

Teaching Kofi to be a Resource Leverager

Class Exercise Developed by Dr. Michael H. Morris, University of Notre Dame

Kofi is a young entrepreneur in Ghana. His dream is to bring enhanced computer literacy to communities in poverty, including the area where he lives. He is starting a business that involves training classes, a low-cost internet café, and rebuilt computers sold for low prices. His concept is that the core service will be training classes, and then as people are trained they can use the computers in his internet café, and over time they can buy his rebuilt computers. Most of the people he wants to help do not have computers or internet access. Kofi has personal savings of \$100, and this is all the money he has for the business. He has a lot of passion but currently has no facilities, training materials, staff, and other critical resources. No bank will lend him money, and his family and friends have little to give him. He wonders if maybe his dream is too big.

Like most of those in poverty, Kofi suffers from severe resource shortages and very limited access to formal or informal sources of investment. It is normal to assume that if one wants to start a business, it will cost money, and that if one needs resources, he or she has to find the money to buy them. Yet, this is a misguided notion, especially for the low income entrepreneur. Purchasing or owning the resource should more typically be the *last* option considered, not the first.

How does one gain access to a resource without purchasing it? It becomes necessary to rely upon the things that are at hand or readily accessible. The low income entrepreneur focuses on the concept of **resource leveraging**---and it is core to every resource decision that he or she makes. To leverage is multiply the outcome of one's efforts without a corresponding increase in the consumption of resources. Consider a man trying to move a large boulder who finds he simply does not have the strength to move it. But by placing with a length of pipe or timber (a lever) under the boulder, he is able to move it. So the low-income entrepreneur must look for levers.

When launching and growing a venture such as Kofi's, leveraging involves using the resources of others, seeing things as resources that others do not, using resources in unconventional ways, combining resources in new ways, among other creative approaches. Below are thirteen specific types of leveraging approaches:

- **Borrow the resource from someone:** Using a resource owned by someone else on a temporary basis, particularly when they are not using it, such as a vehicle, tool or employee;
- **Barter:** Provide a service or product or give some other asset in exchange for the resource;
- **Share:** Utilize excess capacity, unused space or some other underutilized resource owned by someone else, such as an empty office, a machine when the business is closed, or a prominent area where messages might be posted;
- **Contract:** Sign a contract to use the resource for a fixed term rather than be committed to it indefinitely, such as a temporary employment contract;
- **Lease or rent:** rather than purchase a resource, attempt to lease or rent it for a defined period of time;

- **Outsource:** instead of doing a task or function yourself, and having to purchase the necessary equipment, tools and supplies to do so, rely on an outside firm to provide the function or service, thereby lessening your fixed investment;
- **License:** Use someone else's property (often intellectual property) by paying a licensing fee tied to activity or usage, such as where you are charged per unit fees for the amount of the item that you make, use or sell;
- **Partner:** Formally partner with the resource provider in order to use a resource they control;
- **Consignment:** Rather than purchase the inventory, sell things owned by others on consignment, where you pay them only when an item is sold;
- **Give equity:** Give the resource provider partial ownership in the company in exchange for the resource;
- **Ham and egg:** Use one resource to obtain another, such as where you use the fact that you are doing business with a certain customer in order to get business from another customer, or you are thinking about hiring a particular person because hiring that person might make your business more attractive to someone else you are trying to hire;
- **Collaborate with other businesses:** Rather than simply compete, look for areas where you can collaborate with other firms, such as joint purchasing arrangements to achieve volume discounts;
- **Exploit personal status:** Take advantage of your status as a minority, women, veteran, disabled person, or based on some other personal characteristic in order to win a contract, get a loan, or obtain some other resource;

When attempting to leverage resources, there are three questions Kofi must continually attempt to address: (1) what internal resources do I have that I am not fully utilizing?; (2) how well am I leveraging relationships with people or companies in my network?; and (3) what untapped or underutilized resources exist in the community or marketplace? Even for the very poor, resources can be abundant. To leverage is to empower the individual by creatively finding ways of accessing what they do not own.

Demonstrate how Kofi can successfully create this business despite his lack of money. Specifically, come up with seven examples of key resources Kofi needs to get this business going. Then, for each resource, identify ways he could use leveraging approaches to obtain access to the resource.