

Entrepreneurial Mindset: A Critical Success Factor for the 21st Century Professional

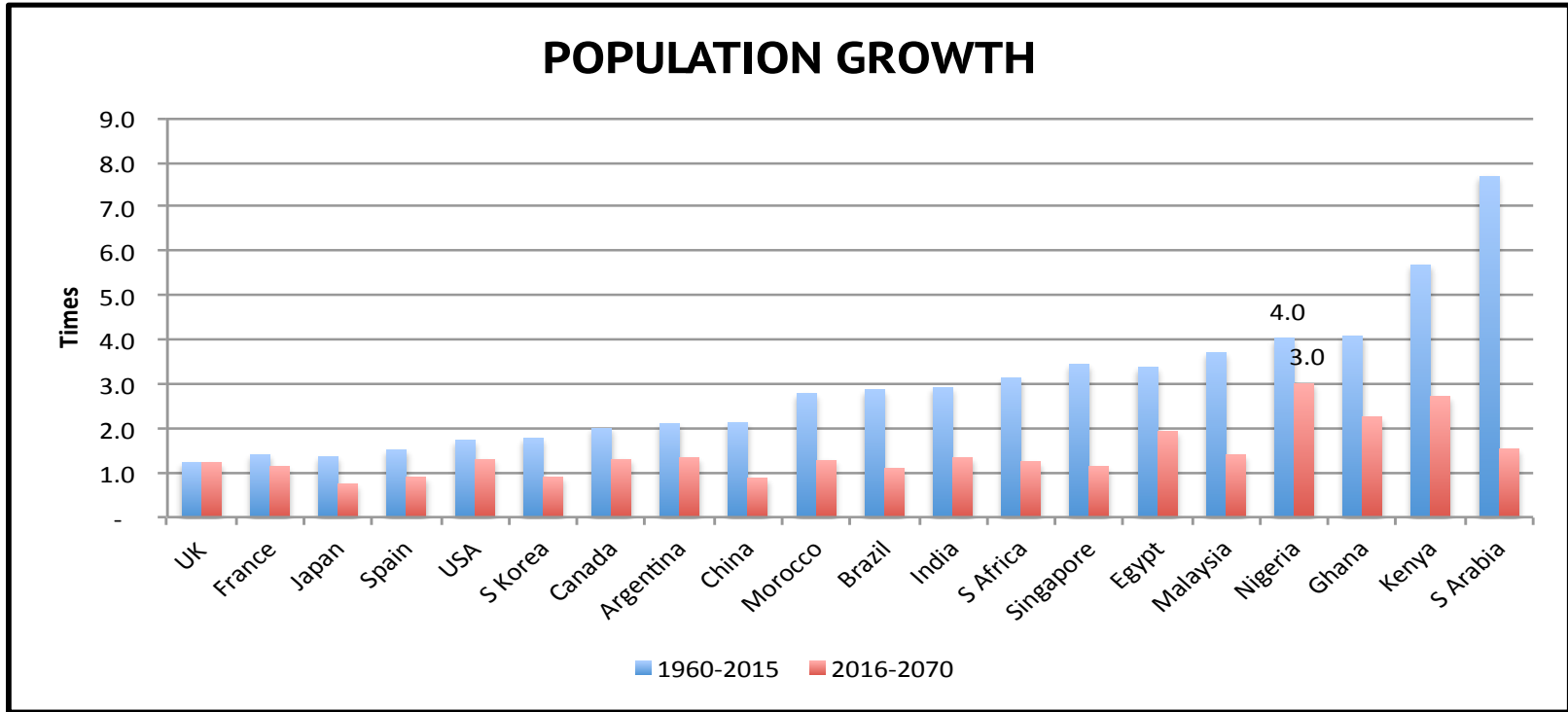
Speech by Bode AGUSTO to CIBN Graduates
Lagos, 26 August 2017

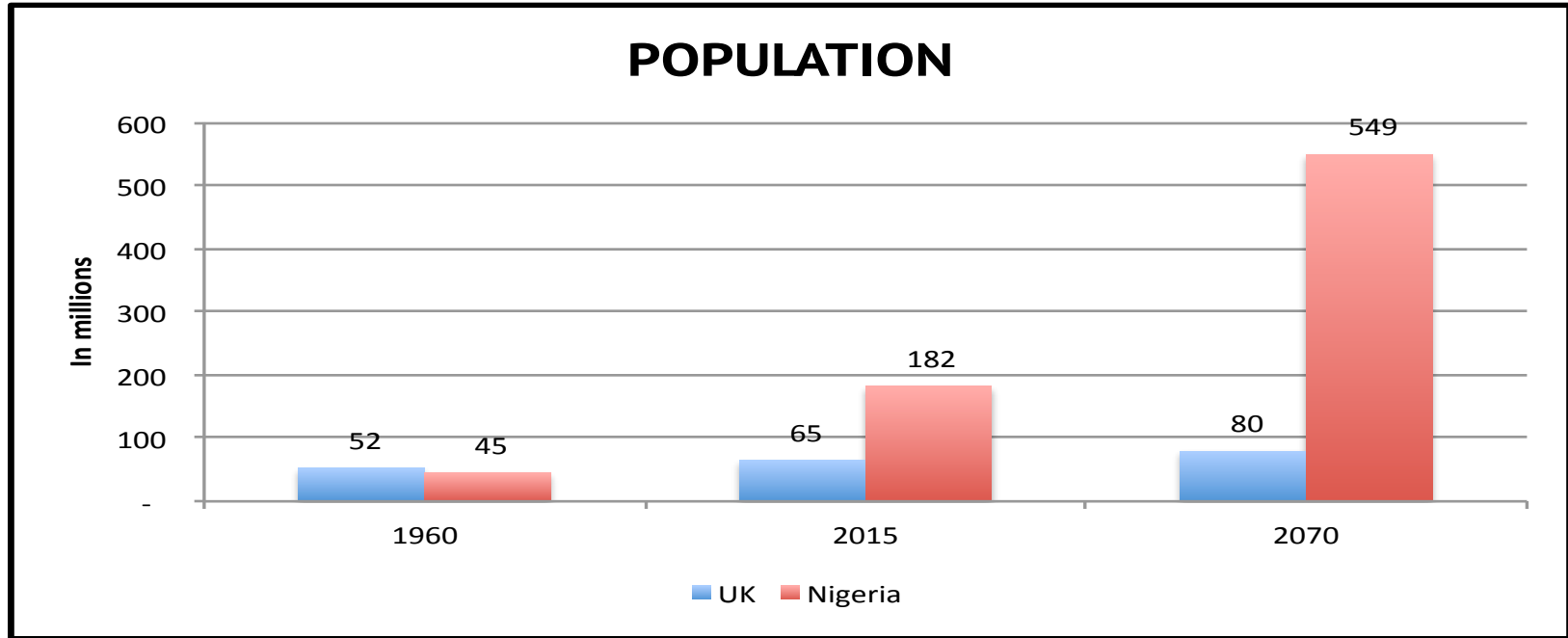


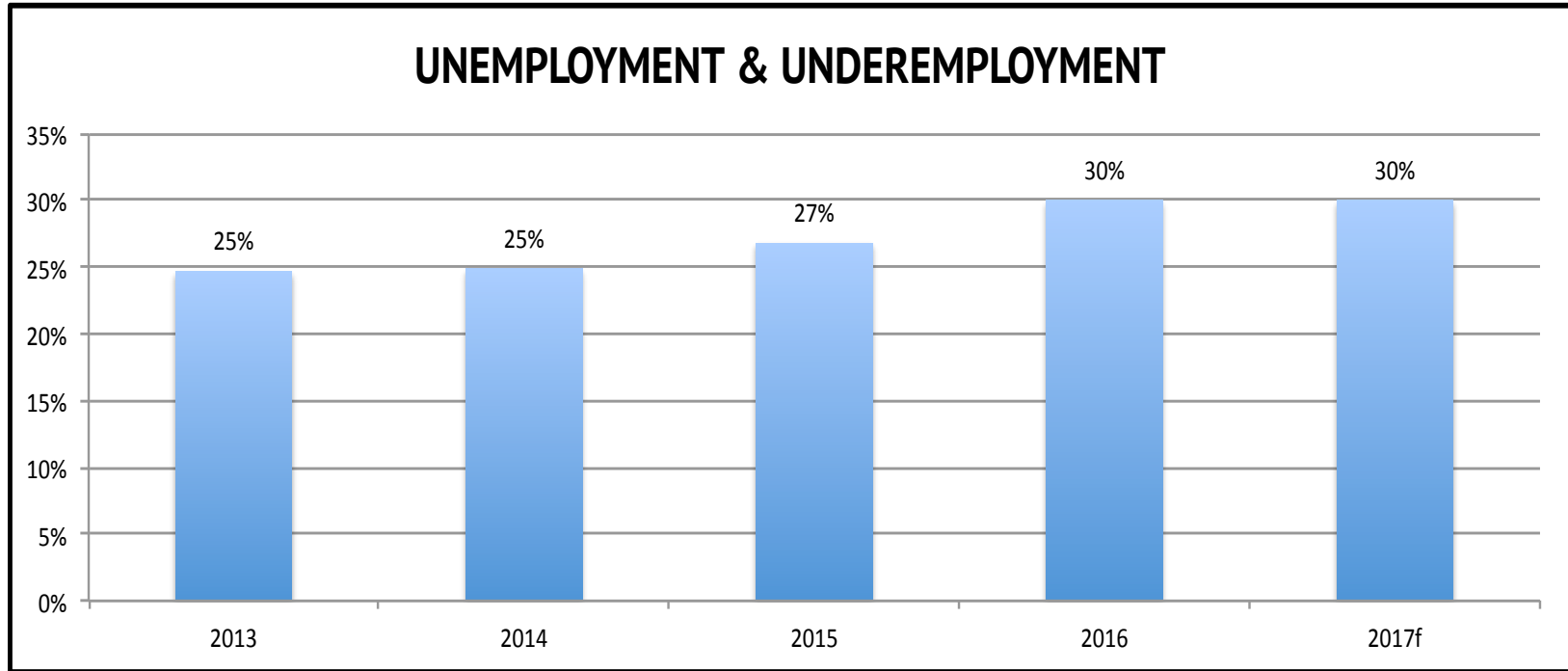
INTRODUCTION

- Why does today's Professional need an entrepreneurial mindset?
 - Population growth is rapid.
 - The rate at which the economy is creating jobs is not keeping pace with population growth.
 - Therefore, today's Professional is less likely to find employment than 40 years ago.

- This means a lot of you will need to set up businesses of your own.
- What then does it take to succeed in business?
 - An entrepreneurial mindset.







Sources: NBS and our forecast

- Even though the large fast growing population is a problem, it also presents significant opportunities for the entrepreneur who can provide solutions to segments of the population that have the **capacity and willingness to pay.**

- Innovation
- Knowledge of how to run a business
- Capital
- Viable business model
- Using technology to scale up

- “The Innovator’s DNA” By Dyer, Gregersen and Christensen identified the following five skills of disruptive Innovators.
- Associating/Collaborating
 - Diverse ideas
 - Diverse skills
 - Thinking differently
- Questioning
 - Why?, Why not?, What if?
 - To find out what is and what might be
- Observing
 - Customers and potential customers
 - To learn from them

- Networking
 - Learn something new
 - Gain new perspectives
 - Test ideas
 - With people who are not like you
- Experimenting
 - New experiences e.g. working in a different industry
 - Take apart products, processes and ideas
 - Test ideas through pilots and prototypes
 - “I haven’t failed. I’ve just found out 10,000 ways that do not work.” Thomas Edison

- Basic knowledge of macroeconomics
 - Inflation
 - Interest rates
 - Exchange rates
 - Real growth
 - Employment

- Knowledge of the industry you are in
 - Size and relative importance of the industry
 - Key players and relative sizes
 - Key success factors
 - Major risk areas
 - Industry financial dynamics
 - Outlook

- How to do a quick viability test of your business idea
 - Can I grow sales quickly?
 - Are the profit margins in this industry good?
 - Is it easy for me to collect my sales?
 - Is it easy for me to obtain credit for my suppliers?
 - Is the operating cycle of this business short?
 - How dependent is this business on FX to buy trading assets?
 - How dependent is this business on FX to buy fixed assets?

- There are three principal sources of finance to a business
 - Non-interest bearing debt
 - Owners' equity
 - Interest bearing debt
- Every business manager can decide on his choices of finance.
- If a business manager decides to borrow, he or she has another choice to make – to borrow in local currency or in foreign currency.

- The financing choices that business managers make result in the following finance costs or income
 - Interest expense or income
 - Exchange differences (gains or losses)

- BEWARE

- More often than not, the group of creditors that foreclose on businesses are the providers of interest bearing debt
- When you are in a soft currency zone, you must avoid having net financial liabilities in hard currencies.

1. Business focus
2. Value proposition
3. Target customer segments
4. Channels
5. Key partnerships
6. Human resources

7. Other resources

8. Key activities

9. Revenue streams

10. Cost structure

11. Competition

12. Differentiation

- Products or services must be targeted at those who have capacity and willingness to pay.
- The long-term rate of inflation of the Naira is the average rate at which it loses purchasing power.
- Interest rate is the price of money and the rate at which the FGN borrows money is an important benchmark rate.
- A currency that has a consistently higher rate of inflation (e.g. NGN) compared to the USD is the weaker of the two currencies and will, in the long-term, depreciate by close to the inflation differential.

- To succeed as an entrepreneur, you
 - should constantly innovate
 - need to have basic business management skills
 - viable business model
- An otherwise profitable business can be brought down by a poor financing structure, therefore
 - avoid significant net liability positions in currencies stronger than the NGN e.g. USD, GBP, Euros
 - only use interest bearing debt if the project you are investing in will yield a return higher than the cost of debt

- “Innovation distinguishes between a leader and a follower.”
 - Steve Jobs

THANK YOU

bode@agusto.com

+234 805 500 2200