



PURPLEGROWTH

COURSES | CONSULTING | COACHING

LP2: The Entrepreneur



Module 3 - Identify entrepreneurial opportunities in own context

Outcomes

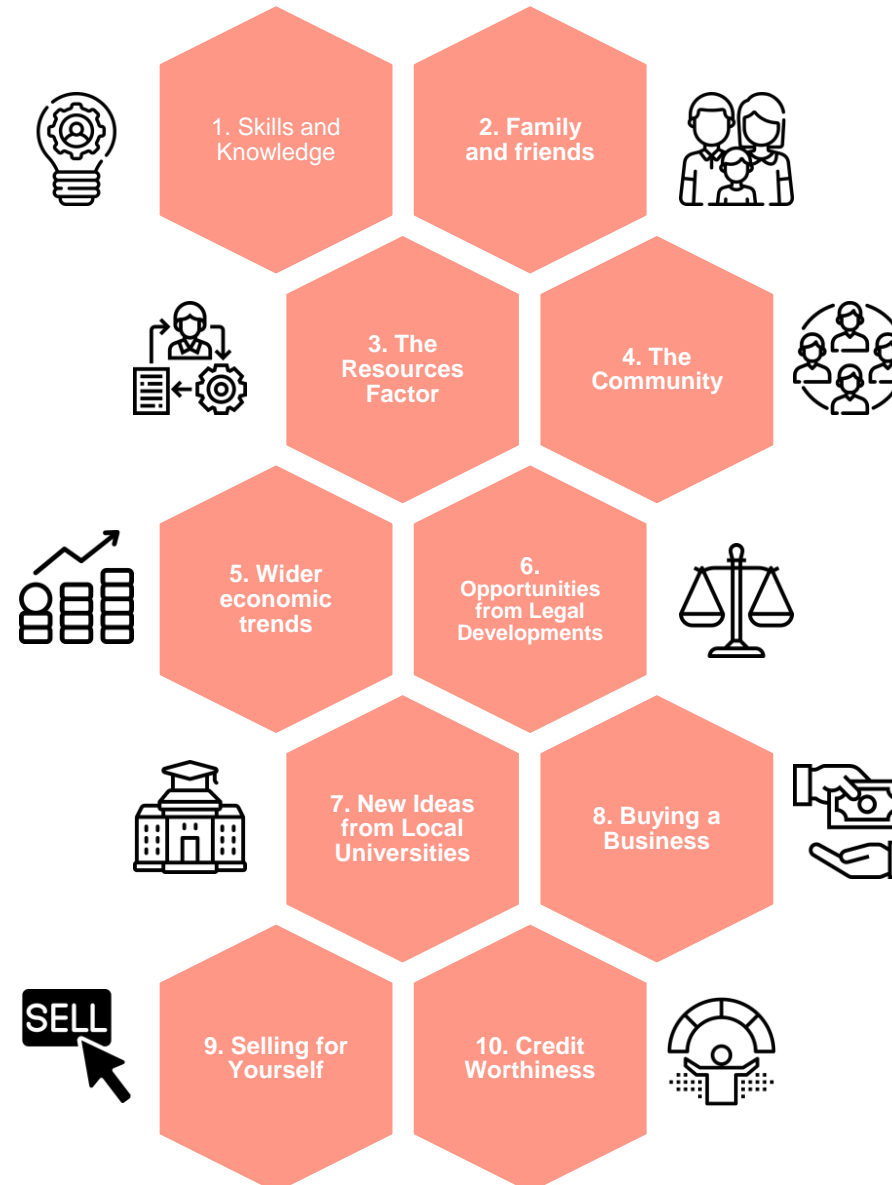
After completing this module, the learner will be able to identify entrepreneurial opportunities in own context, by successfully completing the following:

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



Module 3 - Identify entrepreneurial opportunities in own context

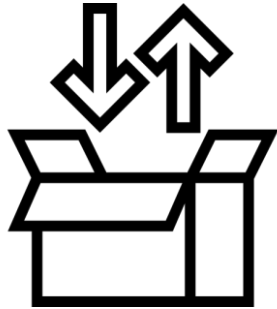
3.1 Identify and describe entrepreneurial opportunities in relation to own context



Module 3 - Identify entrepreneurial opportunities in own context

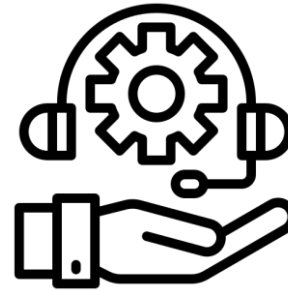
3.2 Identify and describe entrepreneurial opportunities in relation to own talents, interests and profile

What type of business will fit your talents, interests and profile?



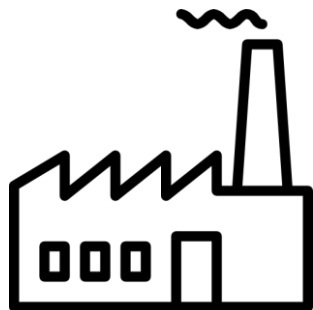
Trader

A trader buys goods from a factory or a wholesaler to resell to the consumer. Normally he buys from his supplier in bulk, but only sells a few items to each customer. By buying in bulk, he can get a 'good' price and so sell at a profit.



Service Business

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



Manufacturer

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



Wholesalers and retailers

Wholesalers and retailers perform valuable services for each other, the manufacturer and the public

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

Examples of Opportunities in Transport Industry

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

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

Using critical thinking to match talents and interests to business opportunities

What is Critical Thinking

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

Entrepreneurs should be thorough thinkers who:

- distinguish between opinion and fact
- ask powerful questions
- make detailed observations
- uncover assumptions and define their terms
- make assertions carefully, basing them on sound logic and solid evidence

Problem Solving Chart

Specify the problem

The first step to solving a problem is to identify it as specifically as possible

Analyse the problem

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

Formulate possible solutions

identify a wide range of possible solutions.

Evaluate possible solutions

weigh the advantages and disadvantages of each solution

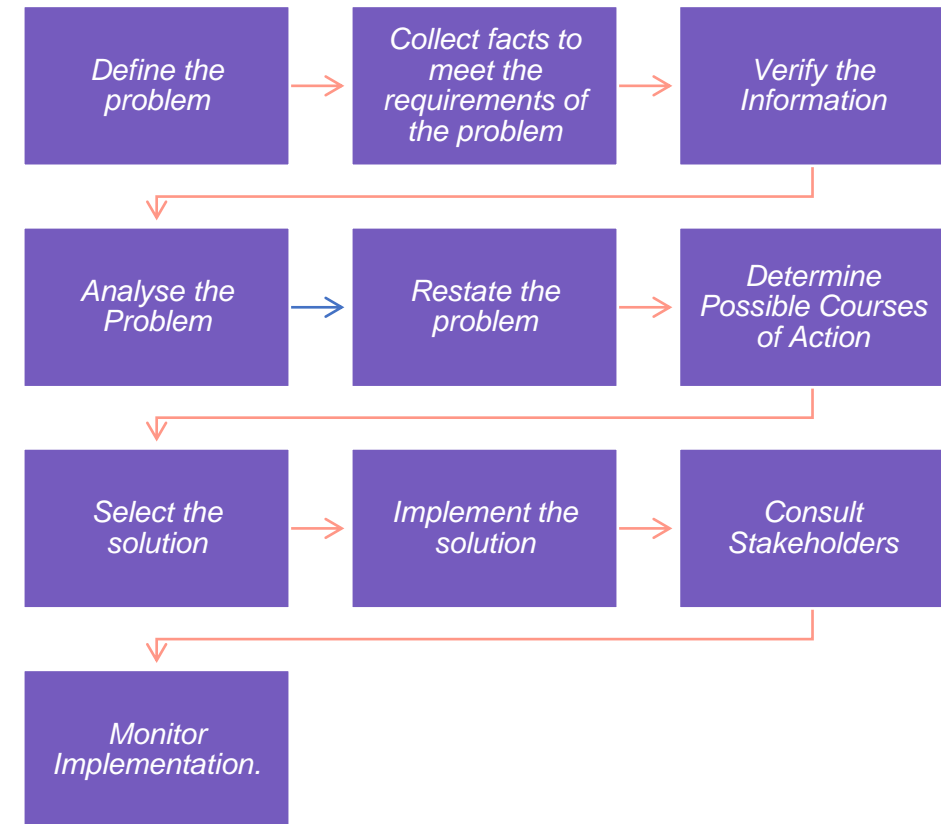
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3.4 Identify possible problems and limitations of identified opportunity

A SWOT is a great tool to understand issues affecting the business

Internal Environment	
Strengths (S)	Weaknesses (W)
<ul style="list-style-type: none">• Excellent sales staff with strong knowledge of existing products• Good relationship with customers• Good internal communications• High traffic location• Successful marketing strategies• Reputation for innovation	<ul style="list-style-type: none">• Currently struggling to meet deadlines - too much work?• High rental costs• Market research data may be out of date• Cash flow problems• Holding too much stock• Poor record keeping
External Environment	
Opportunities (O)	Threats (T)
<ul style="list-style-type: none">• Similar products on the market are not as reliable or are more expensive• Loyal customers• Product could be on the market for Christmas• Customer demand - have asked sales staff for similar product	<ul style="list-style-type: none">• Competitors have a similar product• Competitors have launched a new advertising campaign• Competitor opening shop nearby• Downturn in economy may mean people are spending less

Problem Solving and Decision Making Process



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

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3.5 Risks associated with the new venture

Pitfalls of small business

Risks	Mitigation Option
A lack of <u>interest</u> from financial institutions, especially when SMME operators are involved	Try and obtain <u>Government funding</u>
The <u>long time</u> required to <u>approve loans</u> . Banks need time to <u>determine</u> their <u>risk</u> and it cannot be expected from them to immediately approve loans without proper investigation.	As above or “Why not <u>buy directly from the supplier</u> without involving the bank?”
The <u>negative view</u> of the government’s financial credibility	Encourage a work ethic that will give the stakeholders of your business confidence in your business
<u>Insufficient</u> generation of <u>revenue</u> to <u>repay</u> capital <u>instalments</u>	<u>Draw up a proper Business Plan including a financial plan</u> before you lend money and ascertain whether the business will be viable and you will be able to repay the loan
The <u>high interest</u> rates	<u>Negotiate low interest rates or o interest</u> to be paid <u>during the start-up year</u> of your business
The fact that banks are not prepared to take risks	Business owners do not always realise the risks that banks have to incur in approving and granting loans
The <u>stringent</u> information <u>needs of banks</u> . Small businesses do not have the required information systems to provide the information	A <u>business plan</u> will help you get all the requirements in place before you approach the bank
<u>Unrealistic expectations</u> by banks <u>from small business owners</u> . Banks expect the <u>same</u> from <u>small businesses</u> as <u>from large businesses</u>	<u>Banks do not have a clear understanding</u> of the peculiar <u>nature</u> of the specific industry the business operates in. Your <u>business plan</u> will be of <u>assistance</u> to the bank
<u>Exploitation</u> of small operators <u>by manufacturers</u> in terms of <u>price</u>	Exploitation can be <u>avoided</u> by <u>supporting the competition</u>

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3.5 Risks associated with the new venture

Risk Management

Risk Management

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

A risk can also impact outside the business: on society, markets, or the environment. A good example is the rising oil price that causes drastic increases in the petrol price.

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

There are two stages in the process of Risk Management:

- Risk Assessment and
- Risk Control.

Risk Assessment

Identify Uncertainties

Analyse Risks

Prioritise Risks

Risk Control

Reduce the effect of Risks.

Plan for Emergencies

Measure and Control