Analytical Mindset: A Panacea Of Success For The 21st Century Entrepreneur

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OBJECTIVES

By the end of this presentation, participants should be able to understand the following concepts.

1. Leadership and Entrepreneurship
2. Professionalism in business
3. Effectiveness and efficiency
4. Business modelling
5. Business analysis
6. Why businesses succeed or fail
Who is an Entrepreneur?

- An entrepreneur is a person who exercises the initiative of organizing a venture, by taking advantage of societal needs and opportunities.

- He decides on
  - What to produce?
  - How to produce?
  - Who to produce for?
  - When to produce?

- As a risk taker, he monitors, observes, controls and rewards.
Types of entrepreneur

1. The skeptical entrepreneur

✓ Always thinking small
✓ Never sees reasons to take a bold step
✓ Questions every opportunity
✓ Criticizes other peoples success
✓ Always afraid of failure
Types of entrepreneur – cont.

2. The copy cat entrepreneur

✓ Always looking for successful people to copy
✓ Never innovative
✓ Leads a delusive style
✓ Don’t believe in power of self
3. The determined entrepreneur

✓ Very focused
✓ Insatiable with little
✓ Believes in reaching the next level
✓ Sees success ahead
Types of entrepreneur – cont.

4. The accomplished entrepreneur

✓ Has gone through all the stages from start to finish
✓ He believes in winning new markets
✓ Very innovative
✓ Always ready to take business to the next level
✓ Finds satisfaction in success.
WHO IS AN ANALYST

A person who critically examines a business domain, by observing changes or movements in empirical data and information. He is a bridge between business problems and technological solutions. Business problems could be people, system, process, or methods & models. Technology solutions can be the use of tools and software solution to solve business problems.
Who is an analyst – Qualitative.

An analyst is required to analyze, transform, and ultimately resolve business problems with the aid of technology and empirical analysis.

One of the most viable tools in the hands of the business analyst is the SWOT analysis:

**Strengths**

**Weaknesses**

**Opportunities**

**Threats.**
Who is an analyst – Qualitative.

Other tools for analysis include

2. CATWOE
   Customers
   Actors
   Transformation process
   World views
   Owners
   Environmental constraints
Who is an analyst – qualitative.

3. GAP ANALYSIS

Where you are

Where you want to be

obstacles
resistance
limitations
constraints
Who is an analyst – Qualitative.

4. The SCRC
   Strategy
   Current state
   Requirements
   Solutions
Who is an analyst – Qualitative.

5. VPECT
Values
Policies
Events
Concepts
Trusts
INNOVATION AND CREATIVITY

The quantum leap in the worlds population, increasing competition, rise in hostilities, wars and its attendant destruction of natural and man made environments have made it necessary for the 21\textsuperscript{st} century professional to be quick in thinking in order to take vantage position.

- Increase in demand for food
- Housing
- Health care
- Logistics
- Communication
- etc
United Kingdom/Nigeria - source: populationpyramid.net
World population growth

Country population – source: populationpyramid.net
UNEMPLOYMENT AND UNDEREMPLOYMENT

Source: National Bureau of Statistics
Innovation and creativity – cont.

Innovations could be creative or destructive. It is creative when items new and unique are brought into existence. It is destructive when it extinguishes the existing product, renders an idea or product obsolete or brings about a demographic change. Thereby causing demand to decline towards zero.
Innovators and creativity – cont.

During innovative periods, inventors are born and inventions are created. Inventors are people who conceive ideas and bring them into reality. Many good examples of inventors abound in the 19th and 20th century

➢ Thomas Edison – electricity light bulbs, DC, magnets and motion picture.
➢ James watt – the steam engine
➢ Alexander Graham Bells – the telephone and optical telecommunications, and metal detector.
➢ Tim Berners-lee – the world wide web
➢ Leonardo Da-Vinci – visionary works of arts, the parachute, helicopter.
➢ Others
Innovators and creativity – cont.

We cannot talk about innovations and creativity without the mention of the trio of
1. Michael Faraday – electrolysis and magnetic field
2. Isaac Newton – The laws of motion (Inertia) and the laws of gravity
Notable quotes of Albert Einstein

• You cannot do same thing over and over again and expect a different result.
• No problem can be solved from same level of consciousness that created it.
• If you want to have a happy life, then tie it to a goal
• If A is Success, but A = x + y + z. where x = work,
  y = play and
  z = keep your mouth shut.
• The value of achievement is in achieving.
INNOVATIONS AND CREATIVITY

The 21st century has produced a lot of inventions. Rather than classifying them under inventors, I would prefer to classify them as inventions. Inventions are the handiworks of two or more persons or a committed team.

- The electric car – product of 20th century but gained prominence in the 21 century.
- Apple products – ipads, iphones, ipods, itunes etc.
- Social networking platforms – skype, WhatsApp, facebook, twitter, youtube etc.
- Artificial hearth – the Abiocor artificial hearth is fully implanted within a patient. Its battery is charged by a transcutaneous energy transmission TET. No wires, no tubes, hence reduction in risk of infections.
INNOVATIONS AND CREATIVITY – cont.

Other 21\textsuperscript{st} century innovations include:

• Microsoft – developed by Bill gates and Paul Allen

• Apple incorporations – developed by Steve jobs and Steve Wozniak and Roland Wayne.

• WhatsApp; a social networking platform – created by Jan Koum and Brian Acton

• Facebook – created by Mark Zuckerberg, Eduardo Saverin, Andrew McCollum, Dustin Moskovitz and Chris Hughes.
Other innovations in the finance and business sectors driven by technological breakthrough include

➢ E-banking

• ATM, Dr & Cr cards, e-collections solutions, e-payment solutions, POS, USSD (unstructured supplementary service data), internet banking, cheque truncation clearing, NIBSS, NIP, NEFT.

➢ E-commerce

➢ Digital marketing and advertisement
Innovators quadrants

- **INNOVATORS**: High creativity / Low skills
- **EXPANDERS**: High creativity / High skills
- **SALES MEN**: Low creativity / Low skills
- **CRAFTSMEN**: Low creativity / High skills
BANKING AND PROFESSIONALISM

A bank is a financial institution which primary responsibility is that of financial intermediation.

The bank as a financial institution is sub divided into two major units

- Sales or marketing
- Domestic operations or simply operations
The job of an analyst in the bank

• Marketing of financial services
• Analysis of credit proposals
• Credit write up and presentation
• Credit approval
• Offer and acceptance – terms and conditions
• Documentation
• Disbursement
• Monitoring
• Collection / recovery
• Close out / fore closure
QUALITATIVE ANALYSIS – THE 6 C’S OF CREDIT

1. Character: Your personal affairs, expertise, attitude, habits.
2. Capital: Owners contribution to business
3. Capacity: Capacity to repay from earnings, availability of off takers.
4. Collateral: Any item of value which ownership but not possession is transferred to the bank.
5. Conditions: conditions precedence and conditions consequent
6. Cash flow: Cr T/O, Dr T/O Average credit balance.
7. Connections: exposure to PEP or FEP
Tools for financial/credit analysis – Quantitative.

1. Spreading:
   Transferring data from the financial statement to a spread sheet excel.

1. Common sizing:
   Turning a financial statement into a common size by expressing every item as a percentage of a common denominator.

3. Trend:
   Comparing percentages or performance on period by period bases
Quantitative analysis

4. LIQUIDITY RATIO
   i. Current ratio = \( \frac{\text{Current assets}}{\text{current liabilities}} \)
   ❖ Measure the ability of a firm to meet its immediate and short term obligations as they fall due.

   ii. Quick ratio / acid test = \( \frac{\text{Current assets} - (\text{invt} + \text{prepayments})}{\text{current liabilities}} \)
      ❖ Measures ability of a firm to meet immediate and short term obligations using its most liquid assets
5. Profitability Ratios

i. Gross profit margin = \( \frac{\text{Gross profit}}{\text{Sales}} \times 100 \)
   - Measures the profitability of the product. The proportion of revenue converted to profit

ii. Operating profit margin = \( \frac{\text{operation profit}}{\text{Sales}} \times 100 \)
   - Measures the quality of earnings from the business

iii. **ROS** = \[
\frac{\text{P.A.T.}}{\text{Sales}} \times 100
\]
❖ Measures the proportion of sales that hit the bottom line.

iv. **R.O.E** = \[
\frac{\text{P.A.T.}}{\text{Equity}} \times 100
\]
❖ Measures the amount of PAT earned by shareholders

v. **R.O.A.** = \[
\frac{\text{P.A.T.}}{\text{Total asset}} \times 100
\]
❖ Measures amount of PAT earned by resources of the business
Profitability ratio – cont.

Return on Capital Employed

\[
\text{R.O.C.E.} = \frac{\text{P.B.I.T}}{\text{Capital + long term debt}} \times 100
\]

P.B.I.T : Profit before interest and tax

❖ Measure the rate of returns on long term funding of the business
7. Growth ratios

i. Sales growth ratio = \( \frac{\text{CYS} - \text{PYS}}{\text{PYS}} \times 100 \)

\( \text{CYS} = \text{current year sales} \)
\( \text{PYS} = \text{Previous year sales} \)

❖ Measures nominal growth in year-on-year sales

ii. Real sales growth ratio = \( \frac{\text{CYS}/(1+i) - \text{PYS}}{\text{PYS}} \times 100 \)

\( 1+i = \text{inflation factor.} \)

❖ Measures year-on-year sales growth after adjustment for inflation.
8. Working capital/ efficiency ratio

i. Inventory days = \frac{\text{inventory} \times 365}{\text{cost of sales}}

- Measures length of time it takes from inventory of raw material to disposal from shelves.

ii. Receivable days = \frac{\text{receivables} \times 365}{\text{sales}}

- Measures how long it takes debtors to make returns.
iii. Operating cycle = inventory days + receivable days
❖ Measures how long it takes for a unit of product to cycle out
iv. Payable day = Payables \times 365 \over \text{cost of sales}
❖ Measures how long it takes the firm to pay its creditors
Working capital/ efficiency ratio – cont.

v. Cash cycle = operating cycle – payable days

❖ Measure the time lag between utilization and generation of cash used.

vi. Assets turn over = sales
              total assets

❖ Measures how efficient a company deploys its assets.
9. Leverage ratio

i. Equity/debt ratio = \( \frac{\text{Equity}}{\text{Debt}} \times 100 \)

❖ Measure the number of times equity covers debts.

ii. Debt/total assets ratio = \( \frac{\text{Debt}}{\text{Total Assets}} \times 100 \)

❖ Measures the level of risks borne by the owner of business

iii. Interest cover = \( \frac{\text{PBIT}}{\text{interest expenses}} \)

PBIT = Profit before interest and tax

❖ Measure the coverage of income from core operations over interest
SUMMARY

To succeed as an entrepreneur, you
❖ Must be enterprising
❖ Be analytical
❖ Be innovative
❖ Develop business models
❖ Periodically evaluate achievements against targets
❖ Develop your brand
❖ Have alternatives
CONCLUSION

A DREAM, written down is a GOAL
GOAL with time frame is a TARGET
TARGET broken into pieces is a PLAN
PLANS backed by ACTIONS make your dream a REALITY
REFERENCES

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THANK YOU

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Brain Teaser 1

A very wealthy man wanted to share his wealth between his two sons. To do this, he decided to give the two sons a task to perform. He would travel to a distant village and his sons would race on their horses. Whoever arrives first gets a smaller portion of his wealth, and whoever arrives second gets the larger portion of his wealth.

The children could start the race as they could not solve the puzzle. Then they decided to consult the wise man. Immediately they had a session with the wise man, they each jumped on their horses and the race started.

QUESTION:
What did the wise man tell the?
BRAIN TEASER 2

QUESTION:
Why is 6 always afraid of 7?
The wise man told the sons that
1. The race is not theirs but their horses
2. They should exchange horses.
ANSWER TO BT 2

BECAUSE 7 8(ate) 9