



# PurpleGrowth

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# LEARNER GUIDE

## LP2: The Entrepreneur

SAQA ID 119673: Identify and demonstrate entrepreneurial ideas and opportunities;  
NQF Level 2, 7 Credits

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## Programme Overview

Welcome to this learning programme that will lead you to greater understanding of:

- identifying and demonstrating entrepreneurial ideas and opportunities

As you work your way through the learning programme you will gain competence against the following Unit Standard:

<b>Programme</b>	Learning Programme 2: Entrepreneurship
<b>Unit Standard</b>	SAQA ID 119673: Identify and demonstrate entrepreneurial ideas and opportunities; NQF Level 2, 7 Credits

This learning programme is **intended for** all persons who need to:

- Identify and demonstrate entrepreneurial ideas and opportunities. Learners working towards this standard will be learning towards the full qualification, or will be working within a SMME (Small, Medium, Micro Enterprise) environment, specialising in New Venture Ownership and Management, where the acquisition of competence against this standard will add value to one's job. This standard will also add value to entrepreneurs who are seeking to develop their entrepreneurial skills so that they can become more marketable for bigger contracts, including commercial and public sector contracts, for example the Department of Public Works programmes.

### Programme entry level requirements

All learners accessing this qualification must be in possession of a GETC or equivalent qualification

It is assumed that people learning towards this Unit Standard are already competent in:

- Communication Literacy at NQF level

### Programme Outcomes

This learning programme is outcomes-based which means we take the responsibility of learning away from the facilitator and place it in your hands.

Learning will begin in the workshop where you will identify the skills and knowledge you require in order to meet the specific outcomes and assessment criteria contained in the unit standard.

In this learning programme, we will be covering the following **learning outcomes**:

<b>Module 1: Entrepreneurship</b>	<b>Module 2: Identify the characteristics of a typical entrepreneur</b>
<ul style="list-style-type: none"> <li>• Demonstrate an understanding of what makes up a business in terms of proposed business context</li> <li>• Discuss entrepreneurship in terms of employment opportunities</li> <li>• Explain advantages and disadvantages of entrepreneurship with examples</li> <li>• Present and explain typical examples of entrepreneurship explained in terms of the proposed business context</li> </ul>	<ul style="list-style-type: none"> <li>• Identify the characteristics of a typically successful entrepreneur and discuss with examples</li> <li>• Differentiate typical entrepreneurial skills, personality traits and values of entrepreneurial behaviour clearly with examples</li> <li>• Analyse the importance of each characteristic in the context of a specific new venture</li> <li>• Explain the technical, business, managerial and personal traits and characteristics required</li> </ul>

<ul style="list-style-type: none"> <li>Identify and discuss reasons for business failure and successes with examples</li> <li>Identify cultural, gender and social barriers that relate to entrepreneurship and raise ideas on how to overcome them</li> <li>Identify and explain the importance of a workable business plan in terms of proposed business context</li> </ul>	for establishing a successful venture with examples
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Module 3: Identify entrepreneurial opportunities in own context	Module 4: Identify own entrepreneurial strengths and weaknesses and compile a growth plan
<ul style="list-style-type: none"> <li>Identify and describe entrepreneurial opportunities in relation to own context</li> <li>Identify and describe entrepreneurial opportunities in relation to the talents, interests and profile of the learner</li> <li>Utilise problem-solving and critical thinking techniques in relation to entrepreneurial opportunities to match opportunity and own talents and interests to proposed new business venture</li> <li>Identify possible problems and limitations of identified opportunity and describe ways to overcome them within scope of opportunity</li> <li>Analyse a range of risks associated with the new venture in relation to own context and make a decision whether to proceed with business according to results of analyses</li> </ul>	<ul style="list-style-type: none"> <li>Complete an entrepreneurial profile test and identify strengths and weaknesses according to profile benchmarks</li> <li>Match the profile to a suitable business opportunity</li> <li>Identify and attend programmes to address skills weaknesses within given time frames</li> <li>Plan short, medium and long-term goals in relation to entrepreneurial goals</li> <li>Describe and discuss short-term goals for self in entrepreneurial context clearly in relation to personal growth and entrepreneurial goals</li> <li>Compile a plan of action to address weaknesses according to results of profile</li> <li>Compile and implement a plan of action to develop technical, business, managerial and personal skills in relation to entrepreneurial opportunity according to plan</li> <li>Identify suitable mentors and coaches to assist in implementation of plan based on availability and capacity</li> <li>Identify and utilise resources to ensure successful implementation of plan on an on-going basis</li> <li>Understand on-going measurement and evaluation tools to maximise strengths and reduce weaknesses and use it to measure skills growth</li> <li>Improve entrepreneurial skills according to skills plans and programmes</li> <li>Monitor entrepreneurial progress on an on-going basis</li> </ul>

During the workshop you will complete a number of class activities that will form part of your formative assessment. In this you have the opportunity to practice and explore your new skills in a safe environment. You should take the opportunity to gather as much information as you can to use during your workplace learning and self-study.

The workshop will be followed by summative assessment tasks to be completed through self-study in your workplace. In some cases you may be required to do research and complete the tasks in your own time.

### Assessment

It is important to note that the onus is on you, as the learner, to prove your competence. You therefore need to plan your time and ensure that your Portfolio of Evidence is kept up to date and handed in timeously.

A Portfolio of Evidence is a collection of documents of work you have produced to prove your competence. You will compile your portfolio from activities, tools and checklists associated with the unit standard and relevant to the unit standard being assessed.

You will be given the following documents to assist you in creating a portfolio of evidence:

- **Learner Guide:** The Learner Guide is designed to serve as a guide for the duration of your learning programme and as the main source document for transfer of learning. It contains information (knowledge and skills required) and application aids that will assist you in developing the knowledge and skills stipulated in the specific outcomes and assessment criteria. The learner guide also indicates the formative assessment class activities that you need to complete towards your Portfolio of Evidence.
- **Learner Workbook:** The learner Workbook contains all the class activities that you will be completing to show formative learning. These will be assessed as part of your portfolio of evidence as formative assessment. You will be handing in the Learner Workbook as part of your Portfolio of Evidence.
- **Learner Portfolio of Evidence Guide:** The Learner Portfolio of Evidence Guide provides details about the assessment, such as the assessment preparation, plan and specific summative assessment activities that you need to complete in the workplace.

Both formative and summative assessment is used as part of this outcomes-based learning programme:

- **Formative Assessment:** In order to gain credits for this Unit Standard you will need to prove to an assessor that you are competent. The Class Activities throughout your Learner Workbook are designed not only to help you learn new skills, but also to prove that you have mastered competence. You will be required to develop a Portfolio of Evidence to hand in to an assessor so that you can be assessed against the outcomes of this Unit Standard. Where you encounter a Class Activity icon, you must complete the formative assessment activity in the Learner Workbook. Comprehensive guidelines for the development of your Portfolio of Evidence may be found in the Learner Portfolio of Evidence Guide for the particular learning programme that you are working with.
- **Summative Assessment:** The NQF's objective is to create independent and self-sufficient learners. This means that you will also be required to do independent research and assignments, such as Knowledge Questions, Practical Activity (completed in the workplace), Witness Testimony and Logbook.

The assessment process is discussed in detail in the Learner Portfolio of Evidence Guide. When you are ready, you will advise your mentor that you are ready for assessment. He or she will then sign off the required sections in the Learner Portfolio of Evidence Guide and you will be able to submit your Portfolio of Evidence for assessment. The summative assessment activities placed in the Learner Portfolio of Evidence Guide for your convenience. If any of your assessment is conducted using observation, role plays or verbal assessment, place a signed copy of the checklists, once completed by your mentor or line manager in your Learner Portfolio of Evidence Guide, as indicated.



The Training Provider will assess your portfolio. If successful, you will receive the credit value of this learning programme. The entire assessment process is explained in the Learner Portfolio of Evidence Guide and you are urged to read this guide as soon as possible as it explains the assessment process in detail and clarifies your rights and responsibilities to ensure that the assessment is fair, valid and reliable.

If you are not successful, you will receive all the guidance needed to resubmit your Portfolio of Evidence within a specific time period, as per the Training Provider requirements.

### ***Learning map (delivery structure)***

<b>Assessment</b>	<b>Formative Assessment 40%</b>		<b>Summative Assessment 60%</b>	
<b>Learning activities</b> for 70 hours of notional learning	Contact Learning Theory input Formative assessment (workbook activities): group activities, simulations	Prescribed reading, support, coaching	Learning and application at the workplace	Summative assessment in PoE: knowledge questions, practical workplace activity, Witness Testimony, logbook
	<b>28 hours</b>	<b>0 hour</b>	<b>34 hours</b>	<b>8 hours</b>
	<b>Compilation of Portfolio of Evidence</b>			
<b>Complementary workplace practices</b>		Coaching and Mentoring; Performance Management		

### **Learner Support**

Please remember that as the programme is outcomes based – this implies the following:

- You are responsible for your own learning – make sure you manage your study, practical, workplace and portfolio time responsibly.
- Learning activities are learner driven – make sure you use the Learner Guide, Learner Workbook and Learner Portfolio of Evidence Guide in the manner intended, and are familiar with the Portfolio requirements.
- The Facilitator is there to reasonably assist you during contact, practical and workplace time of this programme – make sure that you have his/her contact details.

# **Module 1**

## **Entrepreneurship**

After completing this module, the learner will be able to describe and discuss entrepreneurship, by successfully completing the following:

- Demonstrate an understanding of what makes up a business in terms of proposed business context
- Discuss entrepreneurship in terms of employment opportunities
- Explain advantages and disadvantages of entrepreneurship with examples
- Present and explain typical examples of entrepreneurship explained in terms of the proposed business context
- Identify and discuss reasons for business failure and successes with examples
- Identify cultural, gender and social barriers that relate to entrepreneurship and raise ideas on how to overcome them
- Identify and explain the importance of a workable business plan in terms of proposed business context

## ***Describe and discuss entrepreneurship***

To start your own business will need careful planning and lots of perseverance. It will not always be easy, but if you succeed, you will enjoy the benefits of hard work. Every successful businessperson will tell you that he achieved what he did through hard work.

When you intend starting a new venture it is good to have an idea of what you want to do. If you don't have any idea of what to do, that is not a great problem. Some people lose their jobs and are forced to start some sort of a business to survive. Others are luckier and have money available to invest in an undertaking, but do not know what type of business to start.

Therefore, whether you know what type of business you are going to start or not, the basic principles remain the same.

Unfortunately, many people who start out in business don't succeed. This may be for various reasons but whatever the reason, it is sad that something that someone has put his heart in and worked hard for has failed.

This learner guide will give you some guidelines to help you on your way to becoming successful in your new venture. GOOD LUCK! If you're going to spend the time and effort to start a business venture, you might as well do it properly and be successful at the end.

### **1.1 What makes up a business**

A business is any person, group of people or organisation that takes resources and turns them into products or offers a service to sell to meet a need in the market for a profit.

The person who organises the business venture and assumes the risk for it is called an entrepreneur who will have to understand the intricacies, particulars and peculiarities of his or her chosen business in order for the business to succeed. A business plan and SWOT<sup>1</sup> analysis can be of assistance to an entrepreneur to gain insight into the business's strengths and weaknesses and also the opportunities and threats posed by the market within which they operate in order to ascertain whether the business is a viable proposition.

The context of a business comprises:

- A product that satisfies a need
- Consumers who want to buy the product
- An outlet to distribute the product
- Good customer relations to gain the customers' trust
- The skilful running of the business in order to generate a profit
- Knowledge, skills, abilities, and expertise to produce and sell the product successfully

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<sup>1</sup> refer: [http://en.wikipedia.org/wiki/SWOT\\_analysis](http://en.wikipedia.org/wiki/SWOT_analysis)

## What Is A Small Business?

There is no definition of a small enterprise that everyone agrees on, but it is generally a description of any enterprise with 50 - 100 employees and includes profit-making enterprises (businesses) as well as non-profit enterprises (such as cooperatives).

Within the definition of a small enterprise, many people also recognise a large number of very small (or micro) enterprises, with less than five employees.

Small enterprises are also sometimes called SMME's (small-, medium- and micro enterprises), a term which includes the larger end of the small business sector which is the medium sized businesses that employ up to 200 people.

There are various reasons for starting a business, such as:

- Needs - One of the reasons why we start a business is to satisfy other people's as well as our own needs.

Needs are the things that help us to survive. You have certain basic needs which must be fulfilled if you are to keep on living. For example water, food, protection, safety, shelter, home, and so on.

If basic needs are not fulfilled, a person will not survive. The basic reason why people work is to earn a living to survive. If we are also able to satisfy our other needs, we will enjoy a better quality of life.

- Wants - Another reason for being in business is to satisfy wants.

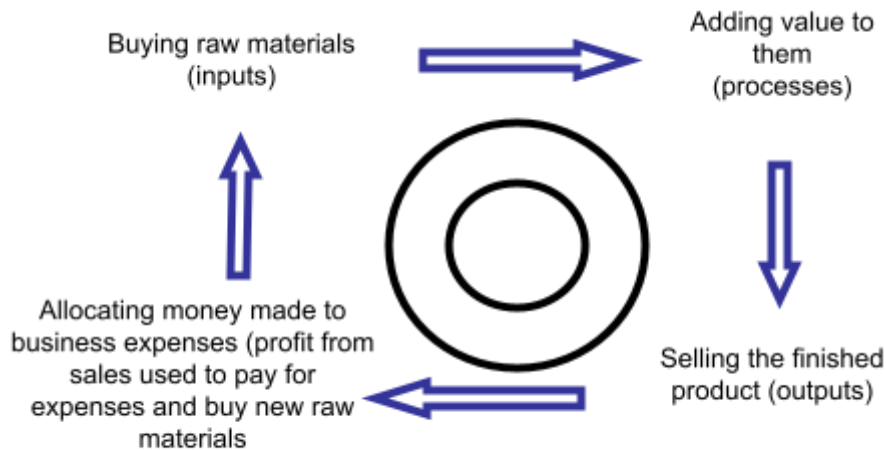
Wants are not necessary for survival. They are things that we would like, that we enjoy. For example, to make money and get rich, be self-employed, buy things like radios and a TV, visit the pub / shebeen, buy a present, see a movie, and so on.

From the above we can see that needs are basic to a person's survival. Once these basic needs are fulfilled, certain wants can become important. For example, when you are hungry you need food, but when you are no longer hungry you might want to smoke a cigarette.

Needs determine survival, wants influence quality of life and they are the luxuries you enjoy.

## ***The business cycle***

The basic business cycle is as follows:



**Processes** bring together all the inputs in such a way that it produces the desired product. All the steps, processes, procedures and modifications to the raw materials to produce the products and services of the business come into play here. Often businesses have unique processes that make their products special.

The result of what is done in the process/production phase is called an **output**. Outputs can be divided into tangible and intangible outputs:

- Tangible outputs are things that you can see and touch, like a box of matches
- Intangible outputs are services such as in hospitals, training, telecommunications

No process is complete without **feedback**. After a business has sold a product or provided a service, it must get feedback.

Examples of feedback include whether the customers buy or do not buy the product/service, financial figures, staff turnover, sales, and so on.

The **business market** is described as the **place** where buyer and seller come together.

From all of the above, we can see that:

- A business exists to meet a **need**
- A business exists to earn **money** and make a **profit**

### **Important Terms**

**Added value** - The result of raw materials being transferred into semi-finished articles and finished products

**Article** - n unfinished product.

**Assets** - Every business needs things which it owns and uses to make the business possible.

**Consumer behaviours** - Sometimes fashion trends, styles and designs can change because consumer behaviour changes. This can affect demand and may result in price having to be reduced.

**Demand** - The number / amount of goods and services that buyers are prepared to buy at a given price.

**Machinery** - A term used to represent any technology which is used to change raw materials into semi-finished articles or into finished products.

**Market** - The place where products are sold.

**Materials** - Any item which is extracted and used as the basis for a new product.

**Money** - Every business must have money (sometimes called capital to get started).

**Plan** - The business plan is the written guide that the business must work out and follow if it is to be successful.

**Price** - The value which is put on a product and which must be paid for that product to be passed over to the consumer.

**Processes** - The route materials and articles must go through before they become finished products.

**Production** - A general term used to describe the creation of new products.

**Profit** - Profit = Income from sales less all costs or expenses. The portion of money which is left over in the business after all costs have been covered.

**Seasons** - Consumer goods like cold drink or even clothing can be affected by seasons.

**Supply** - The number / amount of goods and services which sellers are prepared to sell at a given price.

## 1.2 Entrepreneurship in terms of employment opportunities

The vast majority of human beings direct their activities towards earning a living, generating wealth and improving their standard of living. You can choose your career from two broad categories of options – Wage Employment or Entrepreneurship.

The term 'career' signifies a continuous, ever evolving, ever expanding opportunity for personal as well as business growth and development. We may define entrepreneurship as a career in your own business [YOB] rather than wage employment [JOB].

If you opt for a job then you will work for others. In case you opt for entrepreneurship you will be your own boss.

In case of wage employment one is engaged in routine work carried on for others for which one receives a salary or wages. An employee has to follow instructions and execute plans laid down by his/her superior.

An entrepreneur is a person who takes an idea and an opportunity, and turns them into a profitable enterprise by harnessing the necessary skills and resources to manage the risks involved.

The real thrill of entrepreneurship is creating something from nothing. This requires vision, creative thinking, a skill for getting things organised, and a lot of hard work.

There is no single 'entrepreneurial personality type', but there are characteristics that most successful entrepreneurs share. According to one writer, these include:

- A desire to take responsibility and be in control.
- A preference for moderate risk (contrary to popular belief, entrepreneurs are not wild risk-takers; they must of necessity face business risks, but these are carefully considered and managed).
- A steady confidence in their ability to succeed.
- A high level of energy.

- An orientation toward the future.
- A skill in organising.
- A love of achievement.

### 1.3 Advantages and disadvantages of entrepreneurship

Most small business owners agree that there are many reasons why they prefer to run their own businesses than to work for someone else. Among the most important reasons for this are the following advantages:

- **The opportunity to control your own future** - While there are always risks involved, having your own business allows you to chart your own direction and goals. This means not having to rely on a superior's assessment of your performance, for instance, before getting promoted.
- **The opportunity to reach your full potential** - By working out your own ideas and plans, your business becomes an expression of your ability and creativity. Many jobs are not like this, and can leave people feeling bored and unmotivated.
- **The opportunity to make a difference** - Many entrepreneurs are driven by the results that their business delivers. This can make your work very fulfilling, especially when the impact of your business is great enough to see a difference in the people and environment around you.
- **The opportunity to do what you enjoy** - Entrepreneurs will frequently turn their hobbies or passions into an enterprise, allowing them to do what they most love, every day.
- **The opportunity to earn more** - When you work for a salary the salary is normally limited to within certain scales, while having your own business really allows unlimited earning potential. It all depends on the success of your business, of course, and it would be a mistake to think that all business owners are wealthy.

No one will deny that running your own business is demanding and risky, so you need to be completely committed to doing it. These are the main drawbacks (disadvantages) you will face:

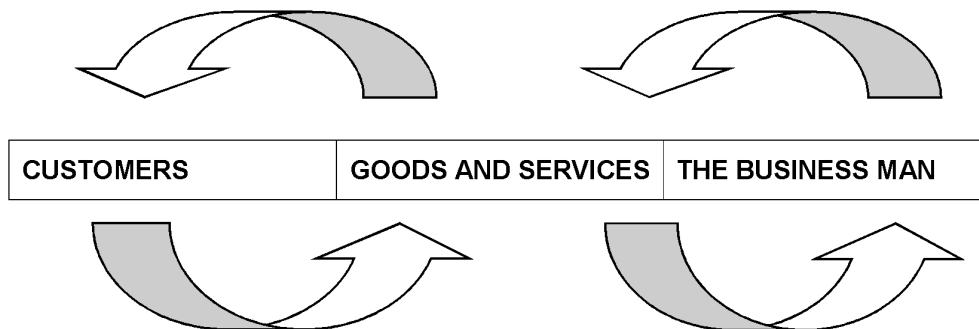
- **You could lose the money you put into the business** - For most people, starting a business will be a lifelong dream, and they will put just about all their money into it. The high number of small business failures tells us that there many people will lose their hard earned money in this way.
- **Your income will be uncertain** - There is no guarantee that you will earn enough to survive. Part of your planning must include ways of ensuring that starting a business won't leave you without a roof over your head, but there are always setbacks that you can't foresee.
- **Your working hours will be long and hard** - There is no knocking off when your eight hours of work is done. Your business will survive only if you give it the time it demands, and there is sometimes no limit to the things you must accomplish each day.

- **You will have to face stressful times** - Being a business owner can be stressful, especially when starting up. Entrepreneurs have to deal with the anxiety of what could happen if the business fails, while at the same time staying focused on the job at hand. You need to be able to live with high levels of stress without letting it affect your business or family life.
- **You have to be responsible for everything that goes on** - As a business owner you are responsible for everything that goes on in the business. You are also responsible for your employees. As a business owner, you cannot deny responsibility for things that fall outside your job description, as you could as an employee. In the business, everything falls into your job description and you are ultimately responsible for the entire operation and its activities. This is quite a burden to bear.



### Why do YOU want to be in Business?

The purpose of any business is to make money. A good business involves customers who buy the goods and services, the goods and services themselves, and the business man.



Before you decide to start a business, you should have several reasons why you are making this decision, for example:

- To make as much money as possible
- To survive; to make money for living
- To be your own boss
- Because it is too difficult to find a job. This may be because of economic reasons that affect the whole country. It may be because you do not have the experience and qualifications for the jobs that are available.
- To show other people that you can be a businessman.



- To make your dreams come true. You may have always dreamed about becoming a businessman

It is not easy going into business for yourself. There are many things you have to consider. These are:

- The business could fail
- The business may make less money than you think it should
- Competitors may take business away from you
- The money you have saved might not be enough to start a business
- When you are sick, it is difficult to find someone you trust enough to manage the business for you
- It is difficult to take leave
- Business can become a lonely profession, especially in a one-man business
- You need to work long hours
- Stress can affect family relationships, unless the family participates in the business (although this sometimes increases the stress!).

## 1.4 Examples of entrepreneurship

**More than 95% of businesses in South Africa are small enterprises. Together, they contribute about 35% of the country's gross domestic product (GDP).**

Even though most small enterprises are micro businesses (that is, they employ less than five people each), they employ over half the number of people who work in the private sector. This is why government has identified small enterprises as vital in the fight against poverty and unemployment, as larger companies are not creating enough job opportunities.

Entrepreneurs, those people who make something happen from nothing, are the driving force behind small enterprises. Government can provide support for these businesses, but it cannot make them happen without the energy and vision of individual entrepreneurs, who can see the opportunities at grassroots level and who come up with the ideas to establish successful businesses to the benefit of the whole community.

It is however not only the community that benefits from successful businesses. Good business, no matter where or what the volume of business, is good for the particular industry or business sector, as it creates trust in that industry or sector. People spend money with people whom they trust.

Some good examples of entrepreneurs are:

- The people who started Vodacom, MTN and other cellular companies. They saw the possibilities of cell phones and worked hard to make the ideas work.
- MNet and Multichoice: they recognised that people in South Africa would be willing to pay a monthly fee for more and better television entertainment than provided by the SABC.
- KFC was started by 52 year old man who was bankrupt at the time
- Virgin companies: started by Sir Richard Branson who left school early to start his first business. By the time his friends left school, his first business was already successful.
- Then there is the businessman who started the Black Like Me range of cosmetics in his garage:

### **Mashaba's gamble with beauty pays off sweetly<sup>2</sup>**



#### **HERMAN MASHABA**

- **TITLE: Managing director of Black Like Me**
- **AGE: 39**

<sup>2</sup> Written by Janette Bennett , Business Times: <http://www.btimes.co.za/98/1129/news/news.htm>

- **EDUCATION: Matriculated, local school in rural village of Ramotse**
- **QUALITY TIME: Golf, tennis, travelling and time with his family**

PUT an obstacle in front of Herman Mashaba and he will climb over or through it. Whatever it is, he will get past it, and he will extract every bit of learning he can from it.

Nothing has been handed to Mashaba on a platter. He has got where he is today through sheer willpower and hard work.

Mashaba founded Black Like Me, SA's only indigenous black hair care and beauty company, in a corner of Garankuwa 13 years ago. Despite severe setbacks, it has grown phenomenally.

And it is still going places. Last year the multinational Colgate-Palmolive bought majority shares in Black Like Me. Mashaba stayed on as managing director and his next challenge is to break into the international market.

Today, Black Like Me is the best-known beauty brand in SA. A spontaneous awareness survey in January showed that 76% of respondents knew of Black Like Me. The international giant, Revlon, scored 55%.

BT met Mashaba on the fifth anniversary of the fire which destroyed his thriving Garankuwa factory. He is bitter that an official investigation is still to be launched into the fire.

The factory was utterly destroyed and many of Mashaba's staff wept when they saw the devastation. "I told them that although the factory was gone, we still had our name and we would go on," he says.

Within two weeks Mashaba had found the company's present premises in Midrand - and he started again.

Mashaba's education came from rough and tough gambling dens and the political hotbed of the University of the North in the late 70s.

He says he is not ashamed that he financed himself through school by his gambling proceeds. "I saw my friends going off to work as gardeners on weekends and I saw how they were humiliated. The system took away their dignity and my choice was to stay away. It was risky in those dens. It was all about survival of the fittest."

Mashaba was never very active politically at university, where he was studying for a B Admin. However, he shot to the forefront of student protests after chairing a meeting and, during his second year of study, authorities closed the university. Mashaba left and never returned.

He found a job as a despatch clerk in Pretoria in 1980, but stayed only seven months. "It was a hostile environment and I came face to face with appalling racism." He moved on to another Pretoria company, also as a despatch clerk, and spent 23 months there in his "longest salaried job".

Mashaba had, however, saved enough money to buy a car. Have wheels, will fly. He began selling everything from insurance to dinner services.

But his battle now was with the influx control laws, which limited his movements and hence his job prospects. "I became an expert at ducking and diving the police," he says.

At this time, hair salons were beginning to mushroom and with one day's training under his belt, he sold hair products, quickly building up a solid customer base.

Despite still battling against the pass laws, Mashaba had been named top sales person by the time he decided to leave to go on his own 19 months later.

He broached the subject with chemist Johan Kriel and Black Like Me was born in Garankuwa. "We made the products in the evening and sold them during the day," he says.

Sales took off and soon he was able to employ extra staff. Today the Midrand operation employs around 150 people. And Mashaba is proud that his company "which started in the township is now part of a multinational".

Mashaba has won a number of awards, from businessman of the year to best emerging affirmative action company.

He is married to Connie and they have two children, a daughter, Nkhensani, four, and a son, Rhulani, one.

### 1.5 Reasons for business failure and successes

To be successful in business you need to be hardworking and determined to succeed, have practical experience, good judgment and foresight which you will gain by having a proper business plan. The three main reasons why businesses fail are lack of money, lack of knowledge and lack of support. By mastering the basics you'll gain the knowledge necessary to gain the support and money you need for your business.



#### Why Small Businesses Fail

- Very often the owners end up working in the business, not working on improving the business. You should employ people to work in the business while you make sure that the business improves through planning the business activities, controlling to make sure that what you want done is being done, controlling expenses and making sure that money due is paid on time.
- Emotional decision-making by owners. Very often people think with their hearts, not their heads. You have to follow a process to make a decision and consult with customers, employees and partners to make sure that the right decision is made.
- Unclear objectives. The business owner does not really know what he or she really wants. To be successful, you have to set objectives. This way you and everyone else knows what has to be achieved, you will have standards against which to measure whether you are doing the right things and you will know when you are doing wrong things.
- No monthly action plans to outline what you want to do / how much you want to sell in that month. A monthly action plan is a very important tool. This is the only way you will know how your business is doing. For example, if you wanted sales of R100 000 and your sales are only R80 000 you know that you are not on target and have to take action immediately.
- Lack of systems. Things are done differently every time, instead of having a system that you can use again and again, making the work easier. If there are no systems you and your employees will not know how to do the work so that the job gets done the right way. For example, if you are operating a taxi service, the routes have to be worked out so that the drivers know where they

should go. If you will be selling products, the sales process must be the same every time. If it is not, something important such as collecting the money from the customer will not be done.

- Bad buying. Some businesses pay too much for the goods they buy. This is always bad, but if you are buying to resell, it is fatal. Shopping around for better deals is very important.
- Partners may have different goals. If you have a partner, you must have the same goals.
- Growing too quickly. In the same way a plant or animal can grow too fast for its strength, so can a business. For example, you planned on starting with 3 taxis and suddenly you find you need 5 taxis. It might seem like a good thing, but you will have to find money to finance the 2 extra taxis, drivers to operate the taxis and there will also be extra expenses such as petrol, service and maintenance.
- Lack of capacity. Not having the right people or equipment can cause a business to fail. If you start a food stall where you intend to sell lunches to 50 people, you have to make sure that you will be able to prepare 50 lunches. If your working area is too small and you can only prepare 30 lunches at a time, you do not have enough capacity.
- No understanding of how to price the goods you sell. If you sell your goods too cheaply you won't make enough profit. If you price your goods too high, nobody will buy from you.
- No understanding of the difference between cash flow and profit
- Too little money to start the business properly. Before you start a business, make sure that you know exactly how much money you will need so that you do not run out of money during the first or second month.

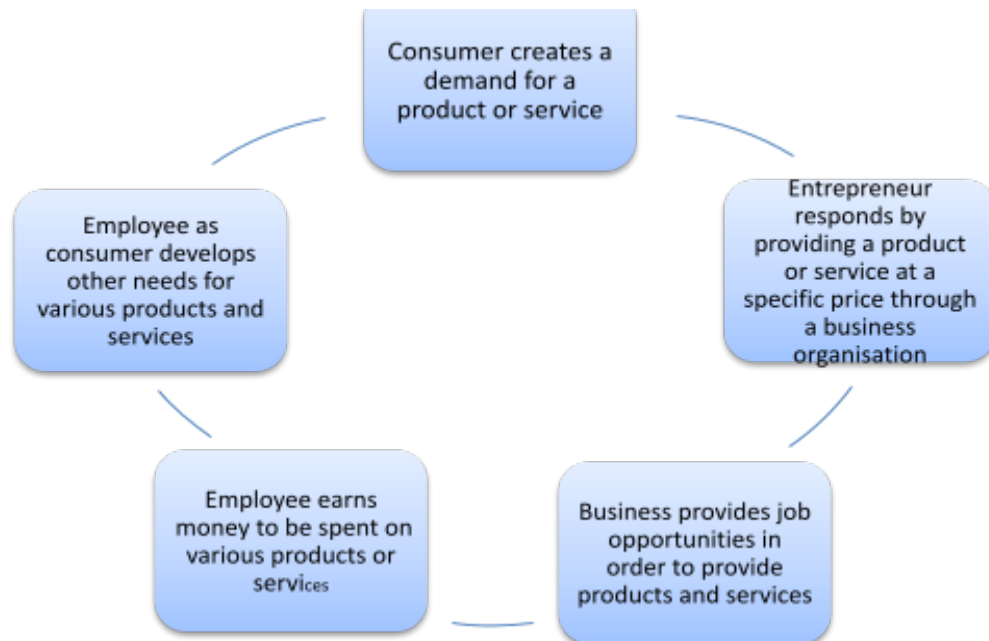


***Organisations cannot exist without customers***

When you start a business and you want the business to survive you must remember this: ***the survival of any business organisation starts and ends with customers.***

- If there are no customers with needs, there will be no business.
- If there is no business there will be no business organisation, and
- There certainly will not be jobs or salaries to be earned. Even in a state department it is clear that if there were no constituents, there would be no need for civil servants.

The diagram below shows how individuals create a demand for a product or service.



Human beings have unlimited needs, and there will always be an entrepreneur to satisfy those needs and supply the product or service needed (or wanted).

The product must be supplied:

- at a certain price to be acceptable to the consumer,
- as well as in sufficient quantities.

**Therefore:**

**No needs, no products or services.**

**No products or services, no jobs.**

**It is true – the customer is KING!**

### **Why Small Businesses are Successful**

What do successful businesses have that troubled businesses don't? The answer is in this article below:

We hear so many stories of small businesses that fail to succeed after they have launched because of lack of planning and not having the money to keep their business running for the long run. Have you ever thought about the companies that end up being successful? What is it about these companies that allowed them not end up in the same fate as the companies that could not make it? We have developed a list of reasons for what it takes for small businesses to succeed.

**Have a strategic direction**

Companies have a clear mission statement and vision on why their company exists. They have developed a strategic direction and communicated their direction effectively to their workforce. Even if their workforce is no greater than 2 people, everyone needs to understand where the company is today, where they plan on going tomorrow, and what are they going to do to get there. Having a business strategy is one of the most important functions that small businesses overlook today as they go straight towards execution of operations and marketing of their products. These companies only last a short term in the market because they do not have a sustainable plan on what their business should be doing in the first place.

**Operate in a niche market**

These companies have developed a specialized service in which it makes sense for customers to get work performed by these businesses. Companies that operate in a niche market often are experts in this field and have developed the competencies to support this service. Small businesses know the details of their product possibly better than larger vendors because they may lack the resources in this specialized area. Larger vendors would look to contract this work out to a company that can perform this work and this will lead to more opportunities for a small business to be successful.

**Have resources available**

These companies are successful because they have the resources available to keep their businesses operations running smoothly, to support the growth of their businesses based on the strategic direction established by senior executives, and have the assets needed to acquire the necessary human and capital resources to build a successful business. Companies need to have money, resources, and an effective plan in how to use their resources to ensure that they make a larger profit than losses in their balance sheet.

Retrieved from:

<http://www.examiner.com/article/why-small-businesses-are-successful>





## 1.6 Cultural, gender and social barriers that relate to entrepreneurship

Over and above the reasons for business failure that have to do with the way the business is managed, as discussed earlier, there are 3 more very important barriers to business success. They are cultural barriers, gender barriers and social barriers:

- **Cultural barriers** - Culture is very important to most people and therefore most people would prefer to do business with people from their own culture. Sometimes these cultural perceptions are taken further, for example white people would not easily go to black, coloured or Indian doctors. In the same way, black people would be hesitant to go to a white Sangoma. As with all barriers, this is silly.
- **Gender barriers** - Many men do not want to do business with women. There is also a perception that certain jobs should be done only by men while others should only be done by women, e.g. Women drivers can be as bad or as good as the average male driver. A male beautician can give the same good service that a female beautician can give – maybe even better as he will look at it from a man's perspective.
- **Social barriers** - Social barriers to business success have to be the silliest of them all. Business people have to look successful if they have any hope of attracting business. This means that they have to be well groomed, well-spoken and in general look and act successful. No woman I know will buy clothes from any sales person whose appearance is untidy or visit a hairdresser whose hair has not been combed. Parents will not easily trust a nursery school teacher who is dressed in a mini dress and short top that exposes her midriff. She does not look capable of looking after children.

### Ideas on how to overcome barriers

When you are dealing with customers from another culture, make sure that you know what the correct greeting is; for example, some cultures may have more than one handshake, depending on the type of greeting.

Check that food is Halaal or Kosher if required by your customers.

Make sure that your products are not offensive to religious groups and do not make jokes about their religion.

If you have a food stall, make sure that the stall, the utensils, the food and your person are clean. If not, you will have difficulty attracting customers.

People who see themselves as having the same social position will prefer to mix with people from their own social class. So, it will be difficult if you look poor to persuade rich people to do business with you. Therefore you have to make sure that your office looks good to customers. If you want to offer a taxi service transporting people to and from parties, the taxi must be roadworthy, look clean at all times, the music must not be too loud and should be to the taste of the customers. No loud thump-thump music – it will put many customers off.

If you want to, say, offer an experience to overseas tourists to sleep in your home, make sure that the sleeping quarters are neat and clean and that the food is prepared in a healthy manner. You can still offer them an authentic experience, but make sure that their comfort is catered to.

If you are faced with barriers due to gender discrimination, you have to find solutions to the problem. Offer one or two free rides to customers who are suspicious of female taxi drivers. Offer some free facial consultations to women who do not feel comfortable with a male beautician. Exposing people to the potential of people will help them to look beyond their perceptions of gender.

### 1.7 The importance of a workable business plan

Many unwise entrepreneurs who believe they have sufficient money, start a business without proper planning- i.e. by creating a realistic workable business plan.

This is one of the most fundamental business mistakes. It is like going to war without your weapons!

A proper business plan will indicate:

- the viability of the business venture
- proper allocation of resources
- proper management structures
- proper human resource structures; and
- the financial requirements of the venture

Consider the following example:

Nobesutu Chibete worked at Karangacom for a number of years. Karangacom is a large company listed on the Nairobi Stock Exchange (NSE). A South African Company by the name of Mamelodi Telecoms (MMT) buys all the issued share capital in Karangacom. Part of MMT's new strategy for Karangacom involves application of more advanced technology. This results in staff lay-offs. Nobesutu Chibete is one of those retrenched.

She gets a severance package of 100 million Shillings which is equal to R12,000,000.00. She embarks on establishing Chibete Suite Hotel in Shelly Beach, a holiday resort town on the famed Natal South Coast. Without delay she buys a sea facing stand for R3 million. She engages architects and a development company. These set her aside a pretty R7 million. Construction gets underway and as the development is 70% complete, escalation costs rise to a further R900, 000. The complex is now complete save for landscaping which comes in at R190, 000. She is now feeling some financial pressure as her recent engagements with interior designers reveals that she will need R900, 000 for the whole complex. She still needs to do an extensive marketing for the complex as well as other costs such as compliance costs, initial consumables, bed linen, costs associated with the kitchen to mention but a few.

It is quite clear that Nobesutu Chibete did not compile a business plan for her venture. She might have thought that since she had what she thought was sufficient capital, a business plan was not needed as she did not have to approach financial institutions.

A business plan is a very important document. A business plan is a formal document in which you will give details of the plan of action you intend to follow in respect of your new venture.

Let's briefly explore the business plan, of which we will learn much in future programmes:

Once you have drawn up the **Business Plan**, you will use it:

- As a guideline to manage the business. You will use it to direct the business activities. The business plan is where you put your thoughts and ideas about the business in writing in the form of a formal plan. you will also use the business plan to compare the actual performance of your business against what you predicted it will do.
- To apply for loans
- To get partners to invest in the business
- To apply for terms from suppliers
- If you want to sell your business

A business plan will include the following:

- The marketing plan
- Operational plan
- Management and Organisational plan
- Financial plan

Your business plan spells out what your business is about - what you do and don't do, and what your ultimate goals are. It encompasses more than marketing; it can include discussions of locations, staffing, financing, strategic alliances and so on. It includes "the vision thing," the resounding words that spell out the glorious purpose of your business.<sup>3</sup> Your company's business plan provides the environment in which your marketing plan must flourish. The two documents must be consistent.

A **Marketing Plan** can be a simple one page list of various marketing approaches you'd like to try or a fully detailed analysis of the market you are participating in, strategies you'll employ and the tactics for executing these strategies.

The **Operational Plan** relates to the operations of business, especially its day-to-day activities or the basic management and control of these

*"Organisations that fail to plan are in essence planning to fail"*

The **Management and Organisational Plan** consists of the organising and controlling of the affairs of a business or a sector of a business. The Management and Organisational Plan.

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<sup>3</sup> Read more: <http://www.entrepreneur.com/article/43018#ixzz2Pc6C29R6>

It is crucial to plan every single step and thing that is to be done to avoid failure. Hence the importance to understand the purpose to plan, which provides direction about:

- what the organisation does
- what and why it needs to be achieved

so that the organisation knows exactly what it is required to do. Planning reduces uncertainty and makes sure everybody is committed to achieve the goal.

An Entrepreneur needs a **Financial Plan** for the purpose in order to determine the profitability of a new business. A financial plan evaluates of the potential success of the undertaking. It is based on a set of expectations regarding income and expenditures and potential profit as calculated by the entrepreneur who has to determine the flow of cash monthly in order to identify the loans that will be required over a two or three-year period. When working with a financial plan, we need to be clear about certain terms, such as:

- **Assets** are tangible objects of financial value that are owned by the company<sup>4</sup>.
- A **liability** is a debt owed to a creditor of the company.
- **Equity** is the net difference when the total liabilities are subtracted from the total assets.

All accounts in your **General Ledger** are categorized as an asset, a liability or equity. The relationship between them is expressed in this equation:  $\text{Assets} = \text{Liabilities} + \text{Equity}$ .

For the purposes of your business plan, you'll be creating a pro forma **Balance Sheet** intended to summarise the information in the Income Statement and Cash Flow Projections. Normally a business prepares a Balance Sheet once a year.

Basically, the financial plan section consists of three financial statements, the income statement, the cash flow projection, the balance sheet and a brief explanation/analysis of these three statements.

For the new Entrepreneur **financial statements**, which examines income, expenditure and profit or losses, are prepared as a supplement to your business plan. Think of your business expenses as broken into two categories; your start-up expenses and your operating expenses.

All the costs of getting your business up and running go into the **start-up expenses** category. These expenses may include:

- business registration fees
- business licensing and permits
- starting inventory
- rent deposits
- down payments on property
- down payments on equipment
- utility set up fees

<sup>4</sup> refer [http://sbinfocanada.about.com/cs/businessplans/a/bizplanfinanc\\_4.htm](http://sbinfocanada.about.com/cs/businessplans/a/bizplanfinanc_4.htm)

This is just a sampling of start-up expenses; your own list will probably expand as soon as you start writing them down.

**Operating expenses** are the costs of keeping your business running. Think of these as the things you're going to have to pay each month. Your list of operating expenses may include:

- salaries (yours and staff salaries)
- rent or mortgage payments
- telecommunications
- utilities
- raw materials
- storage
- distribution
- promotion
- loan payments
- office supplies
- maintenance

Once again, this is just a partial list to get you going. Once you have your operating expenses list complete, the total will show you what it will cost you to keep your business running each month.

Multiply this number by 6, and you have a six month estimate of your operating expenses. Then add this to the total of your start-up expenses list, and you'll have a ballpark figure for your complete start-up costs.

**The Income Statement** shows your Income, Expenses, and Profit for a particular period. It's a snapshot of your business that shows whether or not your business is profitable at that point in time;  $\text{Income} - \text{Expenses} = \text{Profit/Loss}$ .

**The Cash Flow Projection** shows how cash is expected to flow in and out of your business. For you, it's an important tool for cash flow management, letting you know when your expenditures are too high or when you might want to arrange short term investments to deal with a cash flow surplus. As part of your business plan, a Cash Flow Projection will give you a much better idea of how much capital investment your business idea needs.

**The Balance Sheet** is the last of the financial statements that you need to include in the Financial Plan section of the business plan. The Balance Sheet presents a picture of your business' net worth at a particular point in time. It summarizes all the financial data about your business, breaking that data into 3 categories; assets, liabilities, and equity.



***Class Activity 1: Describe and discuss entrepreneurship***

Please follow the instructions from the facilitator to complete the formative activity in your Learner Workbook



## **Module 2**

### **Identify the characteristics of a typical entrepreneur**

After completing this module, the learner will be able to identify the characteristics of a typical entrepreneur, by successfully completing the following:

- Identify the characteristics of a typically successful entrepreneur and discuss with examples
- Differentiate typical entrepreneurial skills, personality traits and values of entrepreneurial behaviour clearly with examples
- Analyse the importance of each characteristic in the context of a specific new venture
- Explain the technical, business, managerial and personal traits and characteristics required for establishing a successful venture with examples

## ***Identify the characteristics of a typical entrepreneur***

The following definition of an **entrepreneur** is also very relevant for the small business owner: “An entrepreneur is somebody who sees and uses an opportunity to fill a need in the marketplace. It is a person who starts an undertaking, who raises the necessary finance, who organises the venture, and who takes most of the risk if it should fail.”

It is assumed that you are already convinced in your mind that entrepreneurship is the road to follow. You should therefore have a positive attitude towards starting or taking over a business in the selected industry.

The entrepreneur’s decision to start a business is probably the single most important decision an entrepreneur can make. It takes guts to become an entrepreneur. A thorough understanding of the industry that you want to start your business in, its unique features and peculiarities, is very important.

The first important lesson is to keep in mind that it is better to start on a small scale. To start a large operation is not really the sensible way to go for the small entrepreneur. You will need a large capital outlay, which will probably be beyond your mean. Furthermore, a large operation can be very complex. It is better to start small and then your knowledge and skills will grow as the business grows.

Entrepreneurship is also a continuous activity. Once a small business has been established, the entrepreneur is often inspired to expand and build on initial successes. Certain large operations today started many years ago and can be seen as the result of continuous entrepreneurship and the successful identification and exploitation of various opportunities.

## **The principles and skills of entrepreneurship**

An Entrepreneur should keep to principles that other people look up to.

Important **skills** for the entrepreneur are:

- Computer literacy
- Technical skills
- Inter-personal skills
- Accounting and bookkeeping skills; and
- Management skills



**Skills**

Of the greatest importance are **principles** which will result in your being a respected Entrepreneur. These principles include the following Ubuntu values:

- Respect for human dignity
- Sharing of success
- Goodwill
- Trust and honesty
- Continuous cross-cultural interaction
- Pride in achieving goals; and



- A discrimination-free workplace

Archbishop Desmond Tutu explained **Ubuntu** as follows:

*“Ubuntu speaks particularly about the fact that you can't exist as a human being in isolation. It speaks about our interconnectedness. You can't be human all by yourself, and when you have this quality – Ubuntu – you are known for your generosity. We think of ourselves far too frequently as just individuals, separated from one another, whereas you are connected and what you do affects the whole World. When you do well, it spreads out; it is for the whole of humanity”.*

Unacceptable principles which will lead to a bad reputation in the business community and a loss of clients ultimately are:

- Accumulation for the sake of accumulation
- Selfishness
- Corruption; and
- Empowerment which is equal to self-enrichment

The main **personality traits** of an entrepreneur are being:

- Outgoing
- Willing to take calculated risks
- Optimistic
- Self-actualisation
- Meticulous
- Creative and innovative; and
- Leadership qualities

Possible shortcomings of entrepreneurs could include:

- Entrepreneurs often set unrealistic time frames.
- They try to do all things themselves. Entrepreneurs are hesitant to seek help and try to do everything.
- They allow too many interruptions to interfere with the primary business.
- Entrepreneurs tend to work without a plan and are therefore not methodical.
- Entrepreneurs tend not to do homework. Most of the time they are so eager to get things done that they often tend to neglect the necessary preparatory work.



## 2.1 Identify the characteristics of a typically successful entrepreneur

Taking risks, taking the initiative and sustainability are some of the most important characteristics of a typically successful entrepreneur. If you think of Kentucky Fried Chicken which was founded by Harland Sanders, who began selling fried chicken from his roadside restaurant in Kentucky, USA, during the great depression. Today KFC has outlets worldwide.

Most entrepreneurs have the following characteristics in common:

- **Taking risks** - As mentioned, entrepreneurs don't gamble with their businesses – they take calculated risks by assessing costs, market and customer needs and persuade others to join and help.
- **Taking the initiative** - Entrepreneurs don't wait for someone else to tell them what to do. If they see an opportunity, they calculate the risk, do the market research to determine if a need does exist and how best to satisfy the need and then they go ahead and do what is necessary to satisfy the need. This means that the entrepreneur has a vision for his business and is also the force that drives the business – he makes sure that the right things get done in order to make the business a success.
- **Ensuring sustainability** - To make sure that the business is sustainable, means that the entrepreneur has to make sure that the business keeps going on over time. The entrepreneur is in charge of the business and it is his responsibility to make sure that the business is a success for a long period of time.

For example, you may see an opportunity to provide food for workers that are building a stadium. This is an excellent opportunity, but when the stadium is complete, the opportunity is also gone. An entrepreneur will look for other opportunities while the stadium is being built, for example road works or other building projects, so that the business can be sustained in the long term.



The successful entrepreneur is therefore someone who:

- thinks positively and
- is enthusiastic and passionate about his business
- is persistent and determined

## **2.2 Analyse the importance of each characteristic in the context of a specific new venture**

For this analysis the entrepreneur wants his new venture to be an Ice-crème Parlour on the South Coast of Natal and the analysis demonstrates the importance of each of the three characteristics identified

- Taking risks
- Taking the initiative
- Ensuring sustainability

Example:

### Taking risks

You want to start an Ice-cream Parlour at a holiday resort near Durban where the weather is fine, many visitors and competitors attend surfing competitions at the resort during winter and summer. What are the risks?

Customers	All year long	+
Product	Ice-cream at the beach normally sells very well, and if the business is expanded, coffee and waffles on a cold day will also sell well.	+
Weather	The weather for eating ice creams is mostly good but the business can be expanded to serve waffles and coffee as well when it is colder.	+
Cost of Ice Cream	Reasonable and coffee and waffles not that expensive either.	+
Cost of rental	Can be high but ice cream can also be sold from a cart or Caravan with tables, chairs and umbrellas place around the caravan which will save money on high cost of renting a shop. On the other hand this will not be practical when it rains. (Check the past two years rainfall figures for the area)	?
Cost of labour	Does not have to be labour intensive, 2 Employees working 3.5 days each per week as managers using temporary student labour to assist them during busy periods.	+

### Taking the initiative

Taking into consideration that there is only one other vendor selling ice-cream cones at the holiday resort you are taking the initiative to start a different type of ice-cream parlour selling different ice-cream products. As many people visit the resort to participate in the competitions and many visitors attend the competitions, your vision of an ice-cream parlour is innovative and will satisfy the customer needs.

Competition	One vendor	+
Product (Ice-cream)	One vendor selling ice-crème cones only	+
Product (Waffles)	None	+
Customer needs	Being considered and researched	+
Location	Researched, rental negotiated	+
Financial Plan	Done	+
Employees & students	Available to start as soon as location is fitted out	+
Shop fitting, furniture & equipment	Arranged	+
Menu	Being printed	+
Legal, Health & Safety requirements	Complied with, with the assistance of the Local Council	+



## Ensuring sustainability

To ensure that the business remains viable over a number of years opportunities must be created to sustain the business. Economic, social and environmental issues need to be considered together, not in isolation.

Rental	Negotiate annual increases at an affordable rate	+
Electricity	Invest in a solar or gas geyser and use electrical equipment that are designed to save electricity	+
Customers	Keep up to date with the latest food crazes and new fads	+
Financial planning	Keep the business financial plan updated and plan one year ahead	+
Promotions	Plan children's parties, promotions and competitions, think of new ideas to sustain the business	+
Advertise	Brand your products. (Brand is the "name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers)	+
Technology	Keep up with latest technology and make available to customers as a draw card	+



## 2.3 Differentiate typical entrepreneurial skills, personality traits and values

In order to differentiate entrepreneurial skills, personality traits and values of entrepreneurial behaviour we shall look at people's misconceptions with regard to entrepreneurs and then discuss the each item separately in context. Most people have the following **incorrect views of entrepreneurs**:

- **Entrepreneurs are born, not made** - Most of the qualities associated with entrepreneurship can be developed by appropriate training. Especially important are aspects such as experience, first-hand knowledge and a positive attitude, which are all acquired, not inborn
- **Entrepreneurs are risk takers** - This perception probably came about because entrepreneurs generally like to investigate the 'undiscovered' and 'unknown' and like challenges. However, they take calculated risks and try to minimise existing risks. They assess costs, market/customer needs and persuade others to join and help
- **Entrepreneurs are dishonest money-grabbers who only protect their own interests** - As in any other career, there are exceptions, but entrepreneurs who want to survive in the long-term have to be honest and give good service. Research has shown that entrepreneurs are generally not driven by greed, but rather by personal ambition and work satisfaction
- **People who find it difficult to get along with their bosses make successful entrepreneurs** - Entrepreneurs are independent and like taking

decisions, but they also have to be able to work with people. Successful entrepreneurs generally have a very good support system of people upon whom they rely

- **Entrepreneurs must be young and energetic** - It can be advantageous to be young and energetic, but experience, knowledge and honed entrepreneurial skills take time to develop. One is never too old to start a business
- **Entrepreneurs are their own boss and are completely independent** - They do have the freedom to choose and make their own decisions, but they have a responsibility to a number of people, e.g. clients, suppliers, creditors, family and the community

An entrepreneur's most valuable asset is his reputation and you always have to keep in mind, how you do, *what you do*.

Entrepreneurial values are to:

- Take criticism without being offended or defensive
- Invest in communities and make them feel part of the system
- Accept and encourage social responsibility of the business
- Accept organised labour as a major stakeholder. People are indeed an integral part of the business and careful attention should be paid to this vital resource.
- Use your time effectively
- Welcome the opportunity to make a difference in the community and society as a whole, as well as to your employees
- Embrace good work and business ethics and do not get involved in dishonest dealings
- Ensure that the business is sustainable



## 2.4 Explain the technical, business, managerial and personal traits and characteristics required for establishing a successful venture

If values are the “how” you do, what you do, technical skills, business skills, managerial skills and personal qualities and characteristics are the “what” you do in order to run a successful business. An entrepreneur needs certain technical, business, managerial and personal traits and characteristics to establish a successful venture.

### Technical skills

Technical skills include the technical knowledge and skills to run the business. If you are putting up a food stall, you have to know how to prepare meals properly, what ingredients to buy, etc. If you want to start a taxi business, you have to know how to drive the taxi, when and how maintenance should be done, how to plan routes, etc.

- Making sure that you buy raw material and spares correctly. In other words, shop around for the best prices that will still give you best quality. The first person or business you contact will not always give you the best options, so shop around. You have to be able to negotiate with suppliers.
- Making sure that you employ people for their knowledge and skills and not because they are family members. It takes knowledge and skills to make a success of a business, so make sure that you employ the right people.
- Making sure that you buy the right equipment. For example, if you want to set up a food stall a gas stove would be more suitable than an electric stove, as the gas stove heats up much more quickly. This means you can prepare meals more quickly.
- You have to be able to sell your goods at the right price, taking into account what you paid, what your costs were and what profit you want to make so that you can still give a good product at the right price to your customers.

- You have to understand the different business finance terms, such as cash flow, profit, budgets, etc. in order to make sure that your business runs at a profit.
- Make sure that you find out how much money you will need to start the business. If you don't, you will run out of money before your business makes a profit and you will be bankrupt before you get the business off the ground.
- What is your credit record like? What can you do to improve it?
- Do you have the financial resources, and can you afford to risk these?
- Customer service: the customer is what makes your business profitable and sustainable and should always be treated with respect and dignity. Without customers, your business will not exist, so make sure that you give excellent customer service. Do you know enough about the market to know what customers want, where to find them, and how to get ahead of your competitors?
- Make sure your business is sustainable
- Consider barriers such as social, gender and social and what you can do to overcome them

### **Business skills**

Business skills are those skills that make a business stand out and include:

#### *Leadership skills*

An entrepreneur has to encourage his employees in order to make them enthusiastic about the work and the business. If employees are unhappy, they can damage the business. You must be:

- Able to communicate and get your point across without shouting, screaming and swearing
- Sociable, with the ability to lead your employees
- Able to focus on low costs and high levels of efficiency, while still keeping employees and customers happy
- As an entrepreneur, you have to be able to solve problems and make decisions
- Take the initiative
- Take calculated risks – do not gamble with your business
- Leaders must have good personal ethics and a vision for the business
- Leaders have the trust of their followers
- Leaders are role models to their followers
- Leaders have empathy: they understand what others say, rather than listening to *how* they say it

#### *Selling skills*



- In order to attract customers, you have to be convincing with prospects – you have to persuade them to buy your product or make use of your services
- Determine real customer needs. The needs of your customers and your commitment to serve these needs to the best of your ability are very important for a successful business
- Take the time to be sociable with customers – they like to feel important and will come back to your business if you succeed in making them feel valued.

### *Organisational and managerial skills*

- Managers must be able to organise their businesses. Make sure that you have systems and procedures in place. Employees need to know what to do, how to do it and what they should use in order to do the work. This is the only way to make sure that mistakes are kept to the minimum.
- Managers have to be able to control their employees. Employees have to know what authority they have, what the rules in the business are, e.g. what time they start work, what the consequences will be if they do not comply with the rules.
- Managers must lead employees into the future. Be prepared to manage change as on-going priority to stay in business. The only thing that is constant in our world today is that things will change quickly and regularly. As a leader, you have to be able to adapt to change and support and encourage employees to do the same
- Encourage a positive work ethic at your business by setting an example and encouraging employees to do the same. Do not arrive late or leave early, do not cheat customers, do not bribe customers or suppliers, etc.
- Focus on affirmative action and corporate equity. The employment market place is changing and employees like to feel that they are valued and should be treated as such.
- Able to mediate between staff when they have disagreements

### *Critical thinking skills*

Learn to take decisions and solve problems by using critical thinking skills and following a procedure. Nobody can make correct, informed decisions without first having all the information. The human brain is a wonderful thing – once you start using critical thinking skills, it becomes easier and easier and before you know it, thinking critically and making decisions not based on emotion but on facts, is a habit. The more you practice, the better you get.

Problem solving, decision making and brainstorming are good ways of practicing critical thinking skills.

### **Personality traits**

- A desire to take responsibility and be in control.
- A preference for moderate risk
- A steady confidence in their ability to succeed.



- A high level of energy.
- An orientation toward the future.
- A love of achievement.
- Want to control your own future.
- Want to reach your full potential.
- The opportunity to do what you enjoy.
- Want the opportunity to earn more.
- Willing to work long hours
- Be able to face stressful times
- Take responsibility for everything that goes on
- Logical, organised and responsible (good at getting things done);
- Confident
- Flexible and adaptable
- Quick to take opportunities (and ready to take risks)
- Thick-skinned (able to handle failure)
- Individualistic (not afraid to stand out from the crowd)
- Creative and imaginative (always coming up with new ideas for the business).

Ensure that you acquire the skills you need to remain competitive, especially in areas such as entrepreneurship, information technology, communications and cross-cultural skills. A competent workforce is viewed as the key to success of any venture, especially within a challenging industry such as public transport



***Class Activity 2: Identify the characteristics of a typical entrepreneur***

Please follow the instructions from the facilitator to complete the formative activity in your Learner Workbook

## **Module 3**

### **Identify entrepreneurial opportunities in own context**

After completing this module, the learner will be able to identify entrepreneurial opportunities in own context, by successfully completing the following:

- Identify and describe entrepreneurial opportunities in relation to own context
- Identify and describe entrepreneurial opportunities in relation to the talents, interests and profile of the learner
- Utilise problem-solving and critical thinking techniques in relation to entrepreneurial opportunities to match opportunity and own talents and interests to proposed new business venture
- Identify possible problems and limitations of identified opportunity and describe ways to overcome them within scope of opportunity
- Analyse a range of risks associated with the new venture in relation to own context and make a decision whether to proceed with business according to results of analyses

## ***Identify entrepreneurial opportunities in own context***

Choosing the right business is not easy especially when you don't have a business idea and ask yourself "what business should I start"? In this unit we shall be looking at entrepreneurial (business) opportunities in your surrounding environment.

### **Are You Asking The Right Questions?**

Make sure that you have an idea of what it takes to run a business.

If you've never found employment before, are you sure that you've exhausted all possibilities of finding a job? It is easier to find a job than to run a business, even in South Africa. Besides, work experience is very important for success in business.

Choosing the kind of business that will work for you takes a lot of thought, as there are a number of important factors to consider. To ensure that the business is viable, you need to find a product or service with a market that you can develop. In other words, you need to be selling something that people want.

The business should also suit your personality; otherwise, you will soon lose enthusiasm for the venture.



### **3.1 Identify and describe entrepreneurial opportunities in relation to own context**

To be a successful entrepreneur, you need to explore the entrepreneurial opportunities that **you** could have.

Let's explore 10 areas where you might find opportunities or where the door to these opportunities might be closed for you.

#### **1. Skills and knowledge**

First, look at your own skills and knowledge. If you are already employed, think about what part of your job you could perform as a business rather than for an employer. Successful businesses are frequently started by people with practical experience in the type of work that their business is in, but who found that they wanted more independence in their working lives.

Perhaps you could adapt your existing skills by taking a course in something related to what you already know. If you can do this while you are employed, you could lay a good foundation for going out on your own. A worker in a furniture factory could use their woodworking skills to concentrate making a limited range of creative furnishings, instead of competing against well-established retailers.

Your hobby could be turned into a business. A love of gardening could be turned into a horticultural or even home landscaping business, for example. A talent for cooking could lend itself to a catering service for parties at customers' homes.

## 2. Family and friends

What business opportunities exist within your own family? For example, insurance sales people usually get started by selling insurance to their friends and family. Most of the friends and family work or know other people, and the sales person then requests an introduction to those contacts. Those contacts are then asked for further contacts, and so the chain grows.

This process can be followed by any entrepreneur: use your family and friends and their connections to spread the word about your business. Arrange demonstrations, free samples, etc. to introduce them to your business idea. This is called networking. Entrepreneurs use networking all the time: they use the people they know to make their potential customer base bigger.

If you are not sure about your business idea, you can conduct a marketing survey to test the needs and wants of potential customers. For example, ask working mothers if they need someone to do their hair or demonstrate new fashions during lunch time; would they like a reliable service to transport children to school and back; would they consider buying food for lunch if it is delivered daily and the menu is varied; would an after school care centre for their children put their minds at ease, etc.

Listen to what other people say about their wants and needs – this is how entrepreneurs get business ideas. Maybe working families need a professional house cleaning service or someone to tutor their children after school or to service their cars over weekends at their houses, or maybe they want groceries delivered at home. The main thing is that you, as the entrepreneur, must find out what potential customers want and need and then work out a plan to fulfil that need.

Pay attention to special dates such as Valentine's Day, Mother's Day, etc. and think how you can satisfy the needs of customers.

## 3. The Resources Factor

If you have a home that you could work from, this could be a valuable resource in starting a business. You could set aside space to sew, knit or perhaps make toys. You could also sell products for other people over the phone.

As communications technology develops, there are more and more opportunities for people to do office work at home using a computer and modem, such as word processing, bookkeeping, freelance writing, research or translation.

## 4. The Community

When looking for a business idea, a good place to start is in your local neighbourhood to see what goods or services are needed locally. Think of the problems and difficulties that you have experienced in getting things for your home, at work, or in your leisure activities:

- What problems cause you most inconvenience or cost you most to correct?
- What service is not available when you most need it?
- What products are difficult or impossible to obtain locally?

- What do you and your neighbours and friends most frequently complain about?
- Is there any way of providing a local service or product for any of these markets, which somebody will pay for?

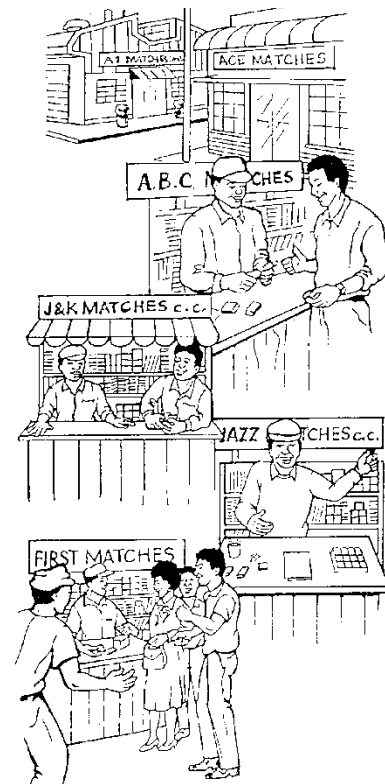
When looking for a business idea, also think beyond consumers to goods or services that businesses need. There may be certain things that businesses have difficulty in obtaining locally. A developing industrial or housing area might be suitable to start a food outlet, as the “formal” traders will only move in once construction has been completed.

You can even use your existing area to start another venture e.g. you operate a small bus service from a yard in a rural area.

As your yard serves as boarding point, with a regular flow of passengers, you can start your own food outlet in your own yard to provide refreshments to passengers as they wait for buses. This venture can provide employment to the person who manages it on your behalf.

## 5. Wider economic trends

Also be aware of what is happening outside your circle of family, friends and the community. Read business newspapers rather than tabloids that only contain gossip. For example, with the rising oil price, the price of petrol will also rise. What business opportunities can emerge as a result of this? Many people have been travelling in their own cars to work. Maybe there is a need for a shuttle service that collects them from home, takes them to their place of work and repeats the process in the afternoon, where they can travel in the comfort they have become used to. Or maybe there is a fuel saving device they can fit to their cars. With the problems in supplying electricity there is a demand for stoves, heaters, etc. that do not operate with electricity or gas – this is a good opportunity.



## 6. Opportunities from Legal Developments

New legislation is often a rich field for business opportunities. Every new piece of legislation generates opportunities in terms of administration and compliance. There may be a need to supply parts to adapt an existing product or process to meet new safety or health regulations.

Legislation may require businesses or consumers to do something that they don't have the people or time to do. As a private consultant or contractor, you can build a business on providing these particular services and becoming an expert on what that law requires businesses to do e.g. labour consultant, skills development facilitator, labour broker, etc.

## 7. New Ideas from Local Universities

Students and academics often spend many years on research projects that are not subsequently pursued. Someone may have invented, designed or discovered some interesting new process or product, which could form the basis of a business.

## 8. Buying a Business

Buying a business seems an easy way to enter the business world. However, it can be hazardous if you do not know your way around the financial figures or legal aspects.

## 9. Selling for Yourself

If you have experience and skill in selling for an employer, there are opportunities for you to become a sales “agent” - selling goods on behalf of various different manufacturers or providers, and earning a commission.

This normally involves setting up an agency agreement with a manufacturer of goods, which will give you the right to sell their products within a certain geographic area for a certain period. In return for each sale, you would get a commission. The commission would depend on the value of the goods and the level of your involvement in the sale, supply and servicing of the products.

## 10. Credit Worthiness

Are you credit worthy? You can request a credit check on yourself through your bank or any place that you have an account with, such as Edgars. You can also contact ITC to find out what your credit rating is.

Credit worthiness is in itself a business opportunity. With some training, you can assist people to consolidate their debts, manager their finances better, etc.



### **Ask for Advice and Ideas**

When thinking about new business ideas, don't miss an opportunity to pick other people's brains. They can give you little insights into other sectors and opportunities, giving you information that would be very difficult to find elsewhere.

Talk to friends and relatives, as well as business colleagues if you are currently employed. People who have been working in the same company for a long time often have ideas for improving a product or service, but for some reason have not implemented it. If it is something that you can supply, or a service that you can provide, it creates a business opportunity to satisfy a particular need.

### **3.2 Identify and describe entrepreneurial opportunities in relation to own talents, interests and profile**

If you identified entrepreneurial opportunities in your own context during the previous section you can now go ahead and identify and describe entrepreneurial opportunities in relation to own talents, interests and profile. In other words identify business opportunities that will fit your personality and interests.

Does your personality or physique suggest any business ideas? If you have persistence and can communicate well with other people, you might be a good salesperson. There are frequent openings for self-employed salespersons to sell other people's products. If you are good at dealing with people, you might be just the person to take up a retail franchise.

#### **What do you want to DO or SELL?**

It would be unwise to start any business before you have decided what you want to do, or what you to sell. To be a success, a business must sell something or provide a service. You have to identify entrepreneurial opportunities (business opportunities) in relation to your own talents, interests, and profile.

You may want to sell goods or articles. It may be something manufactured and then sold directly to the consumer or a retailer, or it may be a service.

Services include things like a garden service, electrical repairs, an advertising agency or a taxi service.

#### **What Type of Business will suit your talents, interests and profile?**

##### **Trader**

A trader buys goods from a factory or a wholesaler to resell to the consumer. Normally he buys from his supplier in bulk, but only sells a few items to each customer. By buying in bulk, he can get a 'good' price and so sell at a profit. For example, a trader may buy twenty pockets of potatoes from the market. He then opens the bags and sells a few to each customer.

Trading is the buying and selling of goods, whether these are raw materials for factories, manufactured goods, farm or fishing products. Traders fall into two main categories:

- Those who buy goods from manufacturers in large quantities and then resell smaller quantities to shopkeepers. These people are wholesale traders



- Those who sell to the public. They are known as retail traders or shopkeepers.

### ***Manufacturer***

A manufacturer makes goods to sell. He normally buys materials from which the goods are made. These goods are then sold to customers

### ***Service Business***

A service sells or offers skills. A garage which repairs cars is a service business, as is an independent taxi driver or bus operator, as well as a hair dresser.

### ***Wholesalers and retailers***

Wholesalers and retailers perform valuable services for each other, the manufacturer and the public. The following is an analysis of these services:

Wholesalers on behalf of, or for the benefit of, the manufacturer:

- They place orders for large quantities of goods for manufacture
- They arrange for the transportation of goods from the factories to convenient points in the country and store the goods in their own warehouses
- They take over the work, problems and risks of selling to retailers in small quantities
- They relieve the manufacturer of financial risk by placing their order before the goods are manufactured and allow credit to retailers
- They create a demand for goods and keep the manufacturer in touch with public needs and wishes



Wholesalers for the benefit of the retailer:

- They put together large quantities of a variety of goods at convenient centres from which the retailer may collect them. They supply retailers with quantities as they are needed
- They help the retailer financially by giving credit
- They relieve retailers of the risk and expense of having to keep large quantities of stock for long periods
- They advise the retailer of new goods coming onto the market and modern display and sales methods
- They may advertise certain articles

The retailer for the benefit of the public:

- They may give customers time to pay by giving credit

- They help the customer to select suitable articles and give advice on new lines and fashion changes

The retailer for the benefit of the wholesaler:

- They relieve the wholesaler of the expense of having to open many branches in the suburbs and country areas
- They relieve the wholesaler of the need to create an organisation that can cope with many small orders
- They allow credit to many people and deliver small quantities over a large area
- They create and extend the demand for goods by displaying goods in shops and windows and so increase the demand for the wholesaler's goods
- Through the retailer, the wholesaler finds out about the requirements, difficulties and complaints of individual consumers

In the following table, we used the transport industry as an example of support services and related businesses that can be established. Most of these opportunities will relate to other industries as well.

Opportunity	Discussion
Informal food stalls at transfer station	This is probably the opportunity with the lowest barrier to entry in terms of funds required. However, competition is fierce and success will therefore depend on the ability of the vendor to satisfy customer demands in terms of choice, quality and price.
Dry cleaner	This venture requires high capital investment, but may be a profitable business, especially a franchised operation.
Café	A more formal business such as a café requires much higher input cost and is also subject to increased levels of control and statutory requirements. It is also essential to do the necessary prior market research to ensure the correct location, viability etc. However, a cafe can be developed into a viable and highly profitable business.
Supply of stationery to bus companies	This is an opportunity that requires little capital investment but is subject to fierce price competition from the large suppliers.
Supply of tyres and spares	This opportunity requires substantial capital investment and is also subject to fierce competition. A franchised operation or joint venture with an existing supplier is generally viewed as less risky.
Supply of detergents and cleaning material	This opportunity requires less start-up funds but fierce competition can be expected.
Administering the payroll	This is an ideal opportunity for a personnel officer or clerk with the necessary knowledge of the legislative, tax and basic accounting requirements. Entry requirements limited to entrepreneurship, marketing cost, equipment cost and basic business expenditure.
Rendering catering services	This is an ideal opportunity for an existing chef. Initial capital cost may be high, but is also possible to enter into a leasing agreement with the bus company if existing facilities are available
Rendering a specialised engineering service such as automotive	This is an ideal opportunity for an aspiring mechanic, foreman or engineering employee. Although viable, huge capital outlay may be required. This is also an industry that is characterised by extremely

machining, servicing, etc.

strong competition due to the fact that high calibre technical staff has been retrenched and render these services from their homes at much lower cost than large firms due to their much lower overhead cost.

The most likely candidates for the above opportunities include stores personnel and engineering clerks and other workshop personnel. However, every individual with an entrepreneurial mind-set, commitment and the desire to learn can be successful in any of the above ventures. Existing personnel are in a more favourable position to detect the opportunities in their organisations.

### **3.3 Match entrepreneurial opportunity and own talents and interests to proposed new business venture**

The majority of entrepreneurs found businesses based on ideas gathered from jobs and activities and lifestyles they're familiar with. You have by now identified an opportunity in your own context, talent and interest and now you can proceed to decide upon and match this entrepreneurial opportunity to a business venture.

Decide upon a new business venture which you have matched to your talents and interests.

- Use critical thinking skills to decide on a business venture by making a list of 5 products or services that people in your community need and are able to afford.
- Look at this list and try to write down examples of businesses that will deal with the different needs you identified
- Identify and write down five ideas for new business ventures and match them to your talents and interests

Remember an idea is an opportunity when it is:

- attractive
- durable
- timely; and
- is anchored in a product or service that creates or adds value for its end buyer or user.

The most successful entrepreneurs are opportunity-focused; that is, they start with what customers and the marketplace want and do not lose sight of this.

### **Critical Thinking Skills**

As we have seen earlier, the entrepreneur can rely on critical thinking to help them solve day-to-day problems, along with major business issues, at minimal cost and as quickly as possible

Entrepreneurs should be thorough thinkers who:

- distinguish between opinion and fact
- ask powerful questions

- make detailed observations
- uncover assumptions and define their terms
- make assertions carefully, basing them on sound logic and solid evidence

Almost everything that we call knowledge is a result of these activities. This means that critical thinking and learning are intimately linked

Critical thinking is the process of thinking about ideas or situations in order to understand them fully, identify their implications, and/or make a judgement about what is sensible or reasonable to believe or do.

Critical thinking is when you understand how others think and you also understand your own thinking process. When you can gather evidence to support your reasoning and also evaluate this evidence objectively, you are also applying critical thinking skills.

Look at your business idea: what knowledge and skills do you need to make a success of your business? What strengths are required by the business? What are your strengths and weaknesses? Match your profile to the business opportunity:

Knowledge and skills needed for the business	My knowledge and skills
	Knowledge and skills that I still have to acquire
Strengths needed by the business	My strengths
	Weaknesses that I have to turn into strengths

### Problem Solving Chart

Specify the problem. The first step to solving a problem is to identify it as specifically as possible. It involves evaluating the present state and determining how it differs from the goal state.

Analyse the problem - analysing the problem involves learning as much as you can about it. It may be necessary to look beyond the obvious, surface situation, to stretch your imagination and reach for more creative options.

- seek other perspectives
- be flexible in your analysis
- consider various strands of impact
- brainstorm about all possibilities and implications
- research problems for which you lack complete information. Get help.

Formulate possible solutions - identify a wide range of possible solutions.

- try to think of all possible solutions
- be creative

- consider similar problems and how you have solved them

Evaluate possible solutions - weigh the advantages and disadvantages of each solution. Think through each solution and consider how, when, and where you could accomplish each. Consider both immediate and long-term results. Mapping your solutions can be helpful at this stage.

Choose a solution - consider 3 factors:

- compatibility with your priorities
- amount of risk
- practicality

### 3.4 Identify possible problems and limitations of identified opportunity

This section will help you identify possible problems and limitations of you identified opportunity by doing a swot analysis.



A SWOT (strengths, weaknesses, opportunities and threats) analysis can help you identify and understand key issues affecting your business, but it does not necessarily offer solutions. Advantages of a SWOT analysis is that it concentrates on the most important factors affecting your business.

Using a SWOT, you can:

- understand your business better
- address weaknesses
- deter threats
- capitalise on opportunities
- take advantage of your strengths
- develop business goals and strategies for achieving them

For example:

Internal Environment	
Strengths (S)	Weaknesses (W)
<ul style="list-style-type: none"> <li>• Excellent sales staff with strong knowledge of existing products</li> <li>• Good relationship with customers</li> <li>• Good internal communications</li> <li>• High traffic location</li> </ul>	<ul style="list-style-type: none"> <li>• Currently struggling to meet deadlines - too much work?</li> <li>• High rental costs</li> <li>• Market research data may be out of date</li> </ul>

- Successful marketing strategies
- Reputation for innovation
- Cash flow problems
- Holding too much stock
- Poor record keeping

External Environment	
Opportunities (O)	Threats (T)
<ul style="list-style-type: none"> <li>• Similar products on the market are not as reliable or are more expensive</li> <li>• Loyal customers</li> <li>• Product could be on the market for Christmas</li> <li>• Customer demand - have asked sales staff for similar product</li> </ul>	<ul style="list-style-type: none"> <li>• Competitors have a similar product</li> <li>• Competitors have launched a new advertising campaign</li> <li>• Competitor opening shop nearby</li> <li>• Downturn in economy may mean people are spending less</li> </ul>

When you have completed your SWOT analysis you should review the results to help you decide the next step for your business in order to decide on ways to overcome them within scope of opportunity. This can be done by asking and answering questions in respect of the findings.

Certain experts argue that making calculated choices is less important than asking the right questions.

### What Questions Should You Ask?

To define a problem, you need to stop and ask yourself and any witnesses at least as many of the following questions as you can.

- What happened?
- Where did it occur?
- What should have happened?
- Is that a problem?
- How bad is the problem?
- What else is involved? Who or what is affected by it now?
- Who or what was responsible?
- Is it an isolated incident or is it likely to happen again?
- What are the consequences of ignoring the problem?
- How else can the problem be stated?
- Have similar problems existed - how were they solved?
- Why does it have to be solved?
- When does it have to be solved?
- What will it cost to solve the problem?
- Who should solve it?
- What is likely to happen when the problem is solved?
- Who will be affected?



- Are you being influenced by your own feelings about the situation?
- Is it a problem, or just a symptom?
- Is this problem linked to other situations?
- What other external factors should you take into account?

**Describe ways to overcome possible problems and limitations within scope of opportunity**

After completing your swot analysis and identifying the problems and limitations of your identified opportunity you have to find ways to overcome possible problems and limitations by:

- defining and analysing the problems and limitations
- identifying symptoms and causes; and
- determining possible courses of actions in order to overcome the possible problems and limitations.

### **Problem Solving and Decision Making**

*'The cause of lightning', Alice said very decidedly, for she felt quite sure about this, 'is the thunder - no, no,' she hastily corrected herself, 'I meant the other way.'*

*'It's too late to correct it,' said the Red Queen. 'When you've once said a thing, that fixes it, and you must take the consequences.'*

Through the Looking Glass - Lewis Carroll.

An entrepreneur can only be as good as his ability to make decisions. When an entrepreneur gets into a situation where a decision is required and there is no one else to turn to, it is up to him and him alone.

Problem solving is part and parcel of the responsibility of any entrepreneur.

The steps involved in decision making actually seem very obvious. But in the work situation, you will have to follow them in a real and sometimes complex, setting. Decisions will become compounded by so many other factors, such as emotions, misunderstandings, defensiveness, prejudices and many more.

To some degree, your success as an entrepreneur will depend on how well you make your decisions. This will be a very powerful skill to have as you build your business. So, get to grips with it and keep practising it as much as you can now.

Why should problems be solved and decisions made? If you ignore a problem, it does not go away. In fact, it grows and becomes bigger and bigger until you do something about it. The sooner you make a decision to solve a problem, the easier it is to find a solution. The longer you wait, the bigger the problem becomes until it becomes very difficult to solve the problem.

#### *Define the problem*

The first step in decision making is called **'define the apparent problem'**.

Why do we call it the **apparent problem**? It is always difficult to see a problem as it really is – and not as we perceive it to be, based on our emotions, state of mind, subjectivity, prejudice, guesswork, or as we would 'like' to see it.

To try to bypass most of the human failings that come to the fore when making decisions, you must follow the steps outlined here.

**Peter Drucker**, one of the most eminent and respected authors in management science, says *"Effective decisions result from a systematic process, with clearly defined elements, that are handled in a distinct sequence of steps"*.

When making decisions you must take rational, logical action. You must not rush. You must pause, stand back and look at the problem from all angles. However, this does not mean that you should use more time than necessary.

#### *Collect facts to meet the requirements of the problem*

You need to collect facts that meet the requirements of the problem. **A fact** can be defined as a piece of verified information.

Facts are obtained from the following sources:



- **Questioning** of eye witnesses.
- **Reading** reports, memoranda and letters, and interpreting them intelligently, seeking clarification if necessary.
- Investigating the problem where it is found, for instance, overcrowding could result in an unequal allocation of office space.
- **Opinions** are important. This is because the investigating person is not always able to obtain all the facts required. Opinions from trusted people who have credibility are a distinct advantage in problem-solving.
- **Feelings** fall into much the same category as opinions. We often get a feeling that we should defer judgement on a particular problem for a short time, although the facts clearly show that we could take legitimate action immediately. Later we realise that the feeling was right as the problem solved itself in a completely different and more satisfactory way.
- Find out **what is happening now** and or **what is likely to happen in the future**. If different people are involved, get both sides of the story and, where possible, check with a third party. Obtain written evidence wherever relevant. Do not rely on hearsay.
- Define **what is supposed to be happening** in terms of policies, procedures or results and contrast this with what is actually happening.
- Try to understand the attitudes and motivation of those concerned. Remember that people will see what has happened or happening, in terms of their own position. Obtain information about internal or external constraints that affect the situation

### *Verify the Information*

After you have gathered information, you have to verify the information. The key is which facts are relevant and which are incidental.

To examine the facts adequately, be sure to separate what you **know** to be true from what you **think** is true. Always try to gather facts from more than one source. Check your information for accuracy and truthfulness. Take some time and thought to examine the facts first

### *Analyse the Problem*

When you have the answers to most or all the above questions, think it through.

- **Analyse the facts.** Determine what is relevant and what is irrelevant.
- Establish the **cause or causes** of the problem.
- Do not be tempted to concentrate on symptoms rather than the causes. Dig into **what lies behind the problem**.
- Identify the **extent** of the problem – not all problems are of equal importance and the minor, single-incident problem has to be distinguished from the major, recurrent problem.
- Develop **theories** about the possible causes.

- You must be **objective** at this stage. Don't solve a problem that does not exist! Nothing can be more embarrassing than jumping to a conclusion based on misconceptions.

The most difficult task when defining a problem is being able to separate the **symptom** from the **cause**.

Headaches and fever are symptoms of flu, not the cause of the flu. In fact, it is the other way around – the flu causes headaches and fever! Doctoring the symptoms, in this case headache and fever, might make you feel better for a little while, but it will not make the flu go away.

Solving problems also works this way – if you try to solve the symptom, it might work for a little while, but the problem will still be there. The problem will not go away unless you solve the problem itself.

For example, if your telephone lines are always engaged, you may try to solve the problem by adding more phone lines. You could be treating the symptom. The real problem may be too many personal calls. Treating symptoms will never solve problems.

It will be your job to sort through the symptoms in order to find the **real, underlying cause of the problem**.

One way is to **list all the potential causes of the problem**. You may need to be somewhat creative, as the cause could be buried deep.

- When you feel that you have a comprehensive list of causes to a problem, sort through them. Use your intuition and experience, and select the most likely causes to the problem.
- You have to be open-minded, because often among the causes there may be some that are embarrassing or difficult for you to handle. A natural human tendency would be to put them aside and look for another cause with an easier solution.

### *Restate the problem*

Once you have gathered all the facts and analysed them and you are sure you are addressing a problem and not a symptom, restate the problem.

Why?

Once you have analysed the facts, the nature of the problem may have changed. By restating the problem, you will ensure that you are addressing the problem and not a symptom.

### *Determine Possible Courses of Action*

Once you have identified the components of the problem, you can consider possible courses of action. List the possible courses of action in the light of the factual analysis.

- What are the possible options? List as many as you can.
- What are the likely end results of each of these?
- Which of them seems to be the best from all angles?

Where appropriate, use brainstorming and creative-thinking techniques to identify courses of action that may not be immediately evident.

### *Select the solution*

When you select a solution, you should ensure that:

- You have generated all the possible solutions.
- You have removed the solutions that are obviously not workable.
- You have considered all the consequences.
- The solution meets the established criteria in terms of budget, resources available to you to implement the solution and also any legislative requirements.

Often, there will be only one solution that meets all the criteria. When this is not the case, you should decide:

- Whether to choose the solution that meets the most important criteria, or
- Whether you have to generate more solutions.

Before you implement the solution, you have to decide

- How long you are going to monitor the implementation: one week, one month, three months, etc.?
- How often will you monitor the implementation: hourly, daily, weekly?
- When will you review the monitoring process: after one week, two weeks, one month?

Just as every problem will have its own unique solutions, the way you monitor the solutions will also vary. Some solutions will indeed have to be monitored hourly or daily, while others will require monthly monitoring.

### *Implement the solution*

A problem has not been solved until the solution has been implemented. Before you implement a solution, you have to discuss the matter with all the people involved, called the *stakeholders*.

### *Consult Stakeholders*

Stakeholders could include:

- Employees - The people who helped you to determine the solution
- The community - anyone else who may be involved

No solution will be implemented successfully without the approval and commitment of all the stakeholders. You need their cooperation if you want to ensure that the implementation of the solution will work.

You also have to assign duties and responsibilities. Think carefully not only about how a thing is to be done (by whom, with what resources and then by when) but also about its impact on the people concerned and the extent to which they will cooperate.

You will get less cooperation if you impose a solution. The best method is to arrange things so that everyone arrives jointly at a solution freely agreed to be the one best suited to the situation (the law of the situation again).

Make sure that everyone who needs to know about the decision is informed.

### *Monitor Implementation.*

The implementation of the solution must always be monitored. You have to:

- Check on how effectively the decision is being implemented.
- Obtain the reactions of those affected.
- Take corrective action where necessary.

This implies that you will have to develop a control system whereby you can monitor the implementation of the solution.

The purpose of monitoring the implementation of the solution is to determine whether the solution you selected is working.

- How will you monitor the implementation?
- Has the problem been solved?
- How can you prove this?
- Have other problems appeared as a result of the solution?
- Are the stakeholders committed to implementing the solution?
- Is the process working for them or has it led to unhappiness?

If the solution is not solving the problem, you have to repeat the problem-solving process in order to find a solution that works.

If the solution that you implemented is solving the problem, you have to find out:

- Whether the solution will work in similar instances in the rest of your business.
- Whether new systems have to be developed in order to implement the solution across the entire business.
- What practices and procedures have to be committed to paper for the implementation of the process across the business?
- What records are required in order to report on the successful implementation of the solution?
- What records will be required to standardise the new process?

If your business does not have a system for implementing new processes, you will have to develop such a system.

You could use brainstorming to assist you in your critical thinking processes.

### ***Brainstorming***

This is a highly effective way to overcome possible problems and of finding solutions to problems, provided you implement the process correctly.

It involves the generation of a large number of unconventional ideas whilst eliminating the usual tendencies to criticise or prematurely reject these unusual ideas.

- Select a topic for brainstorming and also select the members of the group.
- The group is given advance notice of the topic in the form of a brief description of one or two sentences. The group facilitator discusses with the group a limited amount of background information relating to the problem.
- Members are introduced to the concepts of brainstorming in a relaxed manner.
- The group discussion should try to identify the barriers of creative thinking and show how they can be overcome.

The purpose of brainstorming is to generate as many ideas as possible in a short period of time. It does not matter if the ideas are silly, this is actually the purpose of brainstorming.

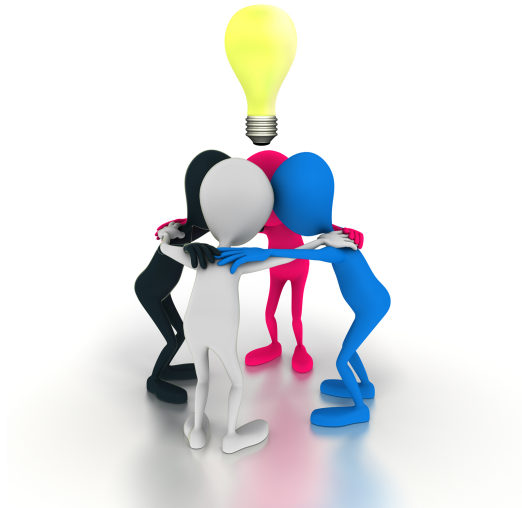
When using brainstorming, creative thinking is very important, as is overcoming the barriers to creative problem-solving.

Remember the four rules of brainstorming:

- **Free association:** participants must state the first idea that came into their heads, no matter how silly or absurd it may seem.
- **Clarification:** the person whose idea it was should elaborate on the idea, or someone else can, as one idea leads to another. No evaluation of the idea is allowed at this time.
- **Suspension** of judgement: nobody is allowed to pass any comment on anyone else's ideas. This is not the purpose of brainstorming at all.
- **Speed:** brainstorming should happen as quickly as possible.

Short practice-runs will demonstrate how little time it takes to produce 50 to 100 ideas. At the end of the warm-up session, the original problem is restarted in as many ways as possible. For example, the problem of reduced profit could be redefined as how to beat competitors, or how to improve marketing. All statements are written down by the leader.

It should develop in a light-hearted, easy-going atmosphere. Brainstorming is a fun thing to do and it should be so for everyone.



### 3.5 Analyse a range of risks associated with the new venture

While there is certainly some level of risk in every new venture the process of starting a business should not be about taking risks; rather, it should be about managing the risk that is involved. In this section we will discuss a range of risks within a new venture and analyse risks in respect of technical, performance, time, community, environmental and cultural contexts.

#### Pitfalls of a small business

The following **problems** are a range of general risks that are associated with new ventures:

A lack of interest from financial institutions, especially when SMME operators are involved	Try and obtain Government funding
The long time required to approve loans. Banks need time to determine their risk and it cannot be expected from them to immediately approve loans without proper investigation.	As above or "Why not buy directly from the supplier without involving the bank?"
The negative view of the government's financial credibility	Encourage a work ethic that will give the stakeholders of your business confidence in your business
Insufficient generation of revenue to repay capital instalments	Draw up a proper Business Plan including a financial plan before you lend money and ascertain whether the business will be viable and you will be able to repay the loan
The high interest rates	Negotiate low interest rates or no interest to be paid during the start-up year of your business
The fact that banks are not prepared to take risks	Business owners do not always realise the risks that banks have to incur in approving and granting loans
The stringent information needs of banks. Small businesses do not have the required information systems to provide the information	A business plan will help you get all the requirements in place before you approach the bank
Unrealistic expectations by banks from small business owners. Banks expect the same from small businesses as from large businesses	Banks do not have a clear understanding of the peculiar nature of the specific industry the business operates in. Your business plan will be of assistance to the bank
Exploitation of small operators by manufacturers in terms of price	Exploitation can be avoided by supporting the competition

### Problems experienced from a financial institution point of view

Requirements for success should also be evaluated from a financial point of view. Without finance, it is not at all possible to start a business and it is therefore necessary to also look at the major concerns that financial institutions have in providing finance to small business owners:

	Lack of the following information:
	Balance sheet
Lack of financial information	Financial statements
	Management accounts
	Insufficient accounting systems in general.
Lack of financial discipline from the side of the business owner	Financial discipline and risk are closely related and banks cannot be kept responsible for possible losses and non-payment of loans
The inability of the business to generate sufficient revenue (income)	The business should have enough sales that a profit can be made to repay financial commitments
Residential instability / operating address	Business owners should convince banks that they show the required stability in terms of residence and that clients of the bank can be reached when required
Willingness to pay	Any non-payment is viewed as a serious risk to banks
	Difficulty in reaching the client
Lack of risk understanding by the owner.	Business owners do not always realise the risks that banks have to incur in approving and granting loans. Likewise, banks do not have a clear understanding of the peculiar nature of the specific industry the business operates in
Lack of understanding by bank credit officials	Insufficient client contact throughout the process. Banks want to maintain good contact with clients throughout to ensure that their risk is minimised. The client does not come back and leaves the follow-up and controlling responsibility to the bank

In the final analysis banks have to determine their risk. If they lend money to an entrepreneur, it is essential that banks are sure that their loan will be repaid according to the specified terms and conditions. The strict requirements are also beneficial to the entrepreneur because you should only enter the industry if the chances of future success are good.

#### Other lessons

- **Determine real customer needs.** The needs of your customers and your commitment to serve these needs to the best of your ability are very important for a successful business.
- **Invest in communities and make them feel part of the system.**
- **Social responsibility as well as marketing and advertising will increase your costs.** Cost in respect of social responsibility should be budgeted for.



- **Accept organised labour as major stakeholder.** People are indeed an integral part of the business and careful attention should be paid to this vital resource.
- **Ensure that you acquire the skills you need to remain competitive,** especially in areas such as entrepreneurship, information technology, communications and cross-cultural skills. A competent workforce is viewed as the key to success of any venture, especially within a challenging industry such as public transport.
- **Follow a turnaround strategy to stay in business.** Low cost and higher levels of efficiency are key focus areas in any business, especially against the high levels of competition within the industry.
- **Be prepared to manage change as on-going priority to stay in business.** Our world is always changing and you must be able to adapt to changes in the environment that may affect your business.
- **Encourage a work ethic that will give the stakeholders of your business confidence in your business.** Also make sure that your business is efficient.
- **Focus on affirmative action and corporate equity.** Compliance with post democratic government policy will to a large extent determine the success of all business undertakings.

## Risk Management

Any business activity, whether it is a regular business activity or delivering according to the terms of a contract, is subject to risks. A risk is a possible event or circumstance that can have negative influences on the business in question. In other words, it is something negative that can happen to the business. The impact of the risk can be on the very existence, the resources (human and capital), the products and services, or the customers of the business. A risk can also impact outside the business: on society, markets, or the environment. A good example is the rising oil price that causes drastic increases in the petrol price.



When a business is always in crisis, the risks of the business are not managed properly. Reasons for poor risk management are:

- Inability to decide what to do
- When to do it
- Whether enough has been done

In order to manage risks we have to understand what a risk is. In my view the most helpful definition is that given by Larry Krantz, Chief Executive of Euro Log Ltd in the UK. Larry says that:

**A risk is a combination of constraint and uncertainty**

We all face constraints (limitations or restrictions) in our businesses, and also uncertainty. We can minimise risk either by eliminating constraints or by finding and reducing uncertainty.

There are two stages in the process of Risk Management:

- Risk Assessment and
- Risk Control.

### **Risk Assessment**

Risk Assessment can take place at any time, though the sooner the better. Risk Control cannot be implemented without doing a Risk Assessment. Most people tend to think that once they have done a risk assessment; they have done all that is needed. This is not true. Like everything else in a business, risk has to be controlled.



Risk Assessment has three basic elements / stages:

#### *1. Identify Uncertainties*

- **Technological and technical risks:** the current systems and equipment could become out-dated and the cost of buying latest equipment could be too expensive. A good example of technological risk is the advances in computer technology. A computer becomes out-dated very quickly. If you are thinking of graphic design, for example, your computer equipment and software will become out-dated within about two years.

Your technical knowledge and skills, and that of your staff, can also be a risk – do you have the technical knowledge and skills and do you keep up to date on the latest developments? If not, your business could be at risk very quickly.

On the other hand, if you supply technical and technological equipment, it could become an opportunity as the technology changes very quickly – you could find yourself supplying equipment to the same customers every two years.

- **Environmental:** do your business premises comply with building regulations? The fast food industry has very strict standards that have to be complied with. Does your business generate a lot of rubbish that has to be thrown away – how will you dispose of this rubbish? The equipment you use must be environmentally friendly. For example, are your vehicles fuel efficient and do they use unleaded petrol? Does your equipment give off harmful substances such as smoke, gases, etc?
- **Performance:** will you be able to deliver the goods or services to the standard promised to your customers? For example, if you are operating a shuttle service for school children, will you be able to collect all the children and have them at the school on time? If you want to sell clothes to office workers, will the clothes be of the quality that you promised them?
- **Time:** will you be able to provide the goods or service in time every time? For example, if you are delivering food to office workers, will you be able to deliver to 5 office buildings just before lunch time? If you bring the food after lunch, it is too late.
- **Community:** will the community support your business; will there be resistance to the business, what is the crime rate in the area you want to set

up business? Theft, vandalism, arson are very real risks to any business owner.

- **Cultural:** in section 1 social, gender and cultural barriers were discussed. Culture can also present a risk – would your product offend someone whose cultural values are different to yours, would a difference in culture between you and the community create a risk in that the community distrusts you because you come from a different culture, etc.? What about demographic changes: are there developments in another community that is taking customers away from your place of business? Are people moving from the area into other areas, etc.?

## 2. Analyse Risks

Once you have identified the risks, you have to analyse how these uncertainties can impact on your business: will you still be able to deliver the products or service?

## 3. Prioritise Risks

Determine

- Which risks should be eliminated completely, because they have the potential of impacting extremely on the business or because they will need regular management attention,
- And which risks are small enough not to impact too much on the business and will not need detailed management attention.

## Risk Control

Risk control can be implemented after you have identified and prioritised the risks. This is followed up by a plan for emergencies and measure and controls are put into place in order to manage the risks effectively.

In the same way, Risk Control has three elements:



### 1. Reduce the effect of Risks.

There is always something you can do beforehand to reduce the effect of risk. For example, you can service and maintain your vehicles regularly to minimise vehicle breakdowns.

When you mitigate risk, you take whatever actions are possible in advance to reduce the effect of Risk. It is better to spend money on reducing the effect of risk than to sort out the problem later.

### 2. Plan for Emergencies

Once you have identified risks that could impact severely on your business and you have taken steps to reduce the effect of the risk, also have in place an emergency plan.

You must have the emergency plan in place before the problem arises, so that you and everyone else know what to do in the case of an emergency. If a vehicle does

break down, which vehicle will be sent to replace it, for example, how long will it take and who must drive the replacement vehicle. Other things that should also go into the emergency plan could be: how quickly will the vehicle be repaired and brought back into service, and so on.

### 3. Measure and Control

Track the effects of the risks identified and manage them to a successful conclusion.

This means that you have check continuously whether the steps you have implemented to reduce the risk is working and, when a problem occurs, whether the steps stated in the emergency plan are taken so that the effect of the problem is minimal

If we use the servicing of vehicles as an example, you have to check that the services are done as stated in your plan. Then, if a vehicle does break down, was the replacement vehicle sent with the replacement driver, was the broken down vehicle fixed in time and brought back to service, etc.

We have shown these elements as three separate branches of the same tree. This is correct, but it is important to remember that the process is in fact an iterative one, and the Risk Assessment is only completed when you are satisfied that any undetected risks are now insignificant.

The risk plan should include, against each identified risk, an emergency plan to recover from the risk.

This plan will

- Name the person accountable for recovery from the risk,
- The nature of the risk
- The action to be taken to resolve it, and
- The method by which the risk can be spotted



#### ***Class Activity 3: Identify entrepreneurial opportunities in own context***

Please follow the instructions from the facilitator to complete the formative activity in your Learner Workbook

## **Module 4**

### **Identify own entrepreneurial strengths and weaknesses and compile a growth plan**

After completing this module, the learner will be able to identify own entrepreneurial strengths and weaknesses in relation to opportunity identified, by successfully completing the following:

- Complete an entrepreneurial profile test and identify strengths and weaknesses according to profile benchmarks
- Match the profile to a suitable business opportunity
- Identify and attend programmes to address skills weaknesses within given time frames
- Plan short, medium and long-term goals in relation to entrepreneurial goals
- Describe and discuss short-term goals for self in entrepreneurial context clearly in relation to personal growth and entrepreneurial goals
- Compile a plan of action to address weaknesses according to results of profile
- Compile and implement a plan of action to develop technical, business, managerial and personal skills in relation to entrepreneurial opportunity according to plan
- Identify suitable mentors and coaches to assist in implementation of plan based on availability and capacity
- Identify and utilise resources to ensure successful implementation of plan on an on-going basis
- Understand on-going measurement and evaluation tools to maximise strengths and reduce weaknesses and use it to measure skills growth
- Improve entrepreneurial skills according to skills plans and programmes
- Monitor entrepreneurial progress on an on-going basis





## ***Identify own entrepreneurial strengths and weaknesses and compile a growth plan***

In order to start and run a business, it is not enough just to have a good, viable idea. You also need to have the right skills, attitude and personality to make the enterprise succeed. You have to identify your own entrepreneurial strengths and weaknesses in relation to opportunity identified. Here are some points to consider and some questions to answer that will help you to decide whether you are ready to start your own business.



In this section you will complete an entrepreneurial profile test, learn about skills and qualifications and identify strengths and weaknesses in relation to opportunity identified.

### ***Are you the right person for the job? Do you have what it takes and are you ready for business?***

Think about why you want to start your own business - motives. There are many good reasons, but there is often the danger of having unrealistic expectations. Here are some reasons that people often give, and some notes of caution:

- **I can't find a job** - If you have to do something to survive, by all means, start trading. Buying and selling things from home or at the roadside is the easiest form of survivalist trade, but it remains a very hard way of making a meagre living. Unfortunately, your chances of developing your business into a thriving one is small. For that, you need every bit of knowledge and experience that one can only pick up in the workplace. It is not suggested that you shouldn't venture into business if you haven't worked before. To give yourself the best chance of success, the most sensible way of going about it is to:
  - Find a job, even part-time or as a volunteer.
  - Use the job to observe and learn all you can about how organisations work, how business works, and how people work together.
  - Convince the people you work for in every possible way to give you an opportunity to manage more work, more systems and other people.
  - Gain management experience, save money.
  - Start a business.

If you do decide to start a business without work experience, **never stop reading and learning**, even while you are running your business. Get constant advice. Learn from your mistakes. It is the most difficult path to choose, but there are people who have had success this way.

- **Independence** - Working for someone else can be frustrating sometimes, but you still need to be disciplined and able to get on with others when you work for yourself.
- **Job satisfaction** - Self-employment allows you to do the job in your own way, and it is very satisfying when your way is successful. You of course, also have to take responsibility when it does not work.
- **Achievement and success** - There can be some glory attached to running your own business, but make sure that you are not trying to prove that you are something you are not. The venture may even fail, despite your hard work. Will you be able to deal with this?
- **Money** - This is not usually enough of a goal by itself, as wealth is by no means guaranteed. You need to be sure that, even if you never get rich, you still want to manage your own business.

#### 4.1 Complete an entrepreneurial profile test

Complete an entrepreneurial profile test and identify strengths and weaknesses according to profile benchmarks

Range: An entrepreneurial profile includes but is not limited to credit worthiness, entrepreneurial skills and abilities

Completing entrepreneurial profile tests

In order to succeed as entrepreneur it takes special personality and skills. An entrepreneurial profile test, tests your entrepreneurship skills and entrepreneurial traits.

The following test was developed by Professor Daniel Isenberg who developed the 2-minute **Isenberg Entrepreneur Test**, below, to help you find out what the internal drivers are that compel people to create their own business. Just answer yes or no. Be honest with yourself.<sup>5</sup>

1. I don't like being told what to do by people who are less capable than I am.
2. I like challenging myself.
3. I like to win.
4. I like being my own boss.
5. I always look for new and better ways to do things.
6. I like to question conventional wisdom.
7. I like to get people together in order to get things done.
8. People get excited by my ideas.
9. I am rarely satisfied or complacent.
10. I can't sit still.
11. I can usually work my way out of a difficult situation.
12. I would rather fail at my own thing than succeed at someone else's.

<sup>5</sup> refer: [http://blogs.hbr.org/cs/2010/02/should\\_you\\_be\\_an\\_entrepreneur.html](http://blogs.hbr.org/cs/2010/02/should_you_be_an_entrepreneur.html)

13. Whenever there is a problem, I am ready to jump right in.
14. I think everybody can learn — even invent — new tricks.
15. Members of my family run their own businesses.
16. I have friends who run their own businesses.
17. I worked after school and during vacations when I was growing up.
18. I get an adrenaline rush from selling things.
19. I am exhilarated by achieving results.
20. I could have written a better test than Isenberg (and here is what I would change ....)

If you answered "yes" on 17 you are a suitable candidate to become an entrepreneur.

It doesn't matter what age you are: research by the Kauffman Foundation shows that more and more over-50s are setting up their own businesses.

Talk to people who have made the plunge, learn how to plan and deliver a product or service, think about that small business you might buy, talk to people with whom you would like to work, and talk to customers.

*"I like to take risks"* is not on the list. People don't choose to be entrepreneurs by opting for a riskier lifestyle. In the end, people who are meant to be entrepreneurs believe that their own abilities (e.g. leadership, resourcefulness, pluck, hard work) or assets (e.g. money, intellectual property, information, access to customers) significantly mitigate the risks of entrepreneurship. Risk is ultimately a personal assessment: what is risky for me is not risky for you.

*"I want to get rich"* is not on the list either. The challenge, autonomy, recognition, excitement, and creativity — make it all worthwhile.

### Is Your Personality Suited To Your Business?

There is no single type of person that is successful in business, but experience has shown that there are some characteristics that successful self-employed people often have in common:

- Logical, organised and responsible (good at getting things done);
- Confident;
- Able to communicate and get their point across;
- Sociable, with the ability to take leadership;
- Flexible and adaptable;
- Quick to take opportunities (and ready to take risks);
- Hard-working, committed and determined ('get up and go' type);
- Thick-skinned (able to handle failure);
- Individualistic (not afraid to stand out from the crowd); and
- Creative and imaginative (always coming up with new ideas for the business).



This list should give you an idea of the challenges you face. You do not need to have all these characteristics, and you will develop and grow with the experience.

If you intend to start up as a partnership, look for complementary characteristics in your partner. The best partnerships are ones where the partners have different abilities and strengths to contribute to the business.

### ***Pressures***

The pressures of being self-employed are inescapable. You will be staking practically everything on your own ability. If it goes wrong, there will be no one responsible but you. You may have to work long hours, and there will be times when things get on top of you.

Think about how you would cope under these sorts of situations:

- You may well get into debt in order to finance the enterprise. Will you be able to maintain your faith in your business, often in the face of others people's doubts?
- If you employ people, you will need to be positive and show leadership all the time, even when you do not feel like it. Will you be able to be tough and to discipline difficult employees or make difficult demands on your suppliers?
- There will be times when you feel lonely, isolated and even under attack. Will you always be polite and helpful, even when an awkward customer is giving you a hard time?

This may sound like a nightmare, but you need to be the sort of person who can deal positively with such challenges. Above all, you need a lot of confidence in yourself, and the energy and toughness to get through the bad times.

### ***Age and Experience***

There is no doubt that it helps to have some experience in the workplace, and particularly in the sector in which you want to start a business. Surveys reveal that many successful businesses were started by people in their thirties who have some management experience.

On the other hand, young people have some particular advantages: they have fewer domestic commitments, plenty of energy, new ideas and the potential to develop and adapt to the challenges of self-employment. Those who typically succeed are in their mid-twenties with some education and experience behind them, but still at an early stage in their careers.

### **What are your abilities and resources?**

Starting your own business is a risky thing to do, so you should get to grips with the various risks as early as possible. This will help you decide if you are willing and able to manage those risks. It will also help you to apply strategies that will reduce the risk.

- Do you have the financial resources, and can you afford to risk these? For example, you might take a secured loan based on the value of your home. What are your plans if the business fails and you are forced to sell your house?

- Do you have the experience and technical skills to do the jobs that your new business needs?
- Do you know enough about the market to know what customers want, where to find them, and how to get ahead of your competitors?
- Do you have the personal tenacity and discipline to see through hard times when cash will be short and demands will be heavy (from customers, bankers, staff and family)?

In the end, there are no easy answers to such questions, but you must be honest with yourself and try to be as objective as possible. Discuss these points with friends, colleagues and relations. Think about how you have dealt with past challenges, as an indication of your response to difficult new situations.



While the production aspects of your business will require specific skills and experience, there are broader demands that are as important. These include the ability to:

- Negotiate with suppliers;
- Mediate between staff;
- Be sociable with customers;
- Be convincing with prospects;
- Think clearly under pressure;
- Take criticism without being offended or defensive; and
- Use your time effectively.

### ***If you have a bad credit record***

If you have a bad credit record, even from a long time ago, it almost automatically disqualifies you from getting bank finance. Do everything you possibly can to settle your old debt and clear your name. Apart from that, the only thing you can do is to be totally open and upfront about it. Don't try to hide it.

### **What are your family commitments?**

Many of those who successfully start their own business have the backing of their family, even if this is only in the form of moral support. You will be under pressure, working long hours. Your family must be prepared for the impact this can have on family life. Also ensure that your family can accommodate the risks that self-employment can bring, especially in terms of lower income in the initial stages and maybe even the implications of the business failing.

The prospective entrepreneur must be convinced that he has the attributes and skills to successfully start and manage a new venture.

Remember, this is what you intend to do for the rest of your working life. If you are not “suited” for the job, you will experience endless frustration, which in turn will affect your effective running of the business.

There is so much satisfaction in starting and running a successful business venture. This makes it worth the effort to ensure that you choose a line of business in which you stand the best chance of success and to which you can fully commit your efforts, while doing what you like.

#### 4.1.1 Identify your skills and qualifications and your shortcoming

If you want to start a business, it's essential to learn the specific skills that underpin these qualities. It's also important to develop entrepreneurial skills in order to develop the new business into a successful venture. Here are some of the skills you might have to acquire depending on the type of business venture you intend to start.

- **Technical skills** - It is obviously important to have the technical skills and qualifications relevant to your business activity. You must be able to deliver professional standards of work to keep customers satisfied. Even when you apply for start-up finance, lending institutions will be more comfortable if you have relevant qualifications. Certain businesses, such as those in design-related or artistic fields, require exceptional ability.
- **Business skills** - It is essential that you acquire basic business skills if you do not already have them. It is important to understand the principles of business and management including marketing, strategic planning, accounts, personnel management, etc. Ideally, get some basic training in business administration before you start. If this is not possible (many people do not have the time or money initially), then read as much as you can to fill the gaps in your knowledge. The sources of information described earlier will also be able to assist you in this regard.
- **Leadership skills** - If you are happy for the operation to remain small in the end, then you can continue to concentrate on day-to-day activities without worrying about leading, managing or inspiring others. In fact, many people enjoy self-employment because they have the freedom to work independently. However, if you expect your business to grow, you will inevitably have to employ people, and your ability to lead and manage others will be tested.
- **Selling skills** - All businesses require an element of selling. Initially it is important to persuade people to support you, and crucial to be able to win over potential customers. It is possible to learn basic selling techniques, but being outgoing and articulate are equally important.
- **Organisational skills** - To generate sufficient income, small businesses must be well organised and efficient. It is important to be the sort of person who can organise yourself and others, plan, manage your time and who has the discipline to set and meet deadlines.



#### 4.1.2 Identify own strengths and weaknesses according to profile benchmarks and the selected business opportunity

In this section a SWOT analysis will help you identify your personal strength and weakness where after you will match your profile to a business opportunity suitable to your attributes, talents and skills.

##### SWOT analysis



Strengths and Weaknesses deal with your own current situation, the “here and now” while Opportunities and Threats will happen sometime in the future

Strengths and Weaknesses normally refer to you as a person or matters inside your business, while Opportunities and Threats mostly come from outside the business.

You have less control over Opportunities and Threats but you can still do something about your Strengths and Weaknesses.

The following may be your strength or your weakness:

- Skills
- Credit worthiness

- Talents
- Interests
- Attributes
- Knowledge
- Money
- Credit record

Strengths and weaknesses can be identified according to profile benchmarks and turned into positives for your business.

A strength is a core capability of your business where your business have an advantage over your competitor(s), which your customers value i.e. you are always prepared to give a discount to clients who pays cash.

A weakness is a core capability of your business where your competitor(s) have an advantage over your business, which your customers value i.e. your competitors refuse to give discounts under any circumstance.

An opportunity is an environmental condition in your macro or industry environments that can improve your organizations competitive position relative to that of your competitors.

A threat is a forecast environmental condition that is out of your control and has the potential to harm your businesses profitability.

The SWOT technique is one of the most commonly used strategic planning techniques in business, however it is also one of the most misunderstood techniques.

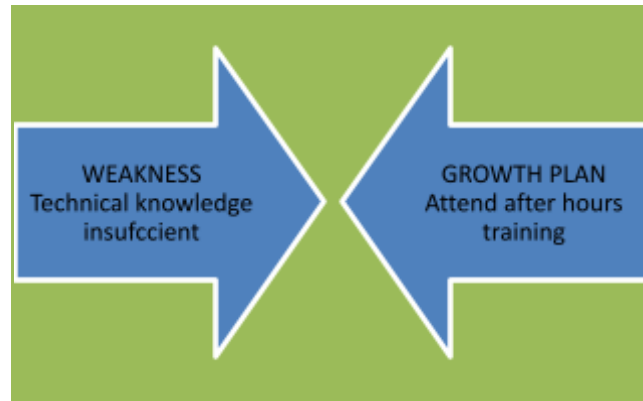
It is primarily used to provide structure to or summarise your strategic analysis<sup>6</sup>. This technique can also be used in complex decision making, to help you determine which of several options is better.

Identify strengths and weaknesses according to profile benchmarks		
<b>STRENGTHS</b>		
Have passion for business	I like being my own boss	+
I am trustworthy and have integrity	Will be respected by customers and business partners	+
<b>WEAKNESSES</b>		
Technical knowledge insufficient	Attend after hours training	+
<b>OPPORTUNITIES</b>		
Financing for SMME'S available	Pay for training	+
<b>THREATS</b>		
Price of fuel inhibiting	Use motor cycle for deliveries if necessary	?

<sup>6</sup> refer: [http://www.whatmakesagoodleader.com/swot\\_analysis.html](http://www.whatmakesagoodleader.com/swot_analysis.html)



Simply having some weakness doesn't necessarily mean you will not be successful. Important is to realise your weaknesses and then drawing up a plan of action (POA) to address such weaknesses. The POA must be realistic and should potentially have set timeline and measurable initiatives to address identified weaknesses. The best result is to eliminate the weakness and the consolation prize is to reduce the strength of such weakness



## 4.2 Compile an action plan to address weaknesses according to results of profile and skills shortcomings

Action plans are the maps by which you will navigate your course to your destination – your own business. Please refer to the example of an action plan chart in the hand-out, to help you complete an action plan that is understandable.

Before we can set an action plan, we need to set goals.

### 4.2.1 Plan short, medium and long-term goals in relation to entrepreneurial goals

The entrepreneurial goals that you set can be:

- Short term: goals that can be achieved within a few weeks or months.
- Medium term: goals that can be achieved within a year or two
- Long term:– goals that will take three to five years to achieve.

It is important that you know yourself well in order to set realistic and reachable goals. Furthermore, once you have set your goals, you have to set objectives: how will you know when you have reached your goal, by when do you want to reach your goal, and what must you do to reach these goals.



### 4.2.2 Set development goals - Goal setting techniques

When it comes to goal setting, the SMART system is simple, down-to-earth and gets the job done. Each goal must be defined so that it meets the following criteria:

**S – Specific.** Specify clearly what is to be done, when it is to be done, who is to accomplish it and how much is to be accomplished

**M – Measurable.** Ask questions such as: How much? How many? How will I know when it is accomplished? Multiple measures should be used if possible, for example, quantity, quality, time frame and cost

**A – Achievable.** Assure there is reasonable path to achievement and feasible odds that you will get there

**R – Realistic.** The objective needs should match the level of complexity with the employee's experience and capability and no insurmountable forces outside the control of the employee should hinder its accomplishment

**T – Timely.** Be clear about the time frame in which performance objectives are to be achieved. In most cases, objectives are to be completed by the end of the performance review period

Let's examine the SMART technique using the following goal as an example:

Within the next 6 months I want to obtain a marketing certificate in order to gain more skills and business opportunities for my business. It is a six months course and I will start evening classes tonight.

### **Specific**

You are more likely to follow through on a specific goal than a general goal because it is clearly defined. Specific goal setting helps you to focus clearly on exactly what you want to accomplish and how you will do it.

Just saying **I want to attend marketing course soon** is not a specific goal. There are plenty of ways to look for business leads. This general goal gives no direction. It doesn't tell you anything about what to do to achieve the goal.

The original example goal is very specific. It describes a specific strategy for finding business leads (calling business contacts). This goal lets you know exactly what you need to do to accomplish your goal.

### **Measurable**

If a goal is measurable, then you will know exactly when you have accomplished that goal. Establishing specific criteria for reaching a goal allows you to determine how close you are to reaching that goal and be motivated by your own progress.

A goal that states, **I want to obtain a marketing certificate**, is not measurable. How many business contacts do you need to call? How do you know when you've achieved the goal?

The original example is measurable. You know you've achieved your goal once you've called five of your business contacts.

### **Attainable**

SMART goals are within your control. If you set goals that are outside of your control you are just setting yourself up for failure.

Some people might set the following goal: **I will do it as soon as it starts raining next week**. At first glance that goal might sound pretty good, but that goal is not

*definitely attainable by you.* You don't have reasonable control over the weather next week. You have to find a specific attainable time frame.

The example goal, on the other hand, is an example of SMART goal setting because it is attainable. You have control over whether it happens or not. You do not have to rely on the whims or the weather to ensure that you complete the course, and you can reasonably expect attending the course will lead to the outcome you want namely obtaining a marketing certificate..

### **Realistic**

Effective goal setting requires you to take into account the things that you are reasonably willing and able to do to achieve your goals.

**I will obtain the certificate in 6 months.** Is that goal realistic? Yes, because it is a six month course, that might be a perfectly realistic goal.

You can push your limits a little bit to finalise the course sooner, but don't set yourself up for failure.

### **Timely**

SMART goals have deadlines. Deadlines help you to determine how much time you have left to achieve a goal and prevent you from procrastinating.

When you practice SMART goal setting, you'll have an easier time staying on track with your business goals. SMART goals can help you to stay focused on the short and long term outcomes that you want to achieve with your business and your life. SMART goal setting is an effective way to stay motivated and keep your business focused in the direction you choose.

### **Remember:**



Setting objectives in both your work and personal life is very important if you want to achieve your goals. It gives you a sense of direction and focuses you on the important things in your life.

### **4.2.3 Identify programmes to address skills weaknesses**

Identifying your skills, weaknesses and abilities as targets of training and development and organise programmes and activities accordingly.

- Identify objectives to grow skills, knowledge and competencies
- Set yourself goals [short and/or long term]
- Identify available resources and methods for self-improvement and training objectives

List all your weaknesses and work out a plan to turn your weaknesses into strengths:

- Do you need knowledge? How and where can you acquire the knowledge? When are you going to do this?

- Do you need skills? How and where can you acquire the skills? When are you going to do this?
- Do you need money? How and where are you going to obtain finance? When are you going to do this?
- Do you have a bad credit record? How are you going to handle this? And so on.

#### 4.2.4 Create an action plan to develop yourself

An action plan will help you identify and set goals to turn weaknesses into strengths:

- Write down all your Strengths, Weaknesses, Opportunities and Threats on a piece of plain A4 paper. Use a separate page for each category including the feedback received from your friends, colleagues and family members and results of the profile.
- Identify 'key words' and 'key phrases' to describe each quality or factor. For example, you may have seen from your background information profile that you displayed a lot of tenacity in completing your studies part-time. In this case you may use the word 'tenacity' to describe one of your strengths.
- Check words that have a similar meaning and cross out the ones that make the least sense to you.
- List each key word or phrase under the relevant heading on your SWOT map.

The Action Plan table hereunder can be completed in order to assist you in identifying entrepreneurial skills that needs to be improved.

Weakness	Knowledge/skill required	Which program will address this weakness?	When can I attend the program?	Completion Date

Once you have written down your goals and objectives you have to develop plans for the realisation of the objectives. These plans are called action plans.

In the action plan you must specify and explain clearly **WHAT** has to be done, **WHY** it must be done, **WHEN** it should be done, **WHO** must do it and **HOW** it should be done.

An action plan is like a map that you will use to find out if things are being done the way you want it done.

An action helps us work out what we must do to meet our goal. Don't wait until it is too late set realistic time frames and follow them up.

A time frame represents how far out into the future you want to plan. You want your business to grow successfully for years and years into the future, but that goal doesn't mean your current business plan goes all the way to forever:

- Each plan covers a unique planning period.
- Some are designed to get a company to identify to identify and attend programmes to address skills weaknesses, a funding objective, or the achievement of some other growth goal.

A good action plan covers a time frame that has a realistic start and finish, with a number of measurable checkpoints in between.

Skills weakness Program Timeframe	
Identify objectives to grow skills, knowledge and competencies	December 2013
Set yourself goals [short and/or long term]	January 2014
Identify available resources and methods for self-improvement and training objectives and start training	January - February 2014
Assess progress towards meeting goals and objectives	April 2014
Identify any barriers that may prevent you from accomplishing objectives and what needs to be done to overcome them	April 2014
Get feedback on progress relative to the goals	July 2014
Identify any changes that may be required to the work plan as a result of a shift in priorities or new responsibilities	July 2014
Take corrective action and make changes	August – Sept 2014
Review and overhaul	December 2014

#### 4.2.5 Identify suitable mentors and coaches to assist in implementation of action plan

A mentor and business coach can help you as a budding entrepreneur with a new business venture which you want to fast track to the next level and they can help you avoid making costly mistakes.

**Business Partners:** The mission of this corporation is to harness the power of entrepreneurship by developing small and medium enterprises for the benefit of South Africans. The main purposes of the corporation are:

- To help small businesses and entrepreneurs.
- To help in the establishment and growth of small businesses.
- Because of this assistance, to create job opportunities.
- To help small businesses financially.
- To provide training schemes.
- To provide support services to businesses which are in the process of becoming established.
- To provide information services.
- To provide economic business premises.

- To provide demonstrations and special displays.
- 

### ***Mentor / coach availability and capacity***

It is a good idea to have a mentor or coach – someone to help you when you start your business. This can be any one of the following:

- Bookkeepers and accounting officers
- Business consultants
- Other business owners
- Department of Trade and Industry
- Business partners such as Khula Enterprise Finance Limited, who are a part of the Department of Trade and Industry. They were established to help small businesses get credit and will also act as your mentor if you need their help, since they have invested money in them.
- Most banks also have small business units and they can also help you to implement your plans.

Bookkeepers and business consultants, unfortunately, will charge you per hour for their services.

It is a good idea to join a business organisation where you have contact with other business owners. They will be willing to share their experience and knowledge with you. It is also a good idea to obtain a qualification such as the one you are attending at the moment.

### **4.2.6 Identify and utilise resources to ensure successful implementation of the action plan**

Resources are what you will need in order to effectively run your business:

- office equipment: used by employees: desks, chairs, telephones, faxes, computers, etc.
- vehicles: for transportation or delivery
- machinery and equipment: if you are going to make (manufacture) something, the machinery and equipment you will need.
- Trading stock: finished products that are ready to be sold
- Raw material: the material you will need to make the products
- Money: the money to start and run the business
- Human resources: employees to help you run your business

Finally it can be concluded that high levels of commitment and hard work is required to be successful in the small bus sector.

### 4.3 Implement an Action Plan

Your ideas and goals, as well as the manner in which they are to be achieved must now be brought into operation and must be evaluated continuously.

Plans do not mysteriously activate themselves. You must put the plans into effect.

Planning, no matter how carefully and painstakingly done, is useless and a waste of time without **commitment and action**.

- This means that you have to start doing the things that must be done according to the action plan
- Then you have to check on a regular basis whether the tasks in the action plan are still being done and whether they will be finished on time.
- If things are going wrong, you need to know in time so that the problem can be solved.



### 4.4 Monitor entrepreneurial progress on an on-going basis

Your action plan is in motion and now you have measure and evaluate the progress made. In order to that you need to set realistic time frames for reaching goals and follows up's.

Monitor and evaluate progress:

- Assess progress towards meeting goals and objectives
- Identify any barriers that may prevent you from accomplishing objectives and what needs to be done to overcome them
- Get feedback on progress relative to the goals
- Identify any changes that may be required to the work plan as a result of a shift in priorities or new responsibilities
- If necessary take corrective action and make changes

By setting action plans we are able to monitor our progress and achievements. Remember, your future is what you want to make it. All your dreams can come true – you only need realistic goals and motivation!



***Class Activity 4: Identify own entrepreneurial strengths and weaknesses and compile a personal growth plan***

Please follow the instructions from the facilitator to complete the formative activity in your Learner Workbook



***Reflection***

Individually, complete the formative activity in your Learner Workbook



***Facilitator Observation Checklist***

The facilitator will provide you with feedback about your participation during the class activities in your Learner Workbook



## Summative Assessment

You are required to complete a number of summative assessment activities in your Learner Portfolio of Evidence Guide. The Learner Portfolio of Evidence Guide will guide you as to what you are required to do:

- Complete all the required administration documents and submit all the required documentation, such as a certified copy of your ID, a copy of your CV and relevant certificates of achievement:
  - Learner personal information form
  - Pre-assessment preparation sheet
  - Assessment plan document
  - Declaration of authenticity form
  - Appeals procedure declaration form
- Place your complete Learner Workbook (with the completed Class Activities) in the specified place in the Learner Portfolio of Evidence Guide.
- Complete the other summative assessment activities in your workplace:



### **Knowledge Questions**

Individually, complete this summative activity in your Learner Portfolio of Evidence Guide



### **Practical Activities**

Individually, complete this summative activity in your Learner Portfolio of Evidence Guide

Once you have completed all the summative activities in your Learner Portfolio of Evidence Guide, complete a checklist to ensure that you have submitted all the required evidence for your portfolio, before submitting your portfolio for assessment.

### ***References and Further Reading***

- Smit, PJ & GJ De J Cronjé. 1999. Management Principles. 2nd Edition. Cape Town: Juta
- Robbins, Stephen P. 1996. Organizational Behavior. Englewood Cliffs, New Jersey: Prentice Hall, Inc.
- Schuitema. E. 1994. Beyond Management, Southern Book Publishers
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