الجمهورية الجزائرية الديمقراطية الشعبية
République Algérienne Démocratique et Populaire

Ministère de l'enseignement supérieur
Et de la recherche scientifique

Université M'Hamed BOUGARA de Boumerdès

وزارة التعليم العالي و البحث العلمي
جامعة أمحمد بوقرة بومرداس
كلية العلوم الاقتصادية ، التجارية

Pedagogical handout in

Entrepreneurship

ريادة الأعمال

For second-year finance and accounting students

Financial and Accounting Department

Dr.Badreddine Amina

2025/2026

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INTRODUCTION:

The Introduction to Entrepreneurship course aims to familiarize students with the fundamental concepts and principles of entrepreneurship. It will delve into the significance of entrepreneurs within the local business landscape and examine how entrepreneurship influences the national economy. The course will cover essential concepts that aspiring entrepreneurs need to grasp before embarking on their business ventures. Emphasizing a blend of theory and practical application, learners will be encouraged to apply these principles, concepts, and frameworks to real-world scenarios, thus enhancing their understanding and readiness for entrepreneurial endeavors.

TARGET AUDIENCE:

We have set various goals for this document, aimed at master's students in all specializations within the Department of Management Sciences, while we believe it will also benefit students in other fields at all levels, considering the interdisciplinary nature of the subject which is not tied to a specific scientific discipline. This subject is studied in most disciplines across various fields, including humanities, scientific, and technological disciplines, etc. Thus, this subject can enrich students' scientific knowledge and assist them in directing their future careers, especially for those interested in entrepreneurship.

COURSE GOALS :

Upon completion of these lectures, students should be able to:

- Understanding the content and essence of entrepreneurship (business start-ups).
- Familiarity with various components of entrepreneurship (innovation, business opportunities, value creation, etc.).
- Differentiating between various forms and manifestations of entrepreneurship.
- Understanding the characteristics of an entrepreneur (business owner).
- Developing a comprehensive view of entrepreneurship by discussing the concept of the entrepreneurial ecosystem.
- Transfer and development of knowledge and skills related to the creation and management of small and medium-sized enterprises (SMEs) by providing students with one of the essential tools used to establish entrepreneurial activities, especially through the Business Model Canvas and business plan templates.
- Understanding various suitable financing forms for starting entrepreneurial ventures.
- Understanding the concept of business incubators and the services, support, and guidance they can offer.
- Forming a comprehensive view of the entrepreneurial landscape in Algeria to facilitate students' exploration of an entrepreneurial path or any other individuals who can benefit from the content of this document, with the aim of preparing students for practical circumstances in the future.
- Define the role of entrepreneurship within societal structures.
- Analyze the effects of entrepreneurship on individuals, families.
- Elucidate the process and essence of entrepreneurship.
- Recognize the various manifestations of entrepreneurship in society, spanning startups, corporate environments, public sectors, and non-profit sectors.
- Evaluate and identify potential business prospects.

- Investigate strategies for transforming business opportunities into sustainable ventures.
- Examine a typical business model applicable to entrepreneurial enterprises.
- Outline the business planning process and its resultant outcomes.
- Describe the mechanics of the startup process.

The aforementioned objectives will enhance entrepreneurial thinking, behavior, and skills, thereby fostering an entrepreneurial culture through the development of capacities and values that enable the acquisition of cognitive, social, and behavioral skills, as well as the development of a positive attitude towards entrepreneurship, by fostering innovation, creativity (Filion .1999), and risk-taking among students. Ultimately, through this document, we aim to enrich research references in the field of entrepreneurship.

PREREQUISITE KNOWLEDGE :

To enable students to follow and understand the content of the document on the subject of entrepreneurship, they must possess prior knowledge mainly revolving around:

- The concept of an enterprise.
- Business management.
- Economics and Business Management
- Project Establishment and Management.

COURSE STRUCTURE :

The course is divided into Six chapters:

Chapter one : entrepreneurship
Chapter two : from ideas to a sustainable business
Chapter three : new business ventures
Chapter four : the business plan
Chapter five : the start-ups
Chapter six : the incubators as accompanying mechanisms for entrepreneurship
Chapter seven : mechanisms for encouraging entrepreneurship in Algeria : entrepreneurship house as a model

CHAPTER ONE - ENTREPRENEURSHIP

CHAPTER INTRODUCTION

This chapter will explore the essence of entrepreneurship, distinguish between the concept of entrepreneurship and that of entrepreneurs, examine the societal impact of entrepreneurship, and delve into the attributes defining an entrepreneur. By the end of this chapter, you will have gained insights into your potential for success as an entrepreneur and initiated the journey of identifying potential business opportunities

CHAPTER OBJECTIVES

Upon completion of this chapter you should be able to:

- Provide a definition for entrepreneurship.
- Differentiate between the concepts of entrepreneurship and an entrepreneur.
- Describe the role of entrepreneurship in society.
- Discuss the characteristics of entrepreneurs.
- Outline both the obstacles and advantages encountered by individuals engaging in entrepreneurship.
- Explore different business opportunities

SECTION 1 : THE NATURE OF ENTREPRENEURSHIP

The term "entrepreneur" originates from the French word "entreprendre," meaning "to undertake" (Kuratko, 2016) and was initially conceptualized by the Irish-French economist Richard Cantillon. It was further popularized by Jean-Baptiste Say, a French economist in the 19th century, who defined an entrepreneur as "one who undertakes an enterprise, particularly acting as a mediator between capital and labor". (Hamilton & Harper, 1994)
In recent years, there has been significant attention directed towards entrepreneurship, driven by the realization that small enterprises play a significant role in a country's economic advancement. Developing nations have formulated policies and tax incentives aimed at fostering the establishment and growth of small businesses, with the belief that these ventures possess the potential to expand into larger enterprises.

It is important that you familiarize yourself with some key concepts in the field of entrepreneurship. Let's start this section with defining some of these concepts.

1-1- BUSINESS DEFINED

Before a potential entrepreneur can start a business, he or she must understand what the essence of a business is. The term business has a variety of definitions. Let's examine a few.
A business is:

- "A business is an entity that operates with the primary aim of generating profit through the sale of goods or services." (Jane .2019)

- ” An enterprise, commercial establishment, or organization, whether in the private or public sector, dedicated to offering products (either goods or services) to meet the needs of customers.” (www.georgetown.edu/uis/ia/dw/GLOSSARY0816.html)
- ‘Engaging in transactions involving the exchange of products or services with the intention of generating financial gain.” (Mariotti,2006)
- “An economic framework where goods and services are traded either for money or other goods, determined by their perceived value. Every business necessitates an initial investment and a sustainable customer base to whom its offerings can be consistently sold for profit” . (http://www.businessdictionary.com/definition/business.html)

The fundamental elements shared across the majority of the definitions outlined earlier include:

- Businesses engage in the exchange of services and products.
- The primary goal of a business is profit generation.
- Every business entity serves customers with distinct needs and desires.
- Business requires a solid financial footing.

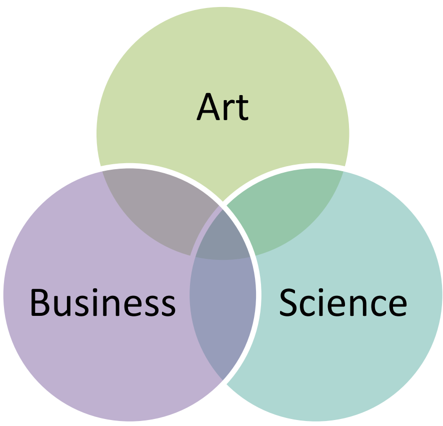
Typically, a would-be entrepreneur aims to establish a "small business" with aspirations of expanding it into a thriving and substantial enterprise. According to Wikipedia, a small business is characterized as privately owned and managed, having few employees and generating relatively modest sales. Small businesses typically take the form of privately owned corporations, partnerships, or sole proprietorships.

Now that you have an idea how about the elements of a business, let’s explore the concepts underlying entrepreneurship.

1-2- ENTREPRENEURSHIP

What is Entrepreneurship? A normal response to this question is that entrepreneurship is about creating or establishing a business. Entrepreneurship however is more than simply starting or operating a small business.

Figure 1. Definition of Entrepreneurship



It is true that entrepreneurship is both a science and an art. The science lies in the proven process of planning and managing business. The art lies in the innovative thought, implementation and growth of a business.

Let's explore various interpretations and definitions of entrepreneurship. From an economic viewpoint, we could consider the following descriptions.

- Entrepreneurship is a dynamic, social process (Bastos et al. 2004) where individuals, alone or in collaboration identify financial opportunities and act upon them by establishingnew enterprises. (Salim.2004 ; Delmar & Shane.2002)
- Entrepreneurship however involves much more than just for a business to be successful and sustainable.
- Entrepreneurship is a dynamic, social process where individuals, alone or in collaboration identify opportunities for innovation and act upon them by transforming ideas into practical targeted activities whether in a social, cultural or financial context. (Salim.2004)
- "Entrepreneurship is the creation of organisations. What differentiates entrepreneurs from non-entrepreneurs is that entrepreneurs create organisation, while non-entrepreneurs do not. In behavioural approaches to the study of entrepreneurship, an entrepreneur is seen as a set of activities involved in organisation creation, while in trait approaches an entrepreneur is a set of personality traits and characteristics". (Gartner .1988, p.11)

The above descriptions suggest that entrepreneurship:

- Influences individuals.
- Offers financial opportunities
- Influences the economic prosperity of a society. (Bastos et al. 2004)
- Demands innovation.
- Is characterized by dynamism.

The definitions explored so far imply that entrepreneurship is more than just about business success and sustainability. The first explanation is based on making business by establishing new enterprise (Delmar & Shane.2002), while in the second definition new dimensions are added, such as innovation and other areas of the environment e.g. the social, cultural and financial context. (Bastos et al. 2004)

During this course we will define entrepreneurship as:

Entrepreneurship involves recognizing potential business opportunities, dedicating resources, and taking risks in order to create valuable products and services (Salim.2004) . It requires creative and innovative thinking to develop solutions that fulfill consumer needs that are not currently being met. The entrepreneurial process entails identifying market gaps, mobilizing resources to fill those gaps, and undertaking the inherent risks of launching new ventures (Delmar & Shane.2002), all with the goal of bringing novel and useful offerings to customers.

SECTION 2 : IMPORTANT ASPECTS OF ENTREPRENEURSHIP

Building upon the definition provided by Nieman et al. (2004:9), the following key concepts are essential for grasping the essence of entrepreneurship. Entrepreneurship entails an individual's ability to:

- Recognize an opportunities : This necessitates the identification of a viable business prospect.
- Exhibit innovation and creativity : Novel and distinctive ideas are needed to cater to a specific target audience. (Filion .1999)
- Acquire resources : Procuring capital, labor, and operational equipment is crucial.
- Establish and expand a business : This involves initiating a new business venture or transforming an existing one. (Delmar & Shane.2002)
- Embrace risk-taking : Both personal and financial risks are inherent. (Salim.2004)
- Attain rewards : Rewards may manifest in the form of profits or increased business value.
- Administer a business : This encompasses the planning, organization, leadership, and oversight of all operational aspects. (Salim.2004)
- Entrepreneurship is an “act of establishing a new venture”. (Christensen et al. 2000, p.4)
- Entrepreneurship can also be considered as the function through which growth and development can be achieved without commencing a new business venture. It offers a process by which people either inside the companies or on their own, look for prospects without regard to the resources they presently control (Stevenson & Jarillo, 1990).
- However, “an entrepreneurial organisation is that which pursues opportunity, regardless of resources currently controlled” (Stevenson & Jarillo .1990, p.23).

2-1- THE ENTREPRENEUR

- Entrepreneur is someone who manages all the necessary resources to produce and market a product which responds to the market scarcity (Leibenstein, 1968 ; Bull & Willard, 1993).
- “Entrepreneurs are individuals who recognize opportunities where others see chaos contradiction, and confusion. They are aggressive catalysts for change within the marketplace” (Kuratko .2016, p.3)
- “Entrepreneur is the person who carries out new combinations, causing discontinuity. The role is completed when the function is completed. The person may be an employee with an existing organisation or may start a new venture. An investor per se only risks capital for a return”. Bull & Willard (1993, p. 186)
- A typical term used to describe the individual responsible for devising, executing, and overseeing the operations of a small enterprise is an entrepreneur (Bull & Willard, 1993). This individual must possess the capacity to embody the principles outlined by Nieman earlier (Nieman et al. 2004). Further descriptions of an entrepreneur include: An entrepreneur may be characterized as "someone who initiates innovations, utilizes financial resources, and demonstrates business expertise with the aim of converting innovations into tangible economic assets."
- An entrepreneur is an individual who, driven by the desire for financial gain and willing to take risks (Salim.2004), maximizes available opportunities within the environment. This is achieved by leveraging both the skills and resources in diverse ways to create goods and services for the market. (Cronje et al 2001.p.5)

Table 1 . Definition of an entrepreneur

Intellectual schools	Definition of an entrepreneur	
The economic school	The entrepreneur specializes in using intuition to make decisions related to the exploitation of scarce resources.	**(Casson.1991)**
The behavioral school	The entrepreneur is known as the person who engages in a series of activities in an appropriate manner in order to establish an institution.	**(Gartner .1988)**
The psychological school	The entrepreneur is defined based on a set of psychological traits.	**(Shaver & Scott .1992)**
The process school	The entrepreneur is defined as the person who develops and exploits opportunities, and establishes an institution for exploitation.	**(Bugrave & Hofer .1992)**

So based on the above definitions an entrepreneur must:

- Be a risk taker.
- Be innovative.
- Possess business acumen.
- See potential opportunities.

M. Gerber (1986) in his book "The E-Myth" describes the entrepreneur in these terms:
The entrepreneur is the visionary in us. The dreamer. The energy behind every human activity. The imagination that sparks the fire of the future. The catalyst for change. The entrepreneur lives in the future, never in the past, rarely in the present. He (or she) is happiest when left free to construct images of 'what if' and 'if-when'.

Bygrave (2004, p. 5) asserts that "There is no distinct set of behavioral traits that definitively distinguish entrepreneurs from non-entrepreneurs." However, he underscores the observation that "entrepreneurs tend to exhibit a stronger locus of control compared to non-entrepreneurs, indicating a greater inclination to influence their own destiny".

Rather than employing psychological terminology to characterize entrepreneurs, Bygrave (2004) introduces a collection of common terms termed "The 10 Ds" to describe their attributes :

Table 2. The 10 Ds

Dream	Entrepreneurs have a vision of what the future could be like for them and their businesses. And, more important, they have the ability to implement their dreams.
Decisiveness	They do not procrastinate. They make decisions swiftly. There swiftness is a key factor in their success.
Doers	Once they decide on a course of action, they implement it as quickly as possible.
Determination	They implement their ventures with total commitment. They seldom give up, even when confronted by obstacles that seem insurmountable
Dedication	They are totally dedicated to their business, sometimes at considerable cost to their relationships with their friends and families. They work tirelessly. Twelve-hour days and seven-day work weeks are not uncommon when an entrepreneur is striving to get a business off the ground.
Devotion	Entrepreneurs love what they do. It is that love that sustains them when the going gets tough. And it is love of their product or service that makes them so effective at selling it.
Details	It is said that the devil resides in the details. That is never more true than when starting and growing a business. The entrepreneur must be on top of the critical details.
Destiny	They want to be in charge of their own destiny rather than dependent on an employer.

Dollars	Getting rich is not the prime motivator of entrepreneurs. Money is more a measure of their success. They assume that if they are successful they will be rewarded.
Distribute	Entrepreneurs distribute the ownership of their businesses with key employees who are critical to the success of the business

Source: Nassif, V. M. J., Ghobril, A. N., & Silva, N. S. D. (2010). Understanding the entrepreneurial process: a dynamic approach. *BAR-Brazilian Administration Review*, *7*, p.217.

Generally, new organizations started by entrepreneurs are small businesses (Delmar & Shane.2002) . However, individuals that plan and implement large business ventures are also considered entrepreneurs. We can conclude that entrepreneurship is the business process and theentrepreneur is the person involved in implementing the entrepreneurial process.

SECTION 3: THE ROLE OF ENTREPRENEURSHIP IN SOCIETY

Entrepreneurship has emerged as a prominent concept in emerging economies, garnering widespread attention for its perceived capacity to catalyze significant economic and societal transformations . Recent years have witnessed heightened focus on entrepreneurship, largely driven by economic analysts' recognition of the substantial contributions small enterprises make to fostering economic dynamism and growth . However, it's essential to recognize that entrepreneurship extends beyond mere managerial aspects, encompassing the individuals engaged in business activities and their impact on the environment. In the following section, we will delve into the multifaceted role entrepreneurship plays in shaping society.
After finishing this section, you should be capable of:

- Examining entrepreneurship's function in society.
- Describing how entrepreneurship affects individuals, families.

The level of prosperity within a society is directly linked to its ability to recognize and promote entrepreneurial endeavors. Entrepreneurs and their initiatives serve as the primary driving force behind the success, prosperity, growth, and opportunities within any economy (McClelland .1965; Tracey, 2005).

3-1- THE ROLE OF ENTREPRENEURSHIP IN SOCIETY

Entrepreneurship plays a vital role in enriching a society's social and economic landscape by instigating the emergence of fresh markets, industries, technologies, institutional structures, job opportunities, and overall gains in productivity (Bastos et al. 2004). The employment opportunities generated by entrepreneurial endeavors contribute to a more equitable distribution of income, thereby elevating living standards across the population. Consequently, governments witness an expansion in available resources as the tax base expands due to increased economic activity.

This surge in tax revenue enables governments to enhance essential social services, such as healthcare and education, bolster infrastructure, and maintain law and order (Bastos et al. 2004). (Benade et al. 2011) elaborate on the multifaceted benefits of entrepreneurship for society, encompassing individuals, families.

- **Employment Opportunities:** Entrepreneurship not only presents avenues for self-employment but also generates job opportunities for others, often offering improved prospects. Self-employment provides greater job satisfaction and workforce flexibility, leveraging the human capital of a nation and fostering the realization of natural talents. Entrepreneurship has empowered many individuals with disabilities, particularly those residing in rural areas where employment options are limited, to create opportunities for themselves. Thus, entrepreneurship contributes to self-sufficiency.
- **Income Generation and Social Welfare:** Successful entrepreneurship endeavors elevate the income levels of individuals (Salim.2004). Entrepreneurial pursuit of business opportunities often leads to wealth creation, which significantly contributes to national development. Increased employment translates to higher tax revenue for the government, reducing crime rates and making the country more attractive to tourists. With enhanced tourism, more job opportunities arise, further fueling economic growth. Entrepreneurship also attracts foreign investment, thereby fostering additional employment opportunities
- **Personal Growth:** Entrepreneurship presents formidable challenges, but the rewards, both financial and personal, are substantial. Successful entrepreneurs derive self-satisfaction and confidence from their achievements.
- **Industrial Advancements:** Entrepreneurship fosters the establishment of new industries, particularly in rural or economically underdeveloped regions. This not only results in an expanded range of goods and services but also drives competition, leading to higher quality products.
- **Enhanced Productivity and Economic Expansion:** The proliferation of industries through entrepreneurship facilitates increased production at reduced costs. Entrepreneurial endeavors encourage the utilization of local resources for both domestic consumption and export. By adding value to raw materials through manufacturing, countries can command higher prices for their products while simultaneously creating more job opportunities Technological advancements further optimize resource utilization and productivity.
- **Expansion of Exports and Reduced Dependency on Imports:** Entrepreneurship stimulates the development of new markets (Delmar & Shane.2002), enabling countries to export surplus goods and enter foreign markets. Bilateral trade agreements offer further opportunities for business growth. Import-dependent economies, common among developing nations, can achieve economic advantage by increasing exports. Revenues from exports contribute to overall economic stimulation.

The foregoing discussion elucidates that entrepreneurship plays a pivotal role in enhancing the economy and fostering a more favorable living environment. Undoubtedly, entrepreneurship offers myriad benefits to individuals, families, with these advantages mutually reinforcing each other to generate a multiplier effect. By fostering creativity, entrepreneurship enables the development of novel and distinctive products (Filion .1999).

As successes accrue, individuals take pride in their accomplishments and are spurred to escalate production. Increased production not only diminishes reliance on imports but also generates surplus goods for export, concurrently generating employment. While entrepreneurship presents numerous advantages, it necessitates diligent effort and personal sacrifices. Nonetheless, its potential to invigorate the economy, ameliorate living standards, and diminish reliance on governmental support underscores its significance.

SECTION 4 : CHARACTERISTICS OF AN ENTREPRENEUR

Entrepreneurship attracts individuals for various reasons. Some are drawn to the idea of owning and managing their own enterprise, finding the inherent challenges stimulating and being comfortable with the associated risks (Salim.2004). Conversely, others pursue entrepreneurship out of necessity, lacking viable job opportunities and opting to establish their own businesses in an attempt to thrive.

In this section, we'll delve into the persona of an entrepreneur, exploring the requisite skills for success in this field. Following this exploration, you'll have the chance to assess your own entrepreneurial aptitude. By the end of this section, you should be able to:

- Outline the characteristics of a successful entrepreneur;
- Conduct a self-evaluation to determine your entrepreneurial competencies. (Elizur et al. 1991)

4-1- CHARACTERISTICS OF AN ENTREPRENEUR

Entrepreneurs hail from diverse backgrounds and experiences, bringing a variety of perspectives to their endeavors. From the definition, we can discern four fundamental competencies (Elizur et al. 1991) that empower entrepreneurs to forge thriving business ventures: (Chavez, J. 2016).

- **Innovation:** The ability to introduce novel products, productive methods, or innovative business structures.
- **Risk-taking:** Willingness to gamble not only one's time, effort, and reputation but also invested capital from oneself and other stakeholders.
- **Initiative:** Taking proactive steps to integrate land, capital, and labor for the production of goods and services. (McClelland .1965)
- **Organizational skills:** Proficiency in orchestrating teams and tasks, coupled with the acumen to make strategic business decisions that steer the course of the enterprise. (Salim.2004 ; Fineman.2001)

To thrive as an entrepreneur, one must embody certain abilities and traits. These qualities include:

- Having a well-defined vision of objectives.
- Being driven to accomplish goals, alongside possessing a robust self-assurance.
- Being willing to undertake calculated risks.
- Demonstrating resilience, capable of encountering setbacks without succumbing to defeat.
- Exhibiting initiative and self-reliance. (McClelland .1965)
- Displaying aptitude in leadership and organizational skills. (Salim.2004; Fineman (2001)
- Seeking innovative approaches to challenges.
- Maintaining a positive outlook.

- Taking responsibility for decisions.
- Approaching all tasks with positivity.
- Recognizing and seizing business opportunities

Entrepreneurship poses significant challenges, demanding individuals to embody specific characteristics for success (Beugelsdijk & Noorderhaven .2005; Salim.2004). Let's look into these characteristics a bit further. The following table outlines qualities that facilitate self-awareness and comprehension of one's entrepreneurial disposition.

Table 3. Characteristics of an entrepreneur

Passionate about their work	Entrepreneurs perceive their business as a labour of love instead of just "work". Moreover, accomplished entrepreneurs exhibit strong self-motivation (Nassif et al., 2004). Consequently, their passion and determination propel them to persistently cultivate their organization or company.
Clear vision	Having a well-defined vision of the objectives is essential to motivate entrepreneurs and is of utmost significance for the entire company. This vision should remain adaptable and subject to continuous refinement as the company evolves. Such adaptability demands entrepreneurs to possess a creative imagination, enabling them to discern business prospects and envisage alternative scenarios amidst the myriad challenges of starting up an enterprise.
Resilient	Embarking on the journey of entrepreneurship is challenging. It entails experiencing remarkable, exhilarating highs as well as moments of disappointment. Resilience, defined as the ability to rebound or recover following setbacks, is crucial for entrepreneurs. They must possess resilience to persevere when they believe in their path and remain adaptable to navigate through changing circumstances.
S.M.A.R.T.	S.M.A.R.T. goal setting guides successful entrepreneurs. S.M.A.R.T. goal setting means that your goals are: ▪ Specific: Are your objectives clear, detailed, and free from ambiguity? ▪ Measurable: How will you gauge progress? Objectives can be measured by factors such as quality, quantity, and cost. ▪ Achievable: Is it feasible? While objectives should push the team's boundaries, they must remain attainable and realistic. ▪ Relevant: Does it align with the team's goals and strategies? Objectives should center on tangible outcomes to be accomplished. ▪ Time-bound: When is the target completion date? Is it feasible

	within the given timeframe? Employing the SMART acronym in goal setting helps entrepreneurs in methodically evaluating the goal-setting process for their business.
Organized	Entrepreneurs, particularly those operating independently, represent the core of the business. They are responsible for a multitude of duties and must adhere to deadlines. Hence, possessing superb organizational abilities (Fineman .2001) is paramount for entrepreneurs, enabling them to efficiently manage both their time and tasks. (Salim.2004)
Competent in human relations	Entrepreneurs should possess the ability to motivate their employees to align with their vision and collectively pursue shared objectives, all the while fostering a culture of creativity among them.
Self-aware	Self-awareness enables entrepreneurs to comprehend their personality traits and recognize how these traits influence decision-making (Tenbrunsel et al. 2004) and interactions with others (Miner.1998). For instance, self-awareness becomes beneficial when the expansion of the company necessitates entrepreneurs to transition their management style from hands-on to professional, where they are less involved in day-to-day decision-making processes (Tenbrunsel et al. 2004). Recognizing when it becomes impractical to handle all tasks independently is invaluable for entrepreneurs; this exemplifies self-awareness in practice. Many entrepreneurs have acknowledged that transitioning to a new leadership approach is among the most demanding changes required to sustain the growth of their companies. (Salim.2004)
Technical knowledge	Having proficient technical expertise, whether in the realm of product manufacturing or service provision, holds significant importance for entrepreneurs as they endeavor to rally and involve other stakeholders during the initial phases of business establishment. During the startup phase, the entrepreneur embodies the essence of the business, and their technical proficiency serves to inspire and attract others to participate.
Market knowledge	Entrepreneurs need to possess a comprehensive understanding of the market and the industry they intend to enter with their company.
Superior customer service	Successful entrepreneurs prioritize customer satisfaction as the central focus of their company, while also allowing their imagination to flourish in exploring various ways and extents to fulfill the needs of their customers.

4-2- THE ENTREPRENEUR'S FAMILY

The decision to embark on an entrepreneurial venture not only impacts the aspiring business owner but also extends its ramifications to their family. Initiating a business venture necessitates a considerable commitment of time and energy, inevitably resulting in less availability for familial interactions (Chay.1993) . Moreover, families may need to assume some of the financial burdens associated with the venture. Frequently, the initial capital for launching the business originates from supportive family members and friends who believe in the endeavor. This may involve leveraging family assets or investing savings to kick-start the enterprise. Additionally, family members might be required to contribute their time and effort to assist with startup activities, often without immediate financial remuneration. (Chay.1993)
The absence of familial support or concerns about jeopardizing family assets can significantly amplify stress levels for the budding entrepreneur (Chay.1993) . It is imperative to carefully evaluate the impact on oneself, one's family, and other individuals influenced by the new business endeavor. Being willing to embrace personal risks is essential for those who genuinely believe in their business concept. (Chay.1993)

Exercise 1: Identify two entrepreneurs in your area/district. From the table 1 identify at least five characteristics that you believe made them successful as entrepreneurs. Interview these entrepreneurs in an informal conversation, perhaps over the phone, to discuss their entrepreneurial profile. Record your discussions, findings and conclusions in your personaljournal.

SECTION 5 : ENTREPRENEURSHIP AND INTELLECTUAL APPROACHES

5-1- ENTREPRENEURSHIP AND ECONOMIC APPROACH

According to both Cantillon (1755) and Say (1803), an entrepreneur is someone who takes risks by investing their own capital. Thus, an entrepreneur purchases raw materials at a certain price with the intention of transforming and reselling them at an uncertain price, making them someone who recognizes opportunities for self-actualization amidst existing risks. Say distinguishes between the entrepreneur and the capitalist, linking the entrepreneur to the concept of innovation as a driver of change. Schumpeter (1928) emphasized the entrepreneurial innovation dimension, stating that "the essence of entrepreneurship lies in the exploitation of new opportunities in the field of enterprises...," indicating the crucial role entrepreneurs play in economic development. Therefore, the focus is on the economic and social aspects of entrepreneurship.

5-2- ENTREPRENEURSHIP AND BEHAVIORAL APPROACH

According to proponents of this school of thought, the broadening scope of entrepreneurship extends beyond economics, with significant emphasis placed on the entrepreneur and their characteristics. This is a psychological and demographic approach aimed at understanding the collective role of these factors in creating within the entrepreneur a need for achievement and excellence.

It also examines the influence of social environment and career path, which imbue the entrepreneur with a set of traits that drive them towards entering the world of entrepreneurship. Hence, this approach focuses on the characteristics of the entrepreneur.

5-3- THE STAGE APPROACH OF MANAGEMENT SCHOLARS

Among the prominent figures in this school, Gartner (1989) acknowledges the insufficiency of the trait approach in describing the entrepreneur and suggests studying the activities performed by the entrepreneur. He sheds light on the establishment of the organization as a result of the multiple conferences involved in the complex process. Consequently, research has shifted its focus to what the entrepreneur does rather than who the entrepreneur is.

SECTION 6 : ROLE OF ENTREPRENEURSHIP

The entrepreneurial activity aims to achieve a set of roles that extend to social and environmental life as follows:

6-1- ECONOMIC LEVEL

Restructuring and revitalizing the economic fabric by creating new institutions based on innovative ideas that respond to the market.
Sustaining competitiveness in markets and breaking monopolistic patterns practiced by large institutions through the innovation demonstrated by entrepreneurial products.
Contributing to economic growth as entrepreneurship plays a crucial role in advancing economies and achieving significant growth rates due to its flexibility and ability to respond to rapid changes in the economy.

6-2- SOCIAL LEVEL

- Contributing to improving individuals' living standards by creating job opportunities and reducing unemployment, leading to increased income.
- Contributing to achieving social justice and redistributing wealth among community members through its geographical spread, which allows access to various fields and activities.
- Contributing to population stability and reducing rural displacement due to its ability to operate in different environments and atmospheres.

6-3- ENVIRONMENTAL LEVEL

The entrepreneurial concept is linked to the environmental dimension through the concept of sustainable development, which focuses on preserving the environment and protecting current and future natural resources. Entrepreneurs choose projects that take into account the environmental aspect or sustainable entrepreneurial projects, reflecting the entrepreneurial spirit of creativity, innovation, and adoption of social responsibility.

CHAPTER TWO : FROM IDEAS TO A SUSTAINABLE BUSINESS

CHAPTER INTRODUCTION

Having acquired an understanding of entrepreneurship, it is now opportune to explore the fundamental aspects of the entrepreneurial journey. Over the course of this module, you will delve into the fundamentals of recognizing a business opportunities and transforming an idea into a feasible business proposition. Initiating a business venture entails myriad considerations, and adept planning plays a pivotal role in laying the groundwork for a resilient enterprise.

CHAPTER OBJECTIVES

By the end of this chapter, you should be able to:

- Explain the key phases of the entrepreneurial process.
- Identify and assess potential business opportunities (Salim.2004)
- Generate innovative business concepts.
- Identify strategies to develop potential business opportunities into sustainable business models. (Salim.2004)

SECTION 1 : THE ENTREPRENEURIAL PROCESS

In the first chapter, we were introduced to two distinct models of entrepreneurship. Firstly, we examined the Canadian Foundation for Economic Education Model, which outlines eight key stages: self-discovery, identifying opportunities (Salim.2004), generating and evaluating ideas, planning (Machado-da-Silva & Fonseca .1999) , acquiring startup capital, launching, growing, and harvesting. Secondly, Nieman, Hough, and Nieuwenhuizen introduced a model comprising four phases: identifying and evaluating opportunities (Salim.2004) , developing a business plan, determining resources, and initiating and managing the business startup. This section aims to elaborate on these concepts and provide a thorough overview of the entrepreneurial journey.

By the end of this section, you should be capable of outlining the primary stages in the entrepreneurial process. The content presented in this section was obtained from the University of Central Arkansas and initially appeared in: Hisrich, , R.D., M. P. (Peters & D. A. Shepherd.2005).

1-1- THE ENTREPRENEURIAL PROCESS

According to (Bygrave .2004), the entrepreneurial process, as outlined by Moore's model, is depicted as a sequence of stages and occurrences. These stages encompass the conception of the business idea, the catalyst for commencing operations, and subsequent phases of implementation and expansion. (Bygrave .2004. p.5) emphasizes in his model the pivotal elements influencing the business's progression at each stage. He further suggests that entrepreneurial characteristics are influenced by personal traits and environmental factors (Beugelsdijk & Noorderhaven .2005; Salim.2004; Bygrave.2004) , echoing the broader context in which entrepreneurial behavior evolves.

The entrepreneurial process encapsulates the journey of launching a new venture (Delmar & Shane.2002) , which entails more than simply addressing challenges encountered in conventional management roles. Entrepreneurs are tasked with identifying, assessing, and nurturing opportunities while overcoming obstacles that impede the creation of something novel (Salim.2004). This process unfolds in four distinct phases: (1) identifying and evaluating the opportunities, (2) crafting a business plan, (3) assessing the necessary resources, and (4) managing the resultant enterprise. Although these phases progress sequentially, they are interconnected, and work on one phase often overlaps with others. For instance, to effectively identify and evaluate an opportunity (phase 1), an entrepreneur must already have a vision for the desired type of business (phase 4).

1-2- IDENTIFY AND EVALUATE THE OPPORTUNITY (Salim.2004)

Identifying and assessing opportunities poses significant challenges. Typically, valuable business prospects don't emerge abruptly; instead, they arise from an entrepreneur's vigilance toward potentialities or, in some instances, the implementation of systems aimed at recognizing potential opportunities For instance, one entrepreneur consistently inquires at social gatherings whether anyone encounters products that fail to meet their intended purposes adequately (Bastos et al. 2004). This individual perpetually seeks unmet needs and opportunities to enhance existing products. Similarly, another entrepreneur closely observes the play preferences and toy selections of her nieces and nephews, using this as a means to identify potential niches for new ventures.

While many entrepreneurs lack formal mechanisms for identifying business opportunities, certain sources frequently prove fruitful: consumers and business contacts, participants in the distribution network, and technical experts. Often, consumers serve as the prime source of inspiration for new ventures (Delmar & Shane.2002) . How often have you heard someone remark, "If only there were a product that could..." Such remarks can spark the genesis of new businesses (Delmar & Shane.2002). For instance, one entrepreneur's reflection on the numerous complaints from business executives regarding the dearth of quality technical writing and word-processing services led to the establishment of her own business venture to address this need. Within two years, her technical writing service expanded to employ ten individuals.

Channel members within the distribution system, due to their direct interaction with end-users, also observe product needs. For example, one entrepreneur launched a college bookstore after hearing students' complaints about the exorbitant cost of books and the inadequate service provided by the sole bookstore on campus. Many other entrepreneurs have identified business opportunities through conversations with retailers, wholesalers, or representatives of manufacturers. Additionally, individuals with technical expertise often conceive business opportunities while working on unrelated projects. For instance, one entrepreneur stumbled upon a business idea after witnessing the application of a plastic resin compound in the development and manufacturing of a new type of pallet while working on resin application in an entirely different area—casket moldings.

Whether the opportunity arises from consumer feedback, interactions with business associates, insights from channel members, or technical expertise, each opportunity must undergo meticulous screening and evaluation. This assessment of the opportunity is arguably the most crucial aspect of the entrepreneurial process, as it enables the entrepreneur to determine whether the potential product or service offers sufficient returns compared to the resources required.

This evaluation process entails examining the opportunity's duration, tangible and perceived value, associated risks and rewards (Timmons .1978), alignment with the entrepreneur's skills and objectives, and its competitive advantage or uniqueness within its market environment. (Porter.1980; Gimenez.2000)

The market size and the duration of the opportunity window serve as the primary factors for assessing risks and rewards. These risks encompass market dynamics (Salim.2004), competition, technological factors, and the capital investment required. The magnitude of capital needed forms the basis for calculating returns and rewards. Often, the method for evaluating risks and rewards reveals that an opportunity may not offer financial or personal rewards commensurate with the associated risks (Timmons.1978). For instance, one company, which initially supplied bark mulch to residential and commercial customers for landscaping purposes, expanded its product range to include loam and shells. These additional products were targeted at the same customer base and distributed through the existing delivery system. Offering follow-on products becomes vital for a company seeking expansion or diversification within a specific distribution channel. Channel members such as Wal-Mart, Service Merchandise, or Courts typically prefer to engage with multi-product firms rather than those offering single products.

Lastly, the opportunity must align with the entrepreneur's personal skills and objectives. It is crucial that the entrepreneur possesses the capability and willingness to dedicate the required time and effort to ensure the success of the venture. While some entrepreneurs believe that passion can develop over time throughout the venture, it often does not materialize. An entrepreneur must have unwavering belief in the opportunity, to the extent that they are willing to make the necessary sacrifices to nurture the opportunity and manage the resulting enterprise.

Opportunity analysis, also known as an opportunity assessment plan, serves as one approach for evaluating a potential opportunity. It differs from a comprehensive business plan in that it should be more concise, focus primarily on the opportunity itself rather than the entire venture, and aid in the decision-making process regarding whether to pursue the opportunity (Tenbrunsel et al. 2004).

An opportunity assessment plan typically includes the following components: a description of the product or service, an evaluation of the opportunity, an assessment of the entrepreneur and their team, specifications outlining all necessary activities and resources required to transform the opportunity into a viable business venture, and identification of the capital source for financing the initial launch and subsequent growth of the venture. Evaluating the opportunity entails addressing the following questions:

- What demand in the market does it satisfy?
- What personal insights have you gathered or documented concerning this market demand?
- What societal factors contribute to this market demand?
- What market research information can be gathered to elucidate this market demand?
- What patents might be accessible to address this demand?
- What rivals are present in this market?
- How would you characterize their conduct?
- What is the state of the international market?
- How does the international competition compare?
- Where are the profit opportunities within this endeavor?

1-3- DEVELOPING A BUSINESS PLAN

Developing a comprehensive business plan is imperative to capitalize on the identified opportunity. However, this phase of the entrepreneurial process is often time-consuming. Typically, entrepreneurs lack prior experience in creating a business plan and may not have the necessary resources readily available. Nonetheless, a well-crafted business plan is vital for leveraging the opportunity, determining the requisite resources, securing those resources, and effectively managing the resulting venture.
A standard business plan typically encompasses the following components:

- Evaluation of the business environment.
- Analysis of competitors.
- Description of the business's strategic direction.
- Detailed depiction of the potential business, including its products and services, legal structure, governance, and other pertinent details.
- The structure for management and decision-making. (Tenbrunsel et al.2004)
- Organizational structure and key appointments. (Fineman.2001)
- Marketing and sales strategies, including multi-year sales forecasts.
- Human resource management strategy.
- Resource allocation and infrastructure planning.
- Performance evaluation strategy.
- Elaborate multi-year financial projections.
- Timelines for implementing the plan.

1-4- DETERMINE THE RESOURCES REQUIRED

Determining the necessary resources to address the identified opportunity is a crucial step. This process commences with an evaluation of the entrepreneur's existing resources. It is essential to differentiate between critical resources and those that are merely beneficial. Caution must be exercised not to underestimate the quantity and variety of resources required, including human resources. Furthermore, it's imperative to assess the potential risks associated with insufficient or inappropriate resources (Timmons. 1978). The subsequent step in the entrepreneurial process involves acquiring the requisite resources promptly while endeavoring to retain as much control as possible. Particularly during the startup phase, entrepreneurs should strive to maintain a substantial ownership stake. However, as the business progresses, additional funds may be necessary to fuel its growth, potentially necessitating the relinquishment of certain ownership shares to investors. Identifying alternative suppliers of these resources, along with their needs and preferences, is essential. By comprehending the requirements of resource suppliers, entrepreneurs can structure deals that facilitate the acquisition of resources at the lowest possible cost and with minimal loss of control.

1-5- MANAGE THE ENTERPRISE

Once resources are obtained, the entrepreneur must utilize them to execute the business plan. Additionally, the operational challenges of a burgeoning enterprise must be thoroughly assessed and adeptly managed. This entails implementing an appropriate management style and structure, as well as identifying the critical success factors. Establishing a control system is imperative to swiftly identify and address any areas of concern. It is not uncommon for some entrepreneurs to encounter challenges in managing and expanding the venture they have established.

SECTION 2 : OPPORTUNITY RECOGNITION

This section explores the significance of recognizing opportunities within the entrepreneurial journey. It expands upon the preceding discussion, transitioning from conceptualization to the identification of actionable opportunities Emphasis is placed on the necessity of timely action in response to identified opportunities

Upon concluding this segment, you should be able to:

- Define opportunity and its significance in the entrepreneurial journey.
- Outline the process involved in recognizing and capitalizing on opportunities
- Differentiate between opportunity and idea.
- Summarize the three general methods for identifying opportunities (Salim.2004)
- Recognize the essential steps in the opportunity recognition process.
- Discuss the significance of brainstorming and its utility in generating ideas. (Machado-da- et al. 1999)
- Elaborate on the importance of maintaining an idea repository.
- Implement the opportunity recognition process in practical scenarios.

2-1- OPPORTUNITY RECOGNITION

As per Barringer and Ireland (2010), an opportunity refers to a beneficial array of circumstances that necessitate the creation of a new product, service, or business (Delmar & Shane.2002) . They assert that a business opportunity should possess four fundamental characteristics: (Salim.2004)

- Appealing.
- Timely.
- Enduring or sustainable.
- Provides value to customers and is rooted in products, services, or a business.

A business opportunity must cater to a specific demand within the market. It should anticipate that the potential market will perceive value in the proposed product or service and be willing to pay for it. Moreover, the potential market should be sufficiently large to sustain continuous growth and long-term viability. Ideally, the business idea should face minimal competition and be novel and innovative, with the potential to tap into an existing market.

Once an opportunity is identified, it's advisable to test the idea with others in your circle. Explain the opportunity, gauge their response, and solicit feedback. Engage in hypothetical scenarios by playing the "what if" game, asking questions such as:

- Does this business opportunity hold promise?
- Am I addressing a genuine problem, issue, or need?
- Would individuals be willing to pay for this product or service?
- How can it be improved to enhance its potential?

- Have other organizations already pursued a similar business idea?

Additionally, consider the following queries when developing your business opportunity:

- What factors should I take into account during the development phase?
- What potential pitfalls could lead to the failure of this business opportunity?

2-2- EXAMPLES OF POTENTIAL BUSINESS OPPORTUNITIES

The following examples are predicated on the assumption that there is a demand for such businesses and minimal or no competition currently exists.

Manufacturing Opportunities :

- Distribution of locally-made clothing or footwear to urban retail establishments.
- Exporting and distributing regional goods and resources to international buyers.
- Transportation services catering to the agricultural sector.
- Contracting services for construction projects.

Tourism Opportunities

- Guided eco-tours in rural and jungle regions.
- Day trips along local rivers and waterways.
- City sightseeing bus tours.
- Cultural immersion tours.
- Car rental services.

Retail Opportunities:

- Quick-service restaurant.
- Boutique specializing in popular imported products.
- Electronics retail outlet.

High Tech Opportunities:

- Computer sales and repair shop.
- Technical training institute.
- Consultation and implementation services for e-learning initiatives. (McClelland .1965)
- Software development and gaming services.
- Internet café.

Exercise 2: Identifying Business Ideas

After familiarizing yourself with business opportunities and their critical attributes, contemplate two potential business ideas and assess the essential qualities necessary for their success.

Business idea 1:

Essential Qualities:

Business idea 2:

Essential Qualities:

2-3-THREE APPROACHES TO OPPORTUNITY RECOGNITION

Now that we have a clear understanding of what constitutes an opportunity and its fundamental characteristics, let's explore the different methods you can employ to identify a business opportunity. In this section, we will focus on three approaches:

- Observing emerging trends.
- Addressing existing problems.
- Identifying gaps in the market.

2-3-1- Observing Trends

According to www.thefreedictionary.com a trend is defined as:

- The general direction or tendency in which something progresses.
- The prevailing inclination or trend.
- The current fashion or popular style.
- The prevailing taste or preference at a given time.

From the aforementioned definition, it's evident that trends encompass various aspects of our daily lives. Whether it's the emergence of new fashion trends or alterations in how we interpret them, the evolution of language or the adoption of slang, the introduction of a new song or dance craze, or perhaps the emergence of grievances within a specific segment of society. These trends present opportunities for entrepreneurs to explore.

Barringer & Ireland (2010) highlight that the most significant trends encompass:

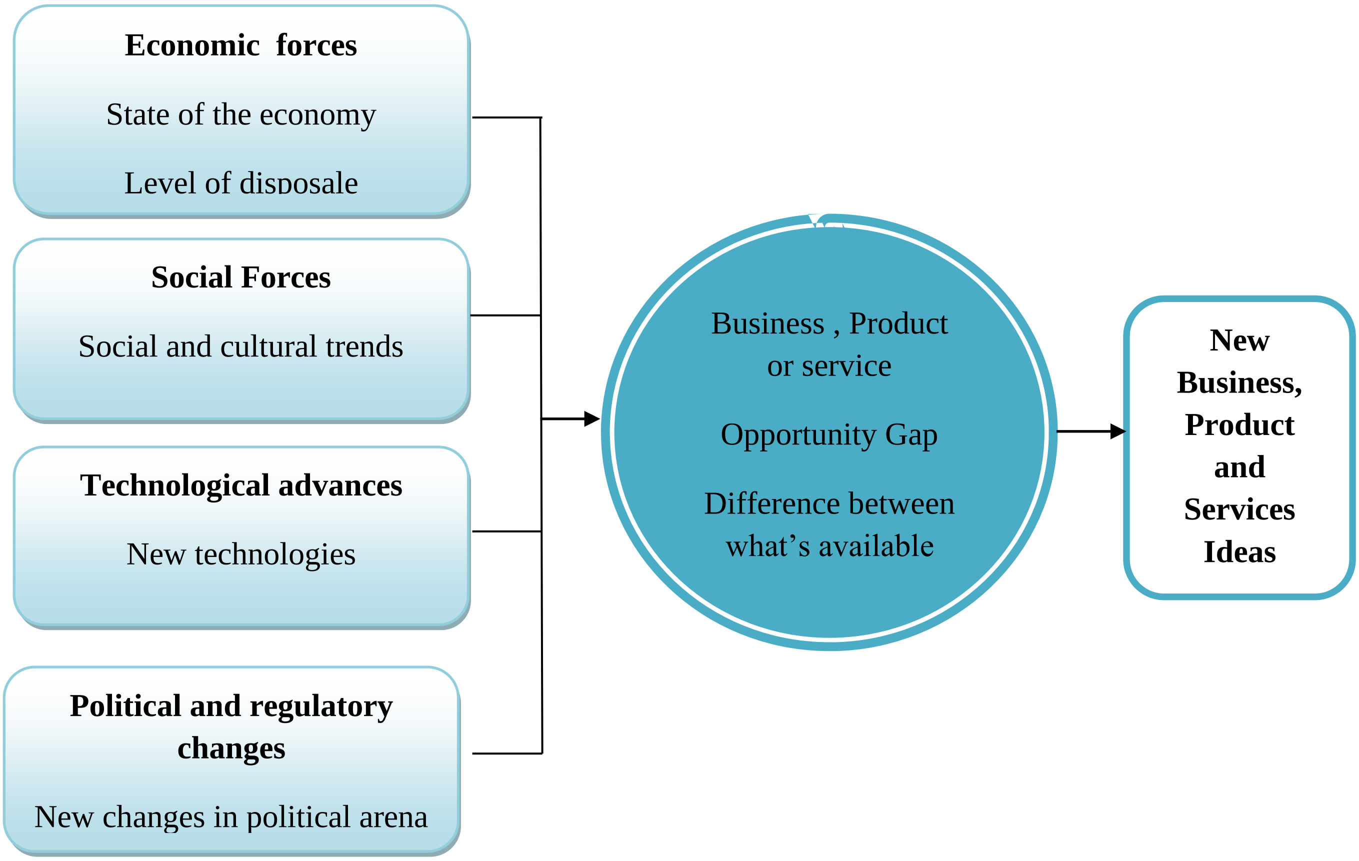
- Economic forces.
- Social forces. (Bastos et al. 2004)
- Technological advancements.
- Political initiatives and regulatory modifications.

(James Canton .2011) anticipates that the forthcoming top ten business trends will encompass:

- The amalgamation of business and technology into a unified system, dialogue, and strategy, essential for comprehending the New Future.
- Innovations revolving around novel business models, corporate collaboration, fresh leadership approaches, and knowledge engineering. (Salim.2004; Hornaday & Aboud, 1971)
- Knowledge engineering, the cultivation and interconnection of knowledge—what generates outcomes—is the paramount asset of the 21st century.
- The acquisition and analysis of customer data pertaining to product/service utilization, requirements, preferences, aspirations, and conduct are pivotal for enterprises.
- The unification of customer interactions across all platforms is imperative for future triumphs, necessitating vigilance for potential breakdowns.
- An organization's capability to grasp the pivotal trends shaping the future of technology, clientele, society, and the market will determine its survival.
- Anticipate further disruptions in the guise of emerging markets, electronic transactions, security breaches, and evolving customer demographics.
- Human capital, exemplified by talent, will emerge as the most prized asset in the 21st century.
- Entirely new sectors will materialize through yet-to-be-introduced innovations (Hornaday & Aboud. 1971). Expect the emergence of industries such as health enhancement, interactive TV, nanotechnology, and on-demand supply chains.
- The New Future necessitates New Leaders proficient in talent acquisition, innovation management (Hornaday & Aboud. 1971), visionary leadership (Salim.2004) , and profitable execution. A novel leadership paradigm is on the horizon.

The diagram on the following page illustrates the influence of these trends. As an entrepreneur, it is crucial to stay abreast of changes in these domains as they present both challenges and opportunities for your business venture.

Figure 2. trends suggesting business or product opportunity gaps



Source: (Barringer & Ireland, 2010)

2-3-2- Problem-Solving

As per www.100ventures.com, a problem is essentially the disparity between one's desires and their current situation. It further advocates an age-old adage: "there are no problems – only opportunities" For numerous entrepreneurs, opportunities manifest as problems seeking solutions. Once you devise a solution to a persistent issue, you are on the path to crafting a product, service, or business.

Exercise 3: Business Problems and Solutions

Identify a recurring business-related challenge within your local community and propose a resolution to address the issue. write your responses in your journal.

Problem:……………………………………………………..

- **Problem Solving Process**

Numerous problem-solving techniques and models are in existence, but nearly all encompass the following five primary activities:

- **Identifying the Problem:** Pose pertinent questions such as who, what, when, why, and how.
- **Generating Options:** Explore the available alternatives to resolve the problem.
- **Analyzing the Options:** Seek answers to the posed questions. Scrutinize each potential option, analyze the responses and choices, and assess the outcomes.
- **Implementing the Preferred Option:** Put the outcomes into action by testing and refining them until they achieve an acceptable operational standard.
- **Evaluating the Outcomes:** Ascertain whether the implemented solution effectively addresses the underlying problem.

2-3-3- Finding Gaps in the Marketplace

Periodically, the marketplace experiences unmet demands over extended periods. Such gaps arise when certain groups require products or services that are largely overlooked by mainstream providers due to their limited size, often referred to as a niche market. In such scenarios, entrepreneurs perceive these unaddressed needs or gaps in the market as potential opportunities ripe for business development.

Alternatively, market gaps can also stem from deficiencies in existing products and services. Consumers typically express their dissatisfaction with current offerings through complaints and feedback. This feedback serves as valuable data to scrutinize the underlying issues or problems, thereby transforming them into opportunities for solutions.

Early entrepreneurs adept at identifying market gaps include:

- Thomas Edison recognized the market need for the phonograph, movie camera, and light bulb. He established the first power station on Manhattan Island to illuminate street and home lighting in New York.
- Henry Ford identified the necessity for affordable automobiles accessible to the general public. He introduced the assembly line to streamline manufacturing costs, thereby rendering automobiles more affordable.

- The McDonald brothers observed the demand for a quick-service restaurant to accommodate the burgeoning and active population in San Bernardino, California.
- Steve Jobs perceived the requirement for cost-effective entertainment options catering to mobile, on-the-go individuals. This led to the creation of iTunes, the iPod, the iPhone, and subsequently, the iPad.

What these pioneering entrepreneurs introduced to the market were groundbreaking products that had not been previously conceptualized. Each novel product was skillfully promoted, fulfilled an immediate demand, and facilitated the transformation of modest enterprises into global corporations. All it requires is a necessity and inventive solutions.

2-4- INNOVATION AND ENTREPRENEURSHIP

Innovation stands as a pivotal factor in the triumph of every entrepreneur (Hornaday & Aboud. 1971). Peter Drucker (1985), in his work "Innovation and Entrepreneurship," suggests that innovation transcends mere inspiration. Instead, it necessitates organization, methodical thinking, practice, and reasoned effort.

According to David Zilberman (n.d.), excessive regulation, inflexible hierarchy, restricted freedom, and excessive control act as deterrents to entrepreneurship. He suggests that innovation flourishes in environments that embrace new ideas and allow for unimpeded exploration (Machado-da-Silva & Fonseca .1999) . Zilberman defines innovation as a fresh approach to accomplishing a particular task and classifies it into either process innovation or product innovation. (Hornaday & Aboud. 1971)

2-5- RECOGNIZING AN OPPORTUNITY

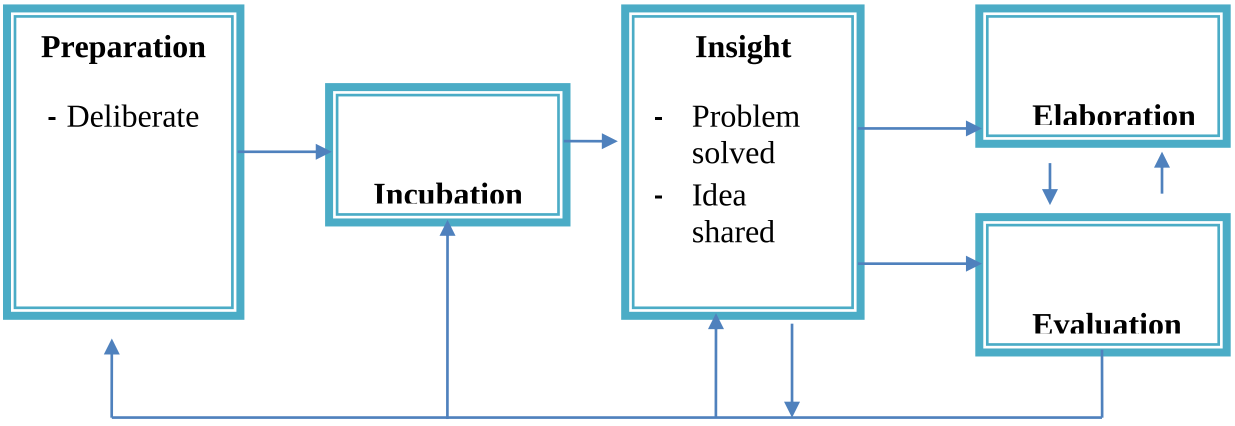
Certain characteristics differentiate individuals who excel at recognizing opportunities from those who do not: (Beugelsdijk & Noorderhaven .2005; Salim.2004)

- **Previous Experience:** Prospective entrepreneurs with prior experience in a specific industry or field have a higher likelihood of identifying opportunities amidst the numerous challenges within their sector (Salim.2004). They are more prone to contemplating potential solutions regularly compared to individuals not acquainted with the industry. (Clercq & Arenius.2003)
- **Intellectual Curiosity:** Those who possess a desire to understand the "why" behind things or are open to exploring new concepts as potential opportunities are more likely to succeed. The fundamental concept here is "What if?"
- **Innovation and Creativity:** Individuals who can think innovatively and creatively, exploring solutions that others have not considered, tend to perceive opportunities in various situations. (Filion .1999)
- **Networking:** Successful entrepreneurs adeptly network with others, enabling them to explore opportunities identified by their peers and colleagues as potential business ventures. (Salim.2004)
- **Risk Assessment:** Prospective entrepreneurs can swiftly recognize problems, envision potential solutions, and possess the capability to assess the risks associated with any proposed solution (Timmons.1978).
- **Motivation:** The aspiring entrepreneur must be self-motivated and possess initiative to identify and pursue potential opportunities effectively. (McClelland .1965; Nassif et al., 2004)

2-6- THE OPPORTUNITY RECOGNITION PROCESS

Several models delve into the process of opportunity recognition, one of which is outlined below: (Lumpkin et al. .2004) assert that Opportunity Recognition (OR) constitutes a "critically significant realm of entrepreneurship" and a "fundamental facet in comprehending entrepreneurship." Their model for Opportunity Recognition is depicted below.

Figure 3. The opportunity recognition process



Source: Lumpkin, Hills, and Shrader (2004), Hills & Shrader (1999)

(Lumpkin et al.2004) introduce a model that amalgamates the concept of a multi-phase process with the notion of a distinct "event" proposed in the economic framework. Their model perceives Opportunity Recognition (OR) as an inherently imaginative, multi-stage process that includes an "event" or moment of insight. Their creativity-driven model of Opportunity Recognition comprises the following stages: (Filion .1999)

- **Preparation:** This stage entails the knowledge base an entrepreneur brings to the OR process, which may stem from personal background, training, or work experience. It often evolves organically from life experiences and is not necessarily systematic or intentional. Research indicates that over 50% of startup ideas originate from an individual's prior work experience.
- **Incubation:** Described as the gradual development of ideas over time, this stage involves the mingling of ideas and the emergence of novel combinations.
- Insight: Termed as the "Aha" moment or the "Eureka" experience, this stage signifies the instant when the entrepreneur realizes that the idea they have been contemplating may indeed be an entrepreneurial opportunity. However, this realization does not necessarily indicate readiness to progress to the next stage; rather, it may entail revisiting the preparation or incubation stage.
- **Evaluation:** Considered the most demanding stage, evaluation necessitates candid introspection to determine whether a seemingly promising entrepreneurial idea actually constitutes a viable business opportunity. This evaluation should extend beyond the individual, involving review and feedback from experts and the marketplace.
- **Expansion:** Following the evaluation stage, when a business idea has endured scrutiny and is deemed feasible, the subsequent step is expansion. This phase involves refining numerous details, honing the opportunity, and acquiring valuable insights through experimentation and refinement.

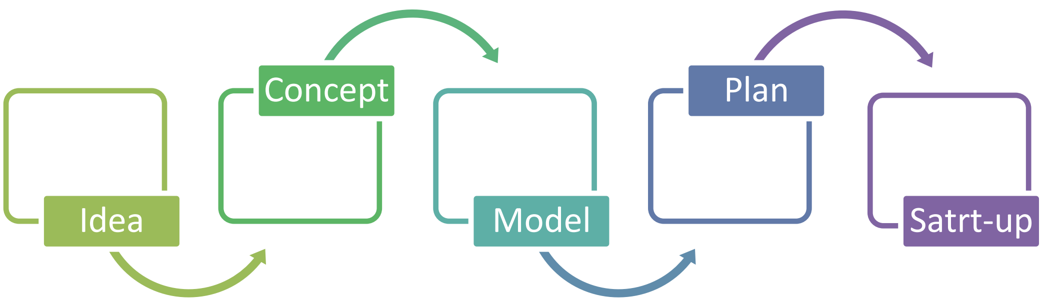
Lumpkin, Hills, and Shrader delineated the practical ramifications of their opportunity model as follows:

- **Implication 1:** Opportunity recognition inherently entails a creative process.
- **Implication 2:** Opportunity recognition necessitates experimentation.
- **Implication 3:** Extensive domain knowledge significantly enhances opportunity recognition.
- **Implication 4:** "Good ideas" must be transformed into viable business opportunities (Machado-da-Silva & Fonseca .1999)

SECTION 3 : COMING UP WITH A BUSINESS IDEA FOR START-UP

Each business commences with an initial idea, which is then refined through a conventional five-step process depicted in the diagram below. In this section, we will delve into how to generate a robust business idea using this five-step process.

Figure 4. Coming up with a business idea for start-up



Upon completion of this section you should be able to:

- Identify business ideas. (Machado-da-Silva & Fonseca .1999)
- Explore reasons for starting a business.
- Identify business ideas that could be implemented to meet existing needs. (Machado-da-Silva & Fonseca .1999)
- Describe factors that influence the starting of a business and relate them to your situation.

3-1- BUSINESS IDEA

Most likely, you have decided to take this course for two reasons:

- You have a great idea for a small business and you want to learn how to go about its implementation in order to create a successful small business,
- You are already running your own small business and you want to learn about how you could make your business more successful.

Upon completing this section, you should be able to:

- Identify potential business ideas.
- Investigate motivations for initiating a business venture. (Nassif et al., 2004)
- Identify business concepts suitable for implementation to address existing needs.
- Explain the factors influencing the initiation of a business and apply them to your individual circumstances.

Exercise 4 : Community Business Idea

In the designated area and in your personal journal, briefly outline your concept for a small business within your community. If you've already christened it, jot down its name as well! For those who currently operate their own small business, list its name and provide a brief description below. Be sure to include plans for expanding your current business, if applicable.

As you embark on the development of your business concept or opportunity, reflect on the following considerations:

- Is this idea novel, or has it been attempted previously?
- Is my concept viable? If it has been tried before, what were the reasons for its failure?
- What insights can I glean from past setbacks?
- Who is my target audience?
- Who are my competitors?
- Am I capable of competing effectively in the market?
- Is the market oversaturated?
- How will I differentiate my product/service from that of my competitors?

If you haven't formulated any business ideas yet but are determined to become a small entrepreneur, then partake in the ensuing discussion:

Exercise 5 : Get together with some of your peers, some family members, some community leaders, etc., and discuss ideas for new businesses in your community. If you come up with a business idea, give your business a name! You can adjust/change this name later.

3-2- REASONS FOR EMBARKING ON ENTREPRENEURSHIP

Commencing a business venture isn't a simple task, yet it harbors the potential for significant rewards. Being an entrepreneur entails assuming numerous risks (Salim.2004), but it also offers myriad benefits if successful (Timmons.1978; Salim.2004). If you find yourself wavering, contemplating whether to leave your current job and venture out on your own, here are six compelling reasons to encourage you to take the leap.

- **Lucrative Opportunities :**
  As a business owner, you possess the potential to earn considerably more than what you might typically garner in a conventional job. Your earnings will be contingent upon your drive, luck, dedication, and innovative ideas. (Dornelas .2001; Machado-da-Silva & Fonseca .1999)
- **Autonomy :**
  Wouldn't it be more fulfilling to be your own supervisor instead of adhering to directives from others? By owning your own business, you're likely to exert even more effort. However, you'll be operating under your own guidelines. You'll have the freedom to dictate your vacation times, working hours, and strategies deemed effective for your business. Nevertheless, it's crucial to recognize that entrepreneurship demands as much self-discipline as it does autonomy. (Hornaday & Aboud, 1971)

- **Selecting Like-Minded Individuals:**
  You'll have the liberty to assemble your team with individuals who share your vision. However, this task may prove more challenging than anticipated. It necessitates identifying individuals who align with your objectives, possess the requisite skills, and demonstrate the dedication necessary to propel your business forward. Gerber (1986) highlights the necessity for a visionary (the entrepreneur), managers, and technicians in a startup business, emphasizing that no single individual can fulfill all these roles alone.
  Thus, early in the business development phase, it's crucial to contemplate the types of individuals required for recruitment.
- **Accomplishment:** Few achievements rival the commendation earned from building a company. Businesses are integral to societal functioning, and many go beyond mere profit-making, profoundly impacting the world. Consider the transformative influence of certain websites or Internet-based products. Some concepts transcend monetary gain, offering unparalleled satisfaction when realized. The exhilaration of witnessing one's ideas succeed is unparalleled.
- **Adaptation:** Innately entrepreneurial individuals perpetually seek ways to enhance their ideas (Machado-da-Silva & Fonseca .1999). Have you ever pondered how your current employer could operate more efficiently? As a business owner, you wield the authority to effect such changes and reap the rewards of your decisions. Furthermore, you can profit from these improvements by making prudent choices.
- **Experience:** Embarking on entrepreneurship entails the risk of failure, an inherent aspect of the journey (Timmons.1978). Yet, failure can be instructive, providing valuable insights and resilience. Embracing failure fosters learning and resilience, enhancing one's expertise for future endeavors. This accrued experience proves invaluable, whether launching another venture or reentering the workforce. Investors favor entrepreneurs with a track record of past ventures, recognizing the lessons gleaned from failure as invaluable assets.

3-3- DEVELOPING AN IDEA

Frequently, fresh business prospects emerge from shifts in industry, social, or economic landscapes (Bastos et al. 2004) . Various factors contribute to the birth of new business endeavors, such as external influences, voluntary self-employment, and personal hobbies.

3-3-1- EXTERNAL FACTORS

- **Technological advancements and the acquisition of new knowledge often prompt changes within industries, leading to the emergence of fresh products and services** :
  A notable example of this phenomenon is the rapid evolution witnessed in Information and Communications Technologies (ICT) over recent years. These swift advancements have spawned numerous business opportunities, including:
  - The availability of high-speed internet and increased bandwidth has paved the way for online education platforms offering courses ranging from traditional academic subjects to lifelong learning and vocational training.
  - More affordable computer equipment and software accessibility have created avenues for providing technical support services, catering not only to corporate entities but also to individual users in home settings.
- **Accidental discovery**: Occasionally, groundbreaking ideas are stumbled upon accidentally rather than intentionally developed. A classic illustration of this scenario is the creation of the Post-It product by the 3M Company.

In 1968, Spencer Silver, a chemist at 3M in the Chaptered States, developed a "low-tack", reusable, pressure sensitive adhesive. For five years, Silver promoted his invention within 3M, both informally and through seminars, but without much success. In 1974, a colleague of his, Art Fry, who had attended one of Silver's seminars, came up with the idea of using the adhesive to anchor his bookmark in his hymnbook. Fry then developed the idea by taking advantage of 3M's officially sanctioned "permitted bootlegging" policy. 3M launched the product in stores in 1977 in four cities under the name "Press 'n Peel", but its results were disappointing. A year later, in 1978, 3M issued free samples to residents of Boise, Idaho, and 95 percent of the people who tried them said that they would buy the product. On April 6, 1980, the product debuted in US stores as "Post-It Notes." In 1981, Post-its were launched in Canada and Europe.

From Wikipedia – Post-it note.
http://en.wikipedia.org/wiki/Post-It

3-3-2- VOLUNTARY ENTREPRENEURSHIP

It is increasingly common for individuals with prior professional experience to venture into entrepreneurship (Clercq & Arenius.2003). Often, these individuals identify opportunities to refine existing products or enhance services, which motivates them to establish new ventures (Salim.2004; Delmar & Shane.2002) . These ventures may either operate within the framework of their current employment or evolve into entirely separate business endeavors.

As individuals accumulate knowledge and expertise through years of employment, they may feel inclined to pursue self-employment. For instance, someone might choose to become a self-employed manufacturer by securing the rights to produce a patented product. Alternatively, an individual might observe a lack of competition in a particular business sector and decide to replicate a similar business model, provided there is an underserved market for the product or service.

Moreover, individuals may contribute to the growth of an established family business, especially if they have been catering to the needs of a loyal customer base over an extended period and wish to introduce new services or products.

3-3-3- HOBBIES

Hobbies also have the potential to evolve into profitable business ventures. For instance, a passion for horses or animals could lead someone to establish a riding school or offer horse boarding services.

3-4- FACTORS THAT INFLUENCE THE BUSINESS

Now that we've delved into various concepts affecting the establishment of a startup, and deliberated on the motivations for entering into business, it's crucial to consider the factors that might shape the type of business you aim to establish (Nassif et al., 2004) . These factors can be numerous, encompassing both favorable and unfavorable elements. We'll focus on a selection for discussion, but as you continue reading, we encourage you to identify additional factors. (Kotler & Armstrong. 2004) have outlined the following factors that influence the initiation and prosperity of a business:

- Cultural considerations.
- Economic conditions.
- Political dynamics.
- Environmental aspects. (Bygrave .2004)

3-4-1- CULTURAL FACTORS

The culture of a nation encompasses the customary traditions and beliefs upheld by its people, shaped by various institutions and societal influences that impact fundamental values (Schwartz .1994 ; Schwartz & Sagiv.1995), perspectives, preferences, and behaviors (Jarvis, 2002). It's essential for entrepreneurs to recognize that individuals are shaped by the society they grow up in, influencing their core beliefs.

Culture plays a significant role in shaping consumer attitudes and behaviors towards products. For instance, in certain cultures, there are norms restricting women from engaging in public activities such as selling goods. This presents a critical consideration for businesses. Firstly, a mother within such a culture may conceive a viable business idea but be unable to execute it due to cultural limitations. Secondly, if she proceeds despite these constraints, it could lead to familial conflicts and potential dissolution. Additionally, if her products fail to resonate with customers, her business may suffer.

Furthermore, cultural festivities, religious observances, local landmarks, and displays of indigenous music, cuisine, and dance offer opportunities to support and engage in diverse cultural experiences within a region. For example, establishing a tour guiding enterprise specializing in cultural events and religious sites can cater to this demand.

3-4-2- ECONOMIC FACTORS

The economy of a nation pertains to the range of activities through which individuals earn income. Various economic elements influence a country's capacity to attract or foster the establishment of new enterprises. (Delmar and Shane.2002)

A country's industrial, economic, and financial framework dictates the demand for goods and services required by both businesses and individuals. The stability, and ideally, the expansion of a country's industrial sector affect income and employment levels. A robust industrial foundation within a country fosters an environment conducive to business creation and advancement. For instance, Botswana's economy relies on diamonds and the beef industry, making it an appealing destination for investment in processing these raw materials.

In subsistence economies prevalent in developing regions, the majority of the population engages in agricultural activities or related enterprises. Individuals primarily produce for their own consumption, bartering surplus goods for basic necessities. In such economies, there are limited market prospects for new business ventures, and attracting investment becomes more challenging. For example, the economies of small Caribbean islands heavily rely on tourism and agricultural sectors, particularly sugar production, making them less conducive to industrial or high-tech investments.

However, as developing nations progress and citizens' income levels rise, there emerges a greater demand for new products and services. This surge in demand leads to the emergence of numerous small businesses catering to the expanding economy. Consider China as an example: three decades ago, it functioned as a subsistence economy. Presently, while agriculture remains significant, China's economy has diversified, with a multitude of small businesses emerging daily to cater to the burgeoning middle class and their appetite for novel offerings and services.

3-4-3- POLITICAL FACTORS

Countries vary in their political and legal frameworks concerning business and the economy. When considering establishing or expanding a business, it's crucial to take into account political and legislative factors. Government bureaucracy is a prime example of this. It refers to how a particular government facilitates or hinders business registration and operation. For instance, if certain types of businesses are restricted to citizens only, non-citizens may face challenges in starting enterprises despite having the necessary capital.

Political instability is another aspect entrepreneurs must weigh before venturing into small business ownership. A country is deemed politically unstable if it experiences violence or lacks the rule of law. Such situations discourage business activities as investors and business owners may feel unsafe in environments lacking security or stability.
Entrepreneurs should familiarize themselves with various legislative guidelines before establishing a small business. These include understanding:

- The laws and regulations governing the establishment and growth of small businesses.
- The impact of the tax structure on small business operations.
- The fees and reporting mechanisms required for small business operation.
- Regional guidelines and bylaws governing small business and home-based business operations.
- The legal framework necessary for establishing a small business.

3-4-4- ENVIRONMENTAL FACTORS (Bygrave .2004)

Environmental considerations are crucial for aspiring entrepreneurs. These encompass factors such as business location, the natural surroundings, environmental regulations, and international laws governing the sourcing and distribution of raw materials and finished goods. (Bygrave .2004)
The physical location of a business holds significant importance. Depending on the nature of the enterprise, its success or failure can be influenced by its placement. For instance, situating a hotel in an area with poor road infrastructure may hinder accessibility for customers. Similarly, a restaurant located away from popular tourist areas may experience lower foot traffic. Conversely, for businesses like consulting or repair services that operate at clients' locations, the significance of the office's location diminishes.
Access to natural resources is another critical environmental factor for entrepreneurs. These resources serve as inputs for various business activities, and entrepreneurs must monitor trends in their availability. Shortages of raw materials in certain regions can impact business establishment. Additionally, entrepreneurs must navigate regulations prohibiting the use of materials listed as endangered species or restricted by legislation. For instance, international laws and treaties forbid the mining and distribution of diamonds in certain African regions due to concerns about conflict diamonds. Similarly, the export of rare animal species is restricted by international law.
Comprehension and adherence to environmental regulations are essential for new businesses. Issues such as air pollution in urban centers and water scarcity in various regions necessitate careful consideration. Entrepreneurs must address questions like sourcing power (Hornaday & Aboud. 1971, accessing water, waste disposal methods, and identifying materials deemed hazardous to human health and the environment . (Bygrave .2004)

3-5- PROTECTING AN IDEA

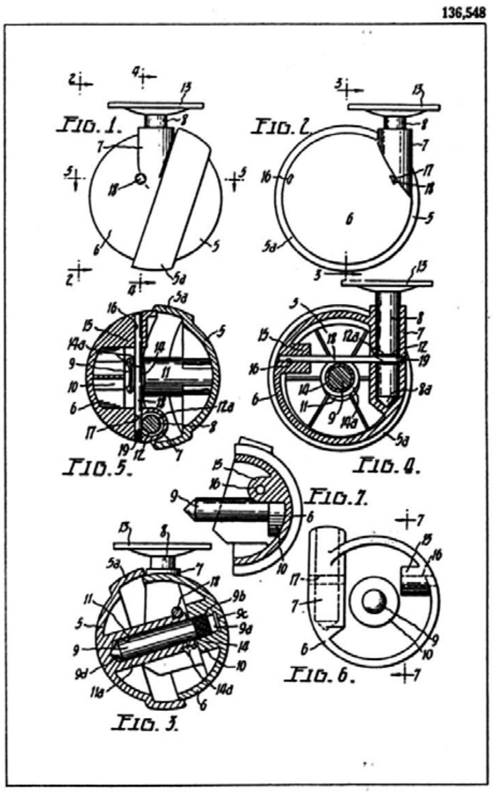
Certain business concepts, such as novel inventions, innovative processes, distinctive product logos, and unique product names, may necessitate legal protection to prevent others from appropriating and exploiting your ideas for their own financial gain (Machado-da-Silva & Fonseca .1999). These ideas are considered intellectual property, but they can only be officially recognized as such if they are documented in written, audio, or video formats. (Machado-da-Silva & Fonseca .1999)
If you share a promising business idea with potential entrepreneurs during informal discussions, there is a risk that they may capitalize on it and develop it into a product or service (Timmons.1978).

Simply communicating your idea verbally does not provide adequate protection for your intellectual property; it must be documented in a legally recognizable form. Legal protections for such ideas typically include patents and trademarks, which grant exclusive rights to the owners of a product or process. Additionally, ideas expressed in written, visual, or multimedia formats are safeguarded by national and international copyright laws.
It's important to exercise caution when divulging your business idea and to only share it with individuals you trust. To safeguard your legal rights, it's advisable to document your idea in writing and, where appropriate, register it as a patent or trademark. Furthermore, ensure that all written or visual materials related to your idea are copyrighted. If necessary, consider having the written description of your idea notarized to further establish its authenticity. Now, let's delve into the specifics of each of these legal concepts.

3-5-1- PATENT

A patent is a set of exclusive rights granted by a government to an individual (typically the inventor) for a specific period of time. In exchange for disclosing certain details about the invention to the public, the patent holder gains the exclusive right to make, use, and sell the invention. Patents are sought when an inventor wishes to market a product or process exclusively, without competition from other entities.
An example of a patent that contributed to the success of a business is the "Shepard Castors," patented by George Shepherd in 1947. This invention, featuring a smooth, steerable ball that facilitates the easy movement of furniture and other items, has become widely used worldwide, with millions in circulation.

Figure 5. Industrial Design in Victoria Australia: Shepherd Castor - Patented innovation



Source: http://ianwongresearch.blogspot.com/2012/01/shepherd-caster-patented-innovation.html

3-5-2- TRADEMARKS

Trademarks are distinctive names or symbols utilized in commerce, which are governed by governmental regulations. These marks, including both trademarks and service marks, can be registered for a designated period. When you develop a distinctively recognizable name or symbol to represent your products or services, you apply for trademark registration. This symbol or name serves as your brand identity in the marketplace. It's essential to understand that the procedures for trademark registration vary from one country to another, so it's advisable to thoroughly research the requirements in your own country. Local business centers may offer guidance and assistance regarding trademark registration procedures.

3-5-3- COPYRIGHT

Copyright encompasses a set of exclusive rights governing the utilization of a specific expression of an idea or information. Essentially, it grants the creator "the right to copy" an original creation. Typically, these rights have a limited duration. The copyright symbol, ©, denotes copyright protection, although in certain jurisdictions, (c) may be used interchangeably. Copyright protection is automatic, even without explicitly adding the copyright symbol to one's original work. Both international and national copyright laws automatically safeguard any original work produced by individuals or companies, regardless of format (text, video, audio, etc.). Permission must be granted to others to utilize copyrighted materials. Copyright serves to prevent individuals and businesses from using copyrighted material without acknowledging the creator's work and, in some cases, paying royalties.

When working for an employer and receiving a salary or being contracted to produce a product, the product is automatically copyrighted to the entity paying for it. Thus, if an article is written or a poster is produced, the copyright belongs to the organization that funded it. Accepting payment for services automatically relinquishes the right to claim copyright.

Another scenario involves the use of clip art and other visuals sourced from the internet. It should not be assumed that anything found online is free from copyright. In fact, all materials on the internet are considered copyrighted to the original author or site owner. Copying and pasting from the internet without the owner's permission is only permissible under specific circumstances, such as when material is in the "Public Domain," accompanied by clear usage guidelines, or published under a Creative Commons copyright license (which permits free distribution, reuse, and repurposing of materials).

Many individuals and companies commonly utilize Microsoft clipart assuming it can be freely used in any document or presentation. However, Microsoft's copyright guidelines outline specific usage terms for its sample clipart. According to Microsoft's guidelines, sample art, including images typically found in "sample" folders within Microsoft operating systems, may be utilized solely for personal use. It is prohibited to sell, lease, or distribute sample art, or any materials incorporating sample images, for commercial purposes unless expressly permitted in the License Agreement.

Retrieved from: http://www.microsoft.com/About/Legal/EN/US/IntellectualProperty/Permissions/Default.aspx#ELC

3-6- IDENTIFYING POTENTIAL BUSINESS IDEAS (Salim.2004)

To pinpoint opportunities for starting businesses in your locality, it's essential to assess the market's demands. Conducting an environmental scan serves as the initial step in your market analysis. Before contemplating the establishment of a new business, you must acquaint yourself with the business landscape within which your proposed venture will operate. Several factors merit consideration, including:

- Identifying existing businesses in the region.
- Understanding the range of goods and services they offer.
- Identifying the demographic (market) that patronizes these goods and services.
- Evaluating whether existing businesses adequately satisfy market needs.
- Identifying potential goods and services that market members might purchase if available.
- Assessing your own skills or capabilities to provide goods and services that align with market demand.
- Investigating the existing competition in the market for the goods and services you intend to offer.

Exercise 6 : Proposed Products and/or Services

Consider the following inquiries and record your responses in your personal journal:

1. What offerings are presently accessible in your vicinity?
2. Have any novel products or services been introduced to the market recently?
3. Are there any notable gaps in the availability of products and services in your locality?
4. Do you believe there's a demand for these absent products and services, and would people be willing to pay for them if made available?
5. Do you possess expertise or proficiency related to any of the absent products or services?
6. Do you feel capable of providing any of the absent products or services?

Upon pondering the responses to these inquiries, you'll likely discern potential business prospects. It's possible that there's an untapped market awaiting the introduction of a new product or service, or perhaps there's a prevalent demand for a particular offering. Additionally, your personal talents and abilities, such as baking, embroidering, painting, or multilingual skills, may also guide you in determining the type of business to establish. The key is to ensure that there's a genuine need for the product or service within your local economy, thereby transforming it into a viable business opportunity.

In a more casual setting, you may also wish to engage in discussions with friends and/or relatives about your ideas. Sharing your thoughts and listening to their input constitutes a form of ***brainstorming.*** Some straightforward brainstorming techniques include:
Generate a list outlining the advantages and disadvantages of your proposed business concept.

- Conduct a basic ***SWOT analysis***, where you outline and evaluate the strengths and opportunities of the business in contrast to its weaknesses and potential threats. Further information on SWOT analysis will be furnished later in the program.
- Discern forthcoming market trends by assessing the current desires of potential customers and predicting their future preferences. Can you pinpoint a disparity between the current offerings and what may gain popularity in the future? Is there an opportunity to establish a business that addresses this gap?

3-6-1- BRAINSTORMING PROCESS

Here's a rephrased version of the brainstorming process tailored for exploring business ideas, derived from the original process extracted from About.com:

http://homeworktips.about.com/od/homeworkhelp/a/brainstorming.htm

- Begin by writing your primary business concept or category in the center of your workspace.
- Commence jotting down ideas without adhering to a specific order. Record words or phrases that relate to your central business idea.
- Once you've exhausted initial thoughts, employ prompts such as who, what, where, when, and why to stimulate further ideas. Do these prompts elicit additional words and concepts?
- Assess whether employing prompts like "opposites," "comparisons," "pros," or "cons" would enrich your exploration.
- Embrace repetition; focus on continuous generation rather than avoiding duplication.
- If your space becomes crowded, extend onto additional sheets of paper, affixing them to the original as needed.
- Continue expanding your brainstorm across additional pages as required.
- Upon completing the initial brainstorming phase, take a brief hiatus from your work.
- Return with a refreshed perspective to review your brainstorming notes, identifying emerging patterns.
- Highlight interconnected thoughts with yellow circles, signaling their significance for potential subsections.
- Utilize blue circles to denote additional related ideas, further delineating potential subsections.
- Embrace varying levels of detail; recognize that some subsections may warrant more extensive coverage than others in your eventual proposal.
- Once you've circled related ideas, consider arranging them sequentially by assigning numbers.
- You now possess a structured foundation for organizing and evaluating your business concept, transforming your initial brainstorm into a coherent outline for a business proposal.

3-6-2- ANALYZING THE COMPETITION

As you generate ideas for your prospective business venture, it's crucial to consider the landscape of potential competitors. Let's delve into the process of assessing your competition.

To begin, a straightforward competitor analysis entails conducting a search for similar businesses within your local area. This can be accomplished through perusing the phone book or conducting online searches via platforms like Google to identify entities operating within the same market niche. During this process, it's important to take note of the following aspects concerning your potential competitors:

- Identify the primary market targeted by your competitors.
- Determine whether they offer services or products that intersect with your envisioned business concepts.
- Assess their advertising strategies and methods of engaging with prospective clients.
- Evaluate the apparent success level of your competitors.
- Examine the pricing structures for their products and services.
- Investigate the level of customer support extended to their existing and prospective clientele.
- Consider whether there remains space within the marketplace for another company offering similar products and services.

By systematically analyzing these factors, you can gain valuable insights into the competitive landscape (Gimenez.2000) , enabling you to refine your business strategies and position yourself effectively within the market. (Porter.1980; Gimenez.2000)

In certain instances, your concept might be exceptionally novel, resulting in minimal competition, which is an optimal scenario. However, in actuality, virtually every emerging business faces potential competitors. These competitors might already be supplying the products and services you intend to offer, or they could swiftly pivot to similar offerings upon recognizing profit opportunities The majority of business ideas lack absolute uniqueness, underscoring the significance of timing, dedication (Dornelas .2001), and market entry. Seizing an early advantage over competitors frequently proves pivotal, as it can determine the outcome between achieving success and encountering failure.

SECTION 4 : DEVELOPING A BUSINESS CONCEPT

Methodically investigating a business prospect is essential for fostering its evolution from a mere idea into a viable business concept, and ultimately, realizing a successful venture. However, transitioning from a business idea to a concrete business concept requires a structured approach. This segment is dedicated to elucidating the steps involved in this transformation, guiding you from the initial conception of your business idea to the formulation of a robust business concept.

Upon completion of this section, you will acquire the ability to:

- Differentiate between a business idea and a business concept.
- Explore the progression from a business idea to a business concept.
- Elaborate on the procedures involved in refining a business idea into a tangible business concept.

4-1- BUSINESS IDEA VERSUS BUSINESS CONCEPT

Many individuals harbor confidence in their business ideas, believing them to be original and potentially lucrative ventures. This initial spark of entrepreneurship often remains stagnant, with many failing to progress beyond the initial idea phase.

Despite musing over their concepts for years, they neglect to invest the necessary time and, in some cases, capital into further exploration and development. As aspiring entrepreneurs, it's imperative to nurture your ideas, dedicating resources to transform them into solid business concepts ready for sharing. (Machado-da-Silva & Fonseca .1999)

A business concept delineates the envisioned business, detailing the products and services to be offered, the target market, and the prospective competition. Crafting a business concept marks the initial step in formulating an effective business plan. This transformation from idea to concept necessitates thorough research and exploration to ascertain the viability of the proposed venture. A well-defined business concept seeks to establish a market with sustained demand for the offered products and services, addressing the fundamental question: "Are there potential customers willing to invest in my offerings?" Moreover, a viable business concept must assess the revenue potential to ensure profitability over a specified timeframe.

In essence, a business concept provides comprehensive insights into the proposed products and services, as well as the prospective clientele. It includes:

- A detailed description of the products or services, elucidating their functionalities and, if applicable, supplemented with technical specifications or diagrams.
- Identification of the target customers and the benefits that the offerings will deliver to them. Emphasizing benefits appeals to customers on an emotional level, highlighting what they stand to gain.
- The uniqueness of the products or services, emphasizing differentiation from similar offerings. This uniqueness instills confidence in customers, showcasing your offerings as the sole source of desirable features and benefits. Additionally, innovative distribution methods may contribute to product differentiation.
- Sales channels, specifying the target audience, locations, pricing strategies, and distribution methods. Different distribution channels can significantly impact various aspects of the business, necessitating careful consideration in the business concept development process.

4-2- COMPONENTS OF A BUSINESS CONCEPT

Drafting a business concept document holds pivotal importance, whether initiating a new venture or enhancing an existing one. The ability to succinctly encapsulate your business concept within a document spanning two to three pages is essential. The initial step in formulating your business concept entails addressing and elucidating the following inquiries:

WHAT functionalities does the product or service offer?

HOW does it distinguish itself from competing products or services?

WHO comprises the target consumer base?

WHY would they opt to purchase it?

- Is it due to pricing?
- Convenience?
- Providing a sense of safety/security/well-being?
- Superiority over existing alternatives?
- Offering a pleasurable experience?
- Incorporating cutting-edge technology?

WHERE will the product or service be marketed?

- Considering both the geographic location of the business and the target customers.

WHEN will it be ready for market introduction?

- Including phases such as concept development, startup, and initial operations.

HOW will it be promoted and sold?

- Will it primarily be marketed and sold online?

Subsequent to formulating the business concept, it's imperative to subject it to feasibility testing before embarking on the preparation of a comprehensive business plan. It's commonplace for the initial business concept statement to undergo modifications during the feasibility assessment phase and the subsequent development of the business plan.

4-3- TRANSFORMING BUSINESS IDEA INTO BUSINESS CONCEPT

When a prospective entrepreneur embarks on a systematic analysis of a business idea, it undergoes a transformation. This transition typically occurs when the entrepreneur commits their thoughts to paper or digital screen, meticulously evaluating the business potential inherent in the proposed concept.

While stumbling upon a business idea may happen swiftly, those who endeavor to translate a simple concept into a viable business venture realize that the path from idea inception to successful enterprise is considerably challenging.

In the process of developing a business concept, it is imperative to first elucidate the underlying purpose of the business idea. Formulating a concept and subsequently crafting a business plan involves envisioning the venture's trajectory five years ahead. However, this imaginative process is grounded in research, data, and empirical evidence rather than mere aspirations. The business concept statement, succinct and precise, serves as the initial stride towards creating a comprehensive business plan, serving as the cornerstone for the entire venture. A lack of clarity in the business concept statement often correlates with ambiguity throughout the entire business idea.

Constructing a pragmatic business concept necessitates more than a mere stroke of inspiration. Aspiring entrepreneurs, often enthralled by the allure of a brilliant business idea and the myriad possibilities it entails, may overlook the importance of adopting a pragmatic approach. Therefore, before delving into the realm of entrepreneurship, it is prudent to adhere to certain guidelines for developing a business concept. According to The Africa Report (2010), the following steps are recommended for transforming your business idea are :

- **Recognize the market landscape :** It involves discerning the current scenario and pinpointing areas where your contribution can be significant. Observe the array of small businesses operating within your vicinity. Evaluate which businesses are experiencing growth and which ones are encountering stagnation. Analyze prevailing business trends to identify unmet needs within your market.
- **Commence with modest beginnings :** Your entrepreneurial endeavor doesn't need to be extravagant or groundbreaking from the outset. Some of the most successful business concepts are refreshingly simple. Entrepreneurship often revolves around leveraging existing skills and tapping into established markets, rather than reinventing the wheel. If your business idea addresses a genuine need, its chances of success are heightened.
- **Understand your identity :** Regard yourself as an integral component of the business idea. To effectively develop a business concept, it's crucial to align your personality traits and aspirations with the proposed venture (Miner. 1998). If you conceive of a potentially successful business concept but struggle to envision yourself immersed in that particular industry, reassess your approach. Pursue endeavors that resonate with your interests and align with your value system.
- **Conduct market research :** Thorough research serves as an invaluable tool for gauging the feasibility of your business idea. By accessing pertinent information, you'll gain deeper insights into your concept's potential and better comprehend the prevailing market dynamics. Multiple sources can provide valuable insights:
  - Conduct online research
  - Seek information from government agencies or non-governmental organizations

- Consult individuals currently operating within the industry
- Engage in brainstorming sessions. Collaborating with others can stimulate additional ideas that may contribute to the refinement of your business concept. (Machado-da-Silva & Fonseca .1999)

➢ Validate the business idea : Prior to formalizing the concept, endeavor to test your idea within the marketplace. This serves as a practical means of assessing the viability of your concept. Remember, great ideas are often accompanied by a well-devised plan. With a meticulously crafted business idea, you enhance your prospects of developing a robust business concept and achieving entrepreneurial success. (Machado-da-Silva & Fonseca .1999)

4-4- THE CONCEPT CHECKLIST

- Outline the essential and distinctive functionalities of the product/service.
- Identify the unique or proprietary elements inherent in the product/service.
- Determine whether any patents, formulas, brand names, copyrights, trademarks, or similar protections are pending or already established.
- Detail any innovative technologies integrated into the product/service.
- Highlight the novelty or distinctiveness, such as an unconventional toothbrush design, innovative organizational structure, or novel production techniques. (Fineman.2001)
- Define the role of the business concept within the industry, whether as a manufacturer, distributor/wholesaler, retailer, etc.
- Specify the target customer or customer demographic and identify those who will pay for the products or services.
- Identify the decision-makers and end-users of the products or services.
- Describe the benefits to be delivered to the customer and the problems the product/service aims to solve for them.
- Determine the sales channels through which the product/service will reach the customer, including retail stores, direct sales, telemarketing, franchising, etc.
- Clarify who will manufacture the product or design the service, whether through subcontractors, in-house resources, outsourcing, etc.
- Develop strategies for customer awareness and visibility, outlining how potential customers will become acquainted with your existence and offerings.

Exercise 7 : Concept Checklist

Review the checklist once more. While you may lack responses for certain inquiries, you may have already pondered solutions for others. Record brief bullet-point responses in your journal, addressing as many questions as feasible. Make notes in your journal to address all the questions listed above that you can provide answers to.

4-5- DEVELOPING A BUSINESS CONCEPT

By contemplating the aforementioned questions, you've initiated the process of refining your business concept. While you may still harbor uncertainty about certain responses, you've taken the crucial step of posing pertinent queries to yourself. As you delve deeper into the course and engage in additional activities, your confidence in your business concept is bound to grow.

A pivotal facet of effective business concept development entails conducting a thorough analysis of your concept. This analysis aids in determining whether to proceed with the business planning phase, gather further data regarding the potential venture, or explore alternative opportunities The following five steps outline a simple process you can adopt. It's important to note that these steps do not constitute a rigid framework but rather highlight key issues to address and the appropriate junctures at which to address them. Adhering to these steps does not guarantee business success, but it can significantly enhance your prospects of achieving it.

Step 1 – Initial Idea Exploration, Identification and Assessment

As mentioned in previous sections of this chapter, the inception of a new business idea can stem from various origins. It might arise within the boardroom of an established company or emerge from discussions among a group of entrepreneurs gathered around a kitchen table. The five-step process outlined below is an adaptation of a methodology initially developed by (Hofstrand . 2009) and introduced by the Agricultural Marketing Resource Center. The diagram provided illustrates the Hofstrand business development process, which comprises five distinct steps.

- **Establish an advisory board :**
  As you progress in developing a business idea, assembling a informal team of advisors is essential to guide the transformation of your idea into a feasible business concept. When forming this advisory board, seek professionals possessing the necessary expertise in business concept development to thoroughly explore the potential of the idea and formulate a viable business concept. Consider including individuals such as an accountant, a lawyer, a banker, an experienced entrepreneur, potential customers, and others familiar with the industry or economic sector in which you intend to launch your business.
- **Refine business idea(s)**
  Clearly define your business idea and elucidate its merits. Your concept might entail addressing an unmet market demand with a novel product, offering an existing product in an innovative manner, delivering a product superior to competitors', or other methods of value addition. Remember, an idea holds viability only if consumers are willing to pay for its offerings. Allocate sufficient time for your advisory team to provide input on your business idea.
- **Explore potential business models for implementing and managing the business idea(s)**
  A business model outlines the operational framework of the business. It encompasses the essential elements of the business journey from sourcing raw materials to final product sales, including all intermediate stages. Examples of business models include static business models, virtual businesses, direct sales models, franchise operations, wholesale versus retail operations, and partnerships with other entities.

- **Conduct formal investigation**

  Consider conducting a formal assessment, such as a pre-feasibility study or a marketing analysis, to evaluate the idea and various implementation scenarios along with supporting business models. This may entail engaging consultants to explore different facets of the idea, leading to the elimination of certain scenarios/models or the identification of new ones. For instance, various scenarios for implementing the following business idea are detailed below:

Exercise 8: Business Idea

Offer maintenance and problem-solving solutions for both PC and MAC hardware and software.

Potential Scenarios:

- Establish a fixed retail setting where customers can bring their hardware for repair and servicing.
- Offer mobile services, traveling to clients' locations to provide assistance.
- Extend services to individuals and home-based businesses.
- Cater to medium to large corporations, offering support and solutions tailored to their needs.
- Provide support and guidance via telephone and virtual control of local PC/MAC.

- **Refine scenarios** :

Choose the scenarios that hold potential for further examination and discard the others.

During Step 1, you should achieve two objectives:

- By eliminating options, you will narrow down the selection of scenarios/models for further investigation.
- Refine and merge the remaining viable business scenarios/models.

Step 2 - Idea/Concept Examination and Evaluation

- **Elaborate on the refined business scenarios and models** : Clearly delineate and describe your proposed business model, providing a compilation of scenarios for delivering the services or products you intend to offer.
- **Perform a feasibility analysis and scrutinize the outcomes** : Undertake a feasibility study of the proposed business model and scenarios. This study should encompass an evaluation of market dynamics, operational logistics, technical requirements, managerial capabilities, and financial considerations associated with your business idea. These factors will contribute to the economic evaluation of your concept. Upon generating a feasibility report, analyze the findings. Only after acknowledging the study's conclusions as comprehensive and conclusive should you proceed to Step 3.

- **Further refine the idea and scenario/model** : Before advancing, you may find it necessary to enhance the business idea in light of the recommendations or findings from the feasibility study. It is not uncommon for the feasibility analysis to unveil new issues warranting investigation. Adjust your business scenario and model to align with the findings presented in the study.

Step 3 - Decision to Proceed or Abort

At this juncture of the process, you will have gathered ample information to ascertain whether the business idea possesses viability and, with appropriate resources and management, can thrive as a new venture. Embarking on the journey of establishing a business entails significant commitment, and reversing course can prove challenging (Delmar & Shane.2002) . Should any lingering doubts or reservations persist regarding the idea, it is prudent to refrain from proceeding. Therefore, it is crucial to engage in candid, comprehensive discussions when reaching this decision.

Step 4 - Development of the Business Plan

If you opt to proceed with your business idea/concept, the next step involves crafting a business plan. A business plan serves as a roadmap detailing how you will execute, manage, and expand your business. If you conducted a feasibility study, it will furnish some of the essential information necessary to underpin the creation of your business plan.

Drafting a business plan is a labor-intensive and meticulous endeavor that may necessitate the involvement of various professionals to offer guidance and assistance. It is advisable to consult and seek input from your original advisory group. Furthermore, additional analysis of the market and competition will be required. You must establish strategic business objectives and devise a comprehensive financial plan to support the business's growth during its initial three years or longer. Only after completing thorough planning can you proceed to implement your business plan.

Step 5 – Business Implementation and Operations

As you move forward, you must implement your business plan and oversee your business operations in alignment with the plan's directives. Entrepreneurs often overlook the fact that sustaining a healthy and viable business requires continual attention and effective management once it is established. Operating and expanding a business necessitates a distinct set of skills compared to launching one, and thus, the individuals who initiate the business may not necessarily be the most suitable candidates to manage it effectively.

According to (Churchill & Lewis .1983), all startup businesses undergo five stages of growth.

Stage 1 : Existence

During the Existence Stage, initiating your plan proves challenging. Your organization structure will be basic and streamlined. Securing the necessary funding, personnel, and resources to progress forward will be a primary concern. (Churchill & Lewis .1983) emphasize the importance of addressing the following questions:

- Can we acquire enough customers and deliver products or services proficiently enough to establish a viable business?
- Can we transition from servicing one key customer or piloting a production process to engaging a broader customer base?
- Do we possess sufficient funds to meet the substantial financial demands of this initial startup phase?

Stage 2 : Survival

During the survival stage, your business has successfully navigated through the initial startup challenges and demonstrated that your idea has the potential to develop into a sustainable business. Despite its small size, your business may now have a few full or part-time employees. The primary objective at this stage is to endure and expand. According to (Churchill & Lewis .1983), the critical questions to address during this phase are:

- In the short term, can we generate adequate cash flow to achieve break-even and to finance the repair or replacement of our capital assets as they deteriorate?
- Can we, at the very least, produce sufficient cash flow to sustain operations and fund growth to a size that is sufficiently substantial, given our industry and market niche, to yield a financial return on our assets and labor?

Stage 3 : Success

During this phase, the company has demonstrated its effectiveness as a thriving entity. It has expanded into a moderate-sized business, likely employing several supervisors/managers and staff members. With a reliable and loyal customer base, the company enjoys stability and profitability. At this juncture, the entrepreneur faces the decision of maintaining the company's current size or pursuing further expansion. Alternatively, the owners may opt to divest the company and allow others to oversee its growth.

Stage 4 : Take-Off

As the company experiences rapid growth, entrepreneurs and senior managers grapple with the challenges of managing this expansion and securing the necessary finances. The key lies in recruiting experienced managers to facilitate growth and establishing a dependable source of funding. This phase entails seeking investors and contemplating the possibility of going public to finance further expansion.

Stage 5 : Maturity

Once strategic business objectives have been attained and financial success achieved, the focus shifts towards stabilizing the company and ensuring its long-term viability. The company now operates with a hierarchical structure and is owned by investors. Even in this mature stage, innovation and risk-taking must continue (Timmons .1978). It is imperative for the company and its owners to remain adaptable and responsive to evolving customer needs(Kelley & Marram .2004 ; Greiner .1998 ; Adizes.1990 ; Churchill & Lewis.1983)
.

Exercise 9: ASSIGNMENT

At this point, you should be prepared to conduct a feasibility analysis for your proposed business concept. Your assignment entails completing a business feasibility study and submitting it to your instructor for evaluation and feedback. The feasibility study should encompass the following components:

- Proposed Business Name.
- Overview of the business idea.
- Description of the intended products and services.
- The business model/type you are advocating.
- An outline of the prospective market.
- An assessment of potential competitors.
- A concise financial plan outlining the expenses and projected revenues associated with running the business.
- Identification of potential risks to business viability.

CHAPTER THREE: NEW BUSINESS VENTURES

CHAPTER INTRODUCTION

In Chapter Two, you formulated a business idea and initiated the process of transforming it into a well-defined business concept. Chapter Three furnishes the essential details required to initiate the business planning phase. You will delve deeper into structuring your business venture concerning its ownership/organization and financial aspects. Additionally, you will revisit your entrepreneurial profile from Chapter One to strategize how you can contribute to fostering a dynamic startup culture.

CHAPTER OBJECTIVES

By the end of this chapter, you should be able to:

- Outline strategies conducive to achieving profitability in ventures.
- Contrast the pros and cons of various forms of business organizations.
- Define the essential traits of an effective startup culture and elucidate their significance.
- Recognize both internal and external avenues for financing and elucidate their correlation with time and risk.
- Evaluate the specific type of financing necessary for a given business.

SECTION 1 : LEGAL CONSIDERATIONS

In this segment, our attention shifts towards the legal structuring of businesses. While new ventures typically commence as sole proprietorships, their organizational framework can evolve into a more intricate arrangement as they expand. Each business structure entails its own set of advantages and drawbacks. (Fineman.2001)

Upon finishing this section, you will have the capacity to:

- Elucidate the legal framework applicable to a new business.
- Contrast the pros and cons associated with various business structures.

1-1-LEGAL STRUCTURE OF A BUSINESS

Every business entity must operate and expand within a legal framework, which delineates the guidelines for establishment and operation according to local and national laws and regulations. Across most nations, businesses are typically categorized into two main types: unincorporated and incorporated. We will delve into each of these categories.

The most straightforward legal structure for a small business is known as a sole trader or sole proprietorship. As businesses progress, they may transition into one of the following forms: general or limited partnerships, limited liability companies, or public limited liability companies, commonly referred to as corporations. Let's examine each of these in detail.

Gorman (1989) identifies four primary legal entities prevalent in most countries. They include:

1-1-1-SOLE TRADER/PROPRIETORSHIP

This business model is owned by an individual, though it may employ staff. It is the most prevalent form of ownership worldwide. Notable advantages include complete control by the owner over decisions and profits, as well as a straightforward business structure that is easy to establish. However, disadvantages encompass unlimited liability, challenges in securing financing, and limited scale. (Jones et al.2022).

1-1-2- PARTNERSHIP

A partnership involves two or more owners. General partners share business rights and obligations, including personal liability for debts as stipulated in the partnership agreement. Limited partners contribute financially but bear limited personal liability for business claims and assume a passive role without involvement in management decisions (Naoum.2003). A Deed of Partnership is drafted to outline investment levels, profit-sharing, decision-making processes, etc. Limited partnerships necessitate more formal agreements and must be registered with local or national government agencies. (Naoum.2003)

1-1-3- LIMITED COMPANY

This business structure features limited liability and is owned by shareholders while being overseen by a board of directors. Shareholders may risk losing their investment if the business performs poorly (Timmons.1978), but they are not personally liable for debts. The company has the ability to engage in contracts, own assets, and participate in legal proceedings. Registration for a Certificate of Incorporation is mandatory for such companies. A key benefit is the limited liability, facilitating easier access to investors and financing (Timmons.1978). Additionally, limited companies may enjoy tax advantages. However, their less common prevalence is attributed to legal formalities and incorporation costs.

1-1-4- PUBLIC LIMITED LIABILITY COMPANY

A public limited company can be publicly traded and issue shares and other securities to the public. It must include the term 'public limited company' or the abbreviation 'PLC' in its title. The primary advantage of this structure is its substantial size, allowing for large-scale investment, production, and the employment of specialized personnel. Conversely, certain financial information becomes public, compromising privacy (Freedman.2000). Such companies must prioritize short-term profitability for shareholders and are susceptible to takeover if another entity acquires a majority of shares and assembles a new management team with the support of other shareholders. (Freedman.2000)

When initiating a startup, registering the business is a crucial step. Determining the legal entity type for registration is necessary. Typically, many small-business proprietors commence as sole traders or sole proprietorships. However, as the business expands and tax complexities arise, transitioning to a limited company structure may become preferable. Below, we outline some advantages and disadvantages of each type. (Note: These advantages and disadvantages may vary depending on local or national circumstances).

Exercise 10: Legal Structure

In your journal, choose a legal framework for your envisioned business concept and evaluate the benefits and drawbacks of the selected legal structure for both your company and yourself. Reflect on aspects such as profitability, privacy, control, liability, simplicity, and financing.

Exercise 11 : Sole Trader/Proprietorship:

- The most straightforward form of business structure.
- Typically involves a single individual and can be operated under that individual's name.
- The owner has complete ownership of the business.
- No legal distinction exists between the owner's personal assets and those of the business.
- Business taxation is conducted through the owner's personal income tax, and any losses can offset taxes on other personal income sources.

Partnership:

- Established when two or more individuals agree to conduct a business for profit.
- Constitutes a legally binding relationship where each partner bears liability for the actions of the others.
- Legally, there is no distinction between a proprietorship and a partnership, except that in a partnership, all partners share both profits and liabilities.
- Partners are taxed based on their respective shares of business earnings.

Limited Company (Corporation):

- Recognized by terms like Limited, Incorporated, or Corporation, or their abbreviations, appended to the company name.
- Exists as a separate legal entity, distinct from its shareholders, officers, and directors.
- Assets are owned by the company rather than by the owner(s).
- In a limited company, the owner(s) are shielded from personal liability for the company's debts unless they have provided personal guarantees for such debts.
- Owners may opt to sell private shares in the company to raise additional capital, but this relinquishes their personal control depending on the ownership distribution of shares. It is advisable not to sell more than 49% of the company.
- This structure necessitates a formalized decision-making process or entity, typically involving a board of directors.

Publicly Traded Limited Company (Corporation):

- All aspects of a limited company apply, with the addition of:
- The company's shares are publicly traded on a stock market or another recognized public trading platform.
- The company is required to have a board of directors elected by its stockholders.
- An annual stockholders meeting is mandatory.
- The board is responsible for determining the company's long-term direction and strategies.
- The board is obligated to provide annual reports to the national regulatory body overseeing publicly traded companies.

SECTION 2 : THE COMPETITION

In preceding sections, we've delved into understanding the market and recognizing the needs of prospective customers. However, when you identify an opportunity as a potential entrepreneur, it's highly likely that others have also recognized similar opportunities (Porter.1980) . It's essential to presume that others are offering comparable services or products. Even if there's currently no competition in a particular market, competitors may swiftly enter if profitable opportunities arise (Porter.1980) . This segment will delve into evaluating the competition and devising your competitive edge.

Upon completing this section, you will be able to:

- Explain methods for identifying potential competitors.
- Explore tactics for attaining a competitive edge.

WHO ARE YOUR RIVALS?

Determining your competitors can sometimes be challenging. You must evaluate the products and services you intend to offer as part of your new business venture. It's necessary to seek out companies, institutions, or government agencies that offer similar services or products.

According to (Stutely.2002), you must analyze your entire industry to identify others catering to your target market. Many companies offer comparable services or products but cater to industry sectors you don't intend to serve. Companies often specialize in a single sector, such as agriculture, as each sector demands specialized knowledge. Frequently, they market their expertise and skills. For instance, a company specializing in providing educational products or services to the military may not possess the capability to offer similar products or services to the K to 12 market.

WHY ANALYZE THE COMPETITION?

Some might question the need for competitive analysis, arguing, "I have a product or service that fills a market need, and I'm confident customers will be interested based on my market analysis." However, what may be overlooked is: (Gimenez.2000)

- The identity of competitors targeting the same market.
- The presence of similar products and services offered by others.
- The typical pricing for the proposed products and services.

2-1- EVALUATING THE COMPETITION

(Stutely .2002) offers several questions to ponder when assessing your competition:

- What is the competitor's primary business model? Do they target individuals, small businesses, or large industries? Are they primarily retailers or wholesalers?
- In which industry sector(s) do they operate? Are they focused on sectors like education (K-12, university), healthcare, security, tourism, government, etc.? Or do they have a diversified approach, serving multiple sectors?
- What types of products or services do they offer? How similar are their offerings to the ones I intend to provide?
- Do they develop their own products or do they resell others' products?
- Is their emphasis on price or product quality?
- Do they offer comprehensive customer support and service?
- What are their marketing strategies?
- What pricing structure do they employ for their products or services?
- How many employees are on their team?
- Where are their business operations located?
- Do they maintain an effective online presence through a website?

2-2- COLLECTING DATA ON THE COMPETITION

Many of the data sources utilized to identify the potential market can also be employed to gather similar information about competitors. The more comprehensive your data collection, the more informed your decisions will be (Manyika et al. 2011). Additionally, reaching out to potential customers and inquiring about their current service providers for DE needs, as well as gauging their satisfaction levels, can provide valuable insights into potential gaps in the market that your company could fill.

2-2-1 OUTCOMES OF COMPETITOR ANALYSIS

Upon completion of a thorough competitor analysis, several decisions must be made. It becomes necessary to determine whether your business idea still holds promise for success. Furthermore, you must assess whether adjustments to your initial concept are warranted based on insights gained from studying the competition, or if you should proceed with further development of the business plan. Adjustments to the original plan may be necessary if you uncover:

Table 4. Competition analysis

If the competition	Then you should consider
Services the same targetmarket	Modifying your target market to focus on an underserved demographic.
Offers the same products and services	Considering alternative products or services that are not currently offered by competitors. **Or** Adapting your envisioned products and services to ensure they are significantly distinct from those offered by competitors.
Encounters a pricing level that poses challenges for you to match.	Assessing the feasibility of altering the products and services to lower costs, consequently affecting the price point.

2-3- THE COMPETITIVE ADVANTAGE (Porter.1980)

Upon completing your analysis of the competition, it's essential to determine the competitive advantage your proposed business venture can establish over rivals. According to Stutely (2002), competitive advantage is relative, emerging from the strongest links in your value ladder compared to your competitors, as they may excel in similar areas. A competitive advantage can manifest in various forms: (Porter.1980; Gimenez.2000)

- **Price Point:** Your services or products are priced lower than those of your competitors.
- **Product Quality:** Your products are crafted to higher standards than those of your competitors.
- **Customer Service:** Your company offers attentive sales and prompt customer service and support.
- **Innovation:** Demonstrating robust research and development capabilities and providing innovative solutions for your products and services.
- **Exclusivity:** Your company holds exclusive rights to products or services not offered by others, typically through trademarking, patents, or copyright enforcement. Once you've defined your competitive advantage, it will inform your marketing strategy when reaching out to potential customers, which will be detailed in your marketing plan in the subsequent stages of the process. (Porter.1980)

Once you've established your competitive advantage, it will integrate into your marketing strategy aimed at potential customers. This aspect will be incorporated into your marketing plan as the process progresses.

SECTION 3: FINANCING A NEW BUSINESS

Many start-up businesses face failure due to insufficient funding. It's crucial for startup success to secure adequate funds for initiation and expansion. This involves locating financing sources and persuading potential investors to back your venture, integral steps in business planning. Effectively managing scarce resources and exploring fresh revenue streams are vital abilities for budding entrepreneurs.

After finishing this section, you should be capable of:

- Recognizing both internal and external avenues for financing.
- Recognizing the essential expenses necessary to initiate and sustain a business.
- Understanding venture capital, angel investors, and investment principles.

3-1- FINANCIAL BASICS

To effectively run a small business, the owner must identify anticipated costs, estimate potential revenues, and create a budget. This necessitates developing a detailed financial plan that covers the initial two to three years of operation. Successful execution of this plan requires a solid understanding of finance and budgeting by the entrepreneur.

Determining the firm's financial requirements involves several steps, as outlined by (Nieman, et Al. 2003):

- Projecting the firm's sales revenues and expenses over the planning period.
- Estimating the levels of investment in current and fixed assets necessary to support the projected sales.
- Determining the firm's financing needs throughout the planning period.

Cash flow requirements for a business must be assessed based on specific criteria:

- Amount of money required: As an unproven startup, raising large amounts of startup funds may be challenging. It's crucial to project the minimum amount of financial support needed, especially until the business establishes its own revenue sources.
- Urgency of fund requirement: Generally, the longer a business can spend raising funds, the lower the cost. However, urgent fund needs may incur higher costs. Often, startup funds come from personal sources like family (Chay.1993) , friends, second

mortgages, or small loans.

- Risk associated with fund usage: Projects with lower profit potential are considered riskier, and external sources of finance may hesitate to lend to such ventures without guarantees of return.
- Repayment timeline: Entrepreneurs must assess whether funds are needed for short-term or long-term projects, determining the type of finance to utilize. Longer repayment periods may make it harder to convince initial investors to release funds.

3-2- THE COST OF OPERATING A BUSINESS

When crafting a financial strategy, it's important to consider various types of expenses your new venture might incur:

- Initial start-up costs demand financial investment. It may take a while before your business generates sufficient revenue to cover these expenses. Achieving the break-even point, where revenues match expenses, could take several months or even years. You must ensure you have adequate funds to sustain operations until reaching this point. Start-up costs encompass:
  - Acquiring infrastructure, office space, furniture, computer equipment, etc.
  - Initial marketing materials.
  - Legal and accounting expenditures.
  - Costs associated with business planning.
- Daily business operations continually require financial resources. These could encompass:
  - Rent.
  - Monthly expenses for phone, Internet, transportation.
  - Marketing and sales efforts.
  - Employee or contractor salaries.
  - Production expenses.
- Business growth entails expanding capacity and innovating with new technology to reduce costs and stay competitive (Porter.1980; Gimenez.2000). Examples of these expenses include:
  - Research and development outlays.
  - Consulting fees.
  - Investments in new technologies or equipment upgrades.
- Developing and promoting your products and services. Is your business operating in a rapidly evolving market where products require continual updates? Do you need to conduct market research or test new products? Marketing expenses could involve:
  - Website creation and maintenance.
  - Advertising through radio and print media.
  - Printing and distributing marketing materials.
  - Participation in industry conferences to promote your offerings.
  - Commissions paid to individuals who bring in new customers.
- Expansion and entry into new markets may necessitate funds for establishing new retail outlets or advertising in new regions.
- Acquiring or taking over another business may involve buying out competitors.
- Relocating your business could encompass costs ranging from renting removal vans to providing relocation packages for employees and installing machinery at the new location.

3-3- TYPES OF EXPENSES AND REVENUES

Every company faces expenses that need to be covered by revenues. Before determining how to finance the startup and growth of your new company, it's essential to identify your expenses and revenues. As you delve into detailed business planning, you'll need to create a startup budget and operating budget that encompass all activities involved in producing and selling your products and services.

In general, there are three categories of expenses to budget for: Start-Up Expenses, Operating Expenses, and Capital Expenses. Conversely, there are three types of revenues that you'll either generate or need to cover expenses: Revenues Generated from Sales, Revenues Generated from Borrowing, and Revenues Generated from the Sale of Shares in the Company. Let's briefly explore each type of expense and revenue.

3-3-1- START-UP EXPENSES

Startup expenses encompass more than just having an idea for launching a new company; they involve financial investments in planning and eventually initiating the business. These costs during the planning and startup phases can vary significantly depending on the business model, scenarios, and the type of products and services the proposed company will offer. (Dodoo et al. 2008)

Investment is required even before the company commences operations. Startup costs will differ based on the nature of the business. Some typical startup expenses include:

- Legal fees and government fees for incorporation, naming, etc.
- Research and development expenditures for creating new products or refining existing ones.
- Costs associated with conducting feasibility studies, market analysis, and competitor analysis.
- Marketing expenses, such as website design, packaging design, etc.
- Production costs for initial products that can be showcased to clients.
- Leasing expenses to secure suitable office space.
- Costs for furniture and office equipment.
- Expenses for telecommunication and Internet installation and equipment.
- Acquisition or leasing of computer equipment and software.
- Business insurance costs.

Additional startup expenses will vary depending on the nature of the business. For instance, if you're launching a delivery service, you'll need to acquire a vehicle and obtain insurance for its business use. On the other hand, if you're establishing a wholesale vegetable distribution business, you'll likely need to rent or purchase extensive storage space and possibly refrigeration equipment.

Before you can commence selling your products and services, you must clearly outline your requirements and then secure funding to cover the necessary investment in startup costs.

3-3-2- OPERATING EXPENSES

Once your business is up and running, you'll encounter ongoing expenses necessary to maintain daily operations (Noor et al.2023). Identifying these costs and estimating their annual expenditures is crucial. Typical operating expenses may include:

- Heating/cooling expenses.
- Electricity and water bills.
- Telephone/cell phone charges (including estimates for long-distance calls).
- Internet and information and communication technology (ICT) connections.
- Monthly rental/leasing fees.
- Employee wages and benefits.

- Payments to contractors/subcontractors.
- Loan repayments.
- Vehicle maintenance and operating expenses.
- Payments to suppliers and wholesalers utilized by the company.
- Continuous marketing expenses, including travel to and from customer locations.

3-3-3- CAPITAL EXPENSES

Capital expenses are enduring, multi-year investments that require careful planning and allocation of funds over an extended period. Typically, a capital budget is necessary to finance these types of expenditures (Venieris et al. 2015). Payments to the capital account may be integrated into your annual operating budgets. Capital expenses are accounted for differently and often depreciate in value over time. Here are some examples of expenses spread out over several years:

- Procurement of a fleet of equipment.
- Acquisition and/or enhancement of computer equipment/hardware.
- Construction of an office or storage facility.
- Investment in multi-year production necessities to facilitate the development of a new product.

3-3-4- SALES REVENUES

Typically, a company's income, or revenues, stems from the sale of its products and services. Without consistent and increasing sales revenues, a company is prone to failure. The magnitude of sales volume directly influences revenue size (Lockett. 2018). Therefore, considerable time and resources should be allocated to marketing and sales efforts for your products and services. (Lockett. 2018)

Additionally, choosing an appropriate price point for your offerings is crucial to maximizing revenue. Overpricing may result in fewer sales, whereas volume sales can lead to higher revenue through lower prices and increased throughput.

3-3-5-REVENUES GENERATED THROUGH BORROWING

Revenue generated through borrowing becomes necessary during the initial stages of a business or periods of expansion when sufficient cash reserves or revenues are unavailable (Yan et al. 2009). In such instances, entrepreneurs may seek loans to support startup endeavors or business growth. Common sources of borrowing include: (Yan et al. 2009)

- **Financial Institutions:** Certain banks or lending agencies extend credit to new or expanding businesses with a solid business plan and preferably some form of collateral to secure the loan. However, during the startup phase, entrepreneurs may possess little to no collateral, leading many to leverage personal assets such as homes or other possessions to obtain the necessary funds.
- **Family or Friends:** In the nascent stages of business establishment, borrowing from family or friends who have faith in the entrepreneur's capabilities may be an option. When borrowing from relatives, it's important to formalize the arrangement with a legal contract outlining the interest rates and repayment schedule for the loan. (Chay.1993)
- **Personal Assets:** Entrepreneurs who believe in their business plans may opt to invest their own assets in the company. Utilizing personal savings, lines of credit, or even refinancing one's home are potential avenues for acquiring funds for the business. Although such investments may not cover all startup expenses, they demonstrate to banks, family, and friends that the entrepreneur is willing to assume a significant portion of the financial risk by investing in their venture (Timmons.1978)

3-3-6- REVENUES FROM INVESTORS

There are various sources of revenue from investors, each with distinct characteristics. The key difference between lenders and investors lies in the ownership stake; investors acquire a portion of your company, granting them influence over its growth and operations (Smith & Wynes.2022). Without investors, you retain full ownership (100%) of the company. When investors contribute funds, they are essentially purchasing a share of the company. Before offering investors the opportunity to invest in your company, it must be incorporated, and a board of directors established. Different types of investors include: (Smith & Wynes.2022)

- **Family or Friends:** Unlike lending money to a family member or friend, becoming an investor involves legally allocating a portion of the company to them, providing them with an opportunity to share in future profits.
- **Partners:** Individuals who collectively launch a new company should be prepared to invest in it. A partnership agreement outlining each partner's level of control in company operations, often based on their initial financial contribution, must be established.
- **Angel Investors:** These individuals are willing to invest capital to kickstart a business in exchange for equity in the company.
- Venture Capitalists: Unlike angel investors, venture capitalists are high-risk investment firms aiming to invest in new business ventures for quick profits. They often seek a significant ownership stake or even controlling interest in the company, typically getting involved in the early stages of growth.
- **Public/Private Offerings:** Once a business achieves initial success and begins generating profits, it may seek to grow to the next level. This can involve making a public or private offering of company stocks to raise capital for expansion. Listing the company on a public or private stock exchange requires considerable effort.

3-3-7- CASH RESERVES

It's advisable for a business to maintain a cash reserve equivalent to at least three months' worth of operational expenses, ensuring smooth operations even without incoming revenues. Conversely, your business may be owed money, especially if you provide trade credit as a supplier to other businesses. In such cases, a specialized factoring company might offer to manage the debt collection process for a fee. Initially, the factoring company disburses most of the debt's value to the business, then proceeds to collect the owed amount from the debtor. This serves as a short-term financing option.

3-3-8- GOVERNMENT ASSISTANCE

Governments offer a range of programs aimed at supporting the growth of startups and small businesses. This assistance may include:

- Provision of small business loans.
- Assistance with developing business plans.
- Support in connecting with potential lenders.
- Education and training on small business operations.
- Facilitation of partnership formation.

3-3-9- FRANCHISING

Franchising serves as a means to expand business with less capital compared to traditional methods. In a franchising setup, a franchisee pays a franchisor for the privilege of operating a local business using the franchisor's brand name (Rosado-Serrano et al. 2018). While the franchisor typically covers a significant portion of the initial investment for a franchisee's outlet, the franchisee is also expected to contribute a portion of the investment. Additionally, the franchisor may assist the franchisee in securing loan capital to fund their share of the investment cost.

Exercise 12 : Financial Considerations

To assess your understanding of financing, construct a table in your journal structured as follows. Outline the required fund amounts (both short-term and long-term), potential fund sources, and associated risks with each financing option.

Type of finance	Source of financing	Short or long term	Amount to be borrowed	Low or high risk

In the "Types of Finance" column, list all the bold-highlighted terms from the preceding section. Then, categorize each type of financing based on its source, time frame, monetary value, and associated risk level. Upon reviewing this table, elucidate the interrelation between these factors.

SECTION 4: MARKETING AND SALES

A successful marketing and sales strategy is vital for the prosperity of any emerging (or established) enterprise. Here, we delve into several principles that must be taken into account when endeavoring to promote and sell your offerings.

After finishing this segment, you should be able to:

- Differentiate between marketing and sales.
- Elucidate the procedure of marketing and sales.
- Evaluate the criteria for determining the prices of your products and services.
- Recognize the marketing and sales principles that all businesses should adopt

4-1- MARKETING VS. SALES

People often interchange the terms "marketing" and "sales," but they are distinct yet complementary concepts that employ different strategies (Miles & Darroch.2006). Let's explore some definitions.

The American Marketing Association defines marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large". The Chartered Institute of Marketing defines marketing as "the management process responsible for identifying, anticipating, and profitably satisfying customer requirements."
From these definitions, we can identify the following key points:

- Marketing is a management process that involves various activities and processes.
- The primary goal of marketing is to satisfy customer needs and requirements profitably.
- Marketing involves effective communication to create value for customers.
- Marketing aims to deliver value to customers, clients, partners, and society as a whole.

In essence, marketing encompasses a broad range of activities, from identifying customer needs and preferences to developing products or services that meet those needs, promoting them effectively, and delivering value to customers while generating profits for the organization.
InvestorWords.com defines sales as the "total monetary value received for goods and services provided." BusinessDictionary.com defines sales as "the act or business of selling products or services." While there are similarities with marketing, such as:

- Sales is a process or set of activities.
- Sales involve the exchange of revenues for goods and services.

Lake (n.d.) explores the distinctions between sales and marketing.
The key points here are that sales is defined as the actual transaction or business of selling products/services in exchange for revenue. While there are some overlapping aspects with marketing, like being a process and involving the exchange of goods/services, the definitions highlight that sales is specifically focused on the act of selling and generating revenue.
To provide more context, the passage seems to be setting up a comparison between the broader concept of marketing, which encompasses various activities beyond just selling, and the more singular focus of sales on the transactional aspect of exchanging products/services for money. The reference to Lake (n.d.) suggests an upcoming examination of how sales and marketing differ. She explains: *"Marketing is everything that you do to reach and persuade prospects. The sales process is everything that you do to close the sale and get a signed agreement or contract. Both are necessities to the success of a business. You cannot do without either process. By strategically combining both efforts you will experience a successful amount of business growth. However, by the same token if the efforts are unbalanced it can detour your growth".*

4-2- THE MARKETING AND SALES PROCESS

The marketing process initiates when you decide to offer products and services to prospective customers (Miles & Darroch.2006). **First**, you must conduct market research to understand customer needs and requirements. Customer needs should drive the types of products and services you provide. Market research insights should guide the design and development of your offerings. **The next step** is determining pricing for your products and services. This requires analyzing your target market, competition, and what others charge for similar offerings. The goal is to price your products and services competitively to give your new business an edge. (Porter.1980 ; Gimenez.2000) . The **third** phase is raising customer awareness and educating them about your products and services. You'll need to implement a marketing plan and employ various marketing strategies to introduce your offerings to potential customers.

Once potential customers recognize a need for your products and services, the sales process begins. You must then investigate and negotiate. First, clearly define the customer's exact needs. Next, negotiate cost, delivery timelines, support requirements, and other sale-supporting activities. Finally, close the deal with a formal contract or monetary exchange for the products received.

In essence, the marketing process lays the groundwork by researching needs (Miles & Darroch.2006) , developing suitable products, setting prices competitively, and promoting offerings - paving the way for the sales process of investigating needs, negotiating terms, and finalizing the transaction. (Porter.1980)

4-3-MARKETING STRATEGIES

Marketing strategies vary depending on the target audience and the industry or sector you aim to communicate with or sell to (Tong et al. 2020). These strategies are employed to raise awareness, communicate, and educate potential clients. The strategies can range from simple printed pamphlets to complex 30-minute informational commercials. Some typical strategies used by companies include : (Tong et al. 2020)

- Advertising in local, national, or industry-specific newspapers, journals, or magazines.
- Creating radio or television advertisements.
- Direct mail brochures and flyers.
- Presentations at trade shows or conferences relevant to the industry.
- Informational websites, webinars, or social media platforms.
- Cold-calling potential customers directly.

The choice of marketing strategy is driven by the characteristics of the target market and the nature of the products or services being promoted. Companies utilize a mix of these strategies to effectively reach, inform, and persuade their desired customer base about their offerings.

4-5- CLOSING THE SALE

The process of closing a sale is often overlooked. It's not enough to simply sell the product to the customer; you must also ensure the customer is satisfied with the product or service. You need to provide guarantees or return policies. Additionally, your company must establish a customer service approach to support customers after the sale is completed. This may involve:

- Offering technical support to assist customers in using the product or service effectively.
- Establishing a dedicated return desk or process for handling returns or exchanges.
- Distributing feedback sheets or surveys to gather customer input and insights.

By focusing on post-sale support and customer satisfaction, you foster customer loyalty and build long-term relationships. These measures demonstrate your commitment to delivering value beyond just the initial transaction. Addressing customer concerns, handling returns smoothly, and actively seeking feedback can help you continuously improve your offerings and customer experience.

Exercise 13: The Market

To reinforce your understanding of marketing concepts, reflect on the following questions and record your marketing ideas in your journal:

- Who comprises your potential market or target audience?
- What would be the most effective way to communicate with members of this potential market?
- How would you go about educating members of the potential market about the products and services you offer?
- What types of post-sales support mechanisms do you need to establish to assist customers after a purchase?

By contemplating these questions and noting your thoughts, you can solidify your grasp of key marketing principles. Identifying your target market, devising communication strategies, planning educational outreach, and considering post-sales support are all critical components of an effective marketing approach. Recording your ideas will help you develop a comprehensive marketing plan tailored to your specific business goals and customer needs.

CHAPTER FOUR: THE BUSINESS PLAN

CHAPTER INTRODUCTION

In Chapter Three, you learned about the framework required for new business ventures. This chapter builds upon that foundation by guiding you through the process of developing a business model for your potential business idea. Once you have a well-defined business model, you can proceed to create a more comprehensive business plan. This chapter aims to provide you with the insights and creative thinking necessary to build a solid foundation for your business.

CHAPTER OBJECTIVES

After completing this chapter, you should be able to:

- Describe the nine building blocks that make up a typical business model.
- Identify the weaknesses, strengths, threats, and opportunities associated with a particular business concept.
- Outline the process involved in planning for a successful business venture.
- Identify the key components that should be included in a business plan.
- Distinguish between a business proposal and a comprehensive business plan.
- Recognize the various outputs or deliverables resulting from the business planning process.

By achieving these objectives, you will gain a thorough understanding of how to conceptualize and evaluate a business model, as well as the steps involved in developing a comprehensive business plan to guide the launch and growth of your new venture.

SECTION 1 : THE BUSINESS MODEL

After developing a business concept from the ideas generated through the opportunity recognition process, we are now ready to assess its viability through business modeling. This section will guide you through the process of describing, evaluating, and refining your potential business model.

Upon completing this section, you will be able to:

- Describe a business model using the nine building blocks framework.
- Assess your own business model to identify its weaknesses, strengths, threats, and opportunities related to the business concept.

By going through this process, you will gain the ability to articulate the key elements of your proposed business model clearly. Additionally, you will learn how to critically analyze your model, pinpointing areas that need improvement or present potential risks and advantages. This analytical approach will enable you to refine and strengthen your business concept, increasing its chances of success.

WHAT IS A BUSINESS MODEL?

Exercise 14: Business Model Definition

The term "business model" may be new or unfamiliar to you at this stage, or perhaps you have a different understanding of its meaning. Take a moment to reflect on your current perception of what a "business model" entails. In the space provided below, write down your own definition and explanation of this term based on your existing knowledge and perspective. Document your definition in your journal.

1-1- BUSINESS MODEL DEFINITIONS

The business logic or approach to generating revenue can be simply described as a business model. This is important because a developed business concept is still just an idea that may or may not be viable in practice (www.arvertica.com).

As an entrepreneur, you can use the process of developing a business model to better understand your customers, what they want and need, and what they are willing to pay for. Therefore, understanding what it takes to turn a business idea into a sustainable opportunity is fundamental knowledge that will benefit you in the process of starting or expanding your business venture.

Designing a business model can sometimes be very complex, as it involves various elements or components that will make the original business concept viable in the long run.

However, for our purposes here, we will utilize a very basic approach that will encompass all the essential elements needed to design a business model.

The key points emphasize that a business model outlines the logic or approach to generating revenue, helps entrepreneurs understand customer needs/willingness to pay, and involves combining various elements to transform an idea into a viable business opportunity, even if the process can be complex. A basic, streamlined approach is recommended for the present purposes.

Exercise 15 : Business Concepts

Record your responses to the following in your journal:

- Identify one of the business concepts you developed in Unit Two.

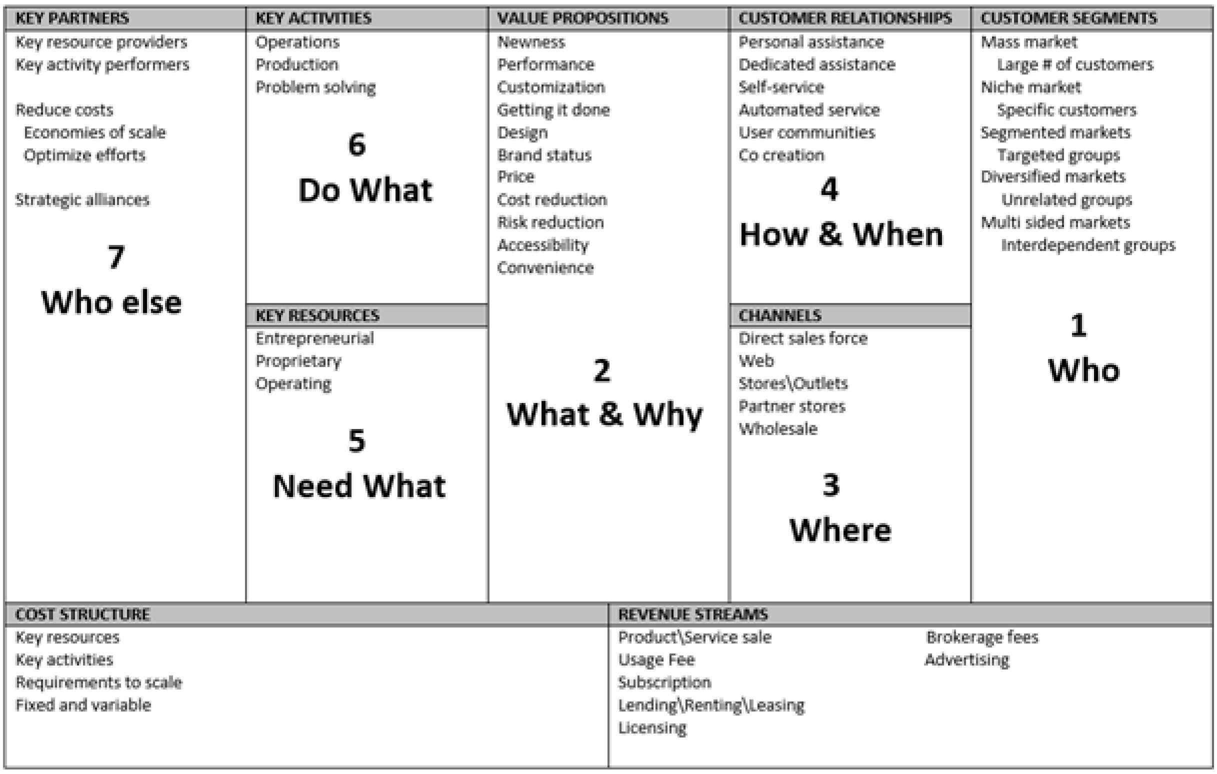
For that business concept, answer the following questions:

- What product(s) or service(s) will the business offer to its customers?
- How will the business connect with and build relationships with its customers?
- What resources (human, financial, physical, etc.) will the business require to produce the goods and/or services that customers want and need?
- What external resources or partnerships will the business need to achieve its goals?
- How will the business generate revenue from its activities and processes involving customers, products/services, and resources?

1-2- THE NINE BUILDING BLOCKS OF A BUSINESS MODEL

Business models can vary depending on the types of products and services offered, as well as the specific industry or sector being served. However, despite these variations, all business models share certain common core elements. The key idea here is that while business models may differ based on the nature of the business (products/services and industry), they are fundamentally built upon a set of fundamental building blocks or components that are common across different types of businesses. The passage is likely setting up an introduction to these common elements that form the foundation of any business model, regardless of the specific business context. It suggests that the upcoming section will outline and explain these nine building blocks that all business models typically incorporate.

Figure 6. Business Model Design



Source: https://teamstart.ca/Library/Marketing/Creating_BusinessModels.html

The nine components of the Osterwalder business model represent the following key elements:

1. The value proposition, which defines the products/services being offered to the market.
2. The customer segments being targeted and addressed by the value proposition.
3. The communication and distribution channels utilized to reach customers and deliver the value proposition.
4. The types of customer relationships established and maintained.
5. The key resources required to make the business model operationally viable.
6. The key activities necessary for successfully implementing the business model.
7. The key partnerships and collaborations required, and the motivations for those partners to participate. (Nassif et al., 2004)
8. The revenue streams that will be generated by the business model (the revenue model).
9. The cost structure that will result from operating the business model.

1-2-1- VALUE PROPOSITION

A customer value proposition is a statement that articulates why a customer should purchase a product or utilize a service. It outlines the set of products and/or services that deliver value to the customer. Your business can have multiple value propositions, each tailored to different segments of your customer base. To identify the value proposition for each customer segment, you need to ask yourself questions such as:

- What offerings are you providing to the market?
- What specific products/services are you offering to each customer segment?
- Which customer needs does the value proposition address?
- Do you offer different service levels across different customer groups?

The customer segment and the corresponding value proposition are at the core of any business model. Take the time now to match each customer segment with its respective value proposition, as this will lay a solid foundation for your basic business model.

Clearly defining the value you aim to provide to specific customer groups is fundamental to crafting an effective business model. By thoughtfully considering what you are offering, to whom, and how it meets their unique needs, you can ensure your value propositions resonate with your target markets.

1-2-2- CLIENT SEGMENTS

It's crucial to remember this fundamental principle when growing a business: without customers, there is no business. As Peter Drucker famously stated, the purpose of a business is to create a customer (en.wikipedia.org/wiki/Peter_Drucker). Customers are the source of revenue for any business venture. Developing an explicit understanding of your potential customer base is an essential ingredient for this building block of your business model. To identify who your customers or potential customers are, you need to ask yourself some basic questions:

- For whom are we creating value?
- Can we group them into segments based on:
- The offerings we provide?
- The channels we use to communicate and distribute our offerings?
- The types of relationships we maintain with them?
- The profitability of each segment?

As you ask and answer these questions, you will be well on your way to explicitly describing your customer segments, which is a crucial building block of your business model. By clearly defining your target customer segments and understanding their characteristics, needs, and preferences, you can tailor your value propositions, distribution channels, and customer relationships accordingly. This customer-centric approach is vital for attracting and retaining the revenue-generating customers that form the lifeblood of any successful business.

1-2-3-DISTRIBUTION CHANNELS

Now that you've identified your target customers and the value propositions you can offer them, it's time to explore how you will distribute your products and services to reach those customers.

There are various communication and distribution channels available, but selecting the right fit is critical for you to establish and maintain a competitive advantage (Porter.1980; Gimenez.2000).

This is an essential part of your marketing strategy and plan. However, you must also consider the cost implications of your distribution methods, as this will impact your bottom line profits and overall profitability. Key questions to ask yourself:

- What offerings are we providing to the market?
- What specific bundle of products and services are we offering to each of our customer segments?
- Which customer needs does each value proposition address?
- Do we need to offer different service levels across different customer segments?
- What is the most effective way to distribute our products and services to our target customers?
- How should we communicate and engage with our potential customers to promote our offerings?

By carefully considering these questions, you can determine the optimal channels for delivering your value propositions to your specified customer segments in a cost-effective manner. Striking the right balance between reach, engagement, and efficiency in your distribution and communication approach is crucial for successfully capturing your target markets.

1-2-4-CLIENT RELATIONSHIPS

Maintaining good relationships with your clients is vital for meeting their expectations and ensuring they become repeat customers. Customers who pay premium prices will expect quality customer service and support. This dynamic is easily observable in the airline industry, where first-class air passengers receive a different level of service compared to economy-class passengers. You must have a clear customer relationship management strategy for each customer segment in your business model. Key questions to consider:

- How do we develop and maintain different types of client relationships within our business model (e.g., more or less personal, more or less intensive)?
- How resource-intensive is each type of client relationship in terms of time commitment and other associated costs?
- For each client segment, which specific relationship types and mechanisms do we need to develop and maintain?
- What level of customer service and support must we establish to meet expectations?

By carefully evaluating these questions, you can tailor your approach to fostering strong, positive relationships with each customer segment. More premium or high-value customers may require more personalized attention and robust support, while others may be better served through more standardized processes. Aligning your relationship strategies to customer needs and willingness to pay is crucial for delivering a satisfying customer experience cost-effectively.

1-2-5-KEY RESOURCES

Every business requires physical and human resources to deliver on its value proposition. These key resources include employees, contractors, suppliers, office space, infrastructure, and other tangible assets. For the business model to operate successfully, these essential resources must be deployed efficiently and effectively to support the value proposition and serve the targeted customer segments. Key questions to consider:

- What are the critical resources our business model relies on?
- How do these resources align with and enable our value propositions, customer segments, distribution channels, and customer relationships?

- Which resources do not add value or contribute to the company's operations and objectives?

By carefully evaluating the resources required and their purposeful utilization, businesses can ensure they have the right pieces in place to execute their business models effectively. Identifying and optimizing the deployment of key resources allows companies to direct investments where they create the most value for customers while minimizing wasteful expenditures on non-essential elements. This strategic management of resources underpins the ability to deliver on the fundamental promises to customers profitably.

1-2-6- KEY ACTIVITIES

Your business must carry out certain key activities in order to implement your business model and serve your customers. These core activities form the essential processes that your business undertakes to produce the value proposition for your target customer segments. The specific processes and activities will vary based on the type of products or services you provide, the industry or sector you operate in, and the particular business scenarios you aim to address. For example, if you are in the retail business, one crucial activity would be breaking down bulk purchases into smaller packages suitable for individual customers. Other businesses may require a delivery service or courier partnerships to physically deliver products to customers. Such distribution activities are critical to fulfilling your value proposition for the retail customer segment.

However, it's important to note that your business may not necessarily be able to perform all key activities internally. It is also possible to outsource certain activities through a network of external partners. Key questions to consider:

- What are the main activities we must undertake to operate our business model effectively?
- Which key resources do these activities rely upon?
- To which value propositions, distribution channels, or customer relationships do these activities contribute?

By identifying and optimizing these core activities, you ensure that your business has the operational capabilities to execute its business model, deliver on its value promises to customers, and maintain crucial customer-facing processes like distribution and relationship management. Carefully managing both internal activities and external partnerships allows you to focus on your key strengths while leveraging outside capabilities where needed.

1-2-7- KEY PARTNERS (Partner Network)

In some business ventures, there may be a need to partner with individuals or other companies to perform certain tasks. Some key activities may require specialized knowledge, equipment or resources that are better provided through outsourcing arrangements. Additionally, accessing certain domestic or international markets may necessitate partnerships with local companies that have an established presence and understanding of the target audience. So the crucial question you must ask yourself is:

- How can we leverage and enhance our own business model by strategically partnering with other businesses?
- What aspects of the business do you want to handle internally, and what activities are better suited for external partnerships?
- Which specific partners and suppliers will we need to collaborate with?
- What key resources or capabilities do these partners provide that are essential to our operations?

- What are the potential costs and impacts (both positive and negative) of entering into these partnerships?
- To which value propositions, distribution channels, or customer relationships do partner contributions directly enable or support?

By carefully evaluating partnership needs and opportunities, you can determine where strategic alliances allow you to focus on core strengths while accessing complementary resources, knowledge, and market access through external collaborators. Identifying the right partners and optimizing how you leverage their capabilities can significantly enhance the execution of your business model.

1-2-8- REVENUE FLOWS

Revenue generated from customers is the lifeblood of any business. This revenue is a result of the value created for customers through your value propositions. Revenues can take various forms, such as sales proceeds, lending fees, commissions, licensing royalties, etc., coming from one or more of your defined customer segments. Key questions to consider:

- What are the different sources of revenue for our business?
- For each customer segment and corresponding value proposition, what revenue streams do they generate?
- What percentage contribution does each revenue stream make toward our overall revenues?

1-2-9-COST STRUCTURE

The business model incurs costs that can be directly or indirectly traced back to each component within the nine building blocks. By identifying the most significant costs, you can easily link them to their corresponding building blocks.

Key questions to consider:

- What are the most substantial cost drivers in our business model?
- Can these cost requirements be clearly mapped to specific building blocks of the business model?
- Is it possible to calculate and allocate costs for each defined customer segment?

1-3- BUSINESS MODEL ASSESSMENT AND IMPROVEMENT

Having examined the nine elements of a standard business model through the nine building blocks, let's now consider how these principles can be applied to the everyday business scenarios we encounter.

Exercise 16: Business Model

The following set of questions expands upon the previously mentioned lists. Reflect on your own business opportunities and potential model, and respond to each question accordingly. Document your answers to each question in your personal journal.

Business Component	Questions to Ask
Customer Segments	- Do we possess a thorough understanding of our customers and their needs? - Are certain customer segments at risk of defection in the near future? - Are we effectively grouping different customer segments?
Value Proposition	- Is our value proposition adequately aligned with the needs of our clients? Are we aware of how our customers perceive our value proposition? - Do our competitors provide comparable value propositions at similar or superior prices? - How effectively do other competitors serve our customers?
Revenue Streams	- How stable are our existing revenue streams? - How varied are our revenue streams? - Are we overly reliant on a limited number of revenue sources, such as major clients or a single business? - How effectively do we price our value proposition?

1-3-1-ASSIGNMENT INSTRUCTIONS

YOUR BUSINESS MODEL

Utilize the provided framework to outline the business model for your upcoming entrepreneurial venture.

1. **Business Concept (1 page max)**
    - 25 word mission
    - Key Values: Accessibility, Innovation, Community
    - Goals: Establish a profitable fitness brand, positively impact health outcomes, achieve personal financial stability.
2. **The Value Proposition**
    - Considering industry analysis, what factors render this venture an opportunity?
    - What broader trends at a macro level contribute to the viability of this opportunity?
    - What specific localized trends align with overarching industry trends?
    - What market needs or challenges does the business aim to alleviate?
    - Provide supporting evidence to substantiate these claims.
3. **Target Market (1 page max)**
    - Who comprises your target demographic?
    - What factors justify their selection as the target audience?
    - What essential characteristics influence their purchasing decisions?
    - Identify your primary competitors and assess their effectiveness in meeting customer preferences outlined above.
4. **The Communication and Distribution Channels (1 page max)**
    - From which sources do your customers gather information to inform their purchase decisions?
    - In what format do they prefer to receive this information?
    - How do they prefer to receive the product or service?
5. **The Relationships Established with Clients (1/2 page max)**
    - How important is customer service in the business?
    - Do we need to deal with each customer on a personal basis?
    - Do they just want us to get them the product and leave them alone?
6. **reams (1 page max)**
    - What are the sources of revenue for the business?
    - What pricing strategies will be implemented?
    - What is the framework of our pricing model?
7. **The Key Resources and Activities Needed to Make the Business Model Possible (2page max)**
    - Resources :
        - People - estimated cost for each
        - Equipment - estimated cost for each
        - Inventory - how much to start and how much on hand (if applicable)
        - Physical space

- Operating cash on hand
- Suppliers

- Activities :
  - What are the "must do's" to get this ready to launch?
  - What are the "must do's" to get the first customer?
  - What are the "must do's" to keep customers coming in the door and to keepthem from leaving us?
  - What are the "must do's" to support growth?

8. Key Stakeholders (1 page max)

- Who are your most critical stakeholders and what will get them to work withyou? (This included sources of outside funding, if needed!)

9. The cost structure (1 page max)

- What is the cost per chapter ?
- What is the overhead cost to operate?

1-3-2- IMPROVEMENT

If your company is established and you've recently transitioned from the Survival Phase (Stage 2) to the Success Phase (Stage 3), and you aim to expand your business further, then you should contemplate the following inquiries based on your current business model. These inquiries might necessitate further business analysis and will likely entail modifications to your original business plan.

Table 5. Questions to consider as you GROW your existing business

Business Component	Questions to Ask
Customer Segments	- Are there new customer segments we could target? - Is there room for improvement in how we segment and categorize customers based on their specific needs?
Value Proposition	- Can we provide more customized solutions to our various customer segments? - Are there additional needs among our customers that we could address either independently or in collaboration with partners? - Could we enhance our value proposition by forming agreements with partners, such as joint value propositions?
Revenue Streams	- Is it possible for us to implement fresh revenue streams, such as lending or renting instead of traditional sales? - Can we engage in more cross-selling activities, such as providing our customers with additional products from our own company or from partner companies?

Communication and Distribution Channels	- Can we expand our customer reach by optimizing our existing channels? - How can we maximize the utilization of costly channels for lucrative clients while employing cost-effective channels for less profitable ones? - Is there room for improvement in integrating our channels, such as enhancing the linkage between websites and physical outlets? - Are there opportunities to introduce novel communication and distribution channels, like establishing partner distribution agreements, to better connect with our customers?
Customer Relationships	- What degree of customization is necessary for each of our customer relationships? - For instance, do we need dedicated relationship managers or can we implement automated self-service options? How can we minimize the expenditure of time and resources on unprofitable clients? - Should we consider implementing frequent buyer programs as a strategy?
Key Resources	- Are there any essential resources we could eliminate or replace? - Are there critical resources that could be more effectively provided by partners at a lower cost?
Key Activities	- Are there tasks that would be more suitable to outsource to partners? - Are our activities perfectly aligned with our value proposition? - How can we optimize and streamline our operations?
Partner Network	- Which partners are capable of enhancing our value proposition? - Which suppliers have the potential to streamline our business model?
Cost Structure	- Are there methods we could employ to lower our cost structure? (For example, through partnering, outsourcing, sourcing from new suppliers, etc.)

SECTION 2 : BUSINESS PLANNING

Now that you grasp the components of a business model, it's time to develop a business plan. In this segment, we'll examine the contents of the business plan and the suggested steps for its creation.

After finishing this section, you should be able to:

- Define a business plan.
- Summarize the components of a business plan.
- Explain the steps involved in creating a business plan.
- Differentiate between a business proposal and a business plan.

WHAT IS A BUSINESS PLAN?

A Business Plan is a comprehensive document outlining the detailed implementation and management strategy for your business, starting from Stage 1 – Start-up, and progressing to at least Stage 3 – Success. It expands upon the initial analysis of your business idea and the findings from your formal business proposal, detailing the transition from concept to operational growth.

You might wonder: why invest time and effort in creating a business plan when the business idea and proposal seem sufficient? Consider this analogy: envisioning a house is akin to conceptualizing your business idea, but constructing it requires detailed blueprints to ensure it aligns with your vision. Similarly, a business plan provides a roadmap for executing your business idea effectively.

Creating a formal business plan offers several benefits:

- Establishes a multi-year strategic direction for the business.
- Sets clear pathways to achieve short-term and long-term business objectives.
- Enables anticipation of future strengths, weaknesses, opportunities, and threats, facilitating the development of corresponding strategies.
- Provides a framework for resource allocation and financial management.
- Serves as a valuable communication tool for engaging with stakeholders such as bankers, lenders, suppliers, and customers, demonstrating a solid plan for support.

Business plans may vary in style and content depending on the nature of the business. However, most encompass key components such as business structure, product and service descriptions, market research, marketing strategies, resource requirements, start-up and operating budgets, and financial projections for the initial three to five years of operation. Ideally, the plan should address all nine elements of a typical business model discussed in Section 4.1: Customer Segments, Value Proposition, Revenue Streams, Communication and Distribution Channels, Customer Relationships, Key Resources, Key Activities, Partner Networks, and Cost Structure.

2-1- BUSINESS PLAN OUTLINE

A standard business plan typically comprises the following sections. Some of this information may have been gathered during the creation of your business idea, business outline/proposal, and business model considerations:

1. **Executive Summary**: Concisely highlight the key selling points of your business idea, aiming to capture attention and interest.
2. **Company Description**: Elaborate on your business idea, including industry, products/services, legal structure, business hours, seasonality, and location.

3. **Strategic Plan**: Define the vision, mission, values, and strategies guiding your business goals, emphasizing measurable and observable objectives. (Schwartz.1994; Schwartz & Sagiv .1995)
4. **Market Analysis**: Detail the outcomes of your market analysis, discussing industry context, target markets, specific customers, marketing strategies, delivery methods, and pricing strategies.
5. **Competitive Analysis**: Identify competitors and outline strategies to gain a competitive advantage, comparing your business idea to existing competitors. (Porter.1980 ; Gimenez .2000)
6. **Impact of Technology**: Describe the technology you'll utilize and its potential effects on your business operations.
7. **Business Operations**: Explain how you'll conduct operations, emphasizing areas where your approach outperforms competitors.
8. **Management and Ownership**: Outline key personnel involved in your business, detailing their skills, education, and contributions.
9. **Organization and Personnel**: Address personnel needs, including number of employees, wages, payment structure, organizational structure, and recruitment, selection, evaluation, and training processes. (Fineman.2001)
10. **Capital and Usage**: Specify capital requirements for startup and ongoing operations, repayment strategies, and allocation of funds within the business.
11. **Financial Information**: Make projections for future profits and losses, covering quarterly figures until breakeven and then annual reports. Include recording methods, breakeven analysis, capital equipment list, and cash flow statements. For longer-term funding, provide balance sheets, income statements, and cash flow statements.
12. **Appendices**: Include supporting documents such as resumes, references, SWOT analysis, competitive analysis, and relevant studies. (Porter.1980; Gimenez .2000)

These sections collectively form a comprehensive business plan, providing a roadmap for the successful implementation and management of your business venture.

2-2- STEPS IN PRODUCING A BUSINESS PLAN

Many of the tasks involved in creating a business plan may already be underway, with data collection occurring as you refine your business idea. (Abrams.2000), in her book "The Successful Business Plan," outlines five key steps in the development of a business plan.

- **Conceptualize Your Business Idea**: Define your fundamental business concept, outlining proposed products and services.
- **Assess Feasibility and Specifics**: Conduct market and competitor analyses to gather data on the viability and particulars of your concept.
- **Refine Your Concept Based on Data**: Utilize compiled data to refine your business proposal, incorporating market descriptions, competitive edge strategies, product/service enhancements, pricing models, and other pertinent information. (Porter.1980; Gimenez.2000)
- **Detail Business Specifics**: Address all aspects of your business model, including the nine building blocks. Identify unique customer services, outline marketing strategies, and establish strategic business goals.
- **Format Your Plan Effectively**: Translate your business details into a comprehensive business plan tailored to your unique entity. Provide financial data to persuade lenders and investors of your plan's viability.

- **Solicit Feedback**: Share your draft plan with others to assess risks and potential for success. Address any identified risks to further refine the plan. (Salim.2004)

Following these steps should result in a robust business plan, setting the stage for successful implementation of your business venture.

Consider the following points as you develop and execute your plan:

- **Flexibility:** Recognize that no business plan is rigid, as unforeseen variables can affect its implementation. Be open to revising the plan and adjusting earlier decisions to align with changing business realities.
- **Regular Review:** Revisit your business plan every two to three years, or when strategic goals have been met, to ensure its relevance and alignment with evolving business objectives.
- **Active Utilization:** Avoid relegating the business plan to a shelf. Instead, utilize it as a guiding tool for all business decisions, investments, and management matters.
- **Measurement of Success:** Establish metrics to measure the success of your business plan, allowing for the assessment of progress and the identification of areas for improvement.

Exercise 17: Case Study

Soumia resides in a small community with around 30,000 employed women aged between 18 and 45. She currently holds a part-time position at one of the twenty beauty salons in her area. Contemplating the use of her 1M DA inheritance, she's considering opening her own salon.

- What advice would you offer Soumia?
- What factors should she contemplate before proceeding with this endeavor?
- What variables will influence her decision-making process?
- What advantages can she expect from owning her own business?

CHAPTER FIVE : THE START-UPS

CHAPTER INTRODUCTION

This chapter provides an in-depth overview of startups, covering key definitions, characteristics, lifecycles, challenges, and legal frameworks. The emergence of startups has disrupted several industries globally, making them an important topic to understand. Though often used interchangeably with small businesses, startups have distinct qualities like a focus on scalability and rapid growth. The chapter outlines the various stages in a startup's progression, from bootstrapping to creation, as well as the hurdles commonly faced. Additionally, the legal context surrounding startups in Algeria is analyzed, including recent developments like the establishment of the Ministry of Knowledge Economy and Startups.

CHAPTER OBJECTIVES

- Define startups and distinguish their attributes from small businesses
- Examine the typical lifecycle stages of startups
- Highlight major challenges startups encounter related to finances, human resources, support mechanisms, and environmental factors
- Provide an overview of the legal landscape governing startups in Algeria
- Describe the actors and mechanisms dedicated to supporting startups in Algeria, both before and after 2020
- Outline the process of obtaining the "startup label" in Algeria and the associated advantages

In summary, this chapter aims to build a comprehensive understanding of startups, their progression models, obstacles, and policy ecosystems, using Algeria as a case study. Both theoretical dimensions and practical contexts are covered to equip readers with a holistic perspective on startups.

SECTION 1 : START-UP: DEFINITIONS AND CHARACTERISTICS

Etymology-wise, the word “Start-up” is a word borrowed from the English language, known as an Anglicism, composed of two parts:

- **Start:** For the beginning of a new business or activity;
- **Up:** For the acceleration phase of the company.

The Start-up is noticeably much more than a company, it in fact stands for a real state of mind: A team sharing values and united for the purpose of pursuing a common project (Schwartz.1994; Schwartz & Sagiv .1995) , so often innovative (Przem, 2016). Besides, and upon consulting several research works on entrepreneurship and the Start-up, mainly the definition provided by (Ries, 2018) seems to us to be the most appropriate, for the reason that as it does not take into account the size or form and even less of the economic sector in which the Start-up is positioned.

Subsequently, (Ries, 2018) has then defined a Start-up as a "human institution designed to create a new product or service under conditions of extreme uncertainty" (Ries, 2018, p4). In the same sense (Larguier, 2021) considers a Start-up, first of all, as "the story of a team driven by the same project, carried by the same values, by the same passions". (Schwartz.1994; Schwartz & Sagiv .1995)

For that reason, creating a Start-up is first and foremost about believing therein (Blank & Dorf, 2012). More to the point, it is about shaping a world where creativity and hard work are valued, whereat making money does not stand for a problem, it is about making mistakes and questioning oneself (Filion .1999) . Similarly, the term "Start-up", being borrowed from the English language, does not simply mean "young company that is starting up" or "technological company", it goes beyond the same. In light of which, the characteristics hereunder illustrate that a Start-up is differentiated from a company by the fact that the Start-up is: (Chevalier, 2017)

- **Temporary:** A Start-up does not intend to stay as such throughout its duration of life.
- **Seeking for a business model:** Indeed, becoming a Start-up means proffering value to customers through a product or service that has never been made out before. Further, the challenge for Start-ups is to find and build a business model that fits the same.
- **Replicable:** This means that a Start-up is looking for a model that, once this works (i.e. generates profit and knows how to attain that), can be completed elsewhere on a larger scale, or by others.
- **Progressive (for an exponential growth):** Having a model whereat the more customers you have, the more profit you make. The first customer costs more than subsequent customers, and so forth. Above and beyond, it refers to this scalability, combined with the fact that the model is replicable, that has allowed Start-ups to grow so quickly in a short period of time, compared to more traditional businesses.

Other characteristics complement to those mentioned above, allowing the distinction between the Start-up and the simple company, as Start-ups are: (Facon, 2021)

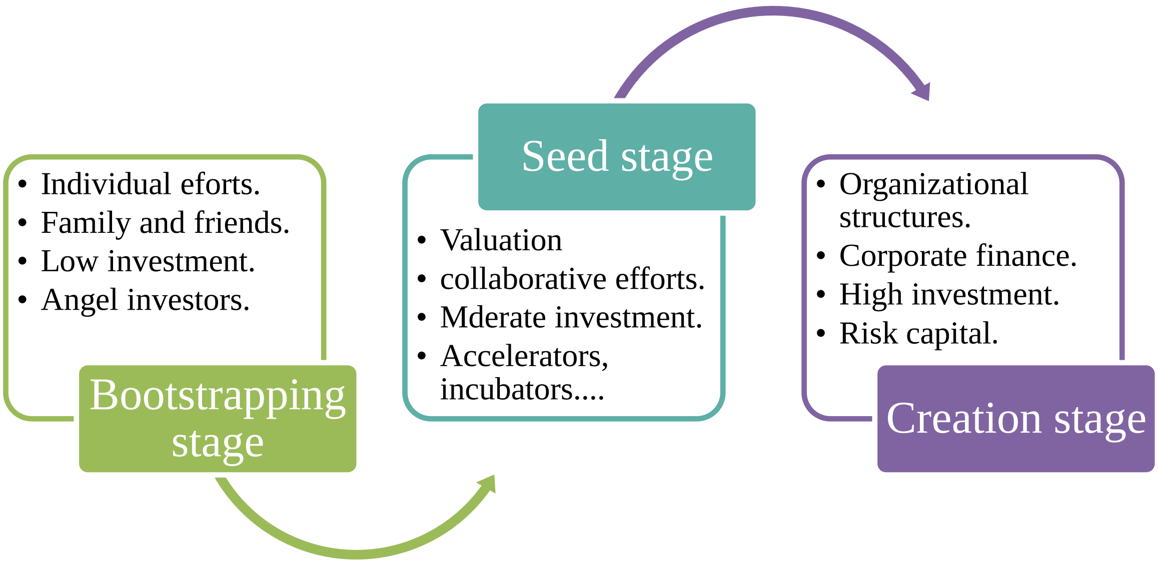
- **More risky projects:** First of all, a Start-up creation project is more risky than a traditional project. In addition to the involved risk, the company must alike confront the innovation challenges.
- **Agile structures:** A start-up has undeniably shown to be an agile structure, as it must have the capacity to adapt very quickly to its environment and subsequently to its evolution. In general, such businesses operate in emerging markets whereat definition has yet to be provided to the rules thereof. As a final point, agility is a symbol of a key success factor.
- **A temporary situation:** In reality, the project may fail, and accordingly disappear, or succeed and subsequently become a traditional business when its model is found but stops evolving.
- **A permanent search for profitability:** Definitely, most new Start-up projects have a have high potentials, or even high profitability. At first, the company loses money because it is not in a position to cover its costs. Consequently, the more the company takes an upward curve, the more its profit margin per customer increases as its model is scalable.

- **The business plan of a Start-up (not to be confused with the business model):** The structuring of the project of a business creation by a Start-up is articulated around the business plan, as this the latter allows:
  - Summarize the project in a few lines;
  - Define its business model (BMC);
  - Identify the key success factors;
  - Identify the key skills and build the project team.

SECTION 2 : THE LIFECYCLE OF STARTUPS

Nonetheless, startups exhibit a wide variety and complexity in their structure, possessing their own distinct lifecycle (Adizes, 1990; Churchill & Lewis, 1983; Greiner, 1998; Kelley & Marram, 2004). Encouragingly, there has been significant progress in researching the lifecycle of startups in recent years, as highlighted by (Salamzadeh.2015a ; Salamzadeh .2015b) . Given that the series of actions and phases can differ across various startups, this paper adopts a comprehensive view to provide a clearer insight into the lifecycle of startups. The lifecycle stages are outlined below (Figure 7):

Figure 7. Lifecycle of startups



2-1-BOOTSTRAPPING STAGE

At this initial phase, the entrepreneur starts a series of actions to transform their concept into a lucrative venture. Despite facing significant risks or uncertainties (Salim.2004) , the entrepreneur progresses with the venture idea, forms a team, invests personal capital, and seeks financial support from relatives and friends. Bootstrapping, often described as innovative methods for acquiring resources without resorting to loans (Freear et al., 2002), is identified as a critical area needing further exploration within entrepreneurship studies (Ebben & Johnson, 2006). The goal at this stage is to prepare the business for expansion by proving the product's viability, demonstrating cash flow management skills, fostering team development and leadership (Salim.2004), and gaining customer approval (Brush et al., 2006).

Additionally, angel investors are typically more inclined to provide funding during this phase. In essence, as (Harrison et al. 2004) suggest, “bootstrapping embodies the essence of entrepreneurial ventures”. This statement underscores the reason many startup theories derive from broader entrepreneurship concepts (refer to, Theories of entrepreneurship with a focus on startups).

2-2- SEED STAGE

Following the initial bootstrapping phase, the founder progresses to the subsequent phase, known as the seed stage. This period is marked by collaborative efforts, the development of prototypes, market entry, assessing the business's value, and searching for support structures like accelerators and incubators, along with moderate investments for startup growth. To be candid, for many startups, the seed stage is chaotic and fraught with uncertainty (Salamzadeh, 2015a). The hallmark of the seed stage is the utilization of initial funding to develop a product and/or service (Manchanda & Muralidharan. 2014). Consequently, the founder looks for support from accelerators, incubators, small business development centers, and hatcheries to speed up the development process. A significant number of startups do not survive this stage, primarily because they are unable to secure the necessary support, and in the best scenario, they may become low-profit entities with minimal success rates. Conversely, those that manage to obtain support stand a much better chance of evolving into profitable ventures. It is generally accepted that the business valuation occurs at this stage’s conclusion.

2-3- CREATION STAGE

Creation stage occurs when the company sells its products, enters into market, and hires first employees (Salamzadeh, 2015). Some scholars believe that entrepreneurship stops when the creation stage is ended (Ogorelc, 1999). This supports the argument that most of the theories which cover startups are borrowed from entrepreneurship theories and not management and organization theories (see Entrepreneurship theories focusing on startups). At the end of this stage, organization/firm is formed and corporate finance is considered as the main choice for financing the firm. Venture capitals could facilitate the creation stage, by funding the venture.

SECTION 3 : CHALLENGES OF STARTUP

Previous studies on the hurdles faced by startups have identified several challenges that are widespread across various startups (Shepherd et al., 2000). While there are shared challenges, many of the obstacles are distinct, and their impact on startups varies. Key challenges that are commonly encountered include:

- **Financial challenges:**
  It has been consistently highlighted that finances are crucial throughout the startup journey. Startups encounter financial difficulties for a variety of reasons at various phases (Colombo & Piva, 2008; Tanha et al., 2011; Salamzadeh, 2015a, b; Salamzadeh et al., 2015). For example, during the initial bootstrapping phase, the entrepreneur engages with friends and family to secure investment for their concept (Chay.1993).

The entrepreneur personally invests in the venture and may require additional funds for expansion due to the project's nascent stage. Subsequently, in the seed phase, the entrepreneur must attract angel investors with compelling valuation proposals. Following this, in the growth stage, it's crucial for the entrepreneur to develop a detailed plan and accompanying documents to appeal to venture capital investors.

- **Human resources:**
  Startups often begin with just the founder or along with a few co-founders. Over time, the need for additional expertise becomes apparent, necessitating the development of the prototype, MVP (Minimum Viable Product), etc. Therefore, the entrepreneur must engage in negotiations, team building, and ultimately, recruitment. This stage is pivotal for success; failure in acquiring adequate industry knowledge or managing human resources effectively can lead to the startup's downfall (Salamzadeh, 2015a; Salamzadeh, 2015b ; Salamzadeh, 2014).

- **Access to Support Mechanisms:**
  Various support mechanisms significantly impact the startup lifecycle (Adizes, 1990; Churchill & Lewis, 1983; Greiner, 1998; Kelley & Marram, 2004). These include angel investors, hatcheries, incubators, science and technology parks, accelerators, small business development centers, and venture capital. The absence of such support mechanisms heightens the risk of failure (Salamzadeh, 2015a ; Salamzadeh, 2015b).

- **Environmental elements:**
  Finally, the impact of external environmental factors cannot be underestimated. Many startups fail because they do not adequately consider trends, market constraints, legal issues, etc. A nurturing environment can greatly enhance a startup's chances of success, whereas a hostile environment can lead to failure. Navigating the startup environment is often more challenging and crucial than for established companies (Boeker, 1988; Bruton & Rubanik, 2002; Van Gelderen et al., 2005; Bygrave.2004).

SECTION 4 : KEY DIFFERENCES BETWEEN A STARTUP AND A SMALL BUSINESS

The core aspect that characterizes a small business may not necessarily be its size, but rather its focus on steady returns instead of aggressive growth as the primary objective (Rupali Shah, 2019, p 253) . However, the definition of "small" can be relative and vary across different industries. A company with hundreds of employees in the engineering field could be considered a small business, just as a marketing firm with only two staff members qualifies as such. The classification depends more on the company's position and scale within its particular industry. Unlike larger corporations and many startups, small businesses enjoy certain advantages stemming from their limited company status and legal distinction. This protective structure safeguards the business name, shields personal assets from liability, and offers tax benefits. Ultimately, being a small enterprise is not defined strictly by employee count, but by its modest goals and position among peers in its sector.

Startups prioritize rapidly increasing their valuations to attract venture capital investment and enable future growth. Demonstrating a business model for exponential value/user growth is critical. In contrast, small businesses focus more on profitability and steady returns rather than aggressive scaling (Rupali Shah, 2019, p 253-254) .

- **Investment Needs:** Startups require continuous influxes of investment capital to fund their growth at each stage. Small businesses typically self-fund through loans, personal finances, etc. and do not need regular rounds of outside investment.
- **Market Targeting:** Startups aim to capture significant market share in their target segments. Metrics like user numbers are prioritized. Small businesses have more modest market ambitions within their local/niche areas.
- **Risk Profiles:** Startups are inherently riskier propositions as they are creating new, unproven products/services from scratch. Small businesses follow more established models and take calculated risks to improve on existing offerings. Startups have less flexibility on timelines for success.
- **Funding Sources:** Startups pitch to venture capital firms for investment by presenting high growth potential. Small businesses secure funding through bank loans, personal assets without stringent growth requirements from investors.
- In essence, startups prioritize rapid scaling, major market disruption and extremely fast growth enabled by venture capital (Delmar & Shane.2002) . Small businesses opt for lower risk, profit-focused approaches within their local markets without the pressures of hyper-growth.

SECTION 5 : THE START-UP IN ALGERIA (LEGISLATION AND CREATION PROCEDURES)

Start-up is a term that has become part of the political and social economic jargon over the last five years in Algeria, notably through the establishment of the delegated ministry to the Prime Minister, in charge of the knowledge economy and Start-ups in 2019, within the scope of the economic transition aiming to take the country out of the rent-seeking economy by promoting the entrepreneurial act and the creation of wealth.

As of to date, although the legal texts governing Start-ups are limited, inclusive of the Finance Law of 2020 No.19-14 dated 14th Rabie Ethani 1441, corresponding to the 11th of December 2019, and the Finance Law of 2021 No.20-16 dated 16th Joumada El Oula 1442, corresponding to the 31st of December 2020, a definition of the Start-up term is provided following the synthesis of the texts mentioned above, this as being “a Very Small Digital Company run by Young Graduates whose products or services have an Innovating character” (Brouri, 2021).

As for the stages of Start-up creation, the General Directorate of Scientific Research and Technological Development (DGRSDT), that established a guide in 2020 on the creation process of a Start-up business, as part of the awareness-raising of young researchers and students to entrepreneurship and to the creation of Start-ups.

In accordance with the guide in question, the creation of a Start-up business in Algeria involves the stages listed below: (DGRSDT ,2020)

- The idea (research, proof of concept, protection of the intellectual property);
- The business plan;
- The assistance actions: (supporting);
- The funding;
- The choice of legal status;
- The completion of the creation formalities;
- The Start-up business creation.

On September 15, 2020, the Executive Decree N°. 20/254 defined startups and incubators as well as the terms related to the ecosystem of the knowledge economy in order to establish a new legal and regulatory framework for startups in Algeria. The same executive decree set forth a number of conditions to meet the definition of a startup, which are as follows: (Executive Decree N°. 20/254)

- The enterprise must be subject to Algerian law, meaning it operates within the national territory.
- Its age must not exceed 8 years since the startup label remains active for a period of 4 years, which can then be renewed once for another 4 years.
- Its activity should be focused on the production of goods or services that include an innovative idea.
- Its turnover should not exceed the maximum limit for the turnover criterion of small and medium-sized enterprises (SMEs) (4 billion Algerian dinars).
- The company's activity should include significant growth potential.
- The number of its employees should not exceed 250 individuals (as is the case for the employee count ceiling of SMEs).
- At least 50% of the company’s capital must be owned by natural persons, approved investment funds, or another startup.

Despite some criticisms directed at these conditions, particularly regarding the capping of the startup size, its turnover, and its number of employees which contradicts the characteristics of startups, it is agreed that the purpose of these restrictive conditions is aimed at granting the "startup label" by a specialized ministerial committee and the resulting benefits from facilitations and incentives concerning easier access to tax exemptions, funding, and offers from public sectors and institutions. Failure to meet these conditions does not necessarily mean that the enterprise is not a startup in practice, like the case of a company that is considered a startup in terms of the startup definition and its characteristics but legally in Algeria, it cannot obtain the 'startup label' because it exceeds the specified growth and turnover limits. This is outlined in the content of Executive Decree N° 20/254.

SECTION 6 : LABELING OF THE START-UP BUSINESS: CONDITIONS AND ADVANTAGES

The creation of a particular status dedicated exclusively to the Start-up business in Algeria symbolizes a choice that has imposed itself over time, as this regulatory framework allows the same to access facilities (fiscal, para-fiscal and other advantages). Indeed, the aim of the labeling is to benefit from facilitations in terms of funding, taxation and supporting.
The Executive Decree N°20-254 published on the 15th of September 2020 in the Official Journal of the Algerian Republic, pertaining to the creation of a National Labeling Committee under the minister in charge of Start-ups, together with setting the missions, composition and

functioning of this entity.
The National Committee is chaired by the Minister in charge of Start-ups or his representative. It is accompanied by eight (08) representatives from different ministries (finance, agriculture, post and telecommunications, higher education, industry, fisheries, digital, renewable energies). Besides, the missions of this Committee are listed below: (GAAN, 2023)

- The attribution of the "Start-up" label in Algeria to young innovative businesses;
- The attribution of the "Innovative projects" label in Algeria to the owners of innovative projects that have yet to create a company;
- The attribution of the "Incubators" label;
- The study of applications submitted after refusing the attribution of the "Start-up", "Innovative projects" and "Incubators" labels.

SECTION 7 : THE ENTREPRENEURIAL ECOSYSTEM IN ALGERIA

7-1- CHARACTERISTICS OF THE ENTREPRENEURIAL ECOSYSTEM IN ALGERIA

Analyzing the reality of entrepreneurship in Algeria reveals a set of characteristics that distinguish the sector and the obstacles that continue to hinder its dynamism. Algeria has attempted since the economic reforms of the 1990s to promote entrepreneurship, especially small and medium-sized enterprises, relying on a variety of support and accompanying measures. However, despite being considered an integral part of the business environment, these efforts have yielded weak results due to reliance on financial assistance and tax privileges, neglecting genuine support and monitoring activities before and after project establishment. This has led to the ineffectiveness of these agencies in identifying entrepreneurs' real needs and thus assisting them in enhancing their activities.
Since 2020, Algeria has shown the will and commitment to improve the entrepreneurial ecosystem, particularly through the National Strategy (2020-2024) aimed at transitioning from a rentier economy to a more sustainable one. This new vision requires enhancing innovation, entrepreneurship, and developing startups. However, much remains to be done regarding the establishment of a suitable ecosystem for the development of startups in Algeria. The country still faces challenges, especially considering that most previous policies focused on supporting the unemployed to establish businesses to address the economic crisis, particularly since the early 1990s, marked by escalating unemployment rates. During this period, three agencies almost entirely controlled the entrepreneurial ecosystem scene: the National Unemployment Insurance Fund (CNAC), the National Agency for Microcredit Management (ANGEM), and the National Agency for Youth Employment Support (ANSEJ), which later transformed into the National Agency for Entrepreneurship Development (ANADE).
Summarizing the characteristics of the entrepreneurial ecosystem in Algeria includes:

- Several factors indicate the weakness of innovation and creativity, leading most new entrepreneurial projects to engage in traditional activities, primarily due to the absence of an effective national strategy for valorizing scientific research and marketing it. (Filion .1999)
- In terms of entrepreneurial education, Algeria is attempting to address its lag in nurturing innovative, creative, effective entrepreneurs who can seize business opportunities, alongside efforts to train the necessary cadres for establishing and managing entrepreneurial projects.
- The business environment in Algeria has long been perceived as difficult and discouraging for establishing and developing enterprises, due to bureaucratic obstacles, such as multiple administrative procedures without adhering to implementation deadlines, heavy taxation, financing difficulties, information provision, obtaining

industrial property, and the prevalence of the informal economy.

- Funding remains the primary obstacle for business practices, especially concerning access to bank financing. Additionally, venture capital companies' activity remains weak in terms of investment volume and the number of benefiting institutions, as it is still relatively new due to the establishment of the National Fund for Financing Startups in 2020, despite the legal existence of this activity long before that. Other modern financing tools, if available, such as venture capital markets, Islamic financing, angel investors, crowdfunding, etc., are still weak. Consequently, most entrepreneurs still rely on self-financing or government assistance mechanisms that may not necessarily align with the nature and needs of entrepreneurial activities.
- Lack of information and transparency about the industrial structure impedes decision-making for private institutions to enter new industries. (Tenbrunsel et al. 2004)

7-2- SUPPORT AND ACCOMPANYING MECHANISMS FOR STARTUPS IN ALGERIA

Facing the economic crisis, especially since the early 1990s, Algeria has adopted a series of economic reforms resulting in the establishment of several agencies and entities aimed primarily at supporting unemployed youth to integrate into the workforce by supporting the establishment of enterprises. These reforms led to the emergence of several agencies actively involved in developing entrepreneurship in Algeria through support services and assistance, particularly by the three agencies: ANSEJ, ANGEM, CNAC, which alone accounted for 15% of new job positions during the period 2009-2014 through various services such as financial aid, tax exemptions, training, and assistance for unemployed youth to establish their own enterprises, thereby creating job opportunities for them and their surroundings.

However, this policy has faced widespread criticism (which continues to this day), as the support and accompanying mechanisms for entrepreneurship in Algeria have been characterized by a set of weaknesses. These weaknesses were the main reason for adopting a new economic policy since 2020, focusing on improving the entrepreneurial ecosystem and prioritizing startups and knowledge economy.

- **Characteristics of support and accompanying mechanisms for entrepreneurship in Algeria:**

To illustrate the prevailing characteristics of support and accompanying mechanisms for entrepreneurship in Algeria until 2020, the following points can be highlighted:

- Lack of experience and training in entrepreneurship support. (Clercq & Arenius.2003)
- Interference and contradiction between the goals and functions of these agencies, as most of them were established to combat unemployment rather than to specifically support entrepreneurship.
- This situation has led to a mismatch between the agencies' goals and their operational methods, as well as weak results compared to the resources allocated to them.
- The weakness in results is due to the fact that the majority of newly established projects are small-scale enterprises operating in the service and craft sectors, far from being startups or profitable enterprises.
- Despite the multiplicity of these agencies, most of them followed the same operating mechanism with slight differences in the loan amounts and the targeted age groups, leading to overlap in their programs and a lack of coordination between them, resulting in wasted efforts and resources that could have been utilized for the benefit of other segments of beneficiaries and more profitable

sectors.

- On the other hand, the beneficiaries of these programs are mostly far from being agents of economic development (as most of them are unemployed). Many of them seek to benefit from the support without fulfilling the obligation to repay the loans, thus operating without discipline, responsibility, or effort to excel beyond their competitors. More dangerously, there is a lack of a strategic vision for the project, innovation, and creativity (Filion .1999) , which explains their frequent appeals to have their debts waived instead of seeking the reasons for their failure and ways to correct their course—a stance that contradicts the logic of business and the spirit of entrepreneurship.
- Focus should be shifted towards providing comprehensive support, including tax exemptions and real support and mentoring in other essential aspects needed by startups, such as training and genuine follow-up of projects before and after establishment, to identify weaknesses and problems hindering startups and determine their actual needs, thereby providing solutions to ensure their success and continuity in the entrepreneurial path.
- Failure to conduct comprehensive evaluative studies that demonstrate the real impact of these programs by comparing the costs incurred with the results achieved. Experts emphasize the imbalance between the amount of money invested and the nature of startup projects (especially in terms of sector activity and degree of innovation), as well as the number of new jobs created.

Public authorities have begun to address this issue, particularly with the transformation of the National Agency for Youth Employment Support (ANSEJ) into the National Agency for Entrepreneurship Support and Promotion (ANADE), dropping the unemployment requirement and increasing the rate of personal investment. Additionally, there are discussions about future integration of several agencies, especially ANGEM and CNAC, into a single entity with ANADE.
Here are the current support and mentoring agencies in Algeria:

7-2-1- The National Unemployment Insurance Fund (CNAC): (CNAC.2024)

This fund was established on July 6, 1994, as a public institution for social security under the supervision of the Ministry of Labor and Social Security. Initially, its purpose was to compensate wage workers who lost their jobs due to the collective dismissals prevalent in the economic sector at that time, especially during the implementation of structural adjustment programs. Then, starting from 1998, the fund aimed to reintegrate the unemployed and assist struggling enterprises. Since 2004, the fund has focused on supporting the establishment of enterprises by unemployed individuals aged between 30 and 50 years through 13 regional agencies, 48 provincial agencies including 22 job search centers and 48 self-employment support centers.
CNAC's services include personal mentoring throughout the establishment stages, validation of professional experiences, assistance in studying project proposals for selection committees, and approval. Additionally, it provides financial assistance covering up to 30% of the total project cost, not exceeding 10 million Algerian dinars, along with assistance in obtaining interest-free bank financing. Moreover, CNAC offers various tax benefits, including tax exemptions during the establishment and exploitation phases. The agency also provides training in enterprise management during project setup and after establishment.

7-2-2- The National Agency for Microcredit Management (ANGEM): (ANGEM.2024)
this agency works, under the supervision of the Ministry of National Solidarity, Family, and Women's Affairs, specializes in providing microloans, which are considered one of the best tools for combating poverty and social exclusion, to individuals deprived of improving their living conditions. This is achieved through the establishment of their own activities, enabling them to generate income. The agency caters to individuals without income or with unstable income and unemployed individuals over the age of 18. The services provided by the agency have resulted in granting 949,944 loans since its establishment until September 2021. Women benefited from 63.54% of these loans compared to 36.46% for men. These proportions are always inverted compared to other agencies and entrepreneurship in general, as female entrepreneurship in Algeria does not exceed 7.9% of all entrepreneurs in the country, after being only 3.2% in 2011 (we discussed female entrepreneurship in Algeria in axis three). However, the explanation for women's dominance in this agency lies in its focus on supporting home-based and small-scale crafts, which are more commonly managed by women. On the other hand, this agency has created 1,390,654 jobs until March 2021, meaning that each loan allows for the creation of an average of 1.46 jobs. This indicates the nature of the newly established activities as predominantly small-scale, which is logical considering the agency's focus on providing microloans.

7-2-3- Changing the role of the National Agency for Youth Employment Support (ANSEJ) to the National Agency for Entrepreneurship Development and Promotion (ANADE) (ANADE.2024)
This agency is considered the leading institution in providing support and assistance to entrepreneurs in Algeria. Established in 1996 under the supervision of the Ministry of Labor and National Solidarity, its objective was to support, train, assist, and monitor unemployed youth to establish small enterprises. It was later assigned to the Ministry of Small and Medium-sized Enterprises, Startups, and the Knowledge Economy since 2020 (Yamani & Bensedat. 2022. P.829). The change and transformation of the agency to ANADE were decided by decree number 20-374 dated December 16, dropping the unemployment mandate. It was also assigned new tasks and functions under executive decree number 20-374, which outlined the conditions for aid provided to young people with projects, aiming to encourage entrepreneurial initiatives and establish diverse and effective economic activities: (Yamani & Bensedat. 2022. p.829).

Through the stages of establishing and expanding their enterprises, young entrepreneurs benefit from:

- **Assistance in the preparation phase** (reception, information, assistance, and training). The agency made training a prerequisite before initiating projects. The training programs consist of the following modules:
  - Establishment Scale: Procedures for establishment concerning the economic and social environment. (Bastos et al. 2004)
  - Marketing Scale: Market research.
  - Tax Scale: Tax procedures and principles.
  - Business Planning Scale: Planning, cash management, cost, and income analysis.

- **Tax Privileges:** These are tax and duty privileges granted to the entrepreneur during two periods: the project initiation phase and the exploitation phase, such as exemption from registration fees for contracts establishing small enterprises and exemption from property transfer taxes in exchange for financial compensation for acquiring real estate within the framework of establishing an industrial activity.
- **Direct Assistance:** This includes interest-free loans granted by the agency according to the financing level, reduction of the bank interest rate to 0%, additional non-equivalent loan when necessary, such as a sum of 500,000 DZD for purchasing a vehicle and equipment for conducting artisanal activities or a sum of 1,000,000 DZD for covering the expenses of communal offices.
- **Activity Expansion:** Small enterprises established under the National Agency for Entrepreneurship Development and Promotion, wishing to expand their activities, can benefit from all the aforementioned privileges again after paying off 70% of their bank debts, starting from the first year after the tax exemptions period ends.

Summary of Financing Levels in the National Agency for Entrepreneurship Development and Promotion: We can summarize the financing formulas offered by the agency as follows:

Figure 8. The financing structure during the support provided by the National Agency for the Support and Development of Entrepreneurship

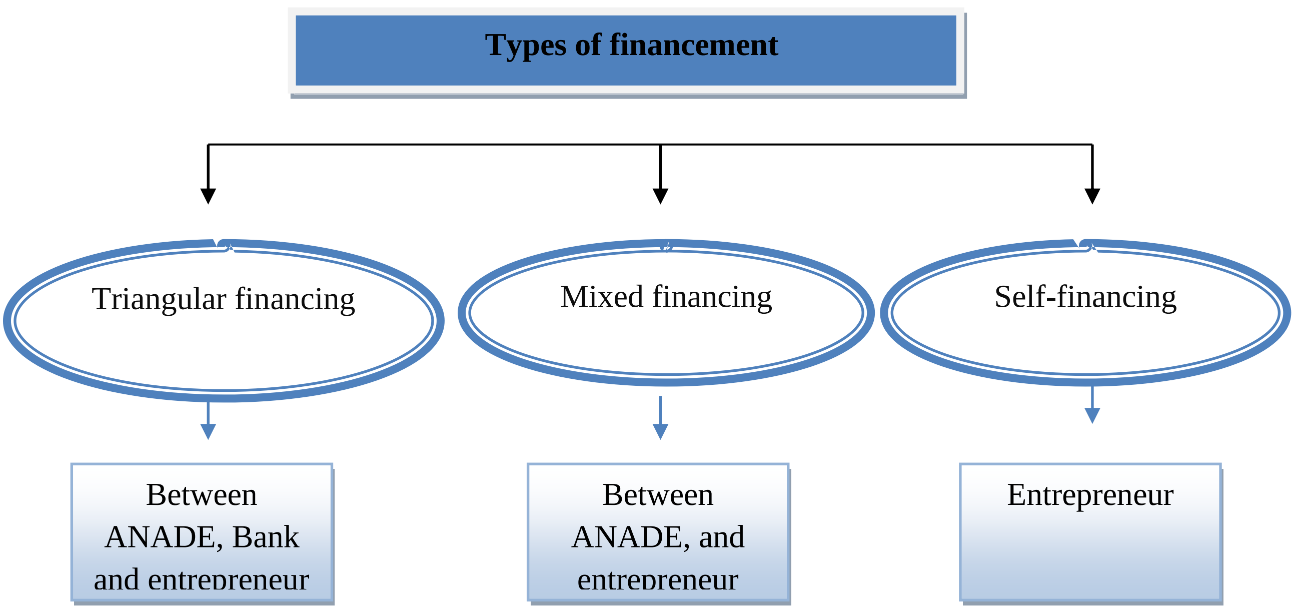


Table 6. The financing structure during the support provided by the National Agency for the Support and Development of Entrepreneurship

Triangular financing	**Personal contribution**	**Interest-free loan**	**Bank loan**
Urban areas	15%	15%	70 %
Special zones and highlands areas (Haut plateaux)	12%	81%	70%
Southern regions	10%	20%	70%
For both unemployed individuals and students	5%	25%	70%
Mixed financing	**Personal contribution**	**Interest-free loan**	
The entire territories of the national soil.	50%	50%	
Self-financing	**Personal contribution**		
The entire territories of the national soil.	100%		

Source: ANADE 2024

7-2-4-The participatory financing systems "Crowdfunding"

This new mode of funding is revolutionizing the Start-up sector in Algeria, having proved its worth throughout the world by enabling the project holders in need of funding to take the step of entrepreneurship all the way through conducting their business creation projects. Besides, the Crowdfunding is organized by means of a platform on the Internet, which puts contributors and project owners in contact with each other. In this respect, the first Crowdfunding initiatives in Algeria date back to 2013, which witnessed the creation of two platforms, mainly the TWIZA platform and the CHRIKY platform, whilst the third initiative is the NINVESTI platform in 2019 (Dabah et al. 2021. p.366).

7-2-5- Incubation and acceleration structures

In fact, incubators support entrepreneurs who want to create a company or a Start-up, through providing them with an environment conducive to apprenticeship, and a network of support necessary for entrepreneurs in the key stages of launching their projects (Djelti et al. 2016.pp 105 – 106). Above and beyond, there exist a variety of incubators in Algeria, whether public or private, planned or active, which support the project holders and Start-ups, alongside providing them with supervision and accommodation during their Start-up phase (Bekaddour. 2021. pp 539-543). Nevertheless, these structures are not supposed to provide direct funding to Start-ups, but prepare them for fundraising and the launch of their own activities, along with directing them towards potential funders.

As for accelerators, there symbolize structures that take over from incubators and succeed them through continuing to support the structured Start-ups being at a more advanced stage, by coaching them in intensive way, for the purpose of accelerating their business; as the acceleration programmes last on average from 03 to 06 months. More to the point, we will quote as examples some of the incubators and accelerators operating in the Algerian entrepreneurial sphere, in respect such as ANVREDET, HABA Institute, ANPT, DarTech, CDTA, Incub Me, Cap, FCE Incubator, ESAA Incubator, Business Incubators, mainly mobile operators, University Incubators, as well as Sylabs and The Pivot accelerators, both of which are private initiatives (Hattou, 2019).

7-2-6- Business Angels

In addition to their expertise and networks, they provide funds that enable the company to continue its development. However, the invested amounts and the average tickets differ from one Start-up to another, from one ecosystem to another and from one country to another (Jakub Ulc.2021. p174). In Algeria, the individually operating Business Angels are often active entrepreneurs, but alike successful professionals or traders, or successful entrepreneurs.

7-2-7-The support and development funds for the Start-up ecosystem

The lectures of Decree No.21-303 dated 22nd Dhou El Hidja 1442, corresponding to 01st of August 2021 in the Official Journal No.60, fixing the modalities of functioning of the special appropriation account No.302-150 entitled as “Support and development fund of the start-up ecosystem” opened in the archives of the Ministry of Finances, having as principal agent the representative of the Prime Minister in charge of the Knowledge Economy and Start-ups. However, in order to ensure the missions of the support and development fund of the Start-ups ecosystem, the receipts and the expenditure of this fund were fixed by the same decree previously quoted in Article 02.

7-2-8- The Algerian Start-up Fund (ASF)

At the National Start-ups Conference “Algeria Disrupt 2020”, the Algerian Start-ups Financing Fund was officially launched. Besides, being raised $7.2 million in its first year, this fund will focus on the most innovative Start-ups in the country (Tech Gist Africa, 2021). Likewise, this fund proffers equity funding to promising Start-ups, but unlike previous devices to support innovative companies, as this Fund will not use the funding through credit, which has proven to be limited. More to the point, the financial aid will henceforth be directly provided by investing in the capital of promising companies (Emerging Valley, 2020).

The National Fund for the Start-ups funding has shown to be the result of collaboration between the Ministry of the Knowledge Economy and Start-ups, Sonatrach, the Local Development Bank (BDL), the Popular Credit of Algeria (CPA), the External Bank of Algeria (BEA), the National Bank of Algeria (BNA) and the National Savings and Provident Fund-Bank (Cnep-Banque). With regards to the ceiling of the ASF investment, three levels have been set, which are: Funding up to 02 million, 05 million and up to 20 million dinars. This will depend on the nature of the project, the sector of activity and the need for funding itself (Algérie Presse Service, 2021).

7-2-9- Algeria Venture (A-VENTURE)

The Executive Decree No.20-356 dated 14th Rabie Ethani 1442, corresponding to the 30th of November 2020, pertaining to the creation of the institution of promotion and management of the Start-ups' support structures and fixing the missions, organization and operation thereof. Besides, it is created under the name of "institution of promotion and management of the Start-ups' support structures", by abbreviation "Algeria Venture", a public institution of industrial and commercial character, designated hereafter the "Institution". Further, the Institution is governed by the rules applicable to the administration in its relations with the Government, seeing that is considered as a trader in its relations with third parties.

Placed under the supervision of the Minister in charge of Start-ups, the latter (or his representative) presides over the board of directors of the Institution which includes 11 representatives of different ministries, the representative of the company Sonatrach, the representative of the Algerian Start-up Fund, and the president of the Scientific Council of the Institution, as well.

The Decree mentioned above provides definition in article 04 thereof the missions incumbent upon this Institution, so the A-Venture is the tool of the public authorities for the implementation of the National Policy for the Promotion and the Management of the Start-ups' Support Structures, in particular through the incubators, the accelerators and the development of the innovation.

CHAPTER SIX : THE INCUBATORS AS ACCOMPANYING MECHANISMS FOR ENTREPRENEURSHIP

CHAPTER INTRODUCTION

The support and accompaniment are considered one of the essential factors for entrepreneurship, and the importance of support and accompaniment for entrepreneurial development has been recognized in recent years due to the increasing need, especially in light of the difficulty of embodying entrepreneurship individually at different project stages. Each time, guidance, financial, material, moral, legislative support, etc., will be needed. Letwski André defines accompaniment as "an attempt to recruit skills, contacts, and time to address the multiple problems faced by the project and to adapt them to the culture and personality of the enterprise" (Marbach C. 2003, p.43). They offer several prominent services: reception, orientation, project management, sponsorship, follow-up of the establishment, and organization of various events related to entrepreneurship, such as clubs and exhibitions.

Accompaniment provides the entrepreneur with an opportunity to practice their role (entrepreneurship), understand their different needs in each situation, and manage their project. Cuzin & Fayolle (Cuzin & Fayolle, 2006, p.91) emphasize that "accompaniment, if well practiced, helps individuals to create their own enterprises, based on the presence of social relationships with the entrepreneur and the mentor during a defined period (Bastos et al. 2004), allowing the entrepreneur to achieve multiple training and access useful resources to develop their skills and implement their project in reality. Any financial, personal, and technical follow-up requires certain conditions". Therefore, any accompaniment must include the following provisions (Ben mahmoud-jouini S., et al. 2010, p.50) : recording data and time, maintaining regular relationships with the entrepreneur and the mentor, adopting a regular pace, and individualizing the relationship, which should be an approachable relationship, and the necessity to adjust according to each situation and consider each entrepreneur as a special case.

Several mechanisms for support and accompaniment have emerged, but it seems that business incubators are the most important and widely used to facilitate entrepreneurial projects. It should be noted that recently, with the acceleration of the environmental system and the rapid advancement of technology affecting the timing of business opportunities, a new concept similar to business incubators has emerged but distinguished by accelerating the accompaniment process, known as "business accelerators." This is in addition to co-working spaces, which we should clarify their concept before focusing on the concept of business incubators.

CHAPTER OBJECTIVES

- Define Business Incubators
- Give an Overview and History of Business Incubation

SECTION 1: DEFINITION OF BUSINESS INCUBATORS

Business Incubators are defined as locations where entrepreneurs can receive proactive, value-added support, and access critical tools, information, education, contacts, resources, and capital that may otherwise be unaffordable, inaccessible, or unknown. Well-structured incubators provide links to industry, offer business support services to enhance and develop businesses, upgrade skills and techniques, provide technological advice and assistance with intellectual property protection, offer financial resources for research and development, initial marketing expenses, and access to potential private investors and strategic partners (Bayhan A. 2023, pp 3-4)

In more competitive countries, benchmarked SME support entities were encouraged by their governments to foster the incubation process. They successfully hosted several pilot projects at relevant companies and universities to allow entrepreneurs to develop their ideas and talents and commercialize them (Bayhan A. 2023, pp 3-4). The respective governments financed those pilot projects through additional financial contributions to the budgets of SME support agencies in the benchmarked countries. These institutions involved recognized the value added by these initiatives, established incubators, and financed them through public/private investment. One of these efforts is included as a possible financing facility model for the proposed Competitiveness Support Fund.

SECTION 2 : OVERVIEW AND HISTORY OF BUSINESS INCUBATION

As mentioned in the introduction, it is crucial for managers of incubators to possess a thorough comprehension of the role that business incubators play in fostering and supporting startup ventures. Furthermore, these managers should grasp the potential of incubators to stimulate regional economies. Both of these facets carry significant importance. A manager who comprehends the role and potential impact of a business incubator will be better positioned for success.

2-1- OVERVIEW OF BUSINESS INCUBATION

Following the Global Forum on Business Incubation organized by infoDev, the World Bank, and the Indian Government in New Delhi in October 2004, the 10th International Summit of Business Incubation Associations reached a consensus on "a straightforward model of the global incubation community, recognizing business incubation environments and processes".

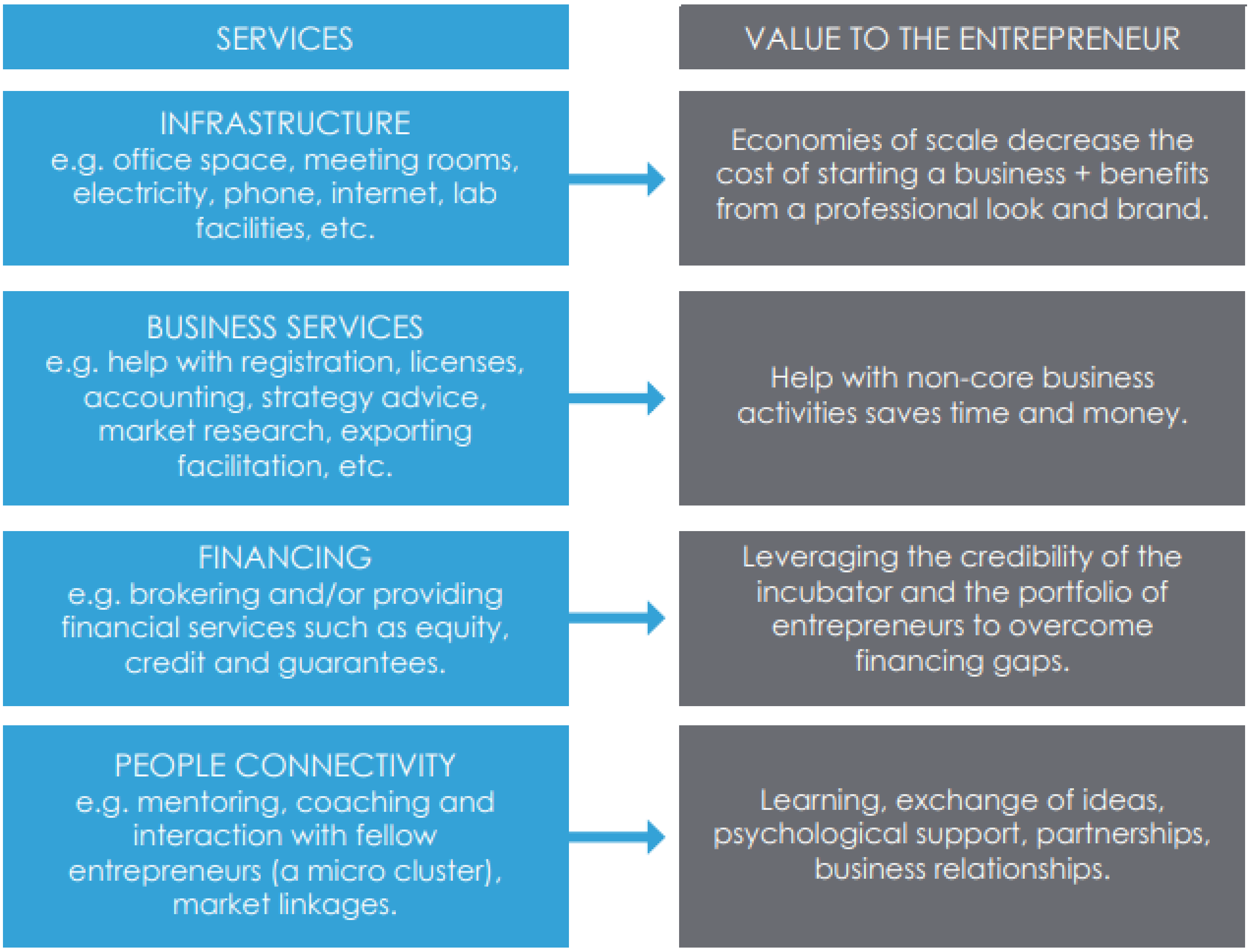
- The broader business incubation environment.
- The process of business incubation.
- Business Incubator (representing a business incubation environment).

- **The broader business incubation environment :** refers to the overarching ecosystem that supports the sustainable growth and development of businesses, fostering their expansion.
- **Business incubation** : is a process facilitated by both public and private sectors, aimed at entrepreneurial, economic, and social development (Bastos et al. 2004). It assists businesses from the initial idea stage to the establishment of start-up companies. Through an extensive support program, it aims to aid these companies in achieving rapid growth and success.

- **The business incubator** represents a physical location or facility designed to support the business incubation process (infoDev, 2024). This description is the most straightforward, broad, and inclusive, emerging from extensive discussions among approximately 30 business incubation organizations. It is intended to serve as the standard reference. However, it's important to note that certain national business incubation associations, like the National Business Incubation Association (NBIA) in the United States, might have their distinct definitions of business incubation: (National Business Incubation Association, 2024)

"Business incubators nurture the development of entrepreneurial companies, helping them survive and grow during the start-up period, when they are most vulnerable. Their programs provide client companies with business support services and resources tailored to young firms. The most common goals of incubation programs are creating jobs in a community, enhancing a community's entrepreneurial climate, retaining businesses in a community, building or accelerating growth in a local industry and diversifying local economies".
Business incubation has four basic components as shown in Figure

Figure 9. The Four Components of Business Incubation



Source: InfoDev. (2023). Business Incubation Definitions and Principles. Trainee Manual. p.33. Available on : https://documents1.worldbank.org/curated/pt/717091562157862660/pdf/BIM-Module-1-Business-Incubation-Definitions-and-Principles.pdf

Incubators stand apart from business centers in that while the latter primarily provide space for rent, along with access to office machinery (like computers and photocopiers) and meeting areas, incubators go much further. They deliver comprehensive business support to their resident companies, guiding them through the critical early stages of development. This support enables these companies to concentrate on developing their products and services for the market.

Considering Figure 9, the typical forms of assistance provided by incubators encompass:

- Infrastructure offerings, such as dedicated office spaces;
- Business-related services, including administrative and informational support;
- Financial guidance, aiding resident businesses in identifying and securing suitable funding options; and
- "People Connectivity," which involves mentoring and coaching opportunities, as well as facilitating connections with valuable networks.

2-1-1-INFRASTRUCTURE

Many incubators provide flexible "easy in, easy out" lease terms, offering monthly arrangements that give clients the freedom to join or leave with ease. Certain incubators, especially those focused on specific sectors, also furnish specialized technical resources like labs and equipment, which are particularly beneficial for tech startups.

2-1-2- BUSINESS SERVICES INCUBATORS

It grants access to essential administrative and communication facilities on a "pay-as-you-go" basis. These facilities include internet and telecom services, photocopying, faxing, binding, reception services, mail handling, document management, and secretarial support. Such services allow clients to focus on their primary business activities without worrying about the logistical aspects of support infrastructure. Startups thereby avoid the hefty initial outlay for office equipment and administrative staff, which the incubator provides.
Incubators also supply a comprehensive set of business information tools to their clients. This toolkit might cover market research, updates on trade events, regulatory and administrative guidance, financing options from both public (grants and government funds) and private (angel investors) sources, and connections to other local business support networks. They play a crucial role in facilitating startups' access to corporate markets through their established networks.

2-1-3- FINANCING SUPPORT INCUBATORS

Assist enterprises in navigating through diverse funding options available to them at different stages of their growth. They connect their clients with suitable financial opportunities, ranging from government grants, bank loans, to venture capital investments (Delmar & Shane.2002) , depending on the company's development phase. The financing could include seed funding, loans, or equity investments. Some incubators go a step further by offering direct financial support, managing their own seed funds to invest in the startups they house.

2-1-4- PEOPLE CONNECTIVITY

Enhancing Entrepreneurial Networks Incubators play a crucial role in fostering mentorship and advisory connections between startup teams and seasoned professionals from the incubator's leadership or external industry experts. This mentorship is geared towards strengthening the entrepreneurial and business competencies of the incubator's clients (Elizur, Borg, Hunt, & Beck, 1991), focusing on essential skills like finance, marketing, and management, along with fostering sound business acumen, all of which are vital for the success of any venture (Delmar & Shane.2002). Through this guidance, incubators aim to enhance these skills among their clients, with mentors offering both advice during the company's growth phases and access to their personal business networks.

Moreover, incubators encourage the establishment of valuable connections by organizing interactions with specialists such as accountants, marketing advisors, and legal consultants, alongside facilitating engagements with industry stalwarts pertinent to the startups' market domains. These connections and networks are instrumental in helping client companies to attract new customers, penetrate new markets, find potential partners, and secure investors.

2-2- THE HISTORY OF BUSINESS INCUBATION

The business incubation sector is relatively young. According to information found on Wikipedia, the concept of business incubation traces back to 1959 in New York State, USA, with the establishment of the Batavia Industrial Center, which can be considered the pioneer of modern business incubators.

Despite its tremendous success, this experience is unlikely to be replicated except in a few instances, around 20 incubators by the late 1970s. Later, the experiment was scaled up to the level of the United States of America and then globally when the Small Business Administration (SBA) established the National Business Incubation Association (NBIA) Development and Establishment Program in 1984 (Omar. 2006. pp 92-94).. By 1997, more than 550 incubators had emerged. Subsequently, business incubators evolved into a thriving industry, with approximately 3,500 business incubators operating in various countries worldwide, including around 1,000 in the United States alone and the establishment of about 1,700 in 150 developing countries (Omar. 2006. pp 92-94). Notably, Brazil and South Korea each have around 200 incubators. Since then, local economic development agencies, public institutions, and private sector entities have begun establishing incubators as "failure reduction tools" and "innovation acceleration tools" in business operations. Business incubators have undergone continuous development, which can be categorized into three distinct generations (Aieb.2019. p.30)

2-2-1- FIRST GENERATION

This phase, spanning from the 1970s to the mid-1990s, witnessed the foundational development of business incubators in the United States. These incubators were characterized by their diverse purposes, often linked to academic institutions and industrial research facilities, or known as industrial research facilities facilitators, while some emerged as regional revitalization projects to rejuvenate economically distressed communities. Incubators during this phase focused on providing infrastructure support such as office space and amenities like secretarial services, meeting rooms, and parking facilities.

2-2-2- SECOND GENERATION

Reflecting the late 1990s, this phase marked a robust stage after specialized business incubator models were established in the United States. New incubators emerged, particularly in the technology sector. During this period, incubators primarily focused on providing business support and developing projects with a high emphasis on technology utilization.

2-2-3- THIRD GENERATION

From the late 1990s to the present day, this phase witnessed the emergence of internet or dot-com incubators, also known as virtual or borderless incubators. Internet incubation refers to an organization that assists internet companies and emerging startups in their growth until they reach maturity. However, they are also characterized by high levels of risk and failure rates. This type of incubator offers typical incubation services, except for the physical presence available in other types of incubators. Incubators during this phase focused on equipping startups with technological capabilities, building specialized entrepreneurial skills, and providing internationalization and financial support for startups.

Since then, the practice of business incubation has expanded globally, with incubators offering a wider array of services and more comprehensive support to their clients, as depicted in Table 7 showcasing the evolution of incubators through three generations based on service advancement. It's important to note that the applicability of different generations of incubators varies depending on their location and objectives. Therefore, the table doesn't imply that only third-generation incubators are relevant today; second-generation ones can still thrive successfully.

Table 7. Three Generations of Incubator

Generation	Description of services
1st Generation	- Office rental and shared office services. - Reactive business support.
2nd Generation	- 1st Generation Services plus. - Proactive business support. - Business coaching and mentoring.
3rd Generation	- 1st and 2nd generation Services plus. - In-house debt/equity finance for clients. - Channels to external financiers. - Partnering with other business in order to achieve critical mass for procurement contracts, products and services

Source: InfoDev. (2023). Business Incubation Definitions and Principles. Trainee Manual. p.50.

SECTION 3 : SERVICES PROVIDED BY INCUBATORS

Networking plays a crucial role in the array of services provided by incubators, as emphasized by (Hansen et al. 2000) : “Most business incubators provide office space, funding, and basic services. The better ones also offer an extensive network of powerful business connections, enabling fledgling start-ups to beat their competitors to market”.

The business incubator offers a comprehensive range of services including: (InfoDev, 2023 , p.40)

- Guidance and support in business development, as well as mentoring and coaching to enhance capabilities.
- Expertise in business administration, focusing on effective human resources management.
- Educational seminars on essential business skills, such as finalizing transactions.
- Strategic business planning support to ensure the company's longevity and prosperity.
- Opportunities for networking, providing connections to specialists in product innovation.
- Assistance with market analysis and marketing strategies to target and engage the most suitable consumer segments.
- Support in exploring and entering new markets to capitalize on emerging opportunities.
- Sales strategy development with the assistance of seasoned business consultants.
- Financial guidance to identify and secure suitable funding options.
- Advice on financial operations to ensure efficient financial governance of the company.
- Access to essential IT and office resources, including workspace, faxing, photocopying, internet and email services, meeting areas, and parking facilities.

When considering the long-term return on investment. Incubators yield a broader long-term return on investment by virtue of their role in : (InfoDev, 2023 , pp 44-45)

- Facilitating connections between entrepreneurs and financiers;
- Advocating for policy and regulatory reforms to benefit their entrepreneurs;
- Promoting successful entrepreneurial stories, thus enhancing awareness of entrepreneurship and fostering a culture receptive to calculated risk-taking.

Incubators constitute a vital component of the innovation and entrepreneurship value chain, serving as : (InfoDev, 2023 , pp 44-45)

- Sources of aggregated lower-risk investment opportunities for financiers;
- Suppliers of technology park clients and providers of innovative products/services for larger corporations;
- Informants for policymakers regarding obstacles to entrepreneurship and small business growth.

Moreover, incubators can significantly impact local commercial and residential real estate markets through the advancement of their graduates. As graduated incubators establish themselves, whether by constructing, purchasing, or leasing premises upon leaving the incubator, they inject fresh investment into the local market. Considering the markedly higher success rate of incubated firms compared to non-incubated ones, with approximately 87% of incubated firms still operational after four years versus only 44% for non-incubated firms, landlords and lending institutions can engage with reduced risk, thereby ensuring market stability (Molnar et al. 1997).

Furthermore, the inherent value of incubators extends beyond the perspective of incubators and local communities, as they not only nurture new companies through incubation services but also contribute to local and regional community revitalization. These advantages should be underscored when seeking financial backing for incubators from both public and private sectors. One of the primary strengths of business incubators lies in their adaptability to various social and economic contexts (Bastos et al. 2004) . Given their capacity to assist companies with specific requirements, incubators are versatile enough to operate effectively in diverse business environments, spanning from conventional suburban Science and Technology Parks to urban and even rural settings. For instance, rural-based incubators may support agribusiness and food technology ventures, while inner-city incubators may empower entrepreneurs in disadvantaged communities to launch businesses that may not be capital or technology-intensive but still contribute to job creation and wealth generation. The core benefits of business incubation remain consistent regardless of the incubator's location.

SECTION 4: THE IMPORTANCE OF BUSINESS INCUBATORS

Business incubators derive their importance from the pivotal role they play as a bridge and connection point linking various actors in the entrepreneurial ecosystem, especially companies, research centers, public authorities, and economic institutions in general. The importance of business incubators can be summarized in the following elements : (Al-Hajiri. October 12-14, 2016. p.8)

4-1-FOR THE INSTITUTION

- Enhancing the competitive capacity of institutions. (Porter.1980 ; Gimenez.2000)
- Ensuring a solid start for institutions.
- Reducing the risk of failure and enhancing the chances of success.
- Enhancing the institution's status and expanding its network within the strategic environment.

4-2- FOR THE NATIONAL ECONOMY

- Cultivating a class of entrepreneurs and innovators.
- Creating numerous job opportunities for youth by promoting self-training culture and fostering job creation without solely relying on state support.
- Providing suitable conditions and resources for the establishment of small enterprises.
- Supporting the establishment of institutions that meet societal needs.
- Contributing to social and economic development in the country. (Bastos et al. 2004)

4-3- FOR THE COMMUNITY

- Acting as a developmental hub for the surrounding community by providing technical services to projects outside the incubator.
- Optimizing the use of talents and encouraging initiatives. (McClelland .1965)
- Fostering an entrepreneurial culture.
- Eliminating social problems. (Bastos et al. 2004)
- Promoting a culture of leadership, creativity, and innovation. (Filion .1999; Salim.2004)

4-4-FOR UNIVERSITIES AND RESEARCH CENTERS, IT PRIMARILY INVOLVES

- Assisting in marketing the findings and studies conducted by companies and scientific research centers before commercial adoption.
- "Incubating" inventions and innovations and contributing to the utilization of scientific research results and creative ideas in the form of projects that make them commercially viable.

SECTION 5: THE MECHANISM OF OPERATION OF BUSINESS INCUBATORS

A business incubator is considered like any project, requiring a set of conditions to ensure its continuity, especially the following:

- Defining the main purpose that the incubator seeks to achieve, whether it is profit-oriented or aimed at serving the community by providing assistance in developing and growing new projects with the aim of contributing to job creation and reducing unemployment rates.
- Providing a suitable working environment that helps small businesses to evolve and grow.
- Establishing the necessary criteria for small businesses that incubators aim to host, as well as defining their quality, which will facilitate providing appropriate support for each project, thereby contributing to achieving the incubator's goals.
- Focusing on expanding the network of relationships with various stakeholders, including beneficiaries, economic partners, and social entities (Bastos et al. 2004)

Generally, projects are accompanied by business incubators through three main stages as follows: (Boulashouar. 2018. p.425).

5-1- PRE-INCUBATION STAGE

This stage is fundamental for building a project based on a solid foundation to ensure its continuity and growth. It involves developing and analyzing the project idea, evaluating its feasibility, determining the initial business model, and conducting preliminary market studies. Necessary training is provided to enhance entrepreneurial skills. The main objective during this stage is to ensure compatibility between the entrepreneur's personality (Miner.1998), abilities, skills, and the project, considering factors such as the nature of the activity and the degree of innovation.

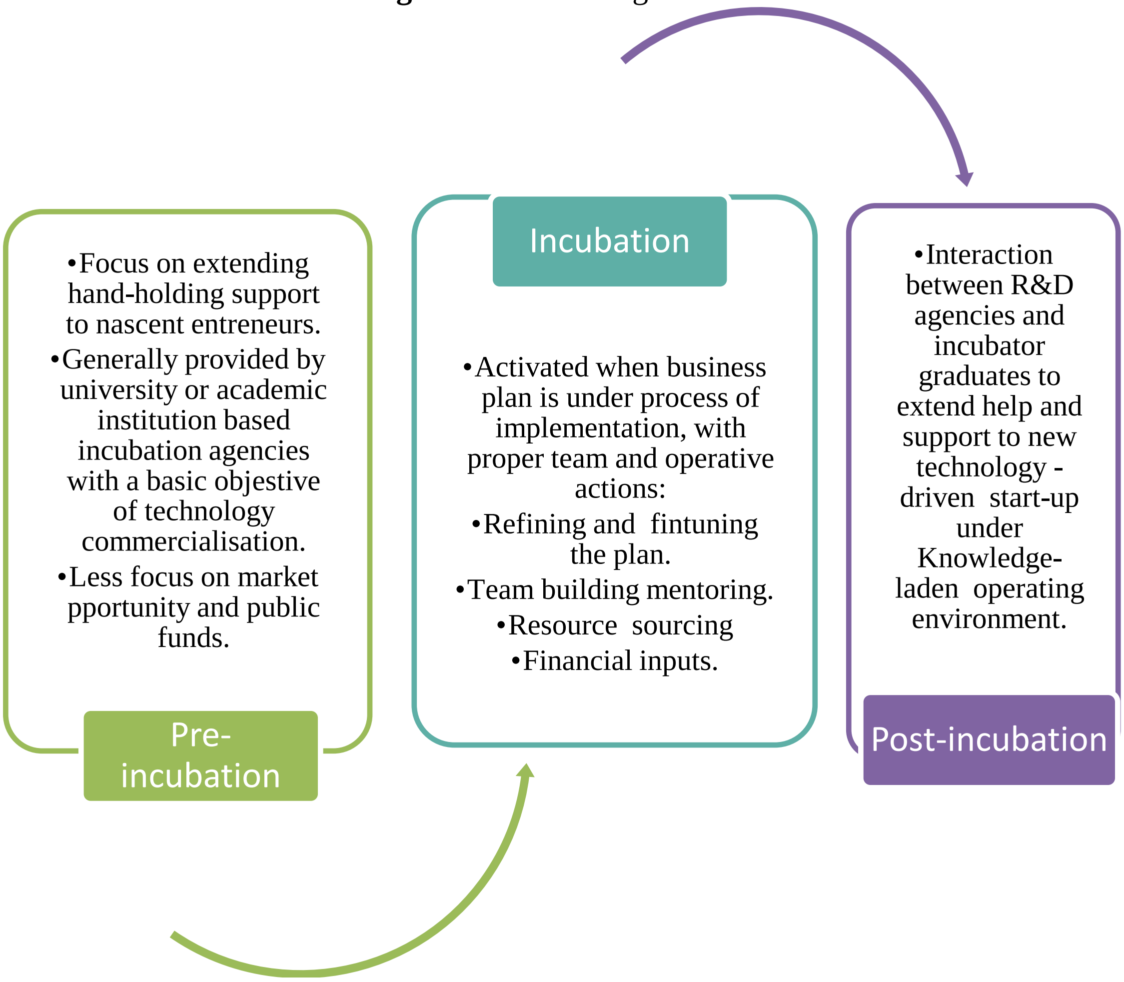
5-2- INCUBATION STAGE

This is the stage where the project joins the incubator and resides there for a period, typically not exceeding 3 years, to begin realizing the project's goals. This is facilitated by utilizing various offered resources, such as low-cost facilities, training, office space, supervision, and guidance during project execution phases. Additionally, specialized technical assistance and consultations are provided by the incubator management to support the project's development and growth.

5-3- GRADUATION STAGE

This final stage marks the exit of projects from the incubator. Projects are expected to have achieved a level of maturity and growth, preparing them to positively face economic challenges and integrate into the market economy. (Kelley & Marram .2004 ; Greiner .1998 ; Adizes.1990 ; Churchill & Lewis.1983)
The following figure summarizes the stages of incubation for enterprises

Figure 10. Three stages of incubation



Source: Kumar Aashlsh . (2017). Business Incubation Mechanism for Conducive Start-Up Ecosystem. *Journal of Management & Entrepreneurship. Volume 11. Number 1. p.73*

Exercise 18 : Incubator

Answer the following questions :

- Define what a business incubator is.
- What are the four main components of business incubation? Briefly explain each component.
- What are the three generations of business incubators? Briefly describe the key features of each generation.
- What is the importance of business incubators for institutions, the national economy, and local communities?

Go to the near incubator:

- What are some of the key services provided by incubators to their client companies?

SECTION 6 : THE BUSINESS INCUBATORS IN ALGERIA

The topic of business incubators in Algeria is defined by two fundamental laws: the first was issued in 2003 and the second was issued in 2020. When we talk about the reality of business incubators in Algeria, it is necessary to distinguish between before 2020 and after 2020.

6-1- THE BUSINESS INCUBATORS IN ALGERIA BEFORE 2020

The incubator sector in Algeria emerged in 2003 according to Executive Decree N° 03-78 dated 24 Dhu al-Hijjah 1423 corresponding to February 25, 2003, under the name of "incubators" (despite the specific differences between them, particularly regarding the timing of support provision and coordination). Incubators were considered as a form of institutions concerned with the support of startups, workshops related to small industries, and support for research projects. According to French legislation, an incubator is defined as a "public institution with an industrial and commercial character, enjoying legal and financial independence," and it falls under the supervision of the Ministry of Small and Medium Enterprises, Crafts, and Traditional Industries (formerly, now it is under the Ministry of Industry and Mining). Its aim is to assist and support the establishment of enterprises. The number of small enterprises within one incubator is determined to be between 20 and 50, as part of a policy to promote enterprises, taking one of the following forms : (Executive Decree N°. 03-78, p.13)

- **Incubator:** It provides comprehensive support for projects in the startup sector.
- **Linkage workshops:** They provide comprehensive support for projects in the small industry sector and related fields.
- **Institutions' descent:** They provide comprehensive support for projects focused on research.

It is noteworthy that the Algerian legislation divides the forms of incubators according to the type of sector they belong to. Incubators specialize in enterprises operating in the startup sector, while institutions' descent supports enterprises focused on research. This differs from their concept in advanced and developing countries, where they often encompass various sectors, with a greater emphasis on scientific research and technology.

Statistics show that there are 16 incubators nationwide in 13 provinces (Adrar, Oum El Bouaghi, Batna, Biskra, Sidi Bel Abbès, Annaba, Ouargla, Ouargla, El Bayadh, Bordj Bou Arreridj, Khenchela, Mila, and Ghardaia). It is noted that the other three are still under development. Up until June 2018, the number of projects hosted by Algerian incubators reached 127 projects. Among them are 50 operational enterprises, thus providing 297 job positions. It's worth noting that projects within the incubator typically last between 24 and 36 months. (Sahrawi.2019. p.919)

Furthermore, there's a noticeable proliferation of incubators with a modest number of hosted projects. This indicates that their role is still evolving. Later on, technology incubators emerged, particularly Sidi Abdallah, established in 2010, followed by branches in Ouargla (2012) and Oran (2013). These were under the supervision of the Ministry of Post, Telecommunications, Technologies, and Digital. In addition to these, there have been initiatives like Ooredoo's incubator in 2014 with its program "tStart" and Djezzy's incubator in 2017, established in partnership with the National School of Polytechnics of Algiers, among others such as Alinov, the first private Algerian incubator, Sylabs, Incubme, and Capcowork. (Sahrawi.2019. p.919)

It's evident that Algerian business incubators have faced several shortcomings and delays in their establishment. Primarily, this is due to the delay in issuing laws and regulations governing the activities of business incubators. Additionally, there has been a lack of awareness and commitment to the importance of incubators within the entrepreneurship ecosystem in Algeria. This has led to several deficiencies, notably in their nomenclature, scope, and the sectors they target. Furthermore, there have been shortcomings in the support and services provided by these incubators, which do not always align with established business models.

Given the predominance of the public enterprise mindset and the multitude of supervisory bodies such as the Ministry of Industry, the Ministry of Post, Telecommunications, the Ministry of Small and Medium Enterprises, and the Ministry of Finance, public authorities have embarked on reorganizing incubators through a new vision, particularly with the establishment of a new ministry dedicated to startup enterprises and a delegated ministry specifically for incubators in 2020.

6-2- THE BUSINESS INCUBATORS IN ALGERIA AFTER 2020

The evolution of the Algerian state's support for incubators came with the establishment of a new ministry: the Ministry of Small Enterprises, Startup Enterprises, and the Knowledge Economy. The first decision was the transfer of supervision of the National Agency for the Promotion of Technological Incubators to this ministry, after it was previously under the Ministry of Post and Telecommunications. The ministry introduced several measures to clarify the definition of incubators, delineate their roles, and mitigate overlap with the concept of startups through a legal definition of incubators and support for their structures outlined in Executive Decree N°. 20-254 of September 15, 2020. Additionally, it introduced the designation "Business Incubators" for any legal entity that requests it, with the purpose of hosting startups and innovative projects concerning accommodation, training, consultation, and financing (The Executive Decree N°. 20-254, p.12) . “This designation allows incubators that obtain it to benefit from state aid and support within the framework of enhancing and promoting the entrepreneurship ecosystem. The decree defines business incubators as "organizations that host startups through a flexible legal and economic framework for their growth”. (The Executive Decree N°. 20-254, p.12)

These incubators may be public, private, or in partnership with sectors. They must meet certain conditions to be eligible for the business incubator label, including having a list of available resources that are made available to idea holders, especially innovative ones. They must also offer training programs and mentoring services, focus on the scientific and managerial competencies of the incubator team to provide the following services:

- Provision of suitable workspaces for the hosted startup enterprises.
- Assistance to project holders during the establishment procedures of their enterprises, providing various forms of support and consultations.
- Assistance to startups in business model development, financial planning, and market studies.
- Provision of quality training, especially in business management, accounting, and legal consultations.
- Provision of logistical support such as IT equipment, meeting rooms, internet access, and office facilities.
- Support for startups to find financial resources and expand into markets.

Accordingly, based on the regulations governing business incubators, they can be categorized into three types:

6-2-1-UNIVERSITY INCUBATORS

They focus on nurturing ideas and research projects through research centers and university collaborations; this is a very recent experience in Algeria, where efforts are being made to generalize it to most universities nationwide. This addition embodies some incubators in research centers such as the Advanced Technologies Development Center (CDTA: Fikra-Tech) and the National Agency for Research and Technological Development Incubator (Anvredet: INTILAK).

It should be emphasized that the majority of university incubators operate within the framework of collaboration between universities and the National Agency for Research and Technological Development (Anvredet), which is a public industrial and commercial institution under the supervision of the Ministry of Higher Education and Scientific Research, tasked with supporting innovators from the birth of the idea until the establishment of the company by developing the relationship between scientific research and industry; supporting research and technology transfer to startups and small and medium enterprises, and encouraging innovation.

6-2-2-TECHNOLOGICAL INCUBATORS

They undertake the incubation of projects with a technological nature, with technological parks being established by the National Agency for the Promotion and Development of Technological Incubation (ANPT). Until now, the technological incubation center in Sidi Abdellah "Algiers" established in 2012 is considered the only operational technological incubation center in Algeria(Bouras & Sekak. 2018. p. 122) . The technological pole in Sidi Abdellah consists of the technological incubation center, the innovation cluster (bringing together research and development structures), a sports complex, a pharmacy and biotechnology incubator, and research and innovation centers.

The incubation center, with an area of 9800 m2 (established in 2009), accompanies project owners and startups, assisting and supporting incubators graduated from universities in creating businesses and providing competitive-priced spaces. (Bouras & Sekak. 2018. p. 122)

6-2-3- INDUSTRIAL INCUBATORS

Formerly known as INVESTAL, they undertake the incubation of projects for industrial and productive enterprises to facilitate the establishment of small and medium-sized enterprises.

We can also add the following scene of Algerian incubators:

6-2-4- PRIVATE AND MIXED-USE INCUBATORS

These incubators generally aim for profit. Despite the public authorities' control over support and accompanying initiatives, there are several private initiatives seeking to establish themselves, such as : (Toumi & Fellak. 2020. p.20)

- Ooredoo's incubator in 2014 through its tStart program in partnership with the National Agency for the Development of Small and Medium Enterprises, launched for the first time on May 14, 2014. The program aims to provide high-quality training to stimulate projects, develop entrepreneurial spirit, provide assistance in using data and technologies, in addition to financial support. This program supported 29 emerging technological enterprises, trained 5400 students, and created 20 models of innovative devices. (Toumi & Fellak. 2020. p.20)
- Djezzy's incubator in 2017, established in partnership with the National School of Polytechnic Engineering.

- Alinov, operating since 2009 by Alliance Consulting, the first Algerian private incubator providing financial services to startups less than three years old, with support from the Norwegian Embassy in Algeria.
- The Dz Annex WomWork, the first specialized incubator for women's entrepreneurship in Algeria, established in 2019 by Dz Annex The workspace.

6-2-5- COOPERATIVE WORKSPACES

These are places designed as individual or collaborative work club-style spaces within an open location, characterized by the availability of resources that help workgroups and individuals achieve their projects. Cooperative workspaces operate on the principle of building interaction and exchange to enhance entrepreneurs' personal development, mature their ideas, and develop their projects (Pierre & Burret . 2014, p.53). These places allow entrepreneurs to use the same workspaces to unify their projects and develop the necessary presentations and knowledge for their ventures (Pierre & Burret . 2014, p.53) . Cooperative workspaces do not aim to provide technical assistance but rely on "network effect" among entrepreneurs using their workspace. In Algeria, there are currently eight cooperative workspaces (Harrar. 2021, p.405), including Niwa, THE ADDRESS, KNOWLAB, INNOVASPACE, CAPCOWORK, COSY COFFICE, La Bulle, and Innospace.

6-2-6- ALEGRIA VENTURE

Similar to business incubators, it focuses on providing support to accelerate the growth of startup companies, in exchange for obtaining shares or privileges from these companies. The support provided by Alegria Venture takes the form of direct investment, coupled with comprehensive guidance that includes intensive training for entrepreneurs on their specific activities. This model emerged with the acceleration of the ecosystem and technological advancements, which affect the timing of business opportunities. Alegria Venture is the first public accelerator in Algeria, established under Executive Decree N°. 20-356 issued on 14 Rabi' al-Thani 1442 corresponding to 30 November 2020, with the aim of enhancing and managing support mechanisms for startups, developing and implementing training courses to accelerate the growth of startups, and collaborating with various sectors and economic actors to promote and enhance innovation in Algeria.

Exercise 19 : THE BUSINESS INCUBATORS IN ALGERIA

Read the section on business incubators in Algeria and answer the following questions:

- When did business incubators first emerge in Algeria?
- What are some of the main shortcomings and delays faced by Algerian business incubators before 2020?
- What are the different categories of business incubators in Algeria after the regulations introduced in 2020? Briefly explain each category.
- Give some examples of private and mixed-use incubators in Algeria.
- What is the role of Alegria Venture in Algeria's startup ecosystem?

CHAPTER SEVEN: MECHANISMS FOR ENCOURAGING ENTREPRENEURSHIP IN ALGERIA

ENTREPRENEURSHIP HOUSE AS A MODEL

CHAPTER INTRODUCTION

Building upon the comprehensive examination of business incubators in Chapter 6, this chapter explores another critical mechanism for fostering entrepreneurship in Algeria: the Entrepreneurship House (Maison de l'Entrepreneuriat). While business incubators provide structured support environments for startup development, Entrepreneurship Houses represent a complementary approach that focuses on cultivating entrepreneurial mindset and capabilities at the university level. The establishment of Entrepreneurship Houses in Algerian universities represents a strategic response to the growing challenge of graduate unemployment and the need to transform academic knowledge into economic value. With Algeria's expanding higher education system producing thousands of graduates annually, traditional employment pathways through public sector recruitment are no longer sufficient. This reality has necessitated a paradigm shift toward fostering self-employment and entrepreneurial ventures among university students and graduates.

Unlike business incubators that primarily support existing startup projects, Entrepreneurship Houses operate at an earlier stage of the entrepreneurial journey—focusing on awareness, education, and initial project ideation. They serve as bridges between academic learning and practical business application, transforming universities from mere knowledge disseminators into active participants in economic development.

In a country the size of Algeria, with a continuously growing population rate, there is a very large number of students in universities, confirming the transfer of responsibility placed on the educational system to guide the future of the country. With the increasing number of graduates annually, the state is no longer able, as before, to provide employment opportunities through public institutions and government administrations, prompting it to seriously consider how to remedy the situation and capitalize on the training received by graduates from Algerian universities, to benefit from it and contribute to increasing economic growth. Therefore, the issue of entrepreneurial spirit has become of great interest and linked to university graduates and the university education system, where it is customary to consider the university as a beacon of knowledge and a source of theorization in various sciences. It should contribute to activating entrepreneurial awareness. The university must be the active element where the latter can be instilled by various factors, among which is university education. The institutional outlook draws its reference from the readiness of students to transform their innovative ideas into tangible reality, a result of the entrepreneurial spirit generated by the entrepreneur (Fellak. 2022. p.224). The Ministry of Education and Social Security has disseminated the establishment of entrepreneurship centers in 56 institutions, as of February 2016, to stimulate entrepreneurial spirit among researchers and students through programs and activities aimed at promoting and instilling entrepreneurial culture. (Fellak. 2022. p.224)

This chapter examines how Entrepreneurship Houses complement the broader ecosystem of entrepreneurial support mechanisms in Algeria, working in synergy with business incubators, accelerators, and other support structures to create a comprehensive framework for nurturing entrepreneurial talent from conception to market entry.

CHAPTER OBJECTIVES

By the end of this chapter, students should be able to:

1. **Define and contextualize** the concept of Entrepreneurship Houses within Algeria's entrepreneurial ecosystem
2. **Analyse the relationship** between Entrepreneurship Houses and other support mechanisms (particularly business incubators)
3. **Evaluate the role** of universities in fostering entrepreneurial culture and development
4. **Assess the effectiveness** of Entrepreneurship Houses in addressing graduate unemployment challenges
5. **Examine the organizational structure** and governance mechanisms of Entrepreneurship Houses
6. **Compare different models** of university-based entrepreneurship support systems
7. **Identify the transformation** from Entrepreneurship Houses to Entrepreneurship Development Centers and its implications
8. **Propose improvements** to enhance the effectiveness of university-based entrepreneurship programs

SECTION 1 : ORIGIN AND DEFINITION OF ENTREPRENEURSHIP HOUSE

It is a project based on ownership of land and buildings designated for private public research facilities with a high scientific technological orientation aimed at encouraging research and development in the university in partnership with entrepreneurs. It is considered one of the most important means of interaction between educational institutions and industrial institutions, aimed at delivering the results of scientific research to the market or scientific community. These centers are subject to the authority of the Ministry of Higher Education and Scientific Research in addition to membership in international bodies. Their primary goal is to strengthen the local industry and convert student research into institutional projects, serving as a link between the industrial world and academic sciences. (Kouti & Kettaf. April 17-18-19. 2012. p.11)

It is also an entity based at the university, with its tasks including training and motivating students and researchers, ensuring their initial support to establish a small enterprise within the framework of the National Agency for Entrepreneurial Development. It was first established at the University of Grenoble in France in 2003, while in Algeria it was first established at Mentouri University in Constantine in 2007. (Kouti & Kettaf. April 17-18-19. 2012. p.11)

SECTION 2 : TASKS AND FUNCTIONS OF ENTREPRENEURSHIP HOUSE

2-1- ENTREPRENEURSHIP HOUSE TASKS

- Improve and motivate university students to create projects and provide training on enterprise management techniques based on the project idea, in addition to providing initial support for them to establish their projects and guiding and assisting them in reality.
- In the absence of effective mechanisms to transform scientific research from the theoretical stage into the applied stage in the form of goods or services, the establishment of these centers is considered an appropriate tool to achieve this.
- Participation in market research, financing, transforming their ideas into products introduced to the markets by providing the appropriate library and communication tools, secretarial support, and offering a level in management and planning through "offices and laboratories" equipped with the ability and marketing skills.

2-2- ENTREPRENEURIAL HOUSE FUNCTIONS

the functions of the entrepreneurial house are two fold :

- **Awareness:** Empowering students with the intention of organizing projects through awareness programs and spreading the culture of self-employment until it is embodied in reality. The Entrepreneurship House, through awareness campaigns, helps students to better understand and identify their entrepreneurial potential. This is achieved by fostering creativity and initiative-taking. It also involves providing information about entrepreneurial careers and introducing an approach methodology. All of this is delivered in the form of courses integrated into the discovery subjects of the LMD curriculum or through conferences, roundtable discussions, etc.
- **Training :** The Entrepreneurship House, through the discovery subjects of the LMD curriculum, provides students with either a simulation of business creation or expertise in entrepreneurial project development, as well as communication techniques.
- **Consulting :** ANSEJ The Entrepreneurship House, through its partners, offers techniques for setting up entrepreneurial projects and provides guidance.
- **Support :** ANSEJ The Entrepreneurship House, through ANSEJ, commits to providing sustainable support and assistance in entrepreneurial project development.

2-3- ENTREPRENEURIAL HOUSE OBJECTIVES

The Entrepreneurship House aims to bring forth project ideas and encourage their exploration by students from all disciplines throughout their academic journey.

Actions are designed to address all students (regardless of their level or discipline) in order to:

- Promote an entrepreneurial mindset among students to enhance their professional integration.
- Raise awareness and provide training to as many students as possible, across all disciplines, in entrepreneurship by offering a progression throughout their studies and voluntary involvement beyond their curriculum.
- Stimulate the emergence of project ideas and encourage their exploration throughout their academic journey.
- Enhancing the culture of entrepreneurship and initiating new ideas for innovative projects, as well as strengthening the entrepreneurial network.
- Activating the role of the university to accompany youth and students with investments and field studies, raising awareness about the importance of entrepreneurship as a fundamental mechanism for their integration into the job market in order to solidify the culture of entrepreneurship and develop their initiative. (El-Joudi. 2014-2015. p. 11)
- Providing open opportunities for students to acquire some qualifications and skills related to entrepreneurship.
- Acting as a link between graduates and the institution that will fund them.
- A center for linking institutions. CDC, CRE Business incubators .
- **A Student Project Bank:**

  This system is aimed at various departments of the university to catalogue end-of-studies dissertations with potential for developing into entrepreneurial projects. After selection, these projects can be integrated into a database accessible to creators in search of ideas.

- Bullet Points: Testimonial Round Tables:

  Thematic round table discussions will be organized periodically. Their purpose is to explore and deepen the mechanisms and challenges of entrepreneurship, regardless of the sector or form it takes (company).

SECTION 3: ADMINISTRATIVE ORGANIZATION OF THE ENTREPRENEURIAL HOUSE

After the framework agreement between the Ministry of Labor, Employment and Social Security and the Ministry of Higher Education and Scientific Research, local agreements were reached at the level of states between the National Agency for Youth Employment Support and the university. To activate these agreements, Entrepreneurial Houses were established at each university, and to achieve their objectives as mentioned above, the two parties form a committee.

In order for the latter to carry out its entrusted role, joint local committees are appointed to determine the plan and work program of the Entrepreneurial House and monitor its implementation. The joint local committee is composed of members (secretary, Entrepreneurial House representative, college for activating the idea of establishing small and medium enterprises among university students, 2015, page 17)

- Representative (01) from the Directorate of Employment for the province.
- Representatives (02) from the National Agency for Youth Employment Support.
- Representatives (02) from the concerned university.

SECTION 4: THE CONVERSION OF ENTREPRENEURSHIP HOUSES AT THE UNIVERSITY LEVEL INTO ENTREPRENEURSHIP DEVELOPMENT CENTERS, AND THEIR MANAGEMENT BY THE TWO MINISTRIES

Mr. Kamel Baddari, Minister of Higher Education and Scientific Research, along with the Minister of Knowledge Economy, Startups, and Micro-enterprises, Mr. Yacine El Mahdi Wali, chaired the opening session of a conference on entrepreneurship entitled "Micro-enterprises: Towards a Sustainable Economic Model" on Thursday, June 22, 2023, in Bab Ezzouar.[1] [Link]

Addressing the audience, Minister Baddari emphasized three major measures characterizing the collaboration between the two ministries in this project. He mentioned, "the conversion of Entrepreneurship Houses, numbering 100 at various universities, into Entrepreneurship Development Centers, the joint management of these centers by the two ministries, in addition to the new code for student entrepreneurs which will grant them certain advantages." According to the Minister, these measures will "absorb the flow of university graduates, who contribute annually to the list of job seekers, through the creation of startups and micro-enterprises". [Link]

On his part, the Minister of Knowledge Economy, Startups, and Micro-enterprises, Yacine El Mahdi Wali, stated that his department aims to create 100,000 jobs over the next two years by increasing the number of micro-enterprises created during this period, particularly by university graduates. To achieve these goals, "the two ministries will work together, especially through the launch of Entrepreneurship Development Centers (CDE) within universities to support university students with projects by providing them with intensive training in entrepreneurship and enabling them to access financing". [Link]

[1] La conversion des Maisons de l'entrepreneuriat, au niveau des universités, en Centre de Développement d'Entrepreneuriat, et leur gestion par les deux ministères – Ministère de enseignement supérieur et de la recherche scientifique

CONCLUSION:

This course provides a foundational and comprehensive understanding of entrepreneurship, combining theoretical insights with practical applications. By equipping students with essential knowledge, tools, and strategies, it fosters entrepreneurial thinking and prepares them to navigate and contribute to the evolving business landscape. With a special focus on the Algerian context, the course ultimately aims to cultivate a culture of innovation and initiative among students across diverse disciplines.

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