if the passion is not there. Many people realize that these are the non-commercial businesses such as NGOs that require passion. However, it is not true. All the big businesses in the world were established by passionate and visionary people.

Second aspect of a successful entrepreneur is **tenacity despite failure**. As an entrepreneur, one should not stop efforts even after failure. We often see the successful entrepreneurs while they enjoy their success stories in the final phase when their business is well established. Behind that, there happens to be a lot of struggles in their past and every entrepreneur has to face a lot of setbacks at the start of a business. Therefore, as an entrepreneur, one should remain prepared to face setbacks at the start of entrepreneurial journey.

Execution intelligence is also very important. People may have many other characteristics but an entrepreneur needs to have many characteristics. All the successful entrepreneurs have execution intelligence. They know when to use which resource and how to operate the business. They also know how to get the work done from their team. They should also know how to timely bring the idea in the market and to deal with the competitors. Hence, execution intelligence is an extremely important characteristic for an entrepreneur.

Discipline of entrepreneur is also very important for entrepreneur. There is this myth that entrepreneur does not have to follow the time like a job. But discipline is even more important in the business as well. You have to set priorities, be punctual and be better manager for being a role model of employees working in that venture.

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Characteristics of Successful Entrepreneurs (part b)

Some of the other characteristics of a successful entrepreneur include;

- Being self-starter
- Strong work ethics
- Open mindedness
- Self-assurance

Many people can guide an entrepreneur by providing self-motivation and talks but for success as an entrepreneur, **being self-starter** is a pre-requisite. There is a new term that is getting popularity and that is "motivational garbage". It means that even after listening so much motivational speakers, sometimes we cannot start a business. That means we are not motivated from the inside because we were not self-starters. A person has to adopt his own path.

Strong work ethics are also very important. Some people are of the view that everything in business is fair. But that is not true. All the successful businesses in the world have strong work ethics values. There is a viewpoint that corporate social responsibility is the responsibility of only the big businesses. But, irrespective of the size of the business, people prefer those values even in the small businesses that they see in the business owner.

Open mindedness is also very important. We listen to the people and can often get judgmental. People often lack tolerance as well in business affairs. However, tolerance for ambiguity is very important for successful entrepreneurs. It's important to keep personal biases aside.

Self-assurance means confidence on one's own personality. If entrepreneur does not have the confidence on his own product, then his product would not sell to others in the market. One also has to be ready to face the opinion of other for which being self-assured is important.

Characteristics of Successful Entrepreneurs (part c)

Empathy and tolerance are important factors. Being empathetic means listening people from their point of view. Entrepreneur has to listen the consumers. One has to be empathetic with the end users. Then, vision is also very important. Successful entrepreneur definitely has a vision. He should have foresightedness. Can you assess the future market demand? Such factors are key for a visionary leader. Self-investment is also important as entrepreneurs need to learn. They need to have trainings for business excellence. Export business owners often go abroad for such trainings and for meeting with the potential and actual clients. One has to be optimistic being an entrepreneur. Entrepreneur also has to be creative. Your approach must not be traditional and you should not use the same formula used by the whole market. Successful entrepreneurs are always creative.

Some Key Skills of Successful Entrepreneurs (Part a)

An entrepreneur should have some good personal characteristics for the business success. There are many such characteristics that can be discussed; however, few are more important. First, "goal setting" is an important characteristic and a key skill. Entrepreneur must know the business goal as he / she is to invest the resources in a business for a specific time and purpose. Entrepreneur should know where the business would be after a year. In which market he wants to access and how much he wants to expand the business in coming time. Goals should be specific, measureable, accurate, and realistic and time bound (SMART).

Then, "information seeking" is a power and an ability for an entrepreneur. Everyone has digital existence. You should have customers' data for your business. This information helps in making the decisions. Industry information is also very important. It is a skill to access right information for your business. "Opportunity seeking" is also another skill for entrepreneur which is very important. Everyone has the opportunity but it is important to properly assess an opportunity and avail it in a right manner. It is also a skill that can be learnt. "Learning" is also another ability for which unlearning the existing mindset, business patterns and behaviors is sometime important, so that one can absorb the knowledge with open mind and open heart for improvement. "Persistence" is also another skill based upon which one quits or keeps on going for a business.

Some Key Skills of Successful Entrepreneurs (Part b)

"Planning and monitoring" is a characteristic of a successful entrepreneur. It is very important to plan and monitor your business. Software can also help an entrepreneur in planning and monitoring measures. For example, for accounting purpose in business, many software can help an entrepreneur. Availability of finances is also very critical. Financial strength is the lifeline of every business. Hence, "financial intelligence" is very important. Financial management is a key for a business. Entrepreneur should know about financial statements, balance sheets, ledgers and financial ratios etc. "Market intelligence" means market research for your business. You need to keep an eye on your competitors. "Persuasion and influence" is a very important skill as well. Some people are introvert and many people in the extrovert category think that they are good in marketing and sales as well. In fact, it's all about persuasion and convincing the consumers. As an entrepreneur, even you have to convince employees of your organization to keep doing the good work and this also requires persuasion. There are many trainings that are conducted that can help an entrepreneur in this regard for learning about the art of persuasion, convincing others and communication skills.

Some Key Skills of Successful Entrepreneurs (Part c)

Quality assurance is an important business characteristic in the sense that an entrepreneur would want to convince customers on the basis of quality of his products and services. You should make sure that there should not be any defect in the products or services. "Efficiency" of resource is another skill for proper business. You have to use the resources smartly. "Reading financial statement" is also very essential for the entrepreneurs. Understanding balance sheets, cash flows etc., is necessary for an entrepreneur. Understanding different ratios such as liquidity ratio is also important to know the net worth of the business. Marketing skill is also important for an entrepreneur. One should know about the proper execution of marketing mix. "Place" for selling the product is also a critical decision. You should be able to design the supply chain of your product. In services industry "physical evidence" is also very important. Team of good individuals, communication skills, networking etc., all are important. There is a saying that your networking is your net worth. For example, you should have people who can help you in supplies, legal advice, financial advice and digital marketing etc. These characterizes are key for a sustainable business relationship but they would not like to spoil franchisee's business and instead the business growth of franchiser also depends upon the business growth of franchisee.

----------The End----------

Entrepreneurship Mantra

Technical Articles Theme 06

Title: Entrepreneurial Process

Videos: 56-69

Topics Covered

56. The entrepreneurial process (Orientation)
57. Group Discussion 1: Academicians and Practitioners View (part 1): Are entrepreneurs born or made?
58. Group Discussion 1: Academicians and Practitioners View (part 2): Are entrepreneurs born or made?
59. Group Discussion 2: Family Entrepreneur (Part 1): How they started and what challenges they face?
60. Group Discussion 2: Women (Part 2): How they started and what challenges they face?
61. Identifying and recognizing opportunities Part I
62. Identifying and recognizing opportunities Part II
63. The opportunity sources: Observing Trends
64. The opportunity sources: Demographics and Social Trends
65. The opportunity sources: Economic and technological forces
66. The opportunity sources: Social Innovation and market gaps
67. Techniques of idea generation: Brain storming and mind mapping
68. Techniques of idea generation: library, internet, and incubation centers
69. Techniques of idea generation: Friends, Experts, and intuitions

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The Entrepreneurial Process

The entrepreneurial process includes all the functions, actions and activities that are part of perceiving opportunities and creating organizations to pursue them. Entrepreneurship is a complete process which is not easy. An individual can get fascinated by the idea of being his/her own boss but if he/she opts for entrepreneurship, he has to go through the complete process. The entrepreneurial process has following steps:

1. Decision to become an entrepreneur (personal preference, desire behaviors, dream)
2. Developing business idea (business plan making for opportunity
3. Idea to venture establishment
4. Managing and growing firm

As we have already discussed the importance of entrepreneurial traits, we will now see how these traits help entrepreneurs in entrepreneurial process.

- An entrepreneur's traits of knowledge and inspiration help him in idea generation.
- An entrepreneur's traits of dream, desire, and creativity help him in venture development
- An entrepreneur's traits of determination, learning from trial and error, productivity and efficiency help him in production and operations
- An entrepreneur's traits of leadership and networking help him in sustainability and growth

The entrepreneurial process is alternatively defined as a set of stages and events that follow one another. According to this definition, the entrepreneurial process stages are: the idea or conception of the business, the event that triggers the operations, implementation and growth. An important factor that drives the development and growth of the business at each stage is human behavior or entrepreneurial characteristics. Entrepreneurial traits are shaped by personal attributes and environment.

Identifying and Recognizing Opportunities

A business opportunity is defined as "a favorable set of circumstances that creates a need for a new product, service, or business." In order to become successful, an entrepreneur must be consciously innovating and searching for new opportunities. Usually, ventures are started in two ways; ventures in which opportunity is externally stimulated and ventures where the opportunity is internally stimulated. In **externally stimulated ventures**, the entrepreneur decides to start a business, look for and recognizes the opportunity and starts the business. In **internally stimulated ventures**, an entrepreneur sees the problem or gap and an opportunity to create a business and fill the gap. Whether a venture is externally stimulated or internally stimulated, opportunities are tough to locate. A business opportunity represents a possibility for the entrepreneurs to successfully fill a large enough unsatisfied need that results in enough sales and profits.

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