

# MKTG 306

# FUNDAMENTALS OF

# ENTREPRENEURSHIP

## Session 10 – Managing the Business

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[godsonug.wordpress.com/blog](http://godsonug.wordpress.com/blog)

# Session Overview

- The session highlights how to manage the business, particularly; the session will discuss the skills required of the entrepreneur in managing his business. Also, the reasons why some entrepreneurs fail are discussed. Finally the session sheds light on the TRIPOD of Entrepreneurial Success.

# Goals and Objectives

- **At the end of the session, the student will:**
  1. Be able to mention and discuss the skills required of an entrepreneur.
  2. Be able to explain the TRIPOD of Entrepreneurial Success.
  3. Discover some reasons why some entrepreneurs fail.

# Session Outline

The key topics to be covered in the session are as follows:

- Topic One: Managerial Skills Required of Entrepreneurs
- Topic Two: Entrepreneurship Failures
- Topic Three: The TRIPOD of Entrepreneurial Success

# Reading List

- Pages 237 to 245 of the main text –
- **Buame, S.C.K. (2012).** Advanced Entrepreneurship: Enterprise Culture, Venture Creation, Promotion & Management of SMEs in Ghana --- **MAIN TEXT**



Topic 1

# **MANAGERIAL SKILLS REQUIRED OF ENTREPRENEURS**



# Managing the Business

- Creating a venture is one thing, managing it is another.
- Management involves a process of **setting goals, planning, organizing, allocating, and assigning, directing, motivation, implementing, controlling, reviewing and taking corrective actions.**

# Managing the Business (cont'd)

- Essentially, in managing the venture, the entrepreneur must put in place an organization and build up a team.
- The team constitutes all those he will employ to help him in his activities and operations.
- The management team must be managed as mentioned above. In managing you must have the necessary skills.



# Requisite Managerial Skills

- For any effective management of the organization, the entrepreneur must apply different skills. These skills are ;

## **1. Technical –**

- the techniques of your trade and business, whether you have the necessary technical know how of the business

## **2. Analytical -**

- this skill is required to analyze issues, events and the various situations that may affect your business

# Requisite Managerial Skills

## 3. Marketing –

- You need to have a marketing skill in order to know how to sell your product effectively. This involves caring for your customers and always offering good customer service.

## 4. Recording (Accounting) –

- You need have a recording skill to enable you have an up-to-date recording of business activities and transactions.

## 5. Interpersonal – relating to people in an *inviting and friendly* manner

# Requisite Managerial Skills

## 6. Language and Communication

- Learn to communicate with your customers and employees.

## 7. Negotiation –

- It is important to know that business activities involve a great deal of negotiation with other business partners. To succeed as an entrepreneur you need to understand the basic principles of negotiation – on the next slide.

# Elements of Effective Negotiation

- **Rapport and Empathy** – be friendly with the other negotiating partner. Go into negotiation with an attitude of win-win, and not to fight.
- **Preparation** – Examine needs of both parties. Know what you are going to negotiate for.
- **Poise** – remain calm, do not get too emotional and aggressive
- **Persuasiveness** – try to convince, rather than seeing your partner as someone who does not understand.
- **Patience** – Don't hurry.
- **Persistence** – Don't give in or give up easily
- **Striking a good Compromise**

# 8. Time Management Skills

Time drives everything. As an Entrepreneur, effectiveness in time management enables you to:

- a. Achieve control over your activities.
- b. Prioritize
- c. Delegate
- d. Balance work, rest, and play
- e. Develop a management style that is pro-active rather than reactive

# 8. Time Management Skills (cont'd)

- f. Deal with problems as they arise rather than letting them grow
- g. Save money by increasing your efficiency and achieving more
- h. Complete important tasks on time and avoid wasting time on unimportant tasks.
- i. Have time to listen to others
- j. Relieve pressure and stress

# Some vital strategic issues for the venture

- **Vital management issues to consider are:**
  - What is this venture about? (**mission** and values statement)
  - Where should it go? (**goals** and objectives)
  - How will it get there? (growth **strategy**)
  - What does it need to get there? (people and **resources**)
  - What structure is best? (organizational **capabilities**)
  - How much money does it need and when? (**financing** strategy)
  - How will it recognize the final destination? (**vision** of success)

Topic 2

# ENTREPRENEURSHIP FAILURES





# Why some entrepreneurs fail

- The failure rate of entrepreneurs is often very high. There is no guarantee that once you start your business you will always succeed.
- Normally, due to limited resources, inexperienced management, and lack of financial stability, entrepreneurial activities do suffer a mortality rate significantly higher than that of larger, established, businesses.

# Factors that cause of business failures.

- 1. *Management mistakes:*** Poor management is the fundamental cause of business failures. Sometimes, the entrepreneurs do not have the capacity to operate successfully. The owner lacks the leadership ability, sound judgement and the knowledge required to make the business work.

# Factors that cause of business failures (cont'd).

- 2. Lack of Experience:** Some owner-managers need to have experience in the field they want to enter into.
- Ideally, a prospective entrepreneur should have adequate technical ability (a working knowledge of the physical operations of the business and the conceptual ability); the power to visualise, coordinate and integrate the various operations of the business into a synergistic whole; and the skill to manage the people in the organisation and motivate them to higher levels of performance.

# Factors that cause of business failures (cont'd).

**3. *Poor Financial Control:*** Sound management is the key to a small company's success, and effective managers realize that any successful business venture requires proper financial control. Business also requires having a sufficient amount of capital on hand at start-up.

# Factors that cause of business failures (cont'd).

Another aspect of adequate financial control is implementing proper cash management techniques. Many entrepreneurs believe that profit is what matters most in a new venture, but cash is the most important financial resource of the venture. Maintaining, adequate working capital to take care operational or daily activities is key to business success.

# Factors that cause of business failures (cont'd).

**4. *Weak Marketing Efforts:*** Sometimes entrepreneurs make a mistake of thinking that once they create the venture, customers would just walk in. Special marketing skills are required for business. Thus, creative entrepreneurs find innovative ways to market their businesses effectively to their target customers, with great emphasis on quality, customer service and care.

# Factors that cause of business failures (cont'd).

**5. *Uncontrolled Growth:*** Growth is a natural, healthy and a desirable part of any business enterprise, but it must be planned and controlled. Expansion usually requires major changes in organisational structure, business practices such as inventory and financial control procedures, personnel assignments and other areas.

# Factors that cause of business failures (cont'd).

The most important change, however, occurs in managerial expertise. As the business increases in size and complexity, problems increase in magnitude and the entrepreneur must learn to deal with them. Sometimes entrepreneurs encourage rapid growth, only to have the business outstrip their ability to manage it.



# Factors that cause of business failures (cont'd).

**6. Other failure Factors:** The other failure factors include:

- improper stock/inventory control;
- incorrect pricing and inability to plan for succession as the entrepreneur becomes old, weak, and over-stretched managerially;
- poor customer care and not being service-oriented.

Topic 3

# THE TRIPOD OF ENTREPRENEURIAL SUCCESS



# The TRIPOD of Entrepreneurial Success pg. 258

**The Entrepreneur as Personality** (The Actor with certain characteristics, attributes, attitudes, background and experiences)



**The Business Opportunity Identified**

**Environment**

(Prospective, viable,  
and Friendly)

**The Organizing**

(Enabling, Supportive)



# The TRIPOD of Entrepreneurial Success

- As shown in the diagram, for the entrepreneur to succeed, he must stand three legs.
- The **first leg** is the entrepreneur himself (Sessions 1-3).
- He must have the necessary qualities and attributes and the background experience as mentioned when we were discussing the psychological model of entrepreneurship.

# The TRIPOD of Entrepreneurial Success

- The **second leg** is the business opportunity identified by the entrepreneur. This opportunity must be very prospective. This means the business identified must be able to survive the two to five years ([Sessions 4-10](#)).
- The **third leg** is the nature of the environment. The environment, as we will discuss in [Sessions 11](#) must be well understood and seen to be enabling, friendly and supportive.