



PURPLEGROWTH
COURSES | CONSULTING | COACHING

LEARNER GUIDE

MODULE 2

Introduction to Entrepreneurship



FETC: NEW VENTURE CREATION

NQF LEVEL 4

66249

151 CREDITS

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ABOUT THIS GUIDE

This module belongs to you. It is designed to serve as a guide for the duration of your course and as a resource afterwards. It contains readings, activities and application aids that will assist you in developing the knowledge and skills stipulated in the specific outcomes and assessment criteria. Each section will be preceded by outcomes, criteria and critical cross field outcomes taken from the SAQA unit standards. These will describe what you must know and be able to do to successfully complete the course.

Follow along in the guide as the facilitator takes you through the material and feel free to make notes and diagrams that will help you to clarify or retain information. Jot down things that work well or ideas that come from the group. Also note any points you'd like to explore further.

How will you be assessed?

The assessment process is easy to follow. You will be guided all along by the Facilitator. Your responsibility is to complete all the activities in the workbook and submit it for assessment. At the end you will receive credits towards this unit standard upon successful assessment.

Take a moment and think about what you would like to learn from this course.

Introduction

Welcome to the Further Education and Training Certificate in New Venture Creation.

This qualification is registered on the National Qualifications Framework (NQF) at level 4 and has been specifically designed to help you learn the skills necessary to set up and run a successful small business.

Please read this section carefully as it covers some important information that you need to know before you start your training.

The New Venture Creation Qualification

This is a qualification for all members of the population. Anyone preparing to become employed, or self-employed, in any business would be the typical learner.

In fact, many newly (or not-so-newly) appointed personnel, or struggling entrepreneurs, could benefit from part or all this qualification.

The purpose of this Qualification is to develop the appropriate skills and knowledge required by a person for the establishment and development of a small to medium business venture, and address the economic, administrative and behavioural (psycho-social) barriers that contribute to success in starting and sustaining the venture.

You will be able to:

- Demonstrate an ability to identify and create a new venture.
- Demonstrate knowledge of interpersonal skills required in a business environment.
- Demonstrate an understanding of basic economics within a market economy.
- Manage a new venture by applying business principles and techniques.
- Demonstrate an understanding of the role of leadership and management.

Exit Level Outcomes of this Qualification

At the end of the programme you the learner will be competent in the following listed outcomes.

Exit Level Outcomes	Associated Assessment Criteria
ELO1. Demonstrate an ability to identify and create a new venture	1.1 An understanding is demonstrated of the importance of a paradigm shift from a job-seeking attitude to a business opportunity seeking attitude. 1.2 Business opportunities are identified and evaluated in terms of its potential viability. 1.3 Problems-solving techniques and principles are applied within a business start-up and operation context

Exit Level Outcomes	Associated Assessment Criteria
ELO2. Demonstrate knowledge of interpersonal skills required in a business environment.	2.1 An understanding is demonstrated of the concept of group dynamics. 2.2 An understanding is demonstrated of the characteristics of effective teamwork. 2.3 An understanding is demonstrated of various networking principles and techniques. 2.4 Potential personal limitations, abilities and expectations are identified for self-developmental purposes.

Exit Level Outcomes	Associated Assessment Criteria
ELO3. Demonstrate an understanding of basic economics within a market economy.	3.1 An understanding is demonstrated of new venture financing sources and opportunities. 3.2 An understanding is demonstrated of the principles of micro and macroeconomics. 3.3 Potential threats and opportunities within the economic environment are identified for future business decision making. 3.4 An understanding is demonstrated of business competitiveness.

Exit Level Outcomes	Associated Assessment Criteria
ELO4. Manage a new venture by applying business principles and techniques.	4.1 A business plan for a new venture is developed using strategic planning principles and techniques. 4.2 Guidelines for the implementation and monitoring the strategic action plan are formulated in terms of milestones and timeframes. 4.3 Financial management planning principles and techniques are applied in order manage the business in an efficient and effective manner. 4.4 Production and/or operations management is applied in a chosen business opportunity. 4.5 Sound human resources management techniques are applied to set up a productive and motivated workforce for a business. 4.6 Administrative principles and procedures are applied for sound administration and record-keeping

Exit Level Outcomes	Associated Assessment Criteria
ELO5. Demonstrate an understanding of the role of leadership and management	5.1 Knowledge is demonstrated of how management and leadership principles are applied to improve business effectiveness and efficiency. 5.2 Knowledge is demonstrated of the differences between leadership and management in terms of managing a business. 5.3 Knowledge is demonstrated of leadership and management styles in relation to their impact on business performance. 5.4 Leadership and management principles and techniques are applied to enhance business performance

Unit standards

This is a national qualification and it is made up of separate 'modules'. These 'modules' are called *unit standards*. Each unit standard has its own registration number and each one is registered on the National Qualifications Framework, along with the full qualification. Unit standards are important because they tell everyone involved what is expected of them. This is what the unit standards tell you (the learner), your teacher (facilitator) and your assessor (examiner):

You, the learner	The unit standards tell you what you must know and what you must be able to do at the end of each section or at the end of the learning unit.
Your facilitator (teacher)	The unit standards tell your facilitator (teacher) what to teach.
Your assessor (examiner)	The unit standards tell the assessor what kinds of questions to ask you in the assessment.

The unit standards can be found at the back of your learner guide in the annexures. Some things might be a bit difficult to understand so make notes so that you can ask your facilitator to explain them if you are not sure what something means.

Structure of a unit standard

Each unit standard is made up of Specific Outcomes (which are like sub-modules).

These break the unit standard up into sections that describe what you must know and be able to do. These specific outcomes can also be found in each chapter/unit of this learner guide, so that you can match the unit standards to the training material and the lessons that you attend. This will help you to prepare for your lessons and for the assessments that you are going to do throughout this qualification.

Assessment

There are two types of assessments: Formative and Summative.

Formative Assessment

In each Learner Guide, several activities are spaced within the content to assist you in understanding the material through application. Please make sure that you complete ALL activities mentioned in the Learner Workbook, whether it was done during the contact session, or not! These activities are found in a separate Formative workbook for ease of assessment. Do not complete them in the Learner Guide; use the Formative workbook to do so.

Summative Assessment

You will be required to complete a Portfolio of Evidence for summative assessment purposes. A portfolio is a collection of different types of evidence relating to the work being assessed. It can include a variety of work samples.

The Summative Workbook will assist you in identifying the portfolio and evidence requirements for final assessment purposes. You will be required to complete the assessment activities on your own time, using real life projects in your workplace environment in preparing evidence towards your portfolio.

Your assessment for this qualification will be slightly different to the assessments that you did at school. This is because the qualification will be awarded by the Services Sector Education and Training Authority (SETA), and they do assessments slightly differently to the way that schools do it. To be awarded this qualification you will have to:

	How will you do this?	When will this be assessed (marked)?
Demonstrate your knowledge in the concepts presented	By completing the on-going (also called ' <i>formative</i> ') assessments for each chapter. These can be found in the separate workbook and are cross referenced in this learner guide.	Your assessor will mark these and give you regular feedback.
Practical application	By completing activities in your workbook that shows all your practical skills as you develop them—both in the classroom and in the workplace.	You will hand your portfolio in once it is complete. It will be assessed by registered assessors and then the Services SETA will check (moderate) the assessors (markers) before awarding you your certificate of competence.

Workplace Application	By working in a business.	This practical evidence will be part of your portfolio and will be assessed at the same time.
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It is to stay up to date with your assessments and not fall behind. If you leave the projects/assignments until the end of the training you may find that you do not have enough time to finish them properly, which may cause you to be found “not yet competent”. This will mean that you will have to do the activity/ task again and that will take up even more time.

Second Language Usage

Fundamentals Assessment – CAT

CAT is the acronym for “*Credit Award Transfer*”, and is based in a model developed by SAQA that will be used to determine whether CAT (Credit Award Transfer) will be implemented to recognise school / FET qualifications and sector qualifications. According to the qualification requirements, 20 credits from Fundamental unit standard must be done in the learner’s second language. Therefore, half of the facilitation of the communication module, equalling 20 credits will be done in the learner’s second language. This is in conjunction with SAQA requirements of conducting communication in two languages. All qualifications require that every learner must do at least 56 credits in fundamental standards, of which 20 credits must be in a 2nd language if the qualification is at level 4 or above

It is acknowledged that many of the learners will have come from different backgrounds and with different scholastic achievements already in place – it is therefore appropriate that prior scholastic qualifications be recognised. SAQA recognises that candidates may have prior learning in literacy and numeracy that may be recognized through a process of *Credit Accumulation Transfer (CAT)*.

***According to the SQA Policy on FETC, Clause 5 of Executive Summary:*¹**

The 20 compulsory credits in Language and Communication must be obtained in one of the eleven official languages provided for by the SA Constitution of 1996 (Act 108 of 1996) at level 4. All holders of an FETC will have achieved the same outcomes as indicated by the 20 compulsory credits but these may be achieved in any one of the eleven official languages.

To address the need to develop citizens who can participate effectively in a multi-lingual society, a further 20 credits in Language and Communication must be obtained in a second official language at a minimum of level 3. All holders of an FETC will have achieved the same outcomes as indicated by the 20 compulsory credits but these may be achieved in any one of the eleven official languages. In some learner guides, you will find content and activities that is done in a Zulu Language.

Learner materials

You will be given the following materials:

1. Learner guide (this guide) - this presents the theoretical training material that you will need to work in a business. It has been written to match the unit standards.

2. A Portfolio of Evidence (POE) workbook - this is where you will complete your assessments, projects, and other activities. Your facilitator will take these in to assess (mark) your ongoing knowledge (also called the formative assessments).

You will also need to complete projects and assignments and provide practical evidence that will be filed in this workbook. This will be taken on the agreed date and assessed.

Outcomes-Based Learning

The new learning approach in South Africa is now focused on Outcomes Based Education (OBE). This means that the focus is learner-cantered & not content-cantered. This also means that the trainer / lecturer's focus has also changed to one of facilitation.

Outcomes based education holds the following key beliefs about learning and success:

- What and whether learners learn successfully is more important than exactly when, how and from whom they learn it.
- All learners can learn and succeed, but not on the same day in the same way.
- Successful learning promotes more successful learning, just as poor learning fosters more poor learning.

So, what does this mean exactly?

OBE means that whilst you are in the classroom you will learn through various activities, for example:

- Group work
- Pair work
- Discussions (sharing of experiences)
- Practical activities
- Role plays
- Research
- Portfolio building

This also means that your facilitator will spend less time on lecturing & more time on facilitating your learning style & pathway.

Lifelong Learning

We often think that we will be finished with learning when we finish school. However, many famous people have said that if we stop learning, we stop living. You will learn right through your life, from being in the workplace until the day that you die.

Learning Styles

Introduction

Nobody can teach a learner to study and learn without the learner making any effort on his or her part. This module is designed to help you to become a successful student. But remember, nobody can learn to do heart surgery or fly an aeroplane just by reading a book – even you cannot become an efficient student by just reading about how to do it.

With the above in mind, it needs to be said that there are no shortcuts in studying. The learner must apply him / her, and this requires certain skills, techniques and a method that suits the individual. Not every method will suit every learner as we all differ in personality and intellectual ability.

What are learning styles?

Learning styles are simply different approaches or ways of learning.

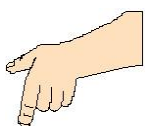
The different types of learning styles

Visual Learners: *learn through seeing...*

These learners need to see the teacher's body language and facial expression to fully understand the content of a lesson. They tend to prefer sitting at the front of the classroom to avoid visual obstructions (e.g. people's heads). They may think in pictures and learn best from visual displays including diagrams, illustrated textbooks, overhead transparencies, videos, flipcharts, and hand-outs. During a lecture or classroom discussion, visual learners often prefer to take detailed notes to absorb the information.

Auditory Learners: *learn through listening...*

They learn best through verbal lectures, discussions, talking things through and listening to what others have to say. Auditory learners interpret the underlying meanings of speech through listening to tone of voice, pitch, speed, and other nuances. Written information may have little meaning until it is heard. These learners often benefit from reading text aloud and using a tape recorder.



Tactile/Kinaesthetic Learners: *learn through moving, doing and touching...*







Tactile/Kinaesthetic persons learn best through a hands-on approach, actively exploring the physical world around them. They may find it hard to sit still for long periods and may become distracted by their need for activity and exploration.

Follow the following link or search from your browser and answer the quiz on learning styles.

<http://www.educationplanner.org/students/self-assessments/learning-styles-quiz.shtml>

Key to Icons

The following icons are used throughout the study guide to indicate specific functions:

	Activity This icon indicates that you are required to complete certain activities, designed to assist you with your studies.
	Workbook Activity This indicates activity to be completed in the Learner Workbook for assessment purposes
	Take note This icon indicates information of particular importance
	Example
	Reflect on this Take time to really think about this point
	Annexure This refers to documents to be completed at the end of each module

Introduction to this training

The objective of this course on New Venture Creation is to give you the necessary knowledge and skills to either start your own small business or to operate within an existing business as your own unit. This is not an easy task but if you work *systematically* (step-by-step) through this learner manual and through the exercises in the workbook then you will have all the tools needed start your business.

You would get the most out of this training if you chose a product or service to sell at the beginning of the course and follow that same idea throughout the entire course.

That way everything you do (from an evaluation of the marketplace, your marketing plan, your business plans and budgets, etc.) all relate to one example.

But, if you need to change, then you can do so. It is better that the course is practical and relates to something real that you are doing rather than simply an academic exercise.

You may decide to work in small groups to start a business for this course. That is a good idea, but you must make sure that each one of you does your own work in the portfolio workbook. You cannot all have the same business plan and the same marketing plan and the same answers to the questions. You can talk about the questions and the answers but each one of you must answer each question in your own portfolio workbook in your own words. If you are found copying the SETA will not give you your certificate - and that would be a great shame after all the work, you are going to put in!

Good Luck! We hope to see you running businesses soon

LEARNING UNIT 1: Entrepreneurial Profile

ID	Unit Standard Title	Level	Credits
263356	Demonstrate an understanding of an entrepreneurial profile	4	5

Learning Outcomes:

By the end of this unit, you will be able to:

- ✓ Describe and discuss entrepreneurship
- ✓ Identify and describe the characteristics of a successful entrepreneur.
- ✓ Identify, assess, and improve personal entrepreneurial characteristics.
- ✓ Explain and demonstrate effective teamwork strategies in an entrepreneurial context

1.1. INTRODUCTION

Abraham Lincoln said the following: 'We cannot strengthen the weak by weakening the strong. We cannot help small men by tearing big men down. We cannot help the average wage earner by pulling down the payer. We cannot establish security on borrowed money. We cannot further brotherhood of men by inciting class hatred. We cannot help men permanently by doing for them what they can do for themselves.'

These wise words also apply to the South African situation. In our changing times, wealth cannot be obtained through economic dependence, but only by creating it ourselves. The promotion of entrepreneurship is one of the most important ways that growth can be stimulated in the South African economy and jobs can be created for all people.

1.2. WHAT IS ENTREPRENEURSHIP?

It has become fashionable to be an entrepreneur and that everybody wants to be an entrepreneur these days. From the way the word is used so often, you could be forced to think that everybody is an entrepreneur.

For many people this is a difficult word to say and spell. However, *entrepreneur* is not a meaningless word, it's simply the only word we have right now to describe a person who performs a particular function that's very important to our economic wellbeing. By this we mean the conversion of ideas into viable (profitable) businesses by means of ingenuity (clever ideas that assist us to overcome problems), hard work, resilience (the ability to get up and start again even when things do not look good), imagination, luck and all the other factors that go into a successful business start-up.



Starting your own business is never easy, but it can be extremely rewarding both financially and emotionally. With hard work, experience and knowledge, your own business can provide you with a great deal of money, as well as personal satisfaction and happiness.

Who can become an entrepreneur? There is no one definitive profile. Successful entrepreneurs come in various ages, income levels, gender, and race. They differ in education and experience. But research indicates that most successful entrepreneurs share certain personal attributes, including creativity, dedication, determination, flexibility, leadership, passion, self-confidence, and "smarts."

People are attracted to entrepreneurship by the advantages of starting a business. These include:

- ✓ Entrepreneurs are their own bosses. They make the decisions. They choose whom to do business with and what work they will do. They decide what hours to work, as well as what to pay and whether to take vacations.
- ✓ Entrepreneurship offers a greater possibility of achieving significant financial rewards than working for someone else.
- ✓ It provides the ability to be involved in the total operation of the business, from concept to design and creation, from sales to business operations and customer response.
- ✓ It offers the prestige of being the person in charge.
- ✓ It gives an individual the opportunity to build equity, which can be kept, sold, or passed on to the next generation.
- ✓ Entrepreneurship creates an opportunity for a person to contribute. Most new entrepreneurs help the local economy.

A few – through their innovations – contribute to society.

Describing Entrepreneurship



1.1 ENTREPRENEURSHIP AND EMPLOYMENT OPPORTUNITIES

Describing Entrepreneurship

Definitions of an entrepreneur are similar, but they emphasise different features.

The following are some of the definitions found in the management dictionaries and textbooks for the word 'entrepreneur'.

Entrepreneurs are skilled at identifying new products, new methods of production or new ways of marketing existing products. They set up operations to provide new products, market the products and arrange the financing of the operations. Another description is that entrepreneurs recognise opportunities for new products or services and get the finance and other resources to produce and deliver them.

The finance and other resources may come from themselves or from other sources. Entrepreneurs are inclined to take measured or calculated risks and are generally associated with economic growth. Both definitions imply innovation (in other words, that something new is created) because new products, services and/or methods are elements of the definition.

Entrepreneurs are people with the ability to create an enterprise where none existed before. They produce combinations of ideas, skills, money, equipment and markets that form a successful enterprise.

An entrepreneur can be described as someone:

- Who starts an own enterprise
- Who manages his own enterprise
- Who identifies new products and opportunities
- Who is creative and/or innovative
- Who organises and controls resources (like capital, labour, materials) to ensure profits
- With the ability and insight to market, produce and finance a service or product
- Who has the financial means or who can obtain financing so as to start the enterprise
- Who is willing to take calculated risks

It is important to distinguish between entrepreneurial ventures and small businesses. An entrepreneurial venture is established and managed for the principal purposes of profit and growth. The business is characterised by innovation and strategic management practices.

There is no generally accepted definition or model of what the entrepreneur is or what he does. However one of the accepted principals of entrepreneurship is that it is not a phenomenon which occurs in new enterprises only, it also occurs in existing enterprises. The focus on entrepreneurship should not be on who the entrepreneur is, but on what the entrepreneur does.

The terms 'entrepreneur' and 'entrepreneurship' are freely used to describe someone with a small business, or the small business enterprise. This association is apparent in statements such as 'entrepreneurship is the key to wealth'; 'the informal sector is the starting point for many entrepreneurs, South Africa does not have enough entrepreneurs'; and 'South Africa's entrepreneurs are now entering the best phase.'

The term 'entrepreneur' is often associated with the founder of a new enterprise or with a person who establishes a new enterprise which previously did not exist. From this point of view anyone who inherits or buys an existing enterprise or starts a concession (franchise) is not an entrepreneur. An entrepreneur is a business owner who sees an opportunity in the market gathers resources and creates and grows a business venture to satisfy these market needs.

It is important to distinguish between entrepreneurial ventures and small businesses. An entrepreneurial venture is established and managed for the principal purposes of profit and growth. The business is characterised by innovation and strategic management practices.

A small business is any business that is independently owned and operated, is not dominant in its field and is not characterised by new or innovative practices (Carland, J.W., Hoy,F., W.S. & Carland, J.C. Differentiating entrepreneurs from small business owners : a conceptualisation. Academy of management review 9 (2), 1984 pp354 – 359)

Both are of critical importance to the economy. They create new opportunities differently and present challenges. Both need entrepreneurial action for start – up but the small business venture will tend to stabilise at a certain stage and only grow with inflation. Small business owners establish and manage their businesses for the principal purposes of furthering personal goals and to ensure security. They are not necessarily interested in growth as an objective. They see themselves as successful when their businesses are profitable even if their income does not match what they would have earned as an employee. Autonomy and security are the primary objectives of most owners of small businesses

1.3. THE DISTINCTION BETWEEN AN ENTREPRENEUR AND AN INTRAPRENEUR

An entrepreneur is someone who does not have a desire to establish his/her own enterprise, but who wishes to realise his/her potential for entrepreneurship within an existing enterprise. The existing enterprise can survive only if it learns to promote intrapreneurship. The large enterprise has the capacity for entrepreneurship, since it already has the necessary resources, especially human resources, and management skills (a management team has already been established). Any enterprise has entrepreneurial potential. However, this must be pursued consciously. Certain elements in an enterprise are conducive to entrepreneurship. The enterprise can also take certain steps to encourage intrapreneurship in the enterprise.

Again, without becoming embroiled in the debate on what is meant by the concepts 'entrepreneur' and 'entrepreneurship' we can say that entrepreneurship is called intrapreneurship in an existing enterprise. An entrepreneur is someone who does not have the need to start an independent enterprise but wishes to express his or her entrepreneurial abilities in an existing enterprise. In other words, an entrepreneur is a person who prefers the advantage of an existing enterprise (such as a regular salary and available resources) to the uncertainty associated with starting his or her own enterprise.

The importance of intrapreneurship

The modern-day enterprise especially the large enterprise will simply not be able to survive periods of drastic change and innovation unless it acquires an entrepreneurial predisposition. Not only is it in the best interests of the enterprise to learn how to apply entrepreneurship within the enterprise, but the enterprise also has a social responsibility to do this.

It is essential for intrapreneurship to exist in South African enterprises, particularly in view of the following realities in the micro and macro environments:

- ✓ The South African economy is currently under great pressure (as is the global economy). By means of intrapreneurship the existing enterprise can make a positive contribution to the economic welfare of the country.
- ✓ There are social threats in the form of unemployment and financial instability. These threats can be effectively addressed through intrapreneurship.
- ✓ Technological developments are increasing at a tremendous rate. In order to remain competitive, an enterprise must keep pace with these developments.

- ✓ Productivity is no longer concerned with the effectiveness of the enterprise's activities but also with satisfying the client's needs by means of available resources. This challenge can be effectively addressed by intrapreneurship.

Entrepreneurship in the new small business enterprise

Approximately 1000 job seekers enter the labour market every day. Of these, only 100 will find work in the formal sector. This situation is going to change in the short term. On the contrary, it will become even more difficult to create job opportunities in the future. The reasons for this are South Africa's weakened competitive position on the world market. Creating job opportunities in the formal sector in South Africa will become increasingly difficult in the future because of various factors.

Examples of these factors are the cost of the transition between governments and the inability of the South African economy to provide sufficient job opportunities thus far. Many South Africans will have to turn to the small business sector to create work for themselves.

Steadily rising population growth and increasing urbanization problems are added complications. In this regard, the entrepreneur can make a valuable contribution by establishing his or her own enterprise.

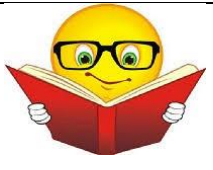
The economically active population consists of the informal sector, the formal sector, the unemployed sector and a subsistence sector. The formal sector, in turn can be divided into small business enterprises and large business enterprises.

Entrepreneurship and the establishment of an informal small business enterprise

For hundreds of thousands of South Africans the informal sector is the easiest starting point in the stimulating world of the entrepreneur. The informal business sector offers many people (who have little money or business training and no hope of finding work in the formal sector) not only a means of survival, but also a dream of ultimate success. The enterprise in the informal sector plays a very important role in that it contributes to job creation, helps to build entrepreneurial skill, serves to suppress salary and wage inflation and mobilizes capital at grass roots level.

An enterprise in the informal sector is not a registered enterprise, and it can be distinguished by one or more of the following criteria:

- ✓ Legal activities which are not reported for tax purposes
- ✓ Sometimes they break the rules and regulations
- ✓ Mainly cash transactions take place
- ✓ Certain illegal activities take place

	<p><i>Complete Activity in your Workbook</i></p>
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1.4. PRINCIPAL REASONS FOR ENTERING THE INFORMAL SECTOR IN SOUTH AFRICA

Survival

A large proportion of the entrants to the informal sector take this course as a way to survive. Job

opportunities in the formal sector are relatively scarce or non-existent, while poor remuneration, staff reductions and the closure of enterprises force people to turn to the informal sector. A lack of working experience and training makes it difficult for people to enter the formal sector as employees.

Realisation of entrepreneurial aptitude

The desire to provide one's own innovative product or service is a further reason for entering the informal sector. The entrepreneur regards the informal enterprise as an important starting point and training – school for the eventual establishment of a formal employee

Other considerations, for example, the high tax rates in South Africa.

As a result of South Africa's high tax rates, people need to supplement their disposable personal income by entering the informal sector. The informal entrants to this category are not motivated by survival or an entrepreneurial predisposition but by insufficient wages and a desire to evade taxation.

The existence of informal economic activities can generally be attributed to the level of economic development of a country and its inhabitants

The legal activities in the South African informal sector can be divided into the following main categories:

- ✓ **Trading and Hawking** These activities are mostly carried out by street vendors and include the selling of fruit and vegetables, cooked food, flowers, newspapers, clothing, meat, etc.
- ✓ **Manufacturing services** - include all informal activities which are aimed chiefly at the manufacture of a product, for example the making of clothing, furniture and shoes, and the construction of houses.
- ✓ **Transport services** Taxi drivers, minibuses, people who offer their cars to form lift clubs and transport contractors are examples of people who are involved in informal activities. These informal activities require relatively large capital inputs.
- ✓ **Other services** For e.g. Hairdressing, photographers, people who cultivate agricultural products on a small scale, child minders, herbalists, and people involved in small scale hiring, mechanics, garden workers, shebeens etc.

The informal sector is one of the fastest growing sectors in South Africa. However it is also one of the sectors that is experiencing the most difficulties. Entrepreneurs in the informal sector are faced with many obstacles ranging from:

- ✓ Lack of suitable premises
- ✓ Lack of initial capital
- ✓ Lack of finance
- ✓ Lack of business skills and expertise

The person in the informal sector has a responsibility to develop his/her full entrepreneurial potential and management skills so that his/her enterprise can be converted from an informal enterprise to a formal enterprise that can contribute to the economy as a whole.

Entrepreneurship in the establishment of a formal small business enterprise

Many people possess entrepreneurial potential but neglect to develop it further. They constantly generate innovative ideas but do nothing to convert these ideas to reality. Possibly they do not really know how to do so. In certain cases people may indeed believe that they know how to establish their own enterprises, but they insist on re-inventing the wheel and in the process apply practices which have already failed elsewhere.

Advantages and Disadvantages of establishing a formal small business enterprise

Independence

The independence emanating from ownership and management of one's own business allows entrepreneurs to pursue what they personally regard as important.

Entrepreneurs can integrate personal preferences more effectively in the development of their own business than in the corporate environment. The environmentally conscious entrepreneur for example, can apply environmentally sound management principles in his own business. Entrepreneurship gives entrepreneurs a feeling of being self-supportive.

Self discovery/personal growth

Entrepreneurship is an instrument for self-actualization. The personal skills, creative abilities and tenacity of the entrepreneur are used in full during the establishment and development process. A lot of challenges develop the character and personality of the entrepreneur in ways they never thought possible. They come out very balanced and resourceful people that learn self-mastery and mind control.

Financial Independence

Within the capitalistic system the reward for successfully satisfying market needs is of a financial nature. Although the profit motive is not indicated as the most important motivation for entrepreneurship, the financial advantage enjoyed by the successful entrepreneur is still a crucial consideration.

Opportunity to give back to the community

By satisfying needs, the entrepreneur contributes to the development of the society in which he functions. Apart from financial success, successful entrepreneurs often enjoy status in society and are acknowledged with hero-worship, power and authority.

Flexibility of job description

The only thing that limits your pursuit of a dream as an entrepreneur is your imagination. If you think there is an idea that you can follow, then go after it with everything that you have.

Entrepreneurs get to be the innovators of their industry.

Entrepreneurship succeeds when you get to put an idea out to your targeted demographics before anyone else. Bringing something first to the market is an exciting adventure. It may not always be a story that ends in wealth, but it is one of the absolute joys of this process. You get to be on the forefront of problem solving for your community. You are turning your passions into revenues. It does not take a lot of money to get started either. If you have the drive to be an entrepreneur, then you can innovate.

Disadvantages of entrepreneurship

Research indicates that 24 per cent of all new businesses fail within the first two years, 51 per cent during the first four years and 63 per cent within the first six years.

Entrepreneurship subjects the entrepreneur to the following personal and financial risks:

1. Reputation and self-confidence	A business failure implies personal failure. A business failure harms the entrepreneur's standing in society. As much as society honours successful entrepreneurs, they also criticize unsuccessful ones. Loss of status and criticism may damage the entrepreneur's self-confidence and discourages further- development of entrepreneurial abilities.
2. Uncertain income	Entrepreneurship does not guarantee a comfortable monthly income for the entrepreneur. Cost may exceed income during the development phase of the new business. Entrepreneurs come last in the compensation of production factors.
3. Risk of losing all capital	Entrepreneurs are forced to invest personal capital in the new business. If the business fails, personal capital is lost. It influences the personal security of the entrepreneur and his family. If other investors also lose capital in the process, the entrepreneur's guilt is increased.
4. Decreased quality of life	Most entrepreneurs enter the market between the age of 25 and 39 years. The long hours and hard work required of the entrepreneur create tension in the family and socially. Friendships are often sacrificed at the cost of business success. The situation might improve when the business is well established and then the entrepreneur may have more time for his family and friends.
5. Total responsibility	Entrepreneurs are forced to decide about matters with which they are not properly acquainted. This and the realization that the success or failure of the business may depend on such a decision, may be stressful for certain individuals.
6. Loneliness	There are no off days when you embrace this journey. If you are not working, then you're not earning. There are no paid lunches, no weekends off, no holiday pay, and no benefits. It is you vs. the rest of the world.
Leadership skills are needed	If you don't have an internal drive that can push you forward every day and inspire others to follow your lead, then this isn't the project for you to pursue. Procrastination cannot live in this world.
Stress levels are high	Meditation is the most common habit that people have when they pursue an idea as an entrepreneur. Exercise is another great option to consider if you need to limit this disadvantage. If you burn calories every day with a workout routine, then you are less likely to take out your irritation on others or yourself. Then try to greet each new day with an extra helping of gratitude.

Verdict on the Advantages and Disadvantages of Entrepreneurship

Entrepreneurship can put you on a rollercoaster of emotions every day. It is an exciting world where your imagination is free to run wild. Every idea becomes a potential opportunity to find success. For many people who decide to embrace this lifestyle, the promise of more independence is worth the extra financial risks that are possible.

You will be working more hours than ever before if you decide to take on this journey. There will be days when you need to drag yourself out of bed. Your family might wonder what happened to you since you're always in the office doing something. It is a challenging lifestyle to balance when you have family responsibilities too.

The advantages and disadvantages of entrepreneurship create the potential for you to live the life that you want. Even if it takes several years to start earning the profits you want, it can be a happy life waiting for you.

The establishment of an entrepreneurial formal small business enterprise can be divided into the following three phases:

- ✓ Identification of an opportunity (the idea phase)
- ✓ Investigation of the viability of a small business idea and the drawing up of a business plan (the plan phase)
- ✓ Implementation of the business plan and the exploitation of the opportunity (the implementation phase)

1.5. REASONS WHY ENTREPRENEURS FAIL

1.5.1. Failure to deliver real value.

At the heart of any business is value. The world's most successful businesses deliver the most value. Plain and simple. Find a way that you can under-promise but over-deliver. Always over-deliver. No matter what the situation. If you're looking for a fast buck or to get rich quick, you'll quickly find yourself at a dead end. Instead, focus on the real value proposition. If you're not adding as much (if not more) value as your competitors, then you need to rethink your approach.

Why add value? For starters, it creates buzz. Just think about it. You receive a service that simply blows your mind. Don't you want to tell all your friends about it? And if you didn't have to pay an arm and a leg for it, you're definitely going to be singing that company's praises from the mountain tops. Why? Because, then you become the value-deliverer. Again, it's all about value. It might cost you more at the outset, but it will pay off in spades.

1.5.2. Failure to connect with the target audience.

If you can't connect with your target audience, your business will fail. An inability to connect with your demographic means that not only are you unaware of your potential consumer's wants and needs, but you're also oblivious to how you can best help them. What do they want? Not just what they need. But who are they and what do they really want? Is it to invoke a certain

emotion? To attain a certain status. How is your product or service going to help them solve their problems?

Really and truly, if you're not addressing the consumer's pain points, you probably don't understand the consumer very much. And if that's the case, then you have no business selling until you do really understand them. Use focus groups, market surveys, email ask-campaigns, or straight-up phone calls, to understand and connect with your target audience better. Discover who they are right down to the most minute detail. That's one way you'll avoid business failure.

1.5.3. Failure to optimize conversions.

Most entrepreneurs have so much that they need to deal with that they forget to address the absolute heart of any business. Without optimizing conversions, no matter what a business does, especially if it raises money and has a high burn rate, it'll be futile trying to survive when the money runs dry. Address the conversions early on to ensure that there's a positive ROI on any ad spends. Then you know you have a sustainable business.

You can't solely rely on organic traffic methods like search engine optimization. Without conversion optimization, any business is wasting their time. Even long-shot unicorns need to focus on income-producing, conversion-optimizing activities, even while building up a customer base. Without it, it's merely a matter of time until the money runs out and executives are scrambling to keep the doors open.

attain a certain status? How is your product or service going to help them solve their problems?

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1.5.4. Lack of authenticity and transparency.

Businesses that lack authenticity and transparency will fail. Maybe not today or tomorrow, but one day soon. Without the customer's needs in sight, and a focus on the wrong things, businesses could easily lose the consumer's trust. Rather than risk that from happening, focus on being authentic, transparent, and finding ways that you can give more rather than take. It's a rare commodity in business, but one necessary if it's going to survive for the long term.

1.5.5. Unable to compete against market leaders.

Staying afloat is very harder when competition is fierce and smaller businesses have a bulls eye on their backs, especially true in lucrative markets where the stakes are high. If smaller businesses can't compete against their larger counterparts, they need to find ways to enter and stay in business. To do that takes a focused business sense and true guts.

1.5.6. Inability to control expenses.

It's easy to spend when there is an economic boom. But having an acute sense to control the company's expenses is imperative. Much of this comes back to the founder's personal money habits. Or are they detrimental? When the expenses spiral out of control, or a founder uses much of the company's money for personal or frivolous expenses, it's impossible for the business to survive.

1.5.7. Lack of strategic and effective leadership.

Most businesses lack strategic and effective leadership. Without real experience in the business world, most newcomers to the entrepreneurial world struggle with the overwhelming amount of demands placed on them. When problems do arise, which they often do, navigating those difficult times becomes an impossible task. That's why businesses, big or small, need to build up their board of seasoned advisors, and founders need to find trusted mentors, if they're serious about longevity.

1.5.8. Failure to build an employee "tribe."

Your employee tribe and culture is crucial for long-term success. Most businesses will fail because they forget about their employees. When it becomes an us-versus-them scenario between executives and employees, a downward spiral begins to occur. That spiral might not happen overnight. It might take years to occur. But it does happen. And when the opportunity is right, the best employees jump ship to go somewhere they are well appreciated.

1.5.9. Failure to create the proper business systems.

Sales funnels aren't the only automation required to run a successful business that's built for the long term. Other proper business systems need to be put in place. CRMs need to be implemented and customized. Policies need to be enacted. Financial audits and tracking procedures need to be created. And so on. Without a good deal of systems and automation, the amount of work becomes overwhelming and the details can easily be overlooked.

1.5.10. Wrong location

Location is critical to the success of your business. Whereas a good location may enable a struggling business to ultimately survive and thrive, a bad location could spell disaster to even the best-managed enterprise.

Some factors to consider:

- Where your customers are
- Traffic, accessibility, parking and lighting
- Location of competitors
- Condition and safety of building
- Local incentive programs for business start-ups in specific targeted areas
- The history, community flavour and receptiveness to a new business at a prospective site

1.5.11. Lack of planning

Many small businesses fail because of fundamental shortcomings in their business planning. It must be realistic and based on accurate, current information and educated projections for the future.

Components of Business Plan may include:

- Description of the business, vision, goals, and keys to success
- Work force needs
- Potential problems and solutions
- Financial: capital equipment and supply list, balance sheet, income statement and cash flow analysis, sales and expense forecast
- Analysis of competition
- Marketing, advertising and promotional activities

- Budgeting and managing company growth

In addition, most bankers request a business plan if you are seeking to secure additional capital for your company.

1.5.12. Overexpansion

A leading cause of business failure, overexpansion often happens when business owners confuse success with how fast they can expand their business. A focus on slow and steady growth is optimum. Many a bankruptcy has been caused by rapidly expanding companies. At the same time, you do not want to repress growth. Once you have an established solid customer base and a good cash flow, let your success help you set the right measured pace.

Some indications that an expansion may be warranted include the inability to fill customer needs in a timely basis, and employees having difficulty keeping up with production demands. If expansion is warranted after careful review, research and analysis, identify what and who you need to add in order for your business to grow. Then with the right systems and people in place, you can focus on the growth of your business, not on doing everything in it yourself.

1.5.13. Lack of online presence

Social media is quickly becoming one of the most important aspects of digital marketing, which provides incredible benefits that help reach millions of customers worldwide.

And if you are not applying this profitable source, you are missing out an incredible marketing opportunity, as it makes it easy to spread the word about your product and mission.

Entrepreneurs fail mainly because of certain factors, which may or may not be controllable. The uncontrollable factors are chiefly related to the economic and political situation of a country, while the controllable factors are usually based on the experience of the small business operator.

1.5.14. Discrimination against entrepreneurs

Because the owner of a small business has difficulty in accessing resources like finance, expertise the small business owner frequently feels that he or she is discriminated against. It often happens that a small business entrepreneur has to pay more for goods and services, and is subject to higher rent tariffs and interest rates because he or she does not have the same bargaining power.

1.5.15. Changes in the economic climate

Since the small business entrepreneur does not have easy access to finance etc, it will be harder hit by an economic downward trend. In these times, sources of finance are limited and the small business enterprise is forced to pay higher interest rates.

1.5.16. Demographic changes

Urbanisation is an example of demographic change. The small business enterprise which is responsible for providing essential goods and services is severely affected when people leave the rural villages for urban areas.

1.5.17. Changes in the buying patterns of buyers

Today, shopping centres are a common phenomenon. Although these centres offer considerable opportunities for many small business entrepreneurs they also pose a threat to other already established small business enterprises in that they influence the buying patterns of consumers. Other changes, such as the development of the infrastructure, may also result in changes in buying patterns.

1.5.18. Changes in consumer behaviour

Human beings are always changing. Their needs, behaviour, preferences and demands change with time. If small business entrepreneurs do not keep abreast of these changes, this can have a severe impact on his or her enterprise.

1.5.19. Technical skills

The technical skill of small business owners implies their ability to carry out the management task effectively, namely planning, organisation, leadership and control. As the business grows, greater demands are made on the technical skills of the entrepreneur. Whereas it was previously easy for them to manage the enterprise on their own with their limited skills, they become exposed to additional and more difficult problems as the enterprise grows and requires better technical skills. Sooner or later the enterprise will be confronted with a situation which cannot be handled by the small business person and this may cause the enterprise to fail.

1.6. THE ROLE OF ENTREPRENEURSHIP IN SOCIAL DEVELOPMENT



What is meant by social responsibility?

Your goal must not only be to make money, but also to invest in social responsibility.

That means that you must give back to the community. The enterprise also needs to take an interest in how their activities impact on society and basically comes down to the idea of acting as a responsible citizen.

Why is it important to act in socially responsible way?

Because the more you give the more you get back as people support your business and remain loyal.

What do these responsibilities include?

Social responsibilities include:

- Commitment of the business to behave in an ethical manner
- Contribute to social development
- Improve the quality of life of the workforce as well the local community and society at large.

The role of entrepreneurship in social development deals with:

- Job creation

- Empowerment
- Local wealth creation
- Urbanization
- Negation of migrant labour

For more information use the following links

<https://evoma.com/business-centre/7-roles-of-entrepreneurship-in-economic-development-of-a-country/>

<https://www.investopedia.com/articles/personal-finance/101414/why-entrepreneurs-are-important-economy.asp>

Contribute to social development

A successful entrepreneur not only benefits himself but also the community, region and country as a whole. The development of entrepreneurial qualities can cause significant changes especially in the rural communities through income generation and economic growth.

That means potential entrepreneurs play a major role in job and wealth creation. This obligation is seen to extend beyond just obeying the laws. An organisation must take further steps to improve the quality of life for employees and their families as well as the local community and society at large. This process of communities equipping themselves with the knowledge, skills and resources they need in order to change and improve the quality of their own lives and their community is called empowerment.

Entrepreneurship is important as it has the ability to improve standards of living and create wealth, not only for the entrepreneurs, but also for related businesses.

Entrepreneurs also help drive change with innovation, where new and improved products enable new markets to be developed.

Economy wise, higher earnings thanks to entrepreneurship can help boost national income and tax revenue.

Entrepreneurs contribute in other ways as well, such as investing in community projects and supporting local charities.

Too much entrepreneurship (i.e, high self-employment) can be detrimental to economic development.

When businesses invest in their own communities through job and local wealth creation it will to a certain extent prevent people leaving the security of their families and local communities in search for a better life elsewhere such as in cities. This means that it significantly reduces the migration of labour and urbanisation.

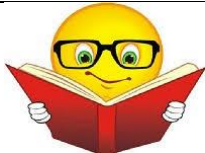


Urbanisation is the process in which the number of people living in cities increases compared with the number of people living in rural areas. Rapid urbanisation brings with it many problems as it places huge demands on land, water, housing, transport and employment.

Social entrepreneurs think of bringing about a social reform as an added incentive and don't look at personal gain as the only driving factor.

Ventures created by social entrepreneurs can certainly generate income, and they can be organized as either not-for-profits or for-profits. What distinguishes social entrepreneurship is the primacy of social benefit....

Small firms have been the major driving force behind job generation but as a result, they are playing a more important role in the economy. Unemployment is a reality for many people in South Africa. One of the reasons why so many of us have difficulty finding a job is because there are too many people for too few jobs. Societies that encourage independent thinking tend to be wealthier than the rigid and stratified societies.

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1.7. THE CHARACTERISTICS OF AN ENTREPRENEUR

Researchers have identified the following business characteristics and management skills of successful entrepreneurs:

Risk-taking

Successful entrepreneurs take calculated risks. This means they evaluate opportunities realistically. They are not inclined to gamble or rely on luck but they understand that risk levels are too low usually suggesting limited profitability because more people are prepared to enter the specific market. Having the courage to exploit an opportunity is as important as being able to identify it in the first place.

Entrepreneurs usually focus on reducing their personal risk by the following methods:

- ✓ Finding investors like family members or banks to provide finance :
- ✓ Making arrangements with suppliers to provide goods on consignment means suppliers provide the products but are paid only when the goods are sold.
- ✓ Persuading suppliers of services and goods to accept special terms of payments.

Creativity and innovative ability

Creative thinking and innovative ability are fundamental to starting a new enterprise. Creativity is needed to establish a business where nothing existed previously. Adjusting or refining existing procedures or products, identifying opportunities and solving problems all require creativity. Creativity is about new ideas, innovation.

Although entrepreneurs understand the importance of innovation, they often view the risk and the investment required for the development of innovative products or services as out of proportion to the profit potential. This explains why owners of small businesses creatively adapt the innovations of their competitors.

Human relations

Good long-term relationships with suppliers, clients and others involved in the enterprise can be the difference between success and failure. Entrepreneurs realise they cannot be successful in isolation.

Perseverance

Setbacks, difficult situations and problems do not influence entrepreneurs negatively. They regard these as part of the process and remain positive. They have confidence in themselves and their enterprises.

Commitment to the enterprise

Entrepreneurs dedicate their resources to establishing and building the enterprise by, for example, using their own money in the enterprise, even taking a mortgage on a property, and working long hours.

Involvement in the enterprise

Successful entrepreneurs are personally and actively involved in the operations of their enterprise.

Positive attitude and approach

Failure is seen as a learning experience by successful entrepreneurs. They are realistic and accept that disappointments are inevitable, and are not discouraged when problems occur. They are able to identify opportunities even in adverse and difficult situations.

Financial insight

To be successful entrepreneurs need to distinguish between income and profit. Furthermore they need to know which costs are essential and understand the impact of increased expenses.

Financial management

Successful entrepreneurs exercise financial discipline and understand when to spend money on what and how. They possess and develop the ability to make the right decisions to ensure growth.

Management skills and the use of advisors and / or experts

What is required for success in a specific enterprise is clear to the successful entrepreneur. They also understand how they themselves can contribute to the benefit of their enterprise. In addition they are aware of their personal limitations and appoint appropriate staff, consultants, contractors or experts to address those issues.

Customer service

All successful entrepreneurs know who their competitors are, their strengths and weaknesses, the quality of their products or services and their market share.

Market orientation

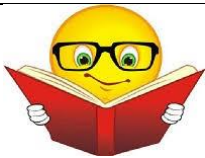
Identifying the target market, the needs and demands of the target market, and how to meet those needs profitably are all important for the success of an enterprise. Successful entrepreneurs position themselves by differentiating their products and/ or services from those of their competitors.

The importance of quality and/or services

Entrepreneurs realise that value for money is important and that satisfied customers will recommend their products and services to new clients.

Planning

A business plan ensures that the entrepreneur considers the most important issues when setting up business. It also serves as a guide in the management of the enterprise.



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1.8. INDIVIDUAL ENTREPRENEURIAL CHARACTERISTICS

We have identified the business characteristics and management skills of successful entrepreneurs. In evaluating your own abilities it is important to remember that only very few, if any, successful entrepreneurs possess all these characteristics

Each character is important in its own right and is explained in detail below:

1. Creative

Entrepreneurship starts with an idea. To be successful, you need to always be thinking of new ideas and better ways of doing things.

In an interview in Martyn Lewis's book "Reflections on Success," Virgin Airlines founder Richard Branson said, "I've gone into business, not to make money, but because I think I can do it better than it's been done elsewhere. And, quite often, just out of personal frustration about the way it's been done by other people."

2. Passionate

Perhaps the most important characteristic for entrepreneurs, passion is essential to any business owner or working professional's success. Without passion, there is no reason for your work and no drive to do it.

Entrepreneurs love what they do and are extremely dedicated to the businesses they create. To be successful, you must be confident in yourself and your business, and you must be proactive with what you do and how you do it.

3. Motivated

In an interview with The Computerworld Smithsonian Awards Program, the late Apple founder Steve Jobs said, "I'm convinced that about half of what separates the successful entrepreneurs from the non-successful ones is pure perseverance."

Because of their passion for their ideas, entrepreneurs are willing to put in the long hours and hard work required to launch and run a successful new business. Are you self-motivated? Entrepreneurs are their own boss, which means there's no one telling them to do things. You must oversee your own time and how you spend it.

4. Optimistic

Do you see the glass half empty or half full? For entrepreneurs, it's always half full. Entrepreneurs always look on the bright side and are constant dreamers. They look at how they can do things better and make the world a better place. They never dwell on the past or the negative. Instead, they focus on moving forward and moving up. When they're confronted with challenges, entrepreneurs don't see them as problems; they see them as opportunities. Challenges fuel entrepreneurs and make them reach higher and do more.

5. Future-oriented

Because entrepreneurs are focused on moving forward, they are always looking toward the future. Entrepreneurs are very goal-oriented and know exactly what they want. They set their goals and everything they do is aimed at achieving those goals. Having a strong vision helps propel you toward accomplishment. Consider setting a goal for yourself - a north star that can guide you on your path to success.

6. Persuasive

To be successful in business, you have to know business. If you're a people person and know how to get people to listen to you, you could be a successful entrepreneur. Especially when first starting out, entrepreneurs need to gain buy-in from those around them on their big idea. If it's an out-of-the-box idea, which it usually is, many people will be skeptical before giving their support or investing any money. That's why entrepreneurs need to use their persuasiveness to sell themselves and their ideas.

7. Flexible

According to professional development coach Ruchira Agrawal in an article for Monster, "As an entrepreneur, you'll typically start out as a 'solopreneur,' meaning you will be on your own for a while. You may not have the luxury of hiring a support staff initially. Therefore, you will end up wearing several different hats, including secretary, bookkeeper and so on."

Entrepreneurs know how to adapt to unfamiliar situations. If their business requires that they learn how to build a website or send an invoice, they'll do it. Whatever it takes, entrepreneurs are ready and willing. They always approach things with an open mind and are willing to change course if they need to.

8. Resourceful

In business, problems aren't a matter of if, but when. Entrepreneurs do not shy away from challenges or conflicts. Instead, they face them head on and come up with a solution. They know how to solve problems effectively.

Entrepreneurs also know how to make the most of what they have. Time, money and effort are never used haphazardly. Everything has a plan and a purpose.

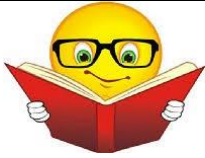
9. Adventurous

In an interview with Y Combinator president Sam Altman, Facebook founder Mark Zuckerberg said, "In a world that's changing so quickly, the biggest risk you can take is not taking any risk."

Entrepreneurs know that to be successful, they must be willing to take risks. While they don't mind walking on the wild side, they don't take risks lightly. They know how to plan for the unknown and make a calculated decision that is best for them and their business.

10. Decisive

There is no room for procrastination in business. Entrepreneurs know what needs to be done and don't hesitate to make the decisions that will lead them to success. They don't let opportunities pass them by; instead, they seize the day and get the job done.



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Case Study

The Young SA entrepreneur secured world cup branding coup

SA entrepreneur
Mandla Sibeko



Entrepreneur Mandla Sibeko, named as one of the World Economic Forum's Young Global Leaders for 2010, has scored a business coup. His task was to handle the entire look and feel of the FIFA 2010 Soccer World Cup

One of the South Africa's most enterprising young businessmen, Sibeko, 31, was effectively responsible for the visual identity of the World Cup in June and July.

This included branding, signage and flags at the airports, stadia and FIFA headquarters. He landed this honour through his 40% shareholding in Icon SA, a partnership with a UK based stadium and city dressing company that branded the 2006 World Cup in Germany.

"I enjoy being on the right side of history, and am always looking for opportunities," says Sibeko, "I also think that partnerships such as these are part of fulfilling the mandate of the World Cup, which is to leave a legacy behind for South Africans and South African business."

Being a self-made businessman, Sibeko's star has been on the rise for the past few years. He set up his own investment business, Seed Capital Investments, through which he has various interests in the small business sector and is a shareholder and chairman of flower and gifting service, Netflorist, South Africa. He is also a director of Naspers's Paarl Media Group.

Recently, this "serial entrepreneur's" pioneering spirit was rewarded when he was named one of 197 Young Global Leaders identified by the World Economic Forum (WEF) and was one of only nine in South Africa.

Becoming part of the WEF's elite club of young entrepreneurs was no accident for this young businessman, who tends to make his own luck. "I worked towards it, rather than it is working towards me. A lot of the things I've dreamed of doing have happened.

I have made mistakes with my own money, but it's helped me learn a lot about myself and my strengths and weaknesses and has made me a fighter. I've learned to persevere. When doors close, I open them anyway."

He is critical of how, post 1994, black economic empowerment has diluted and confused the concept of true entrepreneurship. “Entrepreneurship is about dreams and ideas that can lead to change – and it’s a culture we need to develop in SA. I use my businesses and investments as my education – my mini-MBA’s,” says Sibeko, who studied to be a lawyer. Having been hailed in South Africa and abroad as an achiever and young leader of tomorrow, Sibeko says that the biggest barrier to entrepreneurship is a **lack of finance** for small business startups, and that more role models such as Richard Maponya are needed.

Sibeko plans to write a book for aspiring businesspeople about the basics of entrepreneurship, in a conversational, accessible style.

He says that the key to leadership is to be **inspirational**. “Leaders must inspire those around them and those they meet – just like Barack Obama can inspire a nation. But success is not just about inspiration, but perspiration as well. There are shortcuts; you need to be prepared to work hard for everything you get. I have pockets and pockets of dreams, and I invest in my passions – then it doesn’t feel like I’m working.”

1) What characteristics of Sibeko do you admire the most? Explain why you say that.
2) List three of his other business ventures
3) What is Sibeko’s definition of entrepreneurship?

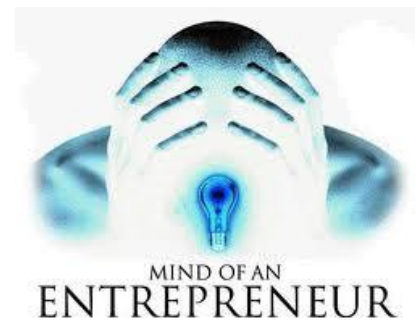
The following characteristics are linked to successful entrepreneurs:

- Self-confident and optimistic
- Able to take calculated risk
- Respond positively to challenges
- Flexible and able to adapt
- Knowledgeable of markets
- Able to get along well with others
- Energetic and diligent

- Creative, need to achieve
- Dynamic leader
- **Willingness to work hard,**
- **Visionary**
- Independent minded

Entrepreneurs not only have knowledge of business basics, but also inward fortitude to overcome the challenges that will arise. Here are eight common traits that a small business owner and entrepreneurs possess.

1. Vision
2. Passion
3. Purpose
4. Adaptability
5. Leadership Skills
6. Networking Savvy
7. Determination
8. Positive attitude



3.3 STRENGTHS AND WEAKNESSES AS AN ENTREPRENEUR

We have identified the business characteristics and management skills of successful entrepreneurs. In evaluating your own abilities, it is important to remember that only very few, if any, successful entrepreneurs possess all these characteristics.

Analyzing strengths and weaknesses

Ask yourself the following questions in identifying your strengths and weaknesses.

- What do you feel are your main strengths?
- What do you feel are your more serious weaknesses?
- How do you think someone else might answer the above two questions about you?
- What talents do you possess and in what situations have you been able to use them?
- How would you personally define the idea of having a job or being employed?
- Now, things are already starting to make sense, or you are beginning to have doubts.
- Either way, listen to your feelings and trust yourself. In the end, these are only tools for you to use in your evaluation process, nothing more and nothing less.

Know Yourself

Use the following checklist and tick off your strong (S) and your weak (W) points. This activity will assist you in compiling a report on your strengths and weaknesses.

Business Characteristics	S	W
Risk taking		
Creativity		
Human relations		
Perseverance		
Commitment to the enterprise		
Involvement in the enterprise		
Positive attitude and approach		
Management skills		
Bookkeeping for own purposes		
Financial insight		
Financial management		
Management skills		
Use experts where necessary		
Customer service orientated		
Knowledge of competitors		
Market orientated		
The importance of quality products/services		
Planning		

Now you can identify your limitations and work on improving them. It is, however, more important that you realize what your strengths are and think about using them to the advantage of your enterprise.

3.4 Develop strategies to address shortcomings

There are ways to address shortcomings such as:

- Skills training
- Assertiveness training

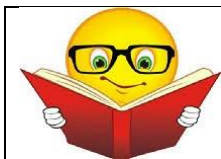
Looking at your own strengths and weaknesses as determined by the questionnaire above

a) List your strengths and how they will contribute to your planned enterprise

STRENGTHS	HOW I WILL USE MY STRENGTHS

b) Now list your weaknesses and how you are going to address these

WEAKNESSES	HOW WEAKNESS WILL BE ADDRESSED



Complete Activity in your Workbook

1.9. SKILLS VS EXPERTISE VS APTITUDE OF AND ENTREPRENEUR

Knowledge is the theoretical or practical understanding of a subject. For example, an employee might have knowledge of MS EXCEL. This doesn't mean the employee knows how to be a software designer. It means they know the software application.

Skills are the ability to do something developed through training or experience. Using the MS EXCEL example, the employee has demonstrated skills in applying calculations in the workplace using the program. Skills are usually something that has been learned. So, we can develop our skills through the transfer of knowledge.

Abilities are the qualities of being able to do something. There is a fine line between skills and abilities. Most people would say the differentiator is whether the thing in question was learned or innate.

Expertise

Basis of credibility of a person who is perceived to be knowledgeable in an area or topic due to his or her study, training, or experience in the subject matter.

Everyone can be considered an expert at something – even if you don't think you are that great. The truth is, you only need to know 1% more than anyone else in the room to be considered an expert. This is something many would-be experts and entrepreneurs have a hard time dealing with, as they don't realize they are much smarter than they actually are.

Personal entrepreneurial characteristics

Successful entrepreneurs have skills, aptitudes, personalities, and values.

- ✓ **Skills:** This is the ability to do something well. Skills usually refer to manual work and can be learned. One can learn to become an electrician, a hairdresser, or a cabinet maker.
- ✓ **Aptitude:** It is a natural ability or skill. Each person is born with aptitudes and talents. Some are artistic, some have a talent for communicating, and others have a flair for figures.
- ✓ **Personality:** It is a person's own distinctive character.
- ✓ **Values:** Standards or principles considered to be of great worth or importance.
- ✓ **Expertise:** Expertise is based on knowledge that one acquires.



Analysis yourself

As an entrepreneur, you need to analyse yourself in terms of skills, expertise and aptitudes you have towards your venture

Once you have completed an analysis of your own abilities as an entrepreneur you need to move on to the next step on deciding on various short-term, medium and long-term goals and objectives.

Goals are broad targets that a person wishes to accomplish, while objectives are more specific performance targets. By creating specific goals and objectives, you are creating a target to aim

for and a basis for evaluating your company's true performance. After thinking about the personality traits of entrepreneurs, it is time to understand and reflect on your own personal qualities. Go through and complete this simple checklist to help you assess whether you fit the profile of an entrepreneur.

	Yes	No	To Some Extent
1. Do you like to work on a project from start to finish?			
2. Do you like to plan your day?			
3. Do you have specific goals?			
4. Do you have a set plan for reaching those goals?			
5. Do you thrive on challenges?			
6. Are you willing to take calculated risks?			
7. Are you an effective communicator?			
8. Works well in a team and able to tolerate differences.			
9. Would you describe yourself as outgoing, energetic, friendly and sociable?			
10. Able to think and act positively.			
11. Do you frequently work after hours to meet deadlines or to get additional income?			
12. Willing to work hard and meticulous.			
13. Are you willing to work through the night or weekend to complete a project?			
14. Do you enjoy solving problems?			
15. Resourceful in finding information, ideas, and solutions.			
16. Are you at ease helping or serving the public? Do you have any experience in service-related work?			
17. Is earning a good income more important to you than titles, a large office, and stability?			
18. Are you computer literate or able to use the personal computer to do administration?			
19. Do you have a large circle of friends, family members and network contacts?			
20. Do you think you have a needed skill or knowledge that can be useful to others?			

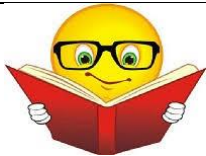
Calculating your score:

- ✓ For every **Yes** answer give a 2
- ✓ For every **To Some Extent** answer give a 1
- ✓ For every **No** answer give a 0
- ✓ Count them all together

Interpretation of the result:

30-40	Why are you still waiting, you should be self-employed?
20-29	You have the potential for becoming an entrepreneur but need to work on your weak areas.
0-19	Rather stay at your employer; you are more suited for the formal employment sector.

Not everyone is an entrepreneur. If you enjoy risks to some extent, are willing to do whatever it takes to succeed, don't mind working overtime and going without the some of the comforts and benefits of being employed, have a marketable hobby, like to pursue new ideas, work well with people and are self-motivated, then you can consider becoming self-employed.

	<i>Complete Activity in your Workbook</i>
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1.10. ENABLING PROGRAMMES FOR THE ENTREPRENEUR

Entrepreneurial apprenticeship refers to the preparation process that prospective entrepreneurs undergo to develop attitudes, behaviour, and skills by sharing business experiences with role models. Role models include parents, family or employees who are successful entrepreneurs.

The motivation for apprenticeship is found in the fact that experience, abilities, technical and managerial knowledge, wisdom, and discretion are formed through experiences in the relevant industry, market or technology. An apprenticeship period of ten years or longer is not uncommon to gain experience, gather technical knowledge, and establish networks and credibility. Two years' experience is generally viewed as the minimum experience needed to be successful.

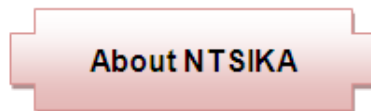
The essence of successful entrepreneurial preparation is to know where to undergo the applicable experience and knowledge. Formal training is one aspect and practical experience another.

To become a successful entrepreneur, you need to take advantage of the various entrepreneur enabling programmes in your area or province. The Ntsika and Khula Enterprises are the most well-known programmes. Here is a summary of how these programmes can assist you as a budding entrepreneur:

- Provide counselling, advice and support
- Provide access to technology and appropriate skills transfers and support services

- Assist entrepreneurs to access funding for purposes of establishing, expanding or buying out an existing business, business assets and working capital
- Offer pre-loan and post-loan mentorship
- Provide advice, counselling, and the development of viable business plans in order to access funding
- Help woman entrepreneurs to learn more about how to capitalise on their role in the South African economy
- To enable entrepreneurs to establish new enterprises as well as early phase business expansion.

On the Ntsika and Khula websites you will find the following details regarding these entrepreneur enabling programmes and how you can contact them.



Key Programmes:

The following is a list of the key programmes and the services that Ntsika offers to SMMEs.

Local Business Service Centres

The Local Business Service Centre (LBSC) programme is a key programme for the promotion of small, medium and micro-enterprises (SMMEs) across South Africa. The programme provides a nationwide infrastructure on which programme partnerships between government, local communities, and the private sector can be formed to realise the goals and objectives of the national strategy for the development and promotion of small business in South Africa.

Local Business Service Centre	Counselling, Advice & Technical Support	<u>Development of a Network of Service Providers</u>
	To offer support services to SMME Service Providers in relation to the delivery of their programmes.	To develop an effective and efficient local and provincial SMME Service Provider network in partnership with other stakeholders.
Contact Name: Moipone Molotsi Telephone: 012 483-2056 E-mail: mmolotsi@nepa.org.za	Contact Name: J. Francis Telephone: 012 483-2019 E-mail: jfrancis@nepa.org.za	Contact Name: Mbongeni Mtshali Telephone: 012 483-2052 E-mail: mmtshali@nepa.org.za
<u>Access to Technology Programmes</u>	<u>Institutional Funding</u>	<u>Mentorship Programme</u>

To provide access to technology and appropriate skills transfers and support services to SMMEs.	To provide funding for programme delivery to accredited Service Providers.	To utilise skilled businesspersons to offer personalised counselling and advisory services to qualifying SMMEs.
Contact Name: John Francis Telephone: 012 483-2019 E-mail: jfrancis@nepa.org.za	Contact Name: Gregory Blose Telephone: 012 483-2121 E-mail: gblose@nepa.org.za	Contact Name: John Francis Telephone: 012 483-2019 E-mail: jfrancis@nepa.org.za

Khula enterprise finance ltd (khula): innovative solutions for entrepreneurs

A Summary of Khula Products

What is Khula?

Khula Enterprise Finance Limited was established in 1996 to focus on the promotion and development of small and medium enterprises (SMEs) in South Africa.

Its role is to maximise access to finance for SMEs in a way that leads to the development of sustainable small and medium businesses, job creation, economic growth and equity.

Khula offers the following products to the entrepreneur:

- ✓ Khula Credit Indemnity Scheme
- ✓ Khula Land Reform Empowerment Facility
- ✓ Khula Mentorship Programme
- ✓ The non-bank: Retail Financial Intermediaries
- ✓ Khula Joint Ventures
 - Business Partners-Khula Start-up Fund
 - Anglo-Khula Mining Fund
 - Regent Factors Ltd
 - Enablis-Khula Loan Fund

Khula Credit Indemnity Scheme:

The purpose of the Indemnity Scheme is to share the financing risk with banks thus enabling SMEs to access funding from a participating bank or other financial institution. The scheme enables entrepreneurs to access funding for purposes of establishing, expanding or buying out an existing business, business assets and working capital. Finance has to be approved by the financial institution and the latter will only apply to Khula for a guarantee where there is inadequate collateral.

Khula Mentorship Programme:


The primary aim of the Mentorship Programme is to act as a risk mitigator and facilitator of access to finance for SMEs. It offers two services, namely; pre-loan and post loan mentorship services. During the pre-loan stage entrepreneurs are assisted by experienced mentors with advice, counselling and the development of viable business plans in order to access funding. In the post-loan stage clients are assisted with various aspects of managing a successful business as identified by the client, mentor, bank and Khula.

Non-bank Retail Financial Intermediaries:

Retail Financial Intermediaries, commonly referred to as RFIs, are independent organisations or companies accredited by Khula to lend money directly to SMEs.

Once accredited, RFIs receive loan funds from Khula to disburse to small and medium enterprises according to their own lending policies.

RFIs have to ensure that loans disbursed are paid back by the SMEs in order to pay back the loan originally received from Khula.



Joint Ventures

The Business Partners-Khula Start-up Fund

This is a fund created to enable entrepreneurs to establish new enterprises as well as early phase business expansion. Both Khula and Business Partners have co-invested in the venture, and the fund is managed by the latter.

The Anglo-Khula Mining Fund

This is a joint venture between Anglo American and Khula Enterprise Finance which facilitates entry of junior but commercially viable mining ventures into the mainstream mining sector.

The fund provides seed capital to assist junior mining projects at pre-feasibility and pre-commissioning stages.

Business support

There are many organisations in South Africa that offer support to all types of business entities. These organisations further recognise that in order to combat the high unemployment level and its related problems, the small, medium and micro-enterprise sector in South Africa needs to be developed. In order to unravel the potential of businesses in these sectors, the dti recognises that support in the form of advice from specialist organisations is vital and the following topics cover the various support groups available to South African businesses.

Women Entrepreneurs

Women are a key group in the South African business sector. South Africa recognises the invaluable potential and contribution that women can make to the economic sector of South Africa. Inequities however do still exist, but the drive to acknowledge women formally in the work environment is crucial. Women can therefore access several established organisations through this website in order to learn more about how to capitalise on their role in the South African economy.

Young Entrepreneurs

"The youth of our country are a valued possession of our nation. Without them, there can be no reconstruction and development programme. Without them, there can be no future." *Nelson Mandela - May 1994*

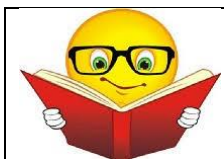
This quote captures the need for South African business to recognise the critical role that young entrepreneurs can play in the economic sector of South Africa. The youth need to be mobilised and encouraged to contribute meaningfully to the South African economy.

Where to get help

Small business promotion and development is the responsibility of business, government and labour. It is the key to substantial job creation, the creation of wealth and redistribution of wealth. The government strategy for Small Business Promotion was published in 1995 and has resulted in the creation of a National Institutional Framework for the creation of an enabling environment for small, micro and medium enterprises (SMMEs) in South Africa. The Department of Trade and Industry: Centre for Small Business Promotion is responsible for the implementation of the National Small Business Strategy.

Source: www.khula.org.za

Contact Details: Toll Free: 0800118815



Complete Activity in your Workbook

1.11. EFFECTIVE TEAM STRATEGIES

Teams, instead of jobs, have become the critical building blocks of future organisations. Teams and teaming are seen as one of the primary means of creating the high performance, high flexibility and high commitment organisation. Many South African organisations have gone the route of teams and teaming: Old Mutual, Denel, and Billiton, some diamond mines in the De Beers Group, Iscor, Sasol, and Eskom.

Mounting evidence demonstrates that designing organisations around teams provides the necessary leverage for an organisation to become world-class from a people perspective

Why teams have become so popular

Twenty years ago when companies like Volvo introduced teams into their production processes it made news because no one else was doing it. Today it is just the opposite.

Pick up almost any business periodical today and you'll read how teams have become an essential part of the way business is being done in companies like Iscor, Toyota, Dimension data, Nissan, Hewlett-Packard.

How do we explain the current popularity of teams?

The evidence suggest that teams typically out-perform individuals when the task being done require multiple skills, judgement, and experience. As organisations have restructured themselves to compete more effectively and efficiently they have turned to teams as a way to better utilise employee talents.

Management has found that teams are more flexible and responsive to changing events than are traditional departments or other forms of permanent groupings. Teams have the capability to quickly assemble, deploy, refocus and disband.

Group Dynamics and Teams

Group dynamics is viewed from the perspective of the internal nature of groups, how they form, they structure and processes, and how they function and affect individual members, other groups and the organisation. When looking at groups of people in a working environment, they go through a number of stages of development.

These stages can be briefly summarised as follows:

1. **Forming.** This initial stage is marked by uncertainty and even confusion. Group members are not sure about the purpose, structure, task, or leadership of the group.
2. **Storming.** This stage of development, as indicated by the team, is characterised by conflict and confrontation. (In the usually emotionally charged atmosphere, there may be considerable disagreement and conflict among members about their roles.
3. **Norming.** Finally in this stage the members begin to settle into cooperation and collaboration. They have a "we" feeling with high cohesion, group identity, and camaraderie.
4. **Performing.** This is the stage where the group is fully functioning and de-voted to effectively accomplishing the task agreed upon in the norming stage.
5. **Adjourning.** This represents the end of the group, which in ongoing permanent groups will never be reached. However for project teams or task forces with a specific objective, once the objective is accomplished, the group will disband or have a new composition, and the stages will start over again.

Roles in teams

For a team to work well, several roles must be played –not independently but collectively. The leader's role is to develop a team that thinks and acts together with individual and team interests aligned.

Assigning roles

The efficient team consists of people who can play several key roles (including coordinator, critic, ideas person, implementer, external contact, inspector, and team builder) in addition to the skills they bring to the basic tasks of the team. As leader, ensure that all these roles are played, sometimes with people combining roles. When organising the team, fit the roles to the

talents available, and provide training if necessary

Key team roles

- ✓ **Coordinator** Pulls together the work of a team as a whole
- ✓ **Critic** Guardian and analyst of the team's effectiveness
- ✓ **Ideas person** Encourages the teams innovative vitality
- ✓ **External contact**

Looks after the teams external contacts

- ✓ **Inspector** Ensures the high standards are maintained
- ✓ **Team builder** Develops the team working spirit Ensuring effective teamwork

Types of teams

Multi-skilling teams

Teams can function well in a situation where each member has a specific task and does nothing else. But in many cases you need more flexibility, which is when multi-skilling becomes important. Teams function better when people understand each other's job. Allocate time for your team members to work with others on the team. For example encourage a production worker to accompany a salesperson to see a customer, or sit a marketing person next to an engineer. This broadens perceptions as well as skills and promotes co-operation.

Empowering teams

Empower team members by giving them whole tasks and allowing them to find the best way of performing them, but make suggestions you feel necessary for improvement. In this way you are enabling them to use their talents more fully. Let everybody exercise the right to think and contribute their intelligence to the team.

The effectiveness of teams in organisations

Effective teams need to work together and take collective responsibility to complete significant task. They must be more than a team in name only. The freedom and autonomy, the opportunity to utilise different skills and talents, the ability to complete a task that has a substantial impact on others ensure effective teams.

The most effective teams are neither very small (under 4 or 5) nor very large (over 12). Very small teams are likely to lack in diversity of views. But when teams have more than about 10 to 12 members, it becomes difficult to get much done. Group members have trouble interacting constructively and agreeing on much, and large numbers of people usually can't develop the cohesiveness, commitment and mutual accountability necessary to achieve high performance. Therefore in de-signing effective teams, managers should keep them in the range of 5 to 12 people. If a natural working unit is larger and you want a team effort, consider breaking the group into sub teams.

Teams made up of flexible individuals have members who can complete each others task. This is an obvious plus to a team because it greatly improves its adaptability and makes it less reliant on any single member.

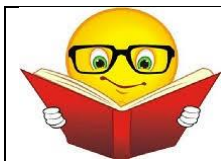
Let's look at teams in South Africa

- ✓ South Africa only become part of the global arena after 1994, thus teams are still adapting to doing business in the global market.
- ✓ We still have along way to go with the implementation of fully self directed teams.
- ✓ Managing diversity (race, gender, culture) is more complex because of our history- we still need to develop the "south Africa Way"

- ✓ Understanding and implementing empowerment on financial, organisational, team, and intrapersonal levels need improvement.
- ✓ A large proportion of managers don't understand team dynamics.
- ✓ Developing business acumen within teams is a challenge

The following are specific behavioural problems within most South African teams: lack of communication, poor planning for the future, little or no corporation, poor conflict management, unclear priorities and a lack of learning from successes and mistakes. Team members are unwilling to put conflict on the table and solve it in a constructive way.

Effective teams are based on mutual trust by all team members. In the South African context, team effectiveness is a lot more difficult to accomplish due to various factors ranging the mistrust between blacks and whites. The lack of interaction between different race groups has made it very difficult for teams to function efficiently. As an entrepreneur establishing a new business these factors must all be take into consideration in the establishment of teams to carry out specific task.



Complete Activity in your Workbook

1.12. METHODS TO ENHANCE AN ENTREPRENEURIAL PROFIL

Your fear becomes the biggest hindrance in your path to success. So, if entrepreneurship is what you are looking at you would need to work on yourself to release your negative self-beliefs and build your confidence. The problem is that with time our negative beliefs become like long held bad habits, which are difficult to break. They get so firmly entrenched in our subconscious and we eventually we accept as a part of our personalities. Therefore, to get completely rid of our negative beliefs we would need to look for a way to communicate with the subconscious.

Mind programming has to do with mind power. Mind power is our conscious mind, the way we think. Power of the subconscious mind comes from the thoughts and beliefs of the power of your mind. Your mind power and your subconscious mind work together, and they fashion your reality.

The following are methods of mind programming which can help you achieve this goal:

- Visualization
- Positive Thinking
- Affirmation
- Law of attraction

Visualization is big word that describes a simple, yet powerful and effective technique for creating whatever you want. Visualization is a proven subconscious mind technique used to help you change habits or achieve your goals. The idea behind this technique is to visualize what you want. It involves relaxation techniques combined with positive imaging. Research has shown that visualization works, whether you believe that it will.

Visualization can help boost your self-confidence by improving your own self-image. If you see yourself as meek or helpless you can use visualization to visualize yourself as strong and capable. If you think of yourself as unworthy or undeserving; you will use visualizations that show you as a worthy person making valuable contributions. If you feel you are often depressed, you will use visualization that you are happy. Whatever your issues are there is a visualization you can use to help build your confidence in that area.

Another way you can use subconscious mind visualization is to help change how you interact with others. If you are meek and shy you will use visualize yourself in situations with others where you are more outgoing. You may have issues with assertiveness in which case you will visualize yourself being more assertive with others. This technique can be used for many relationships that you have issues with. The key is to imagine yourself acting in a situation as you wish you acted.

You can also use visualization to reach specific goals. Think about the goal you want to obtain, and then visualize yourself already having obtained the goal. You picture yourself being what you want, doing what you want and achieving what you want.

Visualization is something you already do; however, if you have low self-confidence you are doing it negatively. You now need to train yourself to swap any negative thoughts for positive ones. With practice, you can train yourself to use your mental energy towards positive visualizations.

Here are some things to remember when using visualization.

- ✓ Visualize what you consider to be your biggest issues. Start with the larger issues, and as you become better at the process you can incorporate smaller issues.
- ✓ Choose visualizations that directly tie into your self-esteem. If you want to be more assertive, choose a situation where you are assertive to visualize.
- ✓ In your visualizations, picture yourself as having the quality you desire and show yourself positive consequences of the behaviours.
- ✓ When you visualize yourself make sure you are using assertive body language in the scene.
- ✓ Look at self-confidence as something you already have but just need to get back in tune with.

Positive Thinking

Positive thinking is a mental attitude that admits into the mind thoughts, words and images that are conducive to growth, expansion and success. It is a mental attitude that expects good and favourable results. A positive mind anticipates happiness, joy, health and a successful outcome of every situation and action. Whatever the mind expects, it finds.

Not everyone accepts or believes in positive thinking. Some consider the subject as just nonsense, and others scoff at people who believe and accept it. Among the people who accept it, not many know how to use it effectively to get results. Yet, it seems that many are becoming attracted to this subject, as evidenced by the many books, lectures and courses about it. This is a subject that is gaining popularity.

It is quite common to hear people say: "Think positive!", to someone who feels down and worried. Most people do not take these words seriously, as they do not know what they really mean, or do not consider them as useful and effective. How many people do you know, who stop to think what the power of positive thinking means?

Positive thinking is one of the main hallmarks of self-improvement. There are many benefits of positive thinking. Anyone who is serious about personal growth and improving themselves should and must practice positive thinking. Positive thinking brings inner peace, success, improved relationships, better health, happiness, and satisfaction. It also helps the daily affairs of life move more smoothly, and makes life look bright and promising.

Positive thinking is contagious.

People around you pick your mental moods and are affected accordingly. Think about happiness, good health and success and you will cause people to like you and desire to help you, because they enjoy the vibrations that a positive mind emits. To make positive thinking yield results, you need to develop a positive attitude toward life, expect a successful outcome of whatever you do, but also take any necessary actions to ensure your success.



Effective positive thinking that brings results is much more than just repeating a few positive words or telling yourself that everything is going to be all right. It must be your predominant mental attitude. It is not enough to think positively for a few moments, and then letting fears and lack of belief enter your mind. Some effort and inner work are necessary.

- ✓ Are you willing to make a real inner change?
- ✓ Are you willing to change the way you think?

- ✓ Are you willing to develop a mental power that can positively affect you, your environment, and the people around you?

Here are a few actions and tips to help you develop the power of positive thinking:

- ✓ Always use only positive words while thinking and while talking. Use words such as, 'I can', 'I am able', 'it is possible', 'it can be done', etc.
- ✓ Allow into your awareness only feelings of happiness, strength, and success.
- ✓ Try to disregard and ignore negative thoughts. Refuse to think such thoughts and substitute them with constructive happy thoughts.
- ✓ In your conversation use words that evoke feelings and mental images of strength, happiness, and success.
- ✓ Before starting with any plan or action, visualize clearly in your mind its successful outcome. If you visualize with concentration and faith, you will be amazed at the results.
- ✓ Read at least one page of inspiring book every day.
- ✓ Associate yourself with people who think positively.
- ✓ Always sit and walk with your back straight. This will strengthen your confidence and inner strength.

Think positive and expect only favorable results and situations, even if your current circumstances are not as you wish them to be. In time, your mental attitude will affect your life and circumstances and change them accordingly.

Affirmation

Developing a positive mindset is one of the most powerful life strategies there is. Using powerful positive thinking techniques, visualizations and positive affirmations, it is possible to achieve whatever you want.

Professionals and businesspeople can use these techniques to develop personal power or gain a competitive edge. At a personal level it will transform your life, your health and renew the joy and passion for life. Imagine waking up each morning, bursting with excitement, energy, and joy for the new day! It really is that powerful...

Our subconscious uses the behaviour patterns we have learned to automatically respond and react to many everyday events in our life. This is essential to our survival; we need to be able to respond quickly to events around us which would be impossible if we had to re-examine every aspect of things every time something simple happens. Our learned responses and thought patterns enable us to automatically respond to circumstances quickly and easily.

You can use "**Positive Affirmations**", which are usually short positive statements targeted at a specific subconscious set of beliefs, to challenge and undermine negative beliefs and to replace them with positive self-nurturing beliefs. It is a kind of "brainwashing" only you get to choose which negative beliefs to wash away. The way these statements are constructed is extremely important. It is important to remember of course that everything we say and think is a positive affirmation, using positive affirmation statements forces us to keep focused on our inner

goals and reminds us to think consciously about our words and thoughts and to modify them to reflect our positive affirmation.

How to create your own affirmations

Start by taking some time to think about areas in your life you would like to improve and how you might want your life to be. It is worth taking some time over this process. Write the most important ones down in a list. Now look at each item on the list and write out a few positive statements for each. They must be positive and in the present tense, focus on what you **do** want, **not** on what you don't want.

For example if my list of things that were important to me included...

"A fulfilling job"

My affirmation might look like this

💡I have a wonderful job that fulfils me on many levels💡

Creating your own affirmations is the perfect way to get the right affirmations for you.

Affirmation to business success

Many people credit success and sought-after behavioural changes to the use of affirmations - perhaps you will as well.

Have a Sense of Urgency- Getting Things Done.

1.Understand Yourself	"I pledge to strive to understand myself and the motivations for my actions and goals as I bring my personality to my new business knowing my habits and attitude become part of my venture."
2.Have a sense of urgency – Getting things done	"I pledge myself to develop a leadership style that gets things done. A style based on action not conversation. I will cultivate a sense of urgency."
3.Apply yourself – Don't be lazy	I will realize that success will only come through my efforts and hard work. I pledge to avoid the temptation of laziness and push my business to success and prosperity one day at a time."
4.Be organised	"I will realize that being organized in pursuing my goals is the foundation to building a successful business. I will strive to avoid chaos and confusion."
5.Keep your emotions in check	"I will work to avoid actions based on my moods and emotions to create an atmosphere of stability in my company"

6.Master of art of saying “No”	"I will understand that saying no is not negative thinking, but a survival skill. To prosper, I will learn to say no to unreasonable demands from employees, suppliers, and customers."
7.Practice the “Golden Rule” in all of your affairs	"I will strive to be honest in all my affairs, as I know that dishonest dealing and greed will color my ethics, diminish myself worth, and cloud my decision-making skills leading to a failing business."
8.Avoid the perils of expansion	"I will no longer equate bigness with success. I will understand that growth and success are not the same. Obsession with growth can lead me into bankruptcy."
9.Ask and follow up	"I will not hesitate to ask for customers and their business. I will not wait, nor feel hesitant about selling my products or services. I will realize a common failing is not following up on my actions."
10.Manage your money: Your most important asset	"I will view cash as my most important asset. I know I will fail if I run out of money. I know that not paying my employees, my telephone bill, my electric bill, my taxes, or my landlord can put me out of business."
11. Recognise the risks	"I will ask myself before committing my money, my lifestyle, my future, and my business: if things don't work out, can I afford the risk? I will learn not to confuse entrepreneurship with gambling."
12. A sure to way: Quit too soon!	"I will work to understand that quitting too soon is planning to fail. I will stay with my business regardless of its problems as long as it is my choice."

Whatever your approach to creating a profitable business is, remember: Success requires skill, resources, and positive behaviour reinforced by maturity, honesty, and perseverance. As to luck, think of it as dessert, not the main entrée.

Law of Attraction

The law of attraction is simply the law of the Universe that whatever you desire for and intend to have, you will attract it to you. In short, your thoughts dictate what you experience in reality.

The Law of Attraction is one of the better known universal laws. The theory behind the Law of Attraction is that we create our own realities. We attract things we want and we also attract things we don't want. We attract the people in our lives, the stuff in our homes and the money in our bank accounts through our thoughts and feelings.

When our beliefs are limited, we attract limited wealth and compromise our well-being. When we believe anything is possible, the sky's the limit. In fact, you can break through that glass roof on the sky with your miraculous positive thoughts. When we focus on the "lack of" we are creating a less-than reality. But, if focus on being abundant and happy we will enjoy a luxurious and glorious reality.

Although the theory behind the Law of Attraction is very simple, putting it into practice on a conscious level takes work. Negative and limiting belief systems are buried deep inside us. Changing or ridding yourself of ideas and old habits that defeat you at every turn can be done. Are you up to the challenge?

The creative process is as follows:

1. **Ask** - You must know what you want. I mean, really know what you want. The universe can't deliver without first knowing what it is that you want to have manifested into your life.
2. **Believe** - You need to truly believe that what you are asking for will become yours. Doubts need to be pushed away. The idea that failure is a possibility will mess up the delivery.
3. **Receive** - It is important that you become an active player in reaching your goals. When opportunity comes your way you must not hesitate. Grab the brass ring when it appears.

To make the law of attraction work, two things must be present;

Your intention must be congruent in every part of your being – Physically, emotionally, and spiritually. You may desire for wealth at the ego level but at the spiritual level you may seek to experience growth in certain areas.

You must have unshakable and consistent belief - Never have a shred of doubt. Once you start doubting or worrying about whether you can attract something, it will never happen. Keep this belief until what you intend is manifested.

4.2 AN UNDERSTANDING OF MENTAL LAWS

Mental laws of life

According to Napoleon Hill and Dennis Kimbro in *Think and Grow Rich: A Black Choice*, there are 8 mental laws. These laws are the laws that govern all thinking.

1. What you think upon grows – This law states that whatever you think about becomes your existence. Whatever you allow to occupy your mind you magnify in your life. Whether the subject of your thoughts be good or bad, the law works and the condition grows. The more you think about lack, bad times, etc., the worse will your business be; and the more you think of prosperity, abundance, and success, the more of these things will you bring into your life.

The more you think about your grievances or the injustices that you have suffered, the more such trials will you continue to receive; and the more you think of the good fortune you have had, the more good fortune will come to you.

2. Law of Cause and Effect (The Path Principle) – The direction you set in your life will determine your destination in life.

3. Use or Lose – This is the concept that practice make perfect.

4. Law of Correspondence (The BE – DO – HAVE Principle) – “First, within, then without.” To have what you want in your life you have to first conceive of it in your mind.

5. Law of Substitution – The only way to remove a negative thought from your mind is to substitute another thought in its stead.

6. Law of Belief – Anything that you believe with feeling will become real in your life.

7. Law of Attraction – You will attract to yourself those things in your life that are most like yourself. If you are positive, you will attract positive things to your life and vice versa.

8. Law of Compensation – You must give freely, without any thought of reward. If you give while thinking of reward you aren't giving, but are instead investing.

4.3 PARADIGM SHIFT FROM EMPLOYEE TO ENTREPRENEUR

The decision to be or not be an entrepreneur is an intensely personal one. It depends on each one's appetite for risk. There is never a right or wrong answer, just as there is never a right or wrong time. The fundamental decision has to come from within.

Making the transition from a traditional job to starting your own business can be scary. You are giving up the known for the unknown, giving up stability and schedule for something that isn't guaranteed. But you are also giving up limitations for *unlimited possibilities*, and a strict schedule for complete flexibility.

The most common advice is that you need to save up at least 3 months worth of living expenses before you quit your job, or make the transition to be an entrepreneur. I think that this is *great* advice, and recommend it myself.

Another option is to begin working on your business idea in your spare time, while keeping your current job. While this may mean insanely long days and unrealistic hours for you... it is only an investment you have to make for a short time. Once your business begins to earn what you are making at your job, you can comfortably leave that job and get back to normal working hours.

No matter which option you choose, you will most likely be making a sacrifice of some sort... and taking a chance. Plan smart, believe in yourself, and resolve to do whatever it takes to see your dreams come true. Most people go into business for themselves because they want more out of life. More free time, more flexibility, more options, and more financial stability. Whatever your “more” is, want it bad enough to throw caution to the wind and make it happen!

Some suggestions for employees who want to make the leap to entrepreneur:

1) Spend time thinking about what it is you're valuing about your own career.

- 2) If you're an entrepreneur who's hiring, take time to consider whether your location is a barrier to employment, and whether your compensation aligns with what a candidate is looking for. If those things aren't aligned, odds are your candidate will either turn the job down or won't last long as an employee.

Those considerations can also affect whether you quit your job to start a business or stay employed and do it on the side. How much time do you have in your day? How much is already devoted to other pursuits? For some people, it's feasible to do a part-time business. For others, it isn't.

- 3) Are you going to like wearing many hats? If you worked in a large organization, you likely had many resources. As an entrepreneur, you'll find yourself doing things that other people were responsible for in your previous organization, or things you used to delegate.

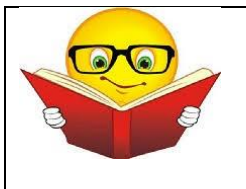
You can have control over your time. You can prioritize the things you think are most important and the business opportunities I think are most relevant to the top of the list. In a corporation, your time often is dictated around other people's calendars.

- 4) Don't be afraid to ask people for help or to seek out resources online and elsewhere. You can go to the bookstore and look at books around small businesses.

There are also DVDs and charts and plans available. If you go online, there are lots of resources available. Find them, and don't be afraid to ask.

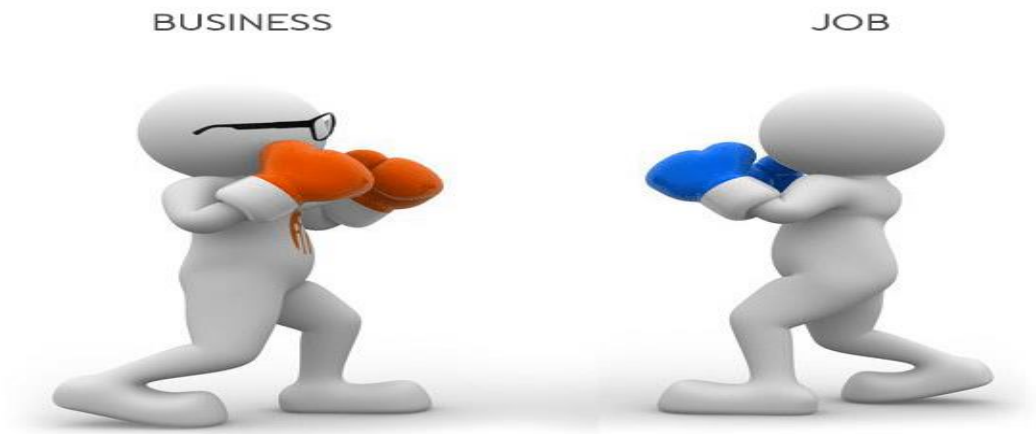
- 5) Don't wait until you start your business to get involved in the industry. Start interacting with professional organizations and networking groups ahead of time. People will be happy to help you.

Join an organization to be around people who have done this. You hear the good, the bad and the ugly. There are no words to describe how valuable that can be."



Complete Activity in your Workbook

1.13. FROM EMPLOYEE TO ENTREPRENEUR



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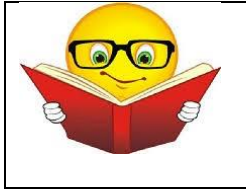
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Complete Activity in your Workbook

1.14. DESIGN A PERSONAL STRATEGIC PLAN

Corporations do it. Entrepreneurs do it (well, some of them). Many successful businesses develop a strategic plan to help them get clarity and focus. The world has become a complicated place in which to live.

The past few decades have seen enormous, accelerating changes in:

- ✓ Technology and social structure,
- ✓ Geopolitics
- ✓ The organizations in which we work.

We are faced with all the uncertainties and fears that come with not knowing what’s going to happen next; but knowing that, whatever it is, it will come very quickly and without warning.

In the midst of all this, we all have our hopes, our dreams, our aspirations; the things we want to do and the places we want to go. This is why it’s so important to make wise decisions about how we invest our time and energy. The purpose of developing a personal strategic plan is to identify those aspects of your business and personal life that require special attention. After all, you can’t do everything, so let’s get focused on those things where it is critical to produce results.

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Developing a vision of your future and a personal strategic plan is not a complicated process, but it does take some thought and time. The process starts with personal research that includes an understanding of your life stages, the forces that drive your life and plausible events for your current life stage. The next step is exploring plausible futures with personal scenarios. At that point, you are ready to define a vision of your future then create a plan that will help you achieve that vision.

Your personal vision

What is a personal vision, and how do you define it? A personal vision is simply your statement of what you want your future to be. When asked, some people say that their vision is to be healthy, wealthy and successful. That's a good start, but you should recognize that those terms might have different meanings at different times in your life. "Healthy" to a young person may mean healthy enough to compete in competitive sports, while someone in their seventies may consider health to mean the absence of illness or the ability to walk moderate distances comfortably. Views or measurements of wealth and success may also vary between individuals and at different stages of life.



To develop your vision of the future, start with this small worksheet, and ask yourself, "What?"

- ✓ What do you want for your future?
- ✓ What would your future look like if there were no financial restraints?
- ✓ No time constraints?

Now, ask yourself about your values.

- What or who is really important in your life?
- Family?
- Career?
- Wealth?
- Ethics?
- Knowledge?
- What do you want to achieve during this life stage?
- Career advancement?
- Raise family?
- Educate your children?
- Travel?
- Accumulate?
- Change the world?

Summarize all of this into one sentence about your preferred future. Two at the most. This written vision should give you direction, declare where you are going, what you want to achieve and, by implication, what you want to avoid.

Your personal mission

Do you feel that you have a mission in life? This is something different than a vision. This is something that you feel you must accomplish. Not everyone feels they have a mission during each stage of life, but others do. Whether it's to get your children or grandchildren educated, to write a book, to bring about social change, achieve a certain social status or any other mission that is a motivating force in your life, you should write it down, next to your vision of your future.

Are the vision and the mission compatible or are they mutually exclusive? You will have to decide how to resolve any differences, but the important thing here is to recognize how the mission and vision can work together, and how you can reconcile them if necessary and plan to accomplish both in the future.

Long- and short-term goals

The following step in writing a personal development plan is to set your short-term and long term goals for the identified focus areas.

The goals should be measurable, actionable items which can be achieved. Make sure it is not vague. The solution here is to turn the goals, which are usually 'being' goals into an action that you can 'do'. Being to doing. When deciding on your goals, you also need to set your timeframes, remember SMART goals.

Your personal strategy

With your vision and mission defined, the next step in strategic planning is to devise strategies to achieve your vision. A strategy is simply a way to do something, but some strategies are better than others. Good strategies are what make the difference for winning generals or championship chess players.

The winners develop better strategies than their opponents. You won't have an opponent to deal with, but working to improve and fully develop your strategies will improve your likelihood of success. So, for each component of your vision, ask "How?" How will you achieve that component of your vision of the future? What strategy will you use to advance your career? Working harder in your present position? Changing firms? Changing industries? Getting more education? Any of those strategies may work, but you will have to pick the best combination for your situation.

As you go through the various components of your vision, written and unwritten, you will develop a list of strategies: strategies for your career and your family, and others for health, housing and finances. Some may be relatively short-term strategies, but most will be long-term strategies. For example, decisions to stop smoking, to follow a nutritious diet, to exercise regularly may appear to be short term strategies, but they are all part of a long-term strategy for good health that will have its biggest payoff well after you reach retirement age.

Live your personal plan

The final step in strategic planning may be the most important ...Live your plan!

One of the frustrations that professionals who work in the area of strategic planning with businesses and institutions is that often an organization will go through the entire strategic planning process, then never execute the plan. Hopefully, by the time you complete your plan you will recognize that you not only have an investment in your plan, but you have the opportunity to improve the future for your family and yourself.

As you live your plan, be sure to monitor how your life is unfolding. Are you living the scenario you expected or sought? Or is another scenario developing? By monitoring all aspects of your life and maintaining an awareness of the world as it changes around you, you should be able to adjust your plan, modify your strategies where necessary and take your life in the direction that will be most favourable to you and your family. This process of monitoring your progress and changing direction when necessary is very like tacking a sailboat as you sail into the wind. You can alter your course many times while successfully proceeding toward your destination.

Sample Strategic Plan

Life Area: Education		
GOALS	ACTION STEPS	DEADLINES
Complete an MBA through University	1. Make appointment with student advisor: ✓ Identify possible majors ✓ Identify potential mentor and ask if she will help me	October 2013
	2. Complete Application Process: ✓ Contact the Central Applications Office ✓ Send application	November 2013
	3. List the required classes to complete based on qualification requirements: ✓ Year 1 ✓ Year 2 ✓ Year 3	Jan – Nov 2013 Jan – Nov 2014 Jan – Nov 2015

Remember that GOALS should be SMART compliant

 <p>Specific</p>	 <p>Measurable</p>	 <p>Attainable</p>	 <p>Realistic</p>	 <p>Time-bound</p>
<p>Do: Set real numbers with real deadlines.</p> <p>Don't: Say, "I want more visitors."</p>	<p>Do: Make sure your goal is trackable.</p> <p>Don't: Hide behind buzzwords like, "brand engagement," or, "social influence."</p>	<p>Do: Work towards a goal that is challenging, but possible.</p> <p>Don't: Try to take over the world in one night.</p>	<p>Do: Be honest with yourself- you know what you and your team are capable of.</p> <p>Don't: Forget any hurdles you may have to overcome.</p>	<p>Do: Give yourself a deadline.</p> <p>Don't: Keep pushing towards a goal you might hit, "some day."</p>

LEARNING UNIT 2: Viability of Ideas

ID	Unit Standard Title	Level	Credits
114596	Research the viability of the new ideas / opportunities	4	5

Learning Outcomes:

By the end of this unit, you will be able to:

- ✓ Identify and assess own business ideas/opportunities for a new venture.
- ✓ Analyse the viability of a selected idea/opportunity against specific screening variables.
- ✓ Research the potential of a particular idea/opportunity as a new venture.
- ✓ Analyse a range risks associated with a new venture.
- ✓ Evaluate new venture ideas/opportunities based on research findings

2.1. INTRODUCTION

This course is dedicated to helping you analyse the viability of your business ideas in order to decide whether they are feasible opportunities for you to pursue. It is important for you to realise that you should thoroughly research and understand your ideas and the environment in which they operate. What may seem like a 'brilliant and unique opportunity' may turn into an absolute nightmare if you have not fully understood what the idea involves.

Take your time as you work through this course. You will learn how to choose the best business start up, as well as how to choose the most viable business idea. You will also learn how to minimise risk in your chosen business environment.

2.2. IDENTIFYING BUSINESS IDEAS OR OPPORTUNITIES

Most ideas come from environments and things with which you are familiar, e.g. your neighborhood, a comment from a good friend, a suggestion of an employee, or a problem identified by a customer. Too often people think they have to look for opportunities outside what they know. Most ideas have very common roots in things we know and are comfortable with. What turns these ideas into opportunities is the ability of the entrepreneur to look at the common from an uncommon view. Research supports this notion that the bulk of our ideas come from our prior experience.

Identify a winning idea:

Remember a winning idea.....

- ✓ makes money now and in five years time
- ✓ sounds attractive to financiers and your bank manager
- ✓ is easy to promote
- ✓ is something that appeals to a growing number of customers
- ✓ encourage repeat purchasing
- ✓ is what you want to do
- ✓ is easy to put into practice
- ✓ legal

With growing unemployment rate, many people are forced to find alternative methods to supplement their diminishing income. Many of these people decide to start their own business. Their reasons behind this decision may vary. Some prefer the idea of being independent and not working for a boss, while others like the sense of achievement by taking the risk in creating a successful small business. Owning your own business also allows you to be creative, which is not always possible when working for a boss with different ideas. Other people are attracted to the idea because of the profits they predict.

However, owning your business also has various risks. It requires hard work and sacrifices. The demands of owning your own business may isolate you from family and friends. There may be also added pressure for you to achieve your goals and ambitions, which causes added stress. The various reasons why small businesses fail are outlined below.

UNCONTROLLABLE FACTORS:

These factors are mostly related to the political and economic situation of the country. South Africa in particular has problems that are unique, making it more difficult for the small business to be successful. These problems include strikes and boycotts, high inflation and the weak Rand.

Let us take a brief look at a few of these.

1. Discrimination against small businesses. Due to the limited access to resources such as finance, expertise and raw materials, small businesses are often discriminated against. Also, the small business often ends up paying more for goods and services and has higher interest rates because they do not have the same bargaining power as larger businesses.
2. Change in the economic climate. Due to the fact that small businesses do not have easy access to resources, they will be hit harder by an economic downward trend when sources of finance are limited and small businesses are forced to pay higher interest rates.
3. Change in the political environment. Small businesses are also sensitive to government policies, laws and regulations.
4. Changes in consumer behaviour. The needs and wants of humans are always changing. Their behaviour, preferences and demands change with time and if the small business does not keep up-to-date with these changes, it can have a severe impact on the business.

CONTROLLABLE FACTORS:

These are usually based on the business experience of the small business operator.

Examples of controllable factors follow.

1. Technical skills. As a small business grows, greater demands are made on the technical skills of small businesses. Where it was previously easy for them to manage the business with their limited skills, more difficult problems are exposed that require better technical skills. Sooner or later the business may have a situation that cannot be handled and may cause the small business to fail.
2. Financial skills. Inadequate financial skills may result in cash flow problems where the small business does not have enough cash to cover their obligations. Cash flow problems are mostly caused by poor cash management and insufficient initial capital. This problem can be eliminated by using accurate cash-flow forecasts. Another financial problem is inadequate financial control such as failure to budget for inflation or keeping control over unnecessary expenses.
3. Marketing skills. Poor market research and marketing skills will hinder the ability to sell products.



Complete Activity in your Workbook

There are three phases of establishing your own small business.

1. **The idea phase.** Here you identify an opportunity in the business environment. This phase challenges you to formulate a business idea that is innovative as well as an opportunity that will change people's values or needs.
2. **The planning phase.** Here, the viability of the idea is investigated and a business plan is drawn up.
3. **The implementation phase.** Here the business plan is implemented and the opportunity is fully utilised with an objective of making a profit.

The difference between ideas and opportunities

A small business idea is not necessarily a small business opportunity. All opportunities are based on ideas, however all ideas do not necessarily represent opportunities. Opportunities are basically ideas that work, that are successful and profitable. They are ideas that can be converted into a successful business enterprise.

An opportunity is thus an idea with the following:

- ✓ It is based on a product or service that will satisfy a need or add value.
- ✓ It is possible to enter the market and the entrepreneur is able to organise people and tasks to achieve the goals and objectives.
- ✓ The business gains a competitive advantage using the opportunity.
- ✓ The opportunity is viable because it offers significant potential for growth and profit.

2.3. SOURCES OF INFORMATION FOR IDEAS AND OPPORTUNITIES

Apart from taking note of everyday activities, ideas can also be obtained by consulting other reference sources. The following are examples of such sources:

- ✓ **The Yellow Pages** - The Yellow Pages list almost all products and / or services that small businesses can provide. Preferably use the Yellow Pages of a large city, as it contains more information. By reading the reference index at the end of the Yellow Pages, knowledge can be obtained about a variety of products and / or services in a short space of time. The adverts in the Yellow Pages can provide more information on specific products and / or services.
- ✓ **Consult business publications** - Magazines like the "*Southern African Success: Southern Africa's journal of Business Opportunities*" can be a valuable source of small business ideas. The "*Financial Mail*" and "*Finansies en Tegniek*" are South African business magazines that carry weekly articles on the success stories of entrepreneurs in South Africa.
- ✓ **Contact an inventors' association** - This can be a rich source of ideas. It could for example be possible to collaborate with an inventor to produce and market his

invention. Two associations that could possibly be contacted are the Institute of Inventors (and the SA Inventors & Designer Society).

- ✓ **Examine overseas products** - Products that are not yet available in South Africa are often imported, imitated or adapted for the South African market. The franchise 'Sweets from Heaven', which presents a variety of sweets in a particular way, was based on an idea obtained from abroad.
- ✓ **Examine patents that have expired** - Patents that have expired are public property. There can be various reasons why a patent has not previously realized and is now ready for the market. These reasons can include:
 - The market for this product has grown in the interim.
 - It can be used with other products that were previously unavailable.
 - New technology exists that makes the manufacturing of the product technically feasible and commercially viable.
- ✓ An example of a patent that expired is antibiotics and pills that help muscular injuries recover. Lennon's sell a product that is called Panamor and that is comparable to the well-known product Voltaren, Panamor originated on the expiry of a patent on the original product.
- ✓ **Visit trade shows** - Trade shows are a good source of small business ideas. You also get the opportunity to see the product and to talk to the exhibitors about the market, product features, new technology and even the possibility of doing business together.
- ✓ **Investigate advertisements** for small business opportunities Newspapers and magazines often carry advertisements for small business opportunities.

Although many of these must be investigated with caution, there also exist real opportunities and these can serve as source of a new small business idea. Note for example how many franchising opportunities are advertised in the newspapers!

Other sources of new ideas:

- ✓ Prior experience
- ✓ Hobby/personal interest
- ✓ Friends or relatives
- ✓ Business associates
- ✓ Seeing a similar business
- ✓ Market research
- ✓ Serendipity
- ✓ Other sources

Choosing a suitable idea

Performing a search for business ideas on any of the popular search engines can leave you completely overwhelmed. The sheer number of ideas and opportunities is alarming, and your task of finding the idea that best suits you is made complicated. You will be exposed to small business ideas, home business ideas, franchises and various other opportunities when researching your options. When deciding on the right opportunity you should take a few important factors into account.

It is no secret that a large percentage of new businesses will never turn-over a profit and there are many reasons for this. For you to avoid falling prey to business failure it is imperative that you do the groundwork before choosing any business idea available to you.

Deciding on a suitable idea

Starting a business is easy. Deciding on what business to engage in is the difficult part. There are literally hundreds of ideas you might think of that could bring in extra income. How do you know which of these business ideas will bring you success?

Most entrepreneurs start-up with very little money and a strong belief that success will come to them if they work hard enough and offer a quality product or service. While this positive attitude is essential, it is not enough to guarantee financial success. A lot hinges on your management and marketing skills - and your product or service.

You can either choose a product-oriented or a service-oriented business. A product-oriented business allows you to either create or manufacture the product yourself, or resell products that are made by others on a direct sales or drop-ship basis. On the other hand, you can opt to engage in a service-oriented business where you perform services such as consultations.

Before you begin to develop your business idea, you need to determine its strength and viability. Below is a checklist of criteria to help in evaluating ideas that is particularly well suited for you and your goals. Ask yourself the following questions when evaluating an idea for a business or product

1. Does it satisfy or create a market need?

Introducing a new product without first testing the market is like jumping off a cliff blindfolded. In fact, many businesses fail because there is no adequate market for their products or services. Before you risk your resources on a new venture, it is necessary to get an objective picture of your prospective market. Although accurately determining the customer reaction to a new product is difficult, a new business owner must try to get hold of as much information on the market as he or she can either through a formal market research or through secondary research.

The rule is: find a need and fill it. To the extent possible, do not offer a product or service so new or unusual that people cannot understand why they should buy it -

unless you want to spend most of your time and resources educating the public. Big companies, with their deep pockets, can afford to launch a massive educational campaign for breakthrough products. Small businesses, given their size and nature, often do not have the resources (capital, personnel, technology) to mobilize such campaigns. Also, do not offer a product you love to make but whose market potential is weak at best.

2. Will the product maintain market appeal?

Beware of fashion and fleeting trends as these markets change quickly that your business cannot achieve a sufficient volume or a sufficient share of the market. If your product, however, is a fashion, make sure that you can move fast enough to capitalize on it before it dies. Also determine if your product or service can be used nationally, or is it simply limited to your geographical area. With the increasing globalization of business, you may need to look at the international market and see if there is significant foreign competition.

3. How unique is your product?

The goal is to be able to differentiate your product from your competitor. You need to show why your products and services are unique, distinct or of considerably superior to your competitors. Every product in the world can be sold or presented in a new way. If you seriously intend to capture a significant market share, your potential customers must find more value from your product.

4. How useful is your product?

Many new ideas and products are successful because their creators identified an unmet need in the market. Identify at the onset how your product or service will be used and determine the frequency of product use. Some business ideas fill a real need, but in some cases the need have to be created through promotional advertising and promotions. This information can help build your marketing strategy.

5. How much competition exists?

Remember, there is never a "no competition" situation. Your product will always have its competition. Determine the kind of competition you will have - locally, regionally, and nationally. Look for heavy or moderate competition - the fact that competition exists in that market proves a demand, or at least a need for what you offer. However, test for market saturation. Unless you are offering a groundbreaking product, stay away from market with extremely few competitors.

Lack of competition could mean that your business idea is not profitable to begin with, or that your idea is so new and unique that no one has thought of it yet. Few players in the market could also imply that the market may be controlled by a monopoly or a cartel, the barriers to entry are too high for a small firm, or that the demand is too limited to sustain another entrant in the market.

6. Have you priced your product competitively?

The right price for a product or service is one of the essential elements in a solid business model. Don't do yourself injustice; the wrong price tag is like a ticket to disaster. Economic survival is the primary consideration underlying all pricing decisions. Ideally, a price should meet three requirements: it should match the competition; it should be attractive to your potential customers; and it should earn a profit for you. Set your prices, not by competition, but based on the needs of your business. Depending on your products, consider pricing yourself on the higher side: the higher you price yourself, the higher you position yourself.

7. What is the level of difficulty in the creation or implementation of the product?

You need to consider the economic factors in the execution of the product, such as time, capital investment required, and marketing costs, personnel needed, among others. Also determine if you have the engineering, production, sales, and distribution facilities adequate for the product's implementation. You may have an excellent business idea, but if you do not have the economies of scale to produce it, then you might be better off to consider other products (or at least a scaled down version).

8. What are the growth possibilities?

Your business model stands to succeed if the demand for your products or services can be expected to grow with a change in the economy. Check if your product can survive a major technological surge or obsolescence.

9. Can I get backend sales?

Back-end sales are all the products or services you sell and resell to customers or clients after they have made their initial purchasing transaction with you.

Determine if your product or service will warrant repeat sales. There is real business value in building a pool of repeat customers. The bulk of the sales, cash flow and current profit comes from utilizing and then better utilizing a back end.

10. Is the product safe?

The safety of a product use is an important consideration for many consumers, particularly for manufactured products. If you are in the service business, you need to make sure that your personnel are properly trained with the goal of satisfying your customers foremost in their minds. Educate your consumers on how best to use the product and include clear instructions to avoid costly legal entanglements. Make sure that your business is insured against various forms of liabilities that may arise.

A profitable business idea that will work for you involves having an ideal customer base to whom you can uniquely provide the product or service they desire, or solve the problem they suffer from. Make sure you objectively understand this and can state it. If you can't your ideal customer will never buy from you.

2.4. MARKET SHARE, SALES VOLUME AND ASSET VALUE

Market share

Market share, in strategic management and marketing is the percentage or proportion of the total available market or market segment that is being serviced by a company. It can be expressed as a company's sales revenue (from that market) divided by the total sales revenue available in that market. It can also be expressed as a company's unit sales volume (in a market) divided by the total volume of units sold in that market.

It is generally necessary to commission market research (generally desk/secondary research) to determine. Sometimes, though, one can use primary research to estimate the total market size and a company's market share.

Market share is the portion or percentage of sales of a particular product or service in a given region that are controlled by a company. If, for example, there are 100 widgets sold in a country and company A sells 43 of them, then company A has a 43% market share. You can also calculate market share using revenue instead of units sold. If company A sold widgets for a total cost of R860 and the people in the country spend a total of R2,000 on the same widgets, then the market share is $R860/R2,000$ or 43%. The two different methods of calculating market share won't always provide the same answer, because different companies may charge slightly different prices for the same type of widget.

Market share is used by businesses to determine their competitive strength in a sector as compared to other companies in the same sector.

It also allows you to accurately assess your performance from year to year. If you only use sales to measure your performance, then you don't take into account the market conditions that may have improved or decreased your sales.

Your sales may have gone up because of increased popularity of your type of widget, or they may have gone down because of a drought or recession. Since those factors are beyond your control, they don't give you meaningful information about how you are actually doing as a company in terms of improving your business. By measuring market share, you can see if you are doing better or worse compared to other companies that are facing the same challenges and opportunities that you are.

There are four basic ways you can improve your market share. You can improve your product so that it is better than your competitors or you can change the price or offer special incentives for buyers, such as discounts or sales. Alternatively, you can find new methods to distribute your product so people can buy it in more places. Finally, you can advertise and promote your product. Using these techniques in any combination may improve market share.

Increased market share is not always the best solution for businesses. It might not be profitable if it is associated with expensive advertising or a big price decrease. A company may not be able to meet the demand of an increased market share without huge investments in new equipment and employees. In some cases it can be to a company's advantage to decrease market share, if the lower costs of lower market share can improve profitability. Managing market share, therefore, is a very important aspect of managing a business.

Sales Volume:

Number of units sold in a predefined period.

Sales volume is the number of sold units of sales in a certain period of time. Sales units are usually physical case, or simply the case, which is basically product in shape of usual sales pack.



Example, milk 12x1l packs. In some cases, the sales volume can represent in physical cases, but in some other units of measure, e.g. liters, hectoliters, kilograms, tons, or some other units that represent a certain weight or volume. Usually the companies own their own adopted system of volume measurement of the Sales Volume

Asset value:

The value of items capitalised in a balance sheet. It is also the amount of capital required to purchase the assets for a new venture

External control:

Shareholding by individuals or entities not internally involved in the business

Description of Independence from outside control:

When the internal shareholders have more than 50% shareholding in the company; when internal shareholders are not dependant on outside control

The types of new ventures and opportunities

100 Low-Cost Business Ideas

By Stephanie Chandler

The following is a list of 100 business start-up ideas. Whether you want to start a home-based business, launch a part-time business or a full-time business, this list can help you seize your entrepreneurial dreams!

Business ideas:	
1. Dinner to Go Service	2. Catering
3. Personal Chef	4. Canning (sell goods such as jams and pickles)
5. Cooking Class Instructor	6. Baked Goods (pastries, custom cakes, etc.)
7. Cart/Kiosk Operator	8. Resume Writer
9. Business Plan Developer	10. Custom Letter Service
11. Press Release Writer	12. Newsletter Creator & Distributor
13. Custom Poem Service	14. Freelance Writer
15. Publish Books	16. Publish E-books & Information Products
17. Copy Writer	18. Technical Writer
19. Editing & Proofreading Service	20. Ghost Writing
21. Virtual Assistant	22. Bookkeeper
23. Personal Assistant	24. Invitations (Calligraphy)
25. Typing Service	26. Medical Transcriber
27. Translator	28. Theme Party Planner
29. Transportation Service (Kid Cab)	30. Play Date Group Planner
31. Tutoring Service	32. Babysitting Class Instructor for Teens
33. After School Care	34. Kids Fitness Instructor
35. eBay Business	36. eBay Trading Assistant
37. Bookseller	38. Website Designer
39. Babysitting Referral Service	40. Computer Tutor
41. Computer Technician	42. Infopreneur

43. Online Boutique/Store Owner	44. Alterations Service
45. Knit/Crocheted Items for Sale	46. Costume Designer
47. Portrait Artist	48. Custom Scrapbook Service
49. Greeting Card Business	50. Custom Woodworking
51. Bookmarks	52. Jewellery
53. Ornaments	54. Purses
55. Curtains	56. Recipe Book Collections
57. Fitness Instructor	58. Acting Classes
59. Music Lessons	60. Personal Coach
61. Business Coach	62. Career Coach
63. Image Consultant	64. Personal Trainer
65. Life Coach	66. Doula
67. Pet Sitter	68. Doggie Day Care Provider
69. Mobile Grooming Service	70. Dog Walker
71. Dog Trainer	72. Pooper Scooper Service
73. Landscaper/Gardener	74. General Contractor
75. Hauling Service	76. Handyman/Repair Service
77. House Painter	78. Window Washer Service
79. Carpet Cleaning Service	80. Janitorial Service
81. Delivery Service	82. Errand Service
83. Furniture Restoration	84. Genealogy Research Service
85. Private Investigator	86. Public Speaker
87. Notary	88. Photographer
89. Clothing Exchange Service	90. Laundry Service
91. Gift Baskets	92. Yard Sign Rental Service
93. Gift Delivery Service	94. Massage Therapist
95. Home Grown Produce (sell at farmer's markets)	96. Flier Delivery Service
97. House Cleaner	98. Professional Organizer
99. Personal Shopper	100. Makeup Artist

<http://www.businessinfo guide.com/article-100bizideas.htm>

List of Criteria for choosing a business

- ✓ Need for product or service
- ✓ Market Size
- ✓ Target Population (client profile)
- ✓ Quality
- ✓ Cost per job/product or service
- ✓ Potential for profit
- ✓ Empowerment
- ✓ Number of jobs created

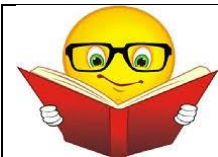


Group Activity

We have provided you with 100 business ideas. In your groups, identify and determine from which business ideas you've been allocated – have the potential to become a business opportunity (within your community). Select five options from the business ideas you have been allocated that could potentially be turned into

5 Business Choices

Criteria for your chosen choices



Complete Activity in your Workbook

2.5. EVALUATING THE VIABILITY OF IDEAS OR OPPORTUNITIES

Before going deeper into business idea generation you need to test yourself as an entrepreneur in terms of your personal characteristics, situations and skills.

Aptitude

Aptitudes are natural talents, special abilities for doing, or learning to do, certain kinds of things easily and quickly. They have little to do with knowledge or culture, or education, or even interests. They have to do with heredity. Musical talent and artistic talent are examples of such aptitudes. Some people can paint beautifully but cannot carry a tune. Others are good at talking to people but slow at paperwork. Still others can easily repair a car but find writing difficult. These basic differences among people are important factors in making one person satisfied as a banker, another satisfied as an engineer, and still another satisfied working as an editor.

Every occupation, whether it is engineering, medicine, law or management, uses certain aptitudes. The work you are most likely to enjoy and be successful in is work that uses your aptitudes. For example, if you are an engineer but possesses aptitudes not used in engineering, your work might seem unrewarding. If you lack the engineer's aptitudes, your work may be difficult or unpleasant.

Assess your aptitude

Rate yourself in these categories on a scale of 1 to 10 (with 10 the highest). If you average a high number, the entrepreneurial path may be ideal for you. Conversely, if you get a one, two or three, you might rethink moving forward with your plans.

Statement	Rate 1 – 10
1. Are you adaptable? Can you handle the inevitable ups and downs?	
2. Are you competitive? Are you eager to work hard to be the best?	
3. Are you a good problem-solver?	
4. Are you organized?	
5. Are you a risk-taker? Are you willing to give it your all and fail?	
6. Are you confident you can succeed with your mission?	
7. Are you disciplined – can you stay the course?	
8. Do you have the drive to accomplish your goal, no matter how difficult?	
9. Are you resilient? Will minor bumps in the road throw you of course or dilute your enthusiasm?	
10. Are you an honest, straightforward person?	
11. Are you persuasive? Can you get other people to follow your lead?	
12. Are you able to delegate responsibility?	

13. Are you a good manager of people?	
14. Do you have a vision? Are you capable of staying focused and realizing long-term goals?	

If you average a high number, the entrepreneurial path may be ideal for you. Conversely, if you get a one, two or three, you might rethink moving forward with your plans.

Values

Values are those things that really matter to each of us ... the ideas and beliefs we hold as special. Caring for others, for example, is a value; so is the freedom to express our opinions. Most of us learned our values - or morals, if you prefer - at home, at church or synagogue, at school. But, where are our children learning their values? Maybe from parents, teachers and religious leaders, but society has changed.

To help you decide if you are the right kind of person to start a business, think about each of the following factors. Decide for each one of them if it is strength or a weakness for you in running your own business. Now, test yourself with the following:

To help you decide if you are the right kind of person to start a business, think about each of the following factors. Decide for each one of them if it is strength or a weakness for you in running your own business. Now, test yourself with the following:

Assessment of entrepreneurial characteristics (example)

Characteristics	Strength	Weakness
1. Skills:		
Practical abilities needed to produce the product, e.g. to start a wood work business you need to be able to measure, cut, nail parts together		
Business management skills: Marketing, costing, record keeping		
Knowledge of your line of business: Market, competitors, suppliers		
2. Personal characteristics and situation:		
Commitment: Willingness to put your business before almost everything else, willingness to work long hours in the business and willingness to risk your own money in the business		
Motivation: Are you keen enough to try your own business? Do you want to be your own boss? Do you want to have your own business not because you are unemployed?		

Taking risk: (i.e. readiness to take moderate risks that may not be avoided)		
Making decisions: (i.e. in your own business you are required to make important decisions yourself instead of passing them to someone else.)		
Family situation: (i.e. good if your family supports your business idea)		
Total number of strengths and weaknesses (example)		

Are your strengths greater than your weaknesses?

The larger the number of strengths you have, the more you can feel comfortable to start your business.

In case you have weaknesses with respect to the above entrepreneurial characteristics, be sure that there is room to eliminate or improve them. Do you feel comfortable about starting a business after considering your strengths and weaknesses?

Yes:..... No:.....

2.6. ASSESSING MARKET CONDITIONS

What is the market?

A Market is an organized interaction between buyers and sellers that enables them to engage in trade.

- ✓ Demand for a product is the set of quantities that buyers wish to purchase at various possible prices. At any particular moment we expect that the lower the price, the greater the quantity that will be demanded.
- ✓ Supply for a product is the set of quantities that sellers wish to offer at various possible prices. At any particular moment, we expect that the higher the price, the greater the quantity that will be supplied.
- ✓ Supply and Demand Analysis brings together information concerning the supply and the demand of a good in the context of a market. Economists use this analysis to determine the equilibrium price of a product and the quantity that will be bought and sold.
- ✓ A market is an organized interaction of buyers and sellers that enables them to trade or exchange.
- ✓ To the buyer it is the place or means through which he can buy. To the seller it is the place or means through which he can sell.

Assessing market conditions

Before creating a new business for a particular market, the following conditions in the market should be considered:

- ✓ Demand
- ✓ Competition

Demand

Every product has its own market, where there are consumers who purchase the product and the business that sell the product. In the market for personal computers (PCs), there is a demand by millions of people for PCs and there are many businesses such as Dell and Packard Bell that produce PCs to accommodate that demand. There is also a market for services such as those provided by hairstylists, dentists and mechanics.

Since these services cannot be shipped, the demand for services, within an area is recommended by firms within that area. For example, the entire demand for auto mechanic services in a specific small town may be accommodated by a total of three auto mechanic businesses. Thus, there are many markets for a single service, with each market representing a specific area.

Competition

Each business has a market share, which represents its sales volume as a percentage of the total sales in a specific market. If the total sales in the market for a particular product are R10 million this year, a firm that experienced R2 million has a market share of 20 percent (compounded as R2 million divided by R10 million). That means a firm has 20 percent of the market share.

If the competition within a particular market is limited, firms can more easily increase their market share and therefore increase their revenue. In addition, they may also be able to increase their price without losing their customers. Therefore, entrepreneurs prefer to pursue markets where competition is limited. When competition in a particular market increases, it can reduce each firm's market share, thereby reducing the quantity of units sold by each firm in the market. Secondly, a high degree of competition may force each firm in the market to lower its price to prevent competitors from taking away its business.

2.7. ASSESSING THE COMPETITION

Identify your businesses competitive advantage

As a business owner it is important to understand the competitive landscape that your company is in by doing a competitive analysis report.

Doing just some basic competitive analysis will really help your business be positioned against the competition effectively so that you are able to respond to the market demands better than your competition and maintain or increase your market share. New business owners often forget

to do an in depth competitive analysis due to it being too time consuming thus they miss out on taking advantage of proven tactics that are driving customers to their competitors door.

Top 10 tips about competitive analysis data collection

Some important steps a new business owner can do to begin to understand the competitive landscape for their business include the following:

1. What are the key attributes of success you see in competitors in your market and industry?
2. Rate the competitors based on the most important elements of your business.
3. Define the industry.
4. Define your market boundaries, local business / national
5. Understand who your competition is - Top 3 - 5
6. Determine who your customers are and what benefits they expect.
7. Determine who your competition's customers are and why they do business with them.
8. Use your competitor's services, own their stock if applicable to monitor activities.
9. Understand your businesses strengths and identify market opportunities.
10. Regularly check back in on competitors to monitor adjustments they make.

New business owners should make sure and do as much research about other businesses so that when they make critical decisions such as pricing that they are doing so based on solid market intelligence versus a random / best guess.

Conduct a competitor analysis

Conducting market research and competitor assessments to gather more information may cost time, money and effort, but there are many benefits to knowing more about what your competition is doing.

What you need to know

The type of competitor information that will be really useful to you depends on the type of business you are and the market you're operating in.

Questions to ask about your competitors include:

- ✓ who they are
- ✓ what they offer
- ✓ how they price their products
- ✓ what the profile and numbers of their customers are compared with yours
- ✓ what their competitive advantages and disadvantages are compared with yours
- ✓ what their reaction to your entry into the market or any product or price changes might be

You will probably find it useful to do a SWOT (strengths, weaknesses, opportunities, threats) analysis. This will show you how you are doing in relation to the market in general and specifically your closest competitors.

How to find out more

There are three main ways to find out more about your competitors:

- ✓ *What they say about themselves* - sales literature, advertisements, press releases, shared suppliers, exhibitions, websites, competitor visits, company accounts.
- ✓ *What other people say about them* - your salespeople, customers, local directories, the internet, newspapers, analysts' reports, market research companies.
- ✓ *Commissioned market research* - if you need more detailed information, you might want to commission specific market research via an organisation such as the Market Research Society (MRS).

2.8. ACCESS TO RELEVANT TECHNOLOGY AND RESOURCES

Starting up a business or office will require both office furniture and office equipment. Purchasing office equipment will most likely be your second largest startup expense. If you plan carefully you will be able to control your office equipment expenditures by only buying the essential equipment you really need.

1. Business Telephone system	Your primary means of communicating with customers and vendors will occur over the telephone. Understanding what services, features and options are available will help buy the right sized (and right priced) phone system for your business
2. Computers and software	Information is the life-blood of any successful organization today. The key to leveraging information to your advantage is purchasing and implementing the right computers and software for your business.
3. Computer Network and Internet connection	Information is the life-blood of the business and computers networks are the veins and arteries that connect all the parts of the business together. Tap into the Internet and the world is your opportunity.

Stated above are a few types of technological equipment required in a business. Each business needs will differ based on its core function.

A small business does not always have to be innovative, but must be able to be distinguished from other competitive products and services. This requires that the entrepreneur must be able to act creatively. The creative abilities of prospective entrepreneurs can be improved in various ways, such as thinking unconventionally or viewing a matter from another person's perspective.

A feasibility study can be used to critically evaluate your business idea. It is a general examination of the potential of the idea to be converted into a small business enterprise. A viability study is an in-depth investigation of the potential of the idea to be converted into a small business enterprise. In this study the focus is largely on the market and profit potential of the small business idea.

To perform a viability study the entrepreneur must first be in possession of the following information:

- ✓ Is there a need for the product or service that will be provided, and who exactly are the customers?
- ✓ What will the mission and objectives of the enterprise be?
- ✓ What will the market share of the specific product be?
- ✓ What income will the business derive from the sale of the specific product?
- ✓ How many products will have to be sold before the business shows a profit?

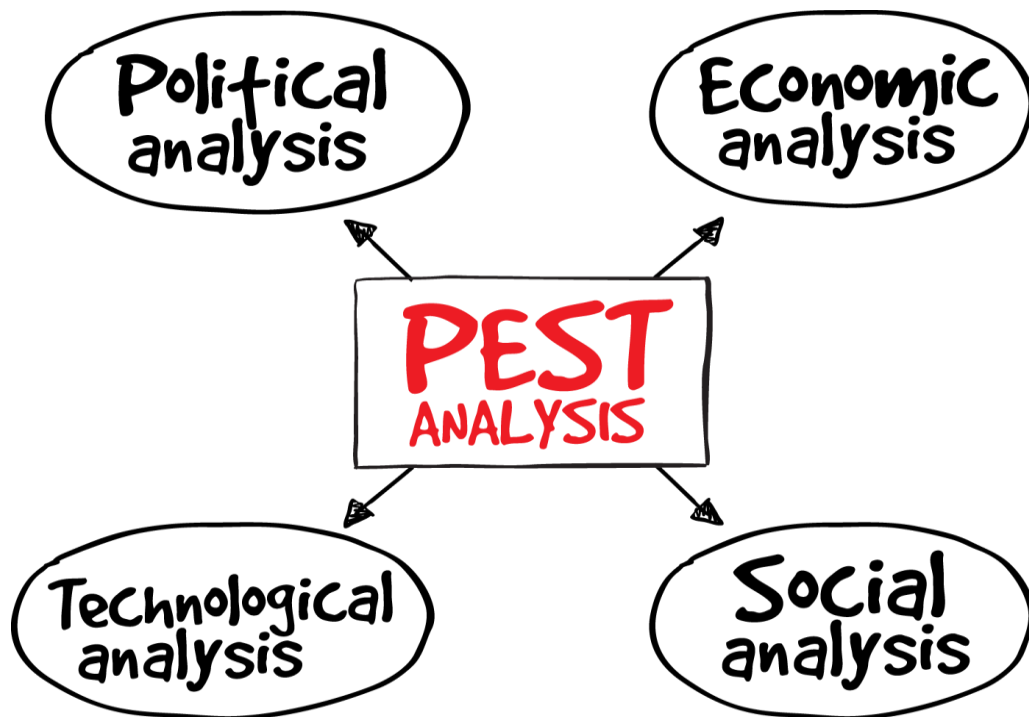
2.9. MARKET ANALYSIS

Performing a market analysis will help you to understand your customer and their needs, which will be a crucial advantage in generating cash flow. It will allow you to position your business for greater exposure to your target market by giving you important information on market trends and competitor's pricing and marketing strategies. By staying informed of market trends, you will be able to predict any changes or outcomes, without spending important capital unnecessarily.

In order to perform a market analysis, you will need to research and conduct a PEST and SWOT analysis. I am sure you have come across these techniques before, however we will revise them quickly. These techniques should form the starting point for any research you intend on performing, as these techniques uncover vital information that can be used for almost any problem.

PEST analysis researches the following environments:

1. The political environment
2. The economic environment
3. The social environment
4. The technological environment



How does the political environment affect my business? Consider any new laws, whether local, national or even provincial. If any laws are about to change, you will need to understand how these changes could possibly affect your business. What about international laws. How will they affect the business?

Understand your economic environment. Have I created a demand for my product or service and are there funds available to purchase my product or service? How do the markets impact on my business and what about increasing or decreasing interest rates?

Consider the social environment. What about upper income groups as opposed to lower income groups? What are the differences in their approach to purchasing? What social trends exist that could impact on the business?

Technological changes could also affect the business. You therefore need to keep up-to-date with these changes. What new technology could either make my business more successful, or could destroy and outdate my product or service?

A SWOT analysis analyses the:

- ✓ Strengths
- ✓ Weaknesses
- ✓ Opportunities
- ✓ Threats

SWOT ANALYSIS



This is an analysis of the internal and external environment.

- ✓ **Strengths:** What elements of your business are performed successfully? What elements help you to stand out from your competitors? List some of your advantages.
- ✓ **Weaknesses:** These are the areas where your business struggles. What complaints do you continually hear from your customers?
- ✓ **Opportunities:** An opportunity is an area that you can change into strength. Are there any trends that could become strength in your business?
- ✓ **Threats:** These are internal and external factors that could ultimately damage your business. Is there a trend that could highlight and one of your weaknesses, which would send most of your customers to your competition? Is your competition stronger?

You will then need to formulate a vision for your business in order to determine your market potential and to give your idea worth. A vision for a large business usually arises from a consumer need. This need could have already been an existing need, or it could have just arisen with the creation of this business idea. You should thus determine the need for your product or service.

Lastly, you will need to take an in-depth look at various aspects of starting the business in order to decide whether or not to go ahead with the idea.

Location

Deciding on the location of your business is very important. It can determine whether your business will be a success or not. If you are a manufacturing business, you will require a location close to suppliers and modes of transport, such as boats in a harbour, for shipping, or a railway. If you are in the retail business, a location where many customers will see your product or service is the best bet.

Consider the following:

- ✓ Costs. A location at the local shopping mall can be more costly.
- ✓ Security. Certain areas in the city are unsafe, and these are generally avoided so as to not pose any risk to the business and its patrons.
- ✓ Taxes. In some cases you may find yourself paying higher taxes, which forces you to sell your products and services at a higher price.
- ✓ Availability. Think about your long-term decisions and how the location choice may affect these long-term dreams. Do not choose a location without considering your goals. If you dream of expanding, can you build onto the current location?
- ✓ Infrastructure. Think about your surrounding infrastructure. Are there suppliers nearby? Is there enough support for your business?
- ✓ Personal Considerations. How close is the location to your home and other commitments?

Assessing the competition

One critical step in marketing -- assessing your competition -- merits your regular attention. Why? First, because there is more competition than you imagine, even though you do not see it from others who sell what you sell (more on this later). Second, because we live in a financial environment of accelerating change, keeping up with those changes means knowing who else also keeps up, who leads the innovation process, and what innovations make the most profits. Third, because if you understand your competition, you will be better able to understand your clients' and prospects' questions and concerns as they compare opportunities in the course of making their buying decisions

The best way to assess your competition is to periodically ask yourself the right questions about what is going on in your marketplace and target markets.

The following ones should get you started.

- ✓ What companies and products do I keep running into in competitive situations and in the buyer's thinking?
- ✓ Do I really understand these competing products?
- ✓ What are these products' real strengths?
- ✓ What are their real weaknesses?
- ✓ What are my competitive advantages?
- ✓ How do I demonstrate the advantages of buying from me?
- ✓ Are these competitors worth the effort to market against?
- ✓ How do I market against them?
- ✓ Where do I need to improve to be more competitive?
- ✓ Do I really want to compete, or would I rather be the competition and set the standard?
- ✓ What innovations can I offer and raise the standard in the marketplace, counting on most of my competitors' reluctance also to innovate or to put capital into growing their businesses?

Constraints of Trade

There are factors that may limit the trade of a business entrepreneur. These constraints need to be researched and addressed in a manner that solutions are identified to avoid or solve these constraints.

Constraints of information is often discovered during the market research process, where information is either not readily available, or it is inaccurate.

Inadequate management is not good for the ultimate growth of the business.

In many cases, managers feel that

- ✓ Entering certain markets are too much work, and they are not even willing to research the potential.
- ✓ Financing and expenditure. Lack of sufficient funds to start or sustain the business is a serious issue and needs to be addressed. Also take into consideration the high cost of credit.
- ✓ A lack of skilled labour.
- ✓ Political and economic unrest could result in high inflation and unemployment.
- ✓ Communication problems across cultural barriers.
- ✓ High transportation and insurance costs.
- ✓ Lack of reliability in your suppliers.

All of the above listed factors are constraints of trade and affect your business. Solutions need to be found for these constraints, and the many more constraints that have not been listed. A brainstorming session is a good technique to use.

2.10. CRITERIA FOR EVALUATING THE SUCCESS OF NEW VENTURES

Market Feasibility Study

Importance of a market feasibility study

Definition of a feasibility study: This is when you analyse the market to find out if your idea will be practical, suitable and profitable. Every business should care about its market. The word 'market' refers to people who are customers, their money and their need to exchange money for products and services.

By creating your business around satisfying the needs of customers, you can find out if your business is a feasible marketing opportunity. Your customers are the reason for being in business.

Product Description

A product or a service is something that exists to satisfy the need of a customer. Customers do not buy products or services; they buy the benefits that those products or services offer.

For example:

- ✓ They buy clean rooms, not the polish;
- ✓ They buy security, not the burglar bars;
- ✓ They buy experience, not the destination.

An important part of marketing is creating new products. Business survival depends on new product innovations. By being creative and flexible, an entrepreneur can provide a better service than his or her competitors. There are various ways that you can adapt and **vary* your product or service to suit the needs of your customers.

Some ways to adapt and vary your products and services are:

- ✓ If you make T-shirts for tourists, you can vary the colour and quality of the material you use. You can also vary the design and style of the shirts.
- ✓ You can vary your type of packaging.
- ✓ If you provide a tour operator service, you can vary the quality of your routes by having low cost routes and high cost routes.
- ✓ If you make curios, you should constantly display new designs in your showroom.
- ✓ The travel agents should have regular promotions that offer, for example, special product combinations or price discounts.

Products

- ✓ All products can be divided into broad categories namely:
- ✓ Industrial products
- ✓ Commercial products
- ✓ Service products
- ✓ Consumer products
- ✓ Shopping products
- ✓ Specialty products
- ✓ Convenience products
- ✓ Staple products
- ✓ Impulse products
- ✓ Emergency products

Industrial Products

Industrial products are used to produce other products. For example, steel is used to produce machinery and equipment.

Commercial Products

Commercial products are products that are not used directly in the production of other products, but assist in that production, for example computers, filing cabinets, office supplies.

Consumer Products

Consumers buy consumer products to eat, drink or use. Consumer products are divided into three main groups: convenience products; shopping products; and specialty products. Often, consumer products can belong to more than one of these groups because consumers use products for more than one purpose and have a variety of places where they can buy them.

Convenience Products

These are products that consumers (users of products or services) can easily buy at a variety of shops. They are low-priced and do not rely on strong brand name recognition.

They are products like: Staple products that are bought and used often, for example bread, potatoes, coffee. Staple services may be dry-cleaning, garbage collection and car services.

Impulse Products

Impulse products are products that shoppers buy on impulse at that moment. They are often displayed at point of purchase areas (This is where you pay at a supermarket or shop) in supermarkets. Impulse products are products like chocolates, gifts, curios and magazines.

Emergency Products

Emergency products are bought when consumers need them urgently, for example medicines and bandages. Emergency services are those provided by a security company late at night or by an ambulance service.

Shopping Products

Shopping products are purchased only after customers compare a variety of similar and competitive products. Consumers generally compare price, style, quality or service provided by the seller.

Specialty Products

These are identified by strong brand names. They have special features that make them different from competitors' products. Some examples of specialty clothing products are 'O'Niel', 'Reactor' and 'Nike'.

Services Products

Services are activities aimed at satisfying the needs of consumers and industrial users. They have nothing to do with the selling of products or other services.

Examples of different kinds of services are:

- ✓ Accommodation services - renting of rooms, flats, houses, etc.
- ✓ Household services - repair services for household appliances like fridges and TV's, cleaning of houses, etc.
- ✓ Recreational services - cinemas, holiday resorts, theatres, sport clubs, etc
- ✓ Personal services - beauticians, dry cleaners, barbers, hair salons, etc.
- ✓ Professional services - tourist guides, travel agents, advertising consultants, etc.
- ✓ Financial services - travel insurance, commercial banks, foreign exchange, etc.

Produce a preliminary evaluation of the proposed new venture

When you have identified your market, study that market and find answers to the following questions:

- ✓ How they make their buying decisions
- ✓ What the demographic factors of that specific market are.

Some of the relevant demographic factors to consider are:

- ✓ Your customers' occupation; Are your customers professional people like managers, or are they artisans like bricklayers, welders, etc?
- ✓ What is your customers' location? This means where do they live or work? It is important for customers to be able to get to your business easily to buy your products or services.
- ✓ What is the average age of your customers?
- ✓ What gender are your customers? Male or female? Who does the shopping?

- ✓ What is their education level? This influences factors such as their choice of style, fashion and the acceptance of the pricing of certain products.
- ✓ Can you reach your clients and how?
- ✓ Do they have access to mass media or the internet?

Marketing information

Entrepreneurs need to research their business ideas, and when in business, continue to get information to stay competitive.

Before offering any products, a business must do a market survey (examination, inspection or study). The survey helps to find out if sales goals can be met and helps with financial planning.

A new business in a new area may need to do an extensive (large, in depth, expansive, thorough and / or comprehensive) market survey. However, a new store in a well-established shopping centre where extensive market surveys have already been completed may only need extensive advertising to introduce its business. When doing a survey, you may need to use specialists in market research to give you market information for the business you want to start. These specialists can also help by giving you a market potential and sales forecast (This is a calculation that shows what you can expect in terms of number of customers and sales) and action plan on how to serve your market.

Your general market survey should give you answers to the following questions:

- ✓ The size of the market
- ✓ If the market is growing
- ✓ What products or services the market wants
- ✓ Why the market wants these products or services
- ✓ How the market buys these products or services
- ✓ What is the geographical distribution of the market
- ✓ What price the market will pay for these products or services
- ✓ What market share can you expect
- ✓ How to give the market the necessary information about your products or services

Collection of data

Secondary data

This is information that has been researched by another person, business or organisation. You can read the results of this research in reports, newspapers, magazines, etc.

Primary data

This is information that entrepreneurs collect through their own research efforts. Some ways of collecting primary data is by interviews, your own experience, studying, doing surveys and observation studies.

The information you collected about ideas for business opportunities is an example of primary data.

Methods of collecting primary data

a) Surveys

Surveys involve getting information from specific people by using direct questioning or by using

indirect questioning through a questionnaire.

Questions deal with the following factors:

- ✓ Facts - For example, "Where do you live?"
- ✓ Opinions - For example, "Which butter do you prefer?"
- ✓ Motives - For example, "Why do you go to Maputo every year for your holiday?"

There are various ways to make contact with people for a research survey.

- ✓ Telephone surveys
- ✓ Postal surveys
- ✓ Personal surveys
- ✓ Traffic counts
- ✓ Experimentation
- ✓ Observation
- ✓ Test marketing

Developing the questionnaire

When you design a questionnaire give careful attention to the type of questions asked, the words used, and the order in which the questions are asked.

The questions must be easy to understand and be relevant and useful for the study.

You can use two types of questions:

- ✓ Open questions - respondents answer using their own words
- ✓ Closed questions - you give respondents a choice of selected answers

Collecting Secondary Data

Secondary data is data that has already been collected by someone else, but the entrepreneur needs to search for it. Valuable sources of secondary data can be magazines, the internet, census reports, trade publications, advertising media, trade associations and market research companies' surveys. Although secondary data costs very little to collect, it is often old information that is outdated.

Assess the business' strengths and weaknesses


To develop a successful, competitive business, entrepreneurs must research the business environment for opportunities and threats, as well as determine the strengths and weaknesses of their business. By examining the external environment, entrepreneurs can discover opportunities and threats, and by analysing their internal business environment, they can determine the strengths and weaknesses of their business.

The external environment

By investigating and analysing the total market environment entrepreneurs can identify opportunities and threats that can have an influence on the success of their business.

The internal environment

After examining the opportunities and threats in the external environment, analyse the internal environment to find the strengths and weaknesses of your own business.

	<i>Complete Activity in your Workbook</i>
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2.11. RISK MANAGEMENT

One of the most important factors to consider when starting your own business is whether or not it will be successful. This is more of a future uncertainty. Risk is thought of as an actual possibility of a loss or exposure to a loss. “Loss refers to any accident or occurrence that will result in injuries, death, property damage, destruction, and damage to public image, damage to reputation, claims and lawsuits.” (Tassiopoulos, 2000, 236)

Types of Risk

There are many types of risk and these can be grouped into four main categories.

1. Economic Risk
2. Performance Risk
3. Physical Risk
4. Psychological Risk.

Risk can also be differentiated into objective risk and subjective risk. Objective risk is measured through statistical research, while subjective risk is related to the opinions and perceptions of various people.

Risk Factors

There are a number of factors that play a role in determining the likelihood of a loss occurring. These factors can be grouped into four main categories.

1. Perils
2. Hazards
3. Threats
4. Vulnerabilities

The distinction between these different factors relates primarily to the ability to manage these risk factors. It may not always be possible to manage a peril risk factor, such as fire or floods, however the necessary steps and measures can be put in place to accommodate and minimise the risk. Risk management strategies will be discussed later in detail.

What factors cause loss?

A loss in business can be caused by a number of principle factors. Firstly, poor planning can be a major issue. Planning is highly important in order to minimise risk and damage. Whether it is financial planning and budgeting in order to ensure that you have sufficient funds for the year, or planning to take out insurance against fire and flood damage. Without sufficient planning, you cannot expect your business to avoid the risk or loss or damage.

Inadequate management is another factor. Using unsuitable policies and procedures, poor supervision and training and lack of communication can only result in damage to some area of

your business. Whether it is damage to your staff or to your property or even to your image as a business owner, this is all a loss to the business.

Individual team members and workers can also cause damage through their individual mistakes, poor attention to detail, improper procedures, poor attitudes and work ethics. This could be due to poor training and supervision, or it could be related to personal problems. Either way, this type of attitude is harmful to your business, and in some cases can also be harmful to colleagues and co-workers.

How do we analyse risk?

1. Outline what exactly you are analysing. Do you want a general outline of what risks your business may face? Would you prefer a detailed analysis of every potential risk? Assess the nature of your business and any influences, whether external or internal factors. Assess your target market, the location of your business and any other environmental factors. This is a great opportunity to use your SWOT and PEST analysis. From these assessments, you will be able to identify various factors that may pose a risk to your business.

Rank these risks or divide them into the following fields:

- ✓ Financial risks – theft, legal action, loss of profit.
- ✓ Management risks – poor management.
- ✓ Health and safety risks – accidents, crime.
- ✓ Environmental risks – natural disasters.

By grouping risks into these fields, it allows you to formulate specific strategies to manage these risks. You should attempt to estimate the potential impact of various risks occurring. The risk with the highest potential degree of loss should be concentrated on when developing the risk management strategies.

2. Finally, recommend strategies to adopt in order to reduce risk, prevent loss and ensure that your business is a success. These recommendations should define the action to be taken, when this needs to be performed, who needs to take this action and who is accountable for this strategy.



Complete Activity in your Workbook

2.12. RISK MANAGEMENT STRATEGIES

There are four risk management strategies.

- ✓ Avoiding
- ✓ Reducing
- ✓ Anticipating
- ✓ Transferring / Spreading

Avoiding risk required actions to be taken in order to stay away from risky situations. In most cases these actions can be impractical, however in the business environment you can avoid risk by participating in thoughtful business practices. For example, if you wish to decrease the risk of bad debts in your business, why not participate in more thorough credit checks before awarding

credit to clients and customers.

Risk reducing strategies are a better option. These strategies incorporate an extra degree of safety into the situation. An example of this is common safety practices such as the installation of fire extinguishers.

Anticipating risk is the element of knowledge that risk still exists in the business. The business owner therefore decides to set aside an amount of money to cover the loss or damage that may occur from any risk. This is a self-insurance fund.

Transferring or spreading risk will help when a self-insurance fund is not large enough to cover the degree of loss. An insurance fund is an example of this, where the individual or business transfers the risks or costs to an insurance company, who in-turn will help to spread the financial burden of the risk.

Types of insurance

There are four major types of insurance for your business and your employees. These are:

- ✓ Property and casualty insurance.
- ✓ Life and disability insurance.
- ✓ Health insurance and worker's compensation coverage.
- ✓ Liability insurance.

Property and casualty insurance covers tangibles such as equipment, machinery, buildings and inventory.

Life insurance protects families and businesses against a loss of income in the event of a death. Disability cover is also available to protect individuals in the event of often expensive disabilities.

Health insurance provides health care for business owners and their employees. Worker's compensation covers employees who may become sick as a result of their job.

Liability insurance protects against losses from accidents and injuries, either as a result of consumers using a product or service, or errors made by employees. Employment practice liability insurance protects against any employment discrimination claims such as sexual harassment and violations of legislation.

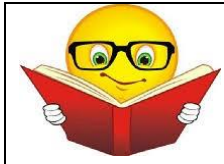
ADVANTAGES AND DISADVANTAGES OF INSURANCE

The advantages of insurance include the following:

- ✓ It covers the insured against any possible loss they, or their business, may suffer.
- ✓ It provides security to employers, covering them against any damage that may arise from irresponsible behaviour by employees during working hours.
- ✓ It provides greater peace of mind.
- ✓ Life insurance policies may be offered as security.
- ✓ Benefits are calculated from the payment of the first premium.
- ✓ Certain policies can serve as a form of compulsory saving.
- ✓ Insurance can provide for future events such as retirement.
- ✓ Insurance can provide financially for the possibility of disability or death.

There are no real disadvantages to insurance, except that it costs regular monetary payments. In order to make sure you are making the right choice when it comes to insuring your business, do as much research as possible. Discuss insurance with existing business owners who may not be competition, but would provide insight on how they run their business with insurance and risk management strategies. Research the industry you are in to analyse the various risks in

your business. Sign up for short courses to stay on-top of any changes in your industry. By thinking ahead and planning for any risks, you will ensure that your business will run long into the future without any 'un-for-seen' circumstances occurring.



Complete Activity in your Workbook

LEARNING UNIT 3: Innovative Thinking

ID	Unit Standard Title	Level	Credit
114600	Apply innovative thinking to the development of a small business	4	4

Learning Outcomes:

By the end of this unit, you will be able to:

- ✓ Develop specific techniques for releasing creativity in developing ideas/opportunities for a new venture.
- ✓ Determine the role of innovation in the development and growth of a new venture.
- ✓ Apply principles and practices of innovation in the development and growth of a new venture.

3.1 INTRODUCTION: What is Business Creativity

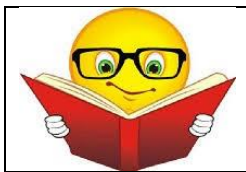
Solving problems, generating new ideas and products has to do with creativity. Taking customer service to a level your competitors can't match. It has to do with improving team and personal capabilities in a creative and different way

Business creativity uses simple techniques to improve your personal and group creativity time and time again. Note that creativity isn't just a nice-to-have, in a fast changing business world, it's a matter of survival.

Problem solving, also known as analytical thinking, is not something that comes naturally to everyone, and thus it is imperative that people learn the techniques associated with problem solving, as the technique removes a lot of the difficulty in solving business problems and assisting with making decisions. Business management requires people to make decisions on an ongoing basis.

Good decision-making is, to a large degree, dependent on the ability to solve problems and it is only in processing problems that we find solutions. However, at times we might determine that there are multiple solutions. Then we need to know the relevant techniques to assess which is the best option. That is, to make a decision.

Even persons who are competent decision makers sometimes need assistance from one or other tool in making the correct decision. However, in order to realise a wider range of potential options, we need to be able to think creatively.



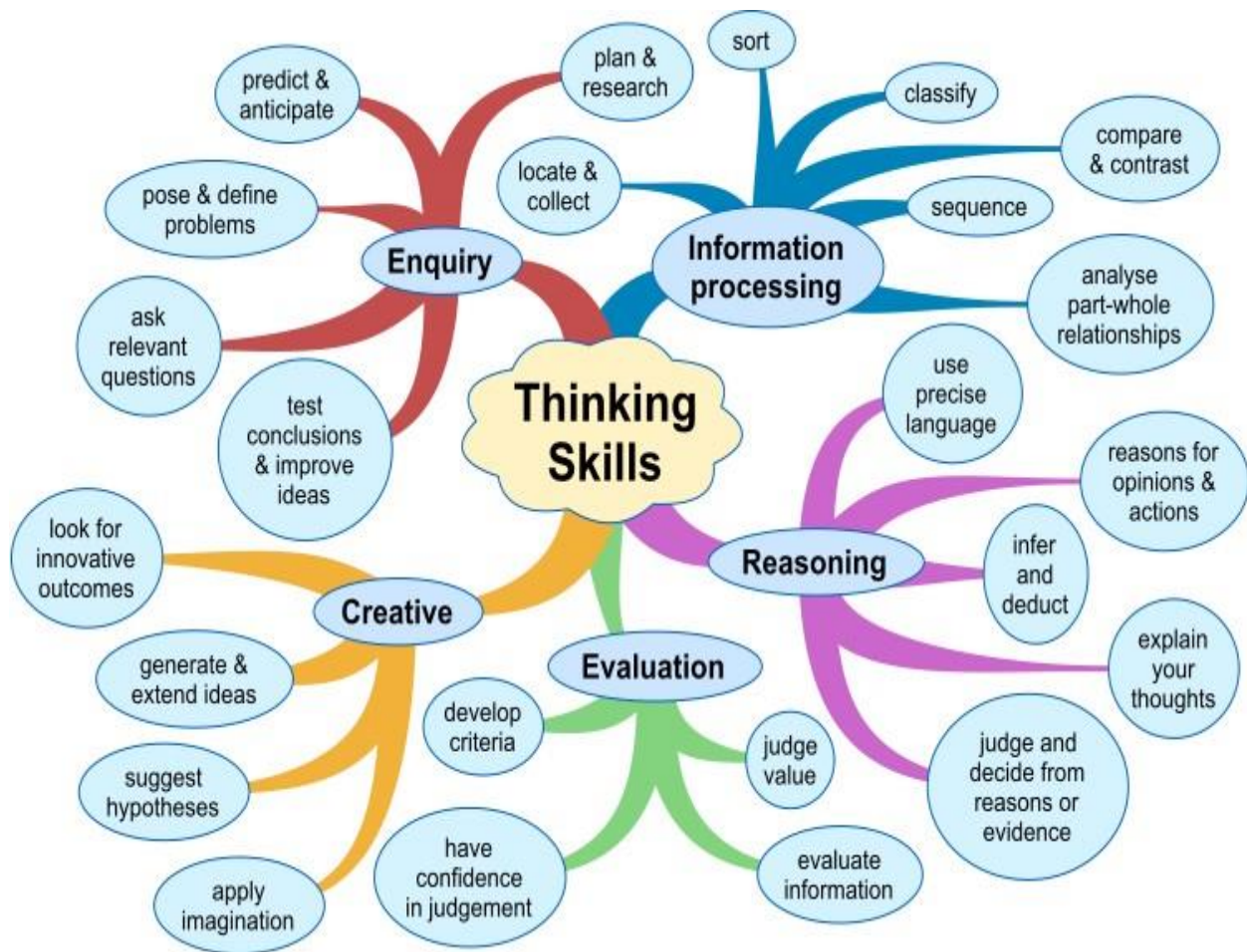
Complete Activity in your Workbook

Thinking Skills

What do we mean by "Thinking Skills"?

Thinking skills are the mental processes that we apply when we seek to make sense of experience. Thinking skills enable us to integrate each new experience into the schema that we are constructing of "how things are". It is apparent that better thinking will help us to learn more from our experience and to make better use of our intelligence.

It has always been the central aim of education to improve the quality of thinking because better thinking will not only enable us to become more successful at learning but will also equip us for life, enabling us to realise our own potential and to contribute to the development of society.



Types of thinking skills

Below are some different types of thinking skills at different levels of our growth

Thinking Skills	What it involves
1.Remembering and Recalling	Retrieving or repeating information or ideas from memory. This is the first and most basic thinking skill you develop (starting as a toddler with learning numbers, letters and colours).
2.Understanding	Interpreting, constructing meaning, inferring or explaining material from written, spoken or graphic sources. Reading is the most common understanding skill; these skills are developed starting with early education.
3.Applying	Using learned material or implementing material in new situations. This skill is commonly used starting in primary school.
4.Analyzing	Breaking material or concepts into key elements and determining how the parts relate to one another or to an overall structure or purpose. Mental actions included in this skill are examining, contrasting or differentiating, separating, categorizing, experimenting and deducing. You most likely started developing this skill in high school and will continue to practice it in college.

5.Evaluating	Assessing, making judgements and drawing conclusions from ideas, information or data. Critiquing the value and usefulness of material. This skill encompasses most of what is commonly referred to as critical thinking; this skill will be called on frequently during your college years and beyond. Critical thinking is one of our focuses of this unit.
6.Creating	Putting parts together or reorganizing them in a new way, form or product. This process is the most difficult mental function. This skill will make you stand out in college and is in very high demand in the workforce. Creative thinking is another focus of this unit.

3.2. CREATIVE THINKING



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What is Creative Thinking?

Creative thinking means thinking outside the box. Often, creativity involves lateral thinking, which is the ability to perceive patterns that are not obvious.

Creative thinking might mean finding new ways to carry out tasks, solve problems, and meet challenges. It means bringing a fresh, and sometimes unusual outlook to your work. This way of thinking can help departments and organizations be more productive.

How Creative Thinking Works

Opportunities for creative thought in the workplace vary from obvious artistic positions to highly technical ones. Generally, anything that involves an “aha” moment is considered creative. Here are some examples of how to display creative thinking in different jobs.

Artistic Creativity

You don't have to be an artist for your work to have an artistic element. Perhaps you arrange retail displays for maximum impact or shape the path of an enticing hiking trail. Other artistically creative tasks might include designing logos, writing advertising copy, creating the packaging for a product, or drafting a phone script for a fundraising drive.

Creative Problem-Solving

Creative problem-solving stands out as innovative. A creative problem-solver will find new solutions rather than simply identifying and implementing the norm. You might brainstorm new ways to cut energy use, find new ways to cut costs during a budget crisis, or develop a unique litigation strategy to defend a client.

Types of Creative Thinking

Creative thinking is expressed in several ways. Here are some of the types of creative thinking you might see in the workplace.

Analysis

Before thinking creatively about something, you first have to be able to understand it. This requires the ability to examine things carefully to know what they mean. Whether you are looking at a text, a data set, a lesson plan, or an equation, you need to be able to analyze it first.

Open-Mindedness

To think creatively, set aside any assumptions or biases you may have, and look at things in a completely new way. By coming to a problem with an open mind, you allow yourself the chance to think creatively.

Problem-Solving

Employers want creative employees who will help them to solve work-related issues. When faced with a problem, consider ways that you can solve it before asking for help. If you need the input of a manager, suggest solutions rather than just presenting problems. As an entrepreneur you will need to be a problem solver for your business .

Organization

Organization is an essential part of creativity. While you might need to get a bit messy when trying out a new idea, you need to organize your ideas so others will understand and follow through with your vision.

Communication

People will only appreciate your creative idea or solution if you communicate it effectively. You need to have strong written and oral communication skills.

You also need to be able to understand a situation fully before thinking creatively about it. That means you also need to be a good listener. You may come up with a unique solution by asking the right questions and listening to the answers.

Benefits of Creative Thinking

As an employer you will want creative thinkers because it benefits company profitability. Companies that foster creativity may see more profits. Positioning yourself as a creative thinker can make you a more successful entrepreneur.

Herein is the first step of problem solving:

Understand the problem at hand.

It is critical that this initial step be done correctly or else all further effort on this problem is wasted. How can we be sure that we have found the core issues behind the problem? The answer lies in using the block diagram method. This is a very simple technique that can be done anywhere, anytime, with nothing more than a piece of paper and a pen.

This is a simple technique that can be applied to any problem whether it is a business, mechanical problem, electronic or any other problem. The technique is extremely useful in that it often reveals the solution to the problem as well. However, the technique is limited in that it is ideally suited to a problem occurring within a structured environment. It does not work all that well with problems of a strategic nature where there is no explicit solution to the problem at hand.

This is when creative thinking becomes important.

Essentially what is done is that we write down the problem in a few words. We then draw a box around it. Then we attempt to write down all the issues that could have a potential effect on the issue in the box. Each of these is written down and placed in their own box and connected.

The process is repeated for each of the new boxes and continues until there are no new issues generated. Then each box is analysed, from the first to the last box, until the real problem is found. Begin with the most likely problem area first.

In management we have problems relating to all aspects of business. These include financial problems, human resource problems, operations problems, marketing problems and strategic problems. The one thing you can be sure of in management is the necessity to make decisions on an ongoing regular basis and your appointment as a manager is dependent on your ability to make consistently good decisions.

At times the simple methodology of identifying problems with block diagrams does not necessarily offer up the solution we need to really solve the problem.

However, this methodology can be very useful for many of our problems within a business so do not discard it. So let us consider what to do when more creativity is required or when the problem requires a creative approach.

Now that we understand this first level of problem solving, we can see that it is not as difficult as we perhaps assumed it to be and that as a manager it is easily within our reach to solve process-related problems.

Characteristics of the Creative Person

- curious
- seeks problems
- enjoys challenge
- optimistic
- able to suspend judgment
- comfortable with imagination
- sees problems as opportunities
- sees problems as interesting
- problems are emotionally acceptable
- challenges assumptions
- does not give up easily: perseveres, works hard

1.2 ANALYTICAL AND CREATIVE THINKING

Creative Thinking

5 Rules of creative thinking

1. Don't let assumptions stifle your capacity. Throw every one of them.
2. Discipline yourself to take time to look for alternatives. Stay open and generate as many as you can think of before deciding on one.
3. To get solutions, you must create an atmosphere where you and others are comfortable expressing new ideas (even if you make mistakes by coming out with bad ideas), an atmosphere where ideas are not immediately evaluated and attacked.
4. To open up true creativity, you have to shed inhibitions and move from left-brain – dominated by numbers – toward right-brain – the original thinking.
5. If you are working on a problem and getting nowhere, leave it for a while and let your subconscious – your depth mind – to take over.

Lateral Thinking

- Changes
- Does not look for what is right but what is different
- Use information to set up new ideas
- Seek discontinuity
- Welcome chance intrusions
- Avoid the obvious
- Open ended

Analytical Thinking

Analytical Thinking implies the ability to analyze information, identify key issues, relationships or objectives, diagnose opportunities, make sound inferences from available information, and draw logical conclusions. The thinking process may be linear, using cause and effect relationships to analyze problems in a step-by-step way. At the highest level, the thinking process is often patterned, demonstrating insight by making connections between situations or things that are not obviously related.

Analytical thinking:

- Chooses
- Is not allowed to be wrong
- Uses information for its meaning
- Seek to establish continuity
- Concentrate on what is relevant
- Proceed according to well established thinking patterns
- Closed procedures

This means.....

- resolving a problem in a systematic, step-by-step way
- thinking through a problem before offering a solution
- thinking about the chain of events that led to a problem

- thinking ahead about the outcome of an action (“If I do A, then B and C will also happen”)
- using past experiences to quickly evaluate situations where information may be incomplete or unclear
- waiting for all the information before evaluating options

This does not mean.....

- attempting to solve a problem by quickly trying whatever comes to mind
- jumping to a conclusion without thinking through the facts
- explaining problems in a vague, general way, e.g. “that procedure always goes wrong”
- solving the immediate problem without thinking about what other problems may follow
- doing work as it comes without thinking through the longer-term impact
- evaluating options before getting all relevant information

Critical Thinking	Creative Thinking
<ul style="list-style-type: none"> ▪ Analytic ▪ Convergent ▪ Vertical ▪ Probability ▪ Judgement ▪ Focused ▪ Objective ▪ Left brain ▪ Verbal ▪ Linear ▪ Reasoning 	<ul style="list-style-type: none"> ▪ Generative ▪ Divergent ▪ Lateral ▪ Possibility ▪ Suspended judgement ▪ Diffuse ▪ Subjective ▪ Right brain ▪ Visual ▪ Associative ▪ Richness, novelty

- **What are creative people like?**
- *Creative people:*
- Work very hard.
- Are more disposed than others to setting their own agenda and taking independent action.
- Strive for originality.
- Are more open to new ideas.
- Break rules.
- Challenge concepts.
- Show more flexibility than others.



Complete Activity in your Workbook

Simple problem solving does not solve all problems, so when are we likely to be required to do creative thinking in the business environment?

The first opportunity arises when we have a problem that is not linked to a formal process such as devising a suitable marketing plan, and the second is when attempting to create a strategy for the business or any of the sub-components of the businesses corporate strategy.

3.3. BARRIERS TO CREATIVE THINKING

Without exception everybody has creative ability but of course with different degrees depending on the active circumstances that may either help enlarging creativity potential, or weaken the creative sensitivity. Up to the fact that each person has different circumstances than others, family, education systems, peer groups...etc, are all examples of different environments that influence the creative ability of a person uniquely. Whenever barriers emerge in face of creativity they must be identified and removed, in a way that ensure the highest creativity potential.

It has already been established that there are two sorts of thinking – *analytical* and *creative* – and that the average person is better at analytical thinking because of his background. While everybody has an innate creative ability, there seem to be barriers which prevent the average manager from using it effectively. It is these barriers which will now be discussed. The identification and acceptance of them, and their removal in creative session is an essential requirement.

1. Fear of Failure

The foremost barrier to creativity in entrepreneurship is his fear of failure. He feels apprehended that his new ideas or commodities may not be accepted by society.

2. Lack of Motivation

If he finds a lack of enough motivation all the levels of the industry, then he will also not undertake any sort of thinking, nor he will develop new things. In such a situation, creative behaviours will come to end.

3. Lack of Commitment

Lack of commitment leads to less time invested in the business venture and such tendencies create barriers to creativity in entrepreneurship.

4. Insecurity of Work

By creativity and creative behaviour, new thinking, new ideas, development of new commodities and applications of new constitutions create an apprehension of being unsecured.

5. Excess Dependence

Some people do not use their own wisdom, qualities, and abilities and intelligence and considers others' knowledge and ability more perfect and depend upon them, and no creativity and creative behaviour come out of such a person.

6. Tendency of Jealousy and Envy

Whenever any person presents new ideas, other people did not regard those ideas as good, due to suffering from the feeling of jealousy and Envy.

In such conditions, he will not present good and new ideas in the future even others will get discouraged.

As a result, creative behaviour gets hurt and the barrier to creativity in entrepreneurship.

13. Negative Feelings

Negative feelings of the persons also create barriers in creative behaviour, the reason being that people having inferiority Complex, lacking positive ideas and always having sadness on their faces will never feel inspired for doing the work nicely and having creative behaviour.

14. Doubts and Confusions

Often, most of the managers and their subordinates are in doubt and confusion and think and say, whether the new ideas will be applicable in practice, or not, new products will be developed or not, this will be accepted by the consumers or not, etc.

Besides it, in the dictatorial system of Management, the managers and subordinates have to do that only, which is directed by the owners.

In these conditions, they neglect self-wisdom, new ideas, new thinking, and creative behavior.

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3.4. LATERAL THINKING

Lateral thinking is the ability to see something in use somewhere else and see how you could apply it in solving your problems, even though the original implementation may in no way be related to your problem.

This in effect relates well to the PEST analysis required for a business plan. In a PEST analysis we attempt to analyse the Political, Economic, Socio-cultural and Technological environments within which our business trades. The only way to gain this knowledge is to read. The more we read, the better our PEST analysis and thus the greater the likelihood that we will be successful in choosing our strategy due to us being more informed.

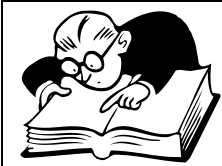
Also, the more we read, the more information we will have at hand to help us in our decision making, allowing us more options to select from, even if they are not directly from our industry.

Creative thinking or lateral thinking as we discussed above is an important component in setting up new ventures as well as finding new products for existing businesses. However the research has shown that most entrepreneurs who start businesses do not come up with new products or ideas. They simply come up with new ways of doing things that other business are already doing. This is a clear indicator of the fact that lateral thinking is not this highly inventive process but rather a cross pollination of ideas between different businesses and industries. It is highly dependent on reading and gaining the broadest possible general knowledge within the business environment, allowing us to find creative ways of doing things.

It is an important lesson that we remember that most entrepreneurs are creating businesses that exist. They are simply finding ways of doing it differently.



Lateral Thinking Exercises



Below are probably the best known and most celebrated of all lateral thinking puzzles. Although there are many possible solutions, use your lateral thinking skills to come up with the best solution.

1. There is a man who lives on the top floor of a very tall building. Everyday he gets the elevator down to the ground floor to leave the building to go to work. Upon returning from work though, he can only travel half way up in the lift and has to walk the rest of the way unless it's raining! Why?

Possible Solution:

2. A man and his son are in a car accident. The father dies on the scene, but the child is rushed to the hospital. When he arrives the surgeon says, "I can't operate on this boy, he is my son! " How can this be?

Possible Solution:

3. A man is wearing black. Black shoes, socks, trousers, coat, gloves and ski mask. He is walking down a back street with all the street lamps off. A black car is coming towards him with its light off but somehow manages to stop in time. How did the driver see the man?

Possible Solution:

4. One day Kerry celebrated her birthday. Two days later her older twin brother, Terry, celebrated his birthday. How?

Possible Solution:

5. A man went to a party and drank some of the punch. He then left early. Everyone else at the party who drank the punch subsequently died of poisoning. Why did the man not die?

Possible Solution:

6. A woman had two sons who were born on the same hour of the same day of the same year. But they were not twins. How could this be so?

Possible Solution:

7. A murderer is condemned to death. He has to choose between three rooms. The first is full of raging fires, the second is full of assassins with loaded guns, and the third is full of lions that haven't eaten in 3 years. Which room is safest for him?

Possible Solution:

8. A woman shoots her husband. Then she holds him under water for over 5 minutes. Finally, she hangs him. But 5 minutes later they both go out together and enjoy a wonderful dinner together. How can this be?

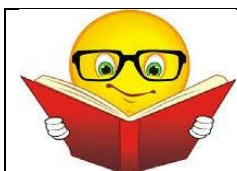
Possible Solution:

9. What is black when you buy it, red when you use it, and gray when you throw it away?

Possible Solution:

10. Can you name three consecutive days without using the words Monday, Tuesday, Wednesday, Thursday, Friday, Saturday, or Sunday? (or day names in any other language)

Possible Solution:



Complete Activity in your Workbook

Once it has been decided to start a new business or find new products for an existing business, we need to attempt to find the business area that we would like to trade within. These are important decisions and very often we tend to trade in those areas where we already have skills. While this may appear to be a simple statement, it is in fact a critical statement in the sense that too often people try to start businesses in which they have no skills whatsoever. The natural result being that they fail in their business because they have no technical skill.

Bear in mind at all times that there are five legs to every business. The legs are:

Administration	Finances	Sales	Marketing	Technical skill
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There is no business that doesn't require some form of technical skill and a lack of experience with that technical skill endangers the potential for success in that business. Do not loose sight of this however, on the assumption that you are going to go into an area where your business partner may have these technical skills.


Service is a very difficult concept to implement in a new business such that it makes your business stand out from competitors. While it is definitely possible, it does not require a determined effort by both the owners and the staff. It takes time for those efforts to become a reality because the problem with service is that everybody sells it in their advertising but it is only in delivery that word of mouth begins to tell everybody that you are delivering on your promise in your advertising. This makes it very difficult for new businesses, as they generally don't have the time or the capital to wait for the word of mouth to spread. Thus we have to look for different ways of running a business that will immediately create a differentiating factor that is noticeable with immediate effect.

Your positioning statement will come from the characteristic of your business that sets it apart from your competitors. So try and think before you launch what your positioning statement will be and what you want people to think of when they think of your business. All these things are important and define how you are going to run your business.



Complete Activity in your Workbook


3.5. DIFFERENT TECHNIQUES THAT PEOPLE CALL CREATIVE THINKING.

	An example of this is mind mapping. While they do help some people, we prefer a more natural and systematic approach because successful business is about planned and structured approach. Too often when a method is learned, there is too much focus on the methodology than on the creativity itself.
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This is more particularly for those people who have not found the method easy to understand or to work with. This systematic approach that we recommend is also suited to the person who is not creative. True creativity is still found in business, in the sense of the artist and the musician, and these people tend to be those who introduce new concepts to the community as a whole. Let us look at this process in respect of strategic planning when preparing a corporate strategy.


Strategic Planning is a reality in business and creativity is about having a broad knowledge of those issues, which can impact on your business. It requires examining the competitors inside your industry and everyone outside your industry. Then look for the best and / or the new practice and apply it to your industry.

Scenario Planning is a requirement for creativity and is directly or indirectly linked to a problem or a potential problem. Furthermore, the problem may not necessarily be perceived as a problem. Let us assume that the business is doing well and increasing turnover and profit annually on an acceptable level. However, the PEST analysis has alerted them to a potential future problem. We therefore wish to apply our minds in an attempt to envisage the various scenarios that could play out. It is not a problem now but may be a potential problem later.


	For example an employee may suggest a possible option and a more senior person will say “No we tried that before” or something similar. The employee may even feel intimidated to speak his mind. Therefore, the first step towards creativity is to form smaller groups of employees. There must NOT be a hierarchical environment in the group
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Each group must receive a written instruction on the task at hand with clear instructions that anything and everything goes and there are no constraints. An independent facilitator must be used to move between the groups to encourage freethinking without constraints.

Look at how the problem is addressed by other people or businesses in the same industry and record it. Record all other options. Then do the same for other industries, irrespective of whether or not they are in any way related. Then try to mix and match various components within the recorded information and discuss whether they might be solutions for the problem at hand. Similarly look at the new trends and fads and see if they can be used to your advantage.

	<p>How do you get your business to think creatively? It begins with problem definition. We need to carefully and accurately define the problem, or potential problem. The next step is to attempt to define every other possible influence and write them down irrespective of whether or not they are related to your industry.</p>
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Unfortunately, this is where the creativity begins and often ends. People tend to apply constraints whether to themselves or to others.

	<p><i>Complete Activity in your Workbook</i></p>
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3.6. CONCEPT OF INNOVATION

Innovation is the activity of people and organizations to change themselves and the environment. It means breaking routines and dominant ways of thinking, introducing new things and behaviours, launching new standards.

Innovation starts before the start of a new venture and should never, through the lifespan of the business, be left behind.

Innovation can result from:

- ✓ The “better idea” to do something, to produce something or to bring something to the consumers.
- ✓ A community needs
- ✓ A workplace needs
- ✓ A personal need
- ✓ Technological advances or development that are applied to satisfy a specific need

What does innovation really mean?

Technically, "innovation" is defined merely as "introducing something new;" there are no qualifiers of how ground-breaking or world-shattering that something needs to be—only that it needs to be better than what was there before. The fact is innovation means different things to different people.



To be called an innovation, an idea must be replicable at an economical cost and must satisfy a specific need. Innovation involves deliberate application of information, imagination, and initiative in deriving greater or different value from resources and encompasses all processes by which new ideas are generated and converted into useful products. In business, innovation often results from the application of a scientific or technical idea in decreasing the gap between the needs or expectations of the customers and the performance of a company's products.

In a social context, innovation is equally important in devising new collaborative methods such as alliance creation, joint venturing, flexible working hours, and in creating buyer's purchasing power through methods such as layaway plans.

Meaning of Innovation in Business

The meaning of innovation is one that's not fully understood by many businesses, and as a result its practice has dwindled to say the least. This is an unfortunate scenario however as innovation is actually the most important aspect of a business, it's what makes it stand out among the market place, prevents it from going stagnant, helps it to grow and drives society, and humanity, forwards.

Innovation does not only apply to products however, but to the business models themselves - to the delivery and the service and here is where the true meaning of innovation lies. One great example of innovation in a swamped marketplace is the DVD rental company that works by post. Here you choose a DVD then keep it as long as you want with no fees until you decide to send it back in exchange for the next film. This changes the way DVD rental works - streamlining it to make it easier for the customer and for the business which can attract them away from the older systems. This business model was transformative meaning that there was currently nothing like it on the market which straight away got people interested.

Of course, without that innovation such a company would be pointless - if you're already a signed-up member of Blockbusters, why would you want to switch to a different company for your loans unless it was somehow different? It just wouldn't be worth the hassle.

Even if a rental company offered the DVDs cheaper that might be enough incentive, but this again would have to come from an innovation on the part of the company who had designed their business in such a way that it could provide the DVDs at a competitive price while still earning a profit - this was essentially how Virgin differentiated themselves as CD suppliers in the company's early days. In the future the whole industry will be replaced by digital media and they will have to adapt - and that's another aspect of innovation, staying current and adapting to new technology. The real meaning of innovation then is to work out how you can do something better or do something that hasn't been done - and without innovation a business stands little chance of attracting a customer base. To stand out you either have to be the very best, or unique.



But innovation must not stop at the conception of the business. Rather it's important that the company continues to innovate and to streamline every aspect of its process as it grows. The old saying 'if it ain't broke don't fix it' really doesn't apply here as there's always room for improvement - and that's the part of business that's creative, fun and worthwhile to the customer and society. If your company simply churns out orders without making any changes to its structure then it will quickly be replaced by younger more innovative companies that perform the same task in a more efficient way, or that adapt to new technologies. Even if there is no threat of competition then streamlining your business through innovations will earn you more profit, generate more publicity and provide a better service for your customers.

This is where few successful companies understand the meaning of innovation however and most continue to work a set structure. The most successful companies however realize this mistake however and encourage innovation in the workplace. Google for example allow their staff to spend something like 30% of their time pursuing their own creative interests which has led to innovations such as Google Maps and Google AdSense; which has genuinely changed the way we live and made Google in phenomenon more than a search engine. Future projects include digitizing every book ever published which again will change the industry and benefit consumers - by staying innovative Google have remained at the top of their game and driven us into the future.

And innovation shouldn't just apply to big businesses either. Even if you're a very small business, you should be thinking of ways to improve your service.

TYPES OF INNOVATION

Typical innovations relate to following:

1. **Product innovation** (e.g. new goods or services put on sale).
2. **Process innovation**, which changes the way a given good is produced within the firm or across a supply chain.
3. **Behavioural innovation**, when an organizational routine is replaced with new ones

Product Innovation

Product/service innovation is the result of bringing to life a new way to solve the customer's problem – through a new product or service development – that benefits both the customer and the sponsoring company.



Process Innovation

Process innovations increase bottom-line profitability, reduce costs, improve efficiency, improve productivity, and increase employee job satisfaction. They also deliver enhanced product or service value to the customer.

Process innovations focus on building an adaptive business process management system (BPMS). For manufacturing companies, process innovation includes such things as integrating new production methods and technologies that lead to improved efficiency, quality, or time-to-market, and services that are sold with those products. For service companies, process innovations enable them to introduce "front office" customer service improvements and add new services.



Types of Innovators

- ✓ Idea generators
- ✓ Idea adaptors

Idea generators

Idea generators initiate idea generation in the initiation stage of innovation. They are nonconformists and will disregard or violate existing organizational rules and norms as the need arises. Idea generators have expertise in a limited number of fields, enjoy conceptualizing abstract ideas, see new and different ways of doing things and tend to work alone.

Idea adaptors

Idea adaptors operate in the implementation stage of innovation and have more bureaucratic savvy, which they use to navigate ideas through the organization's formal and informal 'corporate immune' systems, where resistance is often encountered. Idea adaptors have a wider range of interests, are more applied, and interact with others to sell ideas.

Innovations are divided into two broad categories:

(1) Evolutionary innovations are brought about by numerous incremental advances in technology or processes and are of two types

- a) Continuous evolutionary innovations result in an alteration in product characteristics instead of in a new product, and do not require any user-learning or changes in his or her routine. Examples are the multi-blade shaving razor, fluoride toothpaste, and laptop computers.

- b) Dynamic continuous evolutionary innovations require some user-learning but do not disrupt his or her routine. Examples are fax machines, instant photography, and handheld computers.

(2) Revolutionary innovations (also called discontinuous innovations) require a good deal of user-learning, often disrupt his or her routine, and may even require new behaviour patterns. Examples are photocopier (xerography) machines, personal computers, and the Internet.

Innovation is synonymous with risk-taking and organizations that introduce revolutionary products or technologies take on the greatest risk because they have to create new markets. A less risky innovation strategy is that of the imitator who starts with a new product (usually created by a revolutionary innovator) having a large and growing demand. The imitator then proceeds to satisfy that demand better with a more effective approach.

Examples are IBM with its PC against Apple Computer, Compaq with its cheaper PCs against IBM, and Dell with its still-cheaper clones (sold directly to the customer) against Compaq. Although many innovations are created from inventions, it is possible to innovate without inventing, and to invent without innovating.



THE IMPACT OF INNOVATION ON A NEW VENTURE

Innovation can have impact on a new venture under different scenarios such as:

- ✓ Innovation can save an existing venture.
- ✓ Innovation can change the direction or focus of a venture
- ✓ Innovation can demand or bring funding to a venture.
- ✓ Innovation can be the reason for a new venture.



In particular, innovation can expect an impact on the following variables in business:

- ✓ fulfillment of law requests (e.g. about environmental protection),
- ✓ costs (mainly if process innovation),
- ✓ the use of inputs (e.g. energy savings),
- ✓ the required skills of manpower (ambivalently both in the directions of standardization / simplification / reduction or of empowerment),
- ✓ the employment structure, thus the relative weight of social groups.
- ✓ productivity.
- ✓ the quality of the produced good/service,
- ✓ sales, since new needs could be matched the new good / service,
- ✓ product differentiation.
- ✓ variety of the goods/services available to both consumer and business user,
- ✓ patterns of consumption,
- ✓ exports, when the new good is desired also abroad and there has no adequate substitutes,
- ✓ the number of firms operating on the market, ambivalently multiplying it if innovation is due to young start-up or reducing it if incumbents dominate the innovation trajectory, which becomes a barrier to entry,

- ✓ profitability, potentially both through lower costs than competitors and higher quality.

Creativity encourages innovation and innovation plays a vital role in the development of new business concepts, processes and products. Innovation drives growth and opportunity in new markets and breathes life into a mature industry.

In today's fast paced business environment, creativity and innovation is a prerequisite for success, and perhaps even for survival. That is why creativity and innovation are now moving to the top of the agenda for organizations around the world.

Creativity and innovation will be the most important factors in establishing and maintaining a competitive advantage. Generating fresh solutions to problems, and the ability to create new products, processes or services for a changing market and new world are part of the intellectual capital that gives a company its competitive edge. Creativity is a crucial part of the innovation equation.

SUCCESSFUL ENTREPRENEURSHIP AND INNOVATION

Innovation is the entrepreneur's key to success.

Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth"—Peter Drucker

When it comes to creating wealth, no one does it better than an Entrepreneur and Small Business, and in tumultuous economic times Small Business will lead the way to the rebirth of a dynamic and thriving economy, and to be an effective company.

The company must always innovate, and if it failed to perform the task of innovation over time it would fail to be successful, and yet most executives are marginally satisfied if at all with their businesses current levels of innovation, and of course many are disappointed with the level of improvements that result from their efforts.

In the course of developing innovative ideas entrepreneurs need to be careful that they are just innovating for the mere sake of innovating, since this never results in very profitable endeavors, or it might seem that actually current levels of innovation aren't really innovations, just only small incremental improvements on existing ideas, products and services. Profitable innovation happens most frequently within well-defined parameters of problem solving, and without these parameters the innovation would simply be about creating just new ideas, and yet we must realize that innovation, or at least commercially successful innovation is actually more than that, it is about creating new value the potential for the creation of new wealth.

In taking the innovation one step beyond the creation of new technologies one has to determine why many innovative creations don't work right away, but sometimes take many years and multiple efforts before success is achieved, and when we focus on

what was missing in the process, many times it's as simple as getting the idea to spread and become viral to a point where the innovation becomes very successful.

This is true many times when entrepreneurs are able to create networks that combine different innovations that together are able to fully exploit results, and therefore become successful as a group called a value network, or a value chain, which is usually taken for granted or purely neglected by many managers and executives, but changes here can result in profitable, innovative solutions for both entrepreneurial organizations and their customers.

Finally, a clear understanding of innovations and how when taken in and of themselves they do not function to create new strategies for entrepreneurial success, but when combined with other innovative ideas and processes they create success and wealth beyond anything that could be accomplished with the innovation by itself.

DEVELOPMENT AND GROWTH OF A NEW VENTURE

Example of innovation being the reason of a new venture:

A new plastic moulding process is discovered in Germany. The German firm allows experimentation with their machines in order to allow entrepreneurs the opportunity to find unique uses for the methodology and thereby create a market for their machines. Sibongile cc. found a new way to make car dashboards utilizing the German technology and sets up a new enterprise to sell to the motor industry.

We can distinguish between two broad opposing categories of innovation, namely:

- ✓ Incremental innovation
- ✓ Radical innovation.

Incremental innovation	Is the constant supply of small ideas in product and process innovation, for example the constant supply of new Tupperware products introduced each year
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Radical innovation	Is the introduction of a few ideas in product and process innovation that will bring about big change, for example the first introduction of the cell phone technology
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Radical or Incremental Innovation

The difference between radical and incremental innovation is illustrated in table below table:

Feature	Radical innovation	Incremental innovation
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Significance	Major novelty (e.g. entirely new products)	Minor improvements in existing products and processes
General guidelines	A fresh look on old problems: a different <i>Weltanschauung</i>	Determination in solving problems within a given framework
Knowledge base	Diversified, with unprecedented use of analogy and tools developed in other industries/contexts	Specific
Typical people triggering innovation	1. Critical individualists 2. Mission-oriented teams	Front-line workers
Organization where the innovation takes place	Outsiders and new entrants	Incumbent

Apply principles and practices of innovation

INNOVATIVE THINKING TO GENERATE NEW PRODUCTS

By making use of the same processes as used when doing the brain teasers, one can develop ideas for new products or services. A simple process that is followed in many businesses is that of inviting employees from all departments of the business to a brainstorming session where ideas are generated

Did you know that Japan has created a square watermelon? It's true. They took the consumer's need for a more space-efficient watermelon and made it into a reality. With some creative thinking, it turned out that the solution was much easier than expected. Simply grow them in square boxes!

There are five lessons that you can take away from this story which will help you in all parts of your life. Here are a few of them:

1.) Don't Assume:

The major problem was that most people had always seen round watermelons, so they automatically assumed that square watermelons were impossible before even thinking about the question. Things that you have been doing a certain way your entire life have taken on the aura of the round watermelon and you likely don't even take the time to consider if there is another way to do it. Breaking yourself from assuming this way can greatly improve your overall life as you are constantly looking for new and better ways to do things.

2.) Question Habits:

The best way to tackle these assumptions is to question your habits. If you can make an effort to question the way you do things on a consistent basis, you will find that you can continually improve the way that you live your life. Forming habits when they have been well thought out is usually a positive thing, but most of us have adopted our habits from various people and places without even thinking about them.

3.) Be Creative:

When faced with a problem, be creative in looking for a solution. This often requires thinking outside the box. Most people who viewed this question likely thought they were being asked how they could genetically alter watermelons to grow square which would be a much more difficult process to accomplish. By looking at the question from an alternative perspective, however, the solution was quite simple. Being creative and looking at things in different ways in all portions of your life will help you find solutions to many problems where others can't see them.

4.) Look for a Better Way:

The square watermelon question was simply seeking a better and more convenient way to do something. The stores had flagged a problem they were having and asked if a solution was possible. It's impossible to find a better way if you are never asking the question in the first place. Always ask if there is a better way of doing the things that you do and constantly write down the things you wish you could do (but currently can't) since these are usually hints about steps you need to change. Get into the habit of asking yourself, "Is there a better way I could be doing this?" and you will find there often is.

5.) Impossibilities Often Aren't:

If you begin with the notion that something is impossible, then it obviously will be for you. If, on the other hand, you decide to see if something is possible or not, you will find out through trial and error.

3.2 CUT COSTS AND INCREASE INCOME

Innovative thinking to cut the costs and increase income

The fundamental organizational challenge when implementing innovation is to change individuals' behaviour. Implementation is the critical gateway between the decision to adopt an innovation and the successful routine use of that innovation within the organization.

Implementing innovative ideas involves the following four steps:

- ✓ Gain acceptance for your idea
- ✓ Execute your implementation plan
- ✓ Develop an implementation plan
- ✓ Improve your implementation plan

Innovation is not just another way of developing new products and services or breathing life into existing ones. It involves much more. Innovation is the single best way in which to leapfrog competition by ensuring constant change in products and/or processes.

When organisations adopt innovations, they do so with high expectations, anticipating improvements in organisational productivity and performance. However, the adoption of an innovation does not ensure its implementation. The organisational challenge is to create the necessary conditions in which to utilize the innovation and to develop a workable plan for its implementation. Only then will an organisation be likely to achieve the intended benefits of the innovation.

GENERATE MORE EMPLOYMENT OPPORTUNITIES

Innovative thinking to generate more employment opportunities

Human labour is the most important part of the small business, because its influence determines how well the other factors are utilized. Without people your business will not exist. A variety of viewpoints often allows for creative yet appropriate solutions.

Learning Task - Group Activity



In your group, select a business of your choice. Apply innovative thinking to generate ways in which the business can generate more employment opportunities without putting the business at risk.

3.4 ADDRESS SKILLS NEEDS OF EMPLOYEES

Innovative thinking to address skills needs of employees

Skills or needs of employees should first be identified. Constant contact with employees is essential. Expectation of evaluation and punishment tends to undermine creativity. Intrinsic motivation fosters creativity, while extrinsic reward tends to be detrimental to creativity. Freedom and independence combined with greater democracy contributes to a creative business climate. A supportive working environment contributes to the fulfillment of creative potential and it includes a high level of employee responsibility for the initiation of new activities. Discussing ideas with other individuals, even with those who know little about the subject helps the process.

Sometimes a question which initially seemed simple, can lead to new discoveries and new approaches to old problems. Although some people are born with a gift of being creative, it is possible for anyone to develop and improve his creative abilities.

Formal training does not necessarily guarantee success in a small business. Skills can be gained from working experience.

MINIMISE THE IMPACT OF OPPOSITION FIRMS

Innovative thinking to minimise the impact of opposition firms on the venture

It is often surprising how little most small business people know about their competition. The small business owner must identify competitors and study them carefully. Once you know your opposition you can use a series of techniques to stimulate creativity in your venture.

SCAMP

1. Substitute	This means to use one object instead of another. For example, Sylvan Goldman, owner of two supermarket chains in 1937, noticed his customers struggling with heavy shopping baskets. INSTEAD of baskets, he came up with the idea of the shopping cart. Today there are millions of shopping carts in the world!
2. Combine	Combining two objects, materials or talents can lead to a whole new business idea. In the mid 1880's George Eastman developed a strong, lightweight cellulose film. He combined this with the idea of a lightweight camera to use with the film. This combination made Kodak the world leader in photography within ten years.
3. Adapt	To adapt is to change in some way. An object could be made to look sound or smell or taste or feel better. That is why it is so important to know your opposition and their products. In 1893, a Denver man, whose name is no longer known, developed a process for compressing dried wheat fibres into biscuits. John and Will Kellogg adapted this process to produce breakfast cereal. (Kellogg's Corn Flakes) You know what happened from there!
4. Magnify/ minimize	This means to make bigger and smaller. The enlargement of the small food store into a big supermarket is an example of the success of magnification! The pocket calculator, mini cell phone and laptop computer are examples of making successful products smaller which led to even greater success.
5. Put to another use	Asking the question "What else could this product do?" can lead to a very successful or environmentally friendly business. For example, Goodyear Tyre Company has a pollution free heating plant that uses tyres as its only fuel.

Using each of the above techniques in different ways will help you to generate a range of different ideas and come up with better products or services than your competitors. Always remember the words of Michael Crisp: "Often simple ideas are the best....."

You can also use brainstorming which is a creative means of generating a large number of ideas from a group of people in a short time. It is used by big and small companies to find ways to solve problems.

Being innovative is an advantage for any entrepreneur as this way; you are always able to come up with fresh ideas that will keep the business sustainable. On the other hand being too innovative can be a disadvantage as it may lead to the business coming with ideas and offering products too advanced for people's liking.

Advantages and Disadvantages of being an innovative entrepreneur

Of all the qualities that entrepreneurs possess one you will always see in varying degrees is the ability to be innovative. You will see entrepreneurs:

- ✓ coming up against a problem and actively deciding to find a solution to solve it
- ✓ subconsciously struggling with one of life's irritations only to have a 'eureka' moment when a better way suddenly strikes them
- ✓ using a service or product everyday and starting a business by adding a slight twist to make it even better than before

You may look upon these innovators with a feeling of envy but don't despair, there is no reason why you cannot be an innovative entrepreneur! Not convinced? Here are some steps you can take to fuel your innovativeness.

Be Curious

You cannot be innovative unless you are curious about life, about what happens around you. Resolve to start looking at your experiences differently. Constantly question things that happen to you. Why did it happen that like that? What would need to be done if I wanted a different outcome? What would that outcome be? How could that outcome be achieved?

Open up your eyes and your mind and start being curious.

Be Open to New Ideas

Being open to new ideas means putting yourself in situations where you can receive stimulation. You may not be seeking inspiration or a solution to problems but make sure you are regularly mixing with other business owners. Get into networking groups; seek out people who can give you fresh insights even if they are not within your sector or industry; read magazines and journals which are unrelated to your business.

Be Just Plain Weird!

Innovation rarely happens if you act within accepted norms. Deciding that something can't be done because it has never been done will not win you any prizes.

Being innovative means being prepared to act against accepted or conventional wisdom; being prepared to challenge the unchallengeable is the way innovators succeed. In a nutshell ... go against the crowd and be weird

Be Ready

Innovative ideas can strike at any time of the day or night or in any place. Don't assume that ideas will pop up when you are sitting at your desk. As we saw in the previous point

y their very nature innovative ideas are weird so expect them to surface in weird places! To capture them before they fall into the recesses of your mind always carry a notebook, Dictaphone, or PDA.

However outlandish the idea may seem write it down and resolve to look at it when you are in your most innovative frame of mind!

Be Persistent

Being innovative means being persistent. Whilst you may find a solution to your problem immediately but it very rarely happens that way. Solutions are out there, it just how long you are prepared to wait for them to appear.

Be Willing to Share

Whilst an innovative idea can strike and you can immediately take action invariably it takes someone else to fill in the missing pieces. Don't stumble around in the dark; find someone you can trust, someone who has the qualifications necessary to help move your idea forward.

The disadvantage in innovation is not doing proper research before you innovate and implement something.



ANNEXURE 1: GROWTH ACTION PLAN

The personal development plan will enable you address any areas of weakness that you identify during the course and stimulate your desire for personal growth.

Growth Action Plan			
I have identified the following as areas in which I need to improve in order to become competent. List in order of priority.			
Actions to be taken	Resources	Completion date	Evidence

Learner Name: _____ Signature: _____

Facilitator Name: _____ Signature: _____



ANNEXURE 3: TRAINING EVALUATION

Training Programme	
Facilitator Name	
Date	

Ratings:

1	Poor
2	Areas for Improvement
3	Meet the standard requirements
4	Very Good
5	Excellent

Tick where appropriate

Did the training relate to your job e.g. skills, knowledge?	1	2	3	4	5
Comments:					
To what extent will your performance improve as a result of attending this training	1	2	3	4	5
Comments:					
To what extent would you recommend this course to others?	1	2	3	4	5
Comments:					
Did this training meet your desired needs?	1	2	3	4	5
Comments:					
Was the training material user friendly / easy to understand?	1	2	3	4	5



ANNEXURE 4: EVALUATION OF FACILITATOR

Ratings:

1	Poor
2	Areas for Improvement
3	Meet the standard requirements
4	Very Good
5	Excellent

<i>Tick where appropriate</i>	1	2	3	4	5
Preparation for the training					
Knowledge of subject					
Handling of questions					
Interaction with participants					
Voice clarity					
Use of training aids (flip charts, handouts, etc)					
Facilitator made training exciting					
Recommendation of facilitator for future training					

Other comments on facilitator's delivery of this training:



ANNEXURE 5: RESOURCES

We gratefully acknowledge various sources of information which have been used in the development of this material, and apologize for unacknowledged sources.

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