

Entrepreneurial Skills
Entrepreneurial Skills

Only study guide for
ETP2601



Department of Entrepreneurship, Supply Chain,
Transport, Tourism and Logistics Management

University of South Africa, Pretoria

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CONTENTS

	page
PREFACE	vi
LEARNING UNIT 0:	
MODULE FRAMEWORK	1
0.1 How to use the learning units.....	1
0.2 The approach to studying this module	1
0.3 Studying.....	1
0.4 Reading	1
0.5 Activities	2
0.6 Assessment questions.....	2
0.7 Important advice on how to benefit from this module	2
PART 1: ENTREPRENEURIAL SKILLS	3
LEARNING UNIT 1:	
THE ENTREPRENEUR	4
1.1 Introduction.....	4
1.2 Entrepreneur and entrepreneurship.....	4
1.3 Characteristics of entrepreneurs.....	5
1.4 Types of entrepreneurship	5
1.5 Barriers to entrepreneurship	6
1.6 Factors affecting entrepreneurial growth.....	6
1.7 The risks to the entrepreneur.....	7
1.8 The entrepreneurial process.....	8
1.9 Motivation for the entrepreneur.....	8
1.10 Entrepreneurship vs small business.....	9
LEARNING UNIT 2:	
SKILLS SET OF AN ENTREPRENEUR	10
2.1 Introduction.....	10
2.2 Entrepreneurial skills	11
2.3 Entrepreneurial competencies.....	11
2.4 Creativity and innovativeness	11
2.5 Networking.....	12
2.6 Leadership and management.....	12
2.7 Time management.....	13
LEARNING UNIT 3:	
SETTING BUSINESS GOALS	16
3.1 Introduction.....	16

3.2	Goal achievement	16
3.3	The importance of goal setting.....	17
3.4	Guidelines for goal setting.....	17
3.5	Steps to goals setting.....	18
3.6	Motivation and commitment.....	18
3.7	Vision, mission and goals.....	18
LEARNING UNIT 4:		
NETWORKING IN ENTREPRENEURSHIP.....		20
4.1	Introduction.....	20
4.2	Defining networking	20
4.3	Where to start? The networking dilemma.....	20
4.4	How networks drive business development	21
4.5	Social media and business networking.....	21
4.6	Networking strategies	21
4.7	The benefits of networking	22
4.8	Developing effective networks	22
4.9	Forms of business networks.....	22
4.10	Business support structures.....	22
LEARNING UNIT 5:		
ENTREPRENEURIAL LEADERSHIP AND MANAGEMENT		24
5.1	Introduction.....	24
5.2	Leadership in business.....	24
5.3	Why leadership matters	25
5.4	Entrepreneurial leadership: a balance between management and leadership.....	25
5.5	What do entrepreneurial leaders do?.....	26
5.6	Leadership hierarchies in a business	26
5.7	Qualities of an entrepreneurial leader	27
5.8	Ethics and business leadership.....	28
PART 2:	ENTREPRENEURIAL MANAGEMENT SKILLS	29
LEARNING UNIT 6:		
CREATIVITY AND INNOVATION – THE DRIVING FORCE IN ENTREPRENEURSHIP ...		30
6.1	Introduction.....	30
6.2	Understanding creativity and innovation.....	30
6.3	The innovation process in entrepreneurship	31
6.4	Characteristics of creative people.....	32
6.5	Barriers to creativity in entrepreneurship	32
LEARNING UNIT 7:		
MARKETING AND SALES.....		34
7.1	Introduction.....	34
7.2	Purpose of marketing.....	34

7.3	Market analysis	35
7.4	Marketing strategy (the marketing mix).....	35
7.5	Sales and selling skills	35

LEARNING UNIT 8:

	OPERATIONS MANAGEMENT	38
8.1	Introduction.....	38
8.2	Operations management	38
8.3	Location factors.....	39
8.4	Business premises.....	39
8.5	Equipment.....	39
8.6	Raw materials (inventory)	40
8.7	The administration (human resources)	40
8.8	The production process	40
8.9	Process layout	40
8.10	Production planning and scheduling.....	41
8.11	Product service and quality	41
8.12	Comparison of manufacturing and service businesses	41
8.13	Operations management checklist.....	42

LEARNING UNIT 9:

	HANDLING LEGAL ISSUES	43
9.1	Introduction.....	43
9.2	Business registration	43
9.3	Registration with the appropriate authorities.....	44
9.4	Legal definition of a small business	45
9.5	Intellectual property (IP)	45

LEARNING UNIT 10:

	FINANCIAL SKILLS.....	46
10.1	Introduction.....	46
10.2	Understanding finance for the entrepreneurial venture.....	46
10.3	Accessing finance	47
10.4	Managing finance.....	47

BIBLIOGRAPHY	49
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PREFACE

Dear Student

It is with great pleasure that I welcome you to the Department of Entrepreneurship, Supply Chain, Transport, Tourism and Logistics Management (DESTTL) and specifically to the Entrepreneurial Skills (ETP2601) module. This is an important and interesting module that will afford you the opportunity to gain an understanding of entrepreneurship and the required skills to advance as an entrepreneur in the "real world".

My name is Ms Nthabeleng Mmako and I am your lecturer for this module. I will do my best to make your study of this module fruitful.

PART	LEARNING UNITS	PRESCRIBED TEXTBOOK
	LEARNING UNIT 0 Module framework	
PART 1: Entrepreneurial skills	LEARNING UNIT 1 The entrepreneur LEARNING UNIT 2 Skills set of an entrepreneur LEARNING UNIT 3 Setting business goals LEARNING UNIT 4 Networking in entrepreneurship LEARNING UNIT 5 Entrepreneurial leadership and management	Chapters 1–5
PART 2: Entrepreneurial management skills	LEARNING UNIT 6 Creativity and innovation – the driving forces in entrepreneurship LEARNING UNIT 7 Marketing and sales LEARNING UNIT 8 Operations management LEARNING UNIT 9 Handling legal issues LEARNING UNIT 10 Financial skills	Chapters 6–10

Learning unit 0

MODULE FRAMEWORK

0.1 HOW TO USE THE LEARNING UNITS

The purpose of the learning units is to give you guidelines on how to study for Entrepreneurship and Entrepreneurial Skills. These learning units do not replace the prescribed book and you will not be able to pass the exam if you only study the learning units and ignore the prescribed book.

The learning outcomes of each learning unit are very important and should be regarded as the knowledge you need to be successful in this module. You should accomplish all learning outcomes in order to master this module. If you have not achieved the learning outcomes set out in the learning units, you will find it difficult to pass the examination.

0.2 THE APPROACH TO STUDYING THIS MODULE

There are a number of learning outcomes at the beginning of each learning unit. These learning outcomes are there to guide you through the learning material, since they inform you of what you have to demonstrate at the end of each unit. They also indicate what will be expected of you in the assessment process. It is therefore important that you complete all the activities and assignments, and work through all the case studies and assessment questions, because these will prepare you for the examination. At the beginning of every section in the learning unit, you are referred to the relevant text in the prescribed book; study this specific section in its entirety, and read the relevant passage in this study guide.

0.3 STUDYING

To be able to do the activities and assignments for this module, to achieve the learning outcomes and to be successful in the examination, you will need an in-depth understanding of the content of these sections in the study guide and the prescribed book. To gain a thorough understanding of the learning material, you must accept responsibility for your own studies and understand that learning is not the same as memorising. It is expected that you will show that you understand and can apply the information, not just remember it.

0.4 READING

In some parts of the study guide, we will indicate that you need to read a certain section in the prescribed book. This means that you should take careful note of the content, because it usually contains useful background information, offers another perspective

or provides further examples. It will give you some context, improve your ability to take notes and enhance your understanding.

0.5 ACTIVITIES

You will come across various types of activities in the learning units. You are required to do the following:

- reflect on work covered
- do self-assessment activities

It is essential that you complete the activities and the assignments if you are to be successful in this module. Firstly, the activities will help you to develop an understanding of the learning unit at hand and to master the learning outcomes meaningfully. Secondly, since there is feedback provided at the end of each activity, you can assess yourself and learn from the insight gained.

0.6 ASSESSMENT QUESTIONS

At the end of each section, you will find a list of possible assessment questions based on the work done in that section. I advise you to work through these questions diligently, since they provide extremely useful opportunities to prepare for possible examination questions. Self-assessment plays a very important role in the mastery of learning outcomes and you should therefore complete the self-assessment activities. You will find most of the answers to these questions in the learning material covered in your study guide and the prescribed book. Therefore, you should not have any surprises in the examination. Consequently, it is in your own interests to work through these assessment questions.

0.7 IMPORTANT ADVICE ON HOW TO BENEFIT FROM THIS MODULE

You will be more likely to succeed if you consider the following suggestions:

- Study the prescribed study material conscientiously and according to the guidelines and the sequence provided.
- Relate the subject matter to your work situation (discuss the subject matter with your colleagues and e-tutors).
- Plan your studies according to the time available and our recommendations.
- Use the learning units and the prescribed book according to the guidelines provided.
- Engage in the activities and do the assignments.
- Engage with the e-tutors on myUnisa.
- Prepare properly for the examination.

PART 1

ENTREPRENEURAL SKILLS

Learning unit 1

THE ENTREPRENEUR



LEARNING OUTCOMES

At the end of this learning unit, you should be able to:

- differentiate between the terms entrepreneur and entrepreneurship
- explain the historical development of entrepreneurs
- describe various entrepreneurial characteristics
- explain barriers affecting entrepreneurship
- develop an entrepreneurial profile
- describe factors that affect entrepreneurial growth
- explain the entrepreneurial process
- differentiate between entrepreneurship and small businesses



KEY CONCEPTS

Entrepreneurship
Entrepreneur
Entrepreneurship profile
Necessity entrepreneurs
Social entrepreneurs
Tenderpreneurs

Motivation
National Small Business Act 20 of 2003
Expertise
Personal characteristics

1.1 INTRODUCTION

Entrepreneurship plays a crucial role in the development of a nation. The prescribed book defines an entrepreneur as "an individual who establishes and manages a business for the purpose of profit and growth" (Mmako, Radipere, Dhliwayo & Shambare 2017:5). In this study unit, we will discuss entrepreneurship and entrepreneurs. You will also learn about common characteristics entrepreneurs have and the various barriers affecting entrepreneurs, among other things.

1.2 ENTREPRENEUR AND ENTREPRENEURSHIP



Study chapter 1, section 1.2, in the prescribed book.

An entrepreneur is someone who identifies a business idea, determines the feasibility and viability of the idea, and implements this idea by establishing a business and managing it successfully.

Entrepreneurship, on the other hand, is regarded an elusive subject. Entrepreneurship may be thought of as the processes undertaken by the entrepreneur to bring a business unit into existence and make it successful.

1.3 CHARACTERISTICS OF ENTREPRENEURS



Study chapter 1, section 1.3, in the prescribed book.

Entrepreneurs have certain skills, expertise and aptitudes they use in the businesses. They possess certain common characteristics such as commitment and determination, a willingness to take risks, creativity and innovation as well as the ability to foster and maintain good human relations. The entrepreneur needs to know their strengths and weaknesses. Where he/she lacks in the required characteristics, the entrepreneur needs actively to seek help from others who can do what he/she cannot. This combination is often essential in the success of an entrepreneurial venture.

1.4 TYPES OF ENTREPRENEURSHIP



Study chapter 1, section 1.4, in the prescribed book.

Nieman and Nieuwenhuizen (2014) identify the following types of entrepreneurs:

- Basic survivalist

This refers to entrepreneurs who operate to survive until they enter the formal job sector or better entrepreneurial opportunities.

- Pre-entrepreneur

This type of entrepreneur may be considered a social entrepreneur, where profit is not the motive for running the business.

- Subsistence entrepreneur

This refers to a person running an independent business, at a small scale, to generate an income.

- Micro-entrepreneur

This is a formal sector entrepreneur with between zero and nine employees.

- Small-scale entrepreneur

This refers to someone operating a business that employs 1 to 49 people.

1.5 BARRIERS TO ENTREPRENEURSHIP



Study chapter 1, section 1.5, in the prescribed book.

Entrepreneurs experience various barriers in their pursuit of entrepreneurial success. Barriers are the inhibiting factors that prevent or slow down the entrepreneurial process. Understanding entrepreneurial barriers may help entrepreneurs develop strategies to overcome them or minimise their effects.

These barriers are divided into three categories, namely: environmental, personal and social barriers.

- Environmental barriers
 - lack of skilled labour, lack of machinery, lack of infrastructure and lack of funds
- Personal barriers
 - unwillingness to invest money, lack of confidence, lack of motivation, lack of patience and the inability to dream
- Social barriers
 - low status and the customs and traditions of people

1.6 FACTORS AFFECTING ENTREPRENEURIAL GROWTH



Study chapter 1, section 1.6, in the prescribed book.

Various factors affect the growth of the entrepreneurial venture. These factors can influence entrepreneurship positively or negatively. Where there is strong support in these areas, entrepreneurship often thrives. These factors are mentioned below:

- Psychological factors

Psychological factors inspire the entrepreneur to strive for higher achievement. This means that they set higher goals and aim to achieve them.

- Cultural factors

Entrepreneurs operate within a culture. Culture includes aspects such as buildings, furniture and some concepts we cannot always see such as laws, knowledge and acceptable and non-acceptable behaviour in certain societies.

- Social factors

People are often shaped by the sociological and environmental environments in which they find themselves. These include influences such as family and friends and the legitimacy of the entrepreneur.

- Economic factors

Economic factors influence whether entrepreneurs pursue entrepreneurship because of necessity or opportunity. Economic factors include financial resources, availability of material as well as the target market.

- Personality factors

The entrepreneur is a person and therefore has a personality of his/her own. A combination of this personality, skills and talents help to shape and develop the entrepreneur.

1.7 THE RISKS TO THE ENTREPRENEUR



Study chapter 1, section 1.7, in the prescribed book.

Entrepreneurs commit themselves to their businesses. In doing that, they take on risks that come with doing so. Entrepreneurs are advised to take calculated risks. This means that before taking a risk, advantages and disadvantages have to be carefully calculated and considered.

The types of risks that the entrepreneur assumes include financial risk, personal risks, career risks and psychological risks.

1.8 THE ENTREPRENEURIAL PROCESS

In creating an entrepreneurial venture, the entrepreneur will follow certain steps. These steps are illustrated below:



Figure 1.1: The entrepreneurial process

Source: Mmako et al. (2017)

1.9 MOTIVATION FOR THE ENTREPRENEUR



Study chapter 1, section 1.8, in the prescribed book.

Entrepreneurs may start an entrepreneurial venture for various reasons. These reasons may be because of the influence of others or it can be their own desire to do so. However, things are not always rosy. Therefore, it is important for entrepreneurs to stay motivated. Before starting a business, entrepreneurs need to know what motivates them. The following describe types of entrepreneurial motivation:

- Personal fulfilment

Entrepreneurs are creative. This creativity is channelled to create innovative products and services. This often gives them personal fulfilment. By developing their own businesses, they gain a sense of personal fulfilment.

- Personal satisfaction

Entrepreneurs are often energised by the process of developing products and services. This gives them satisfaction.

- Independence

Entrepreneurs have the freedom to decide when to be at work, when to be with their families and engage with others. This kind of independence does not often come with a regular job.

- Financial rewards

Operating a business may generate great rewards for the entrepreneur. It is said that the bigger the risk, the greater the reward. Financial returns of the entrepreneur should ideally represent the investment and time spent working on the business.

1.10 ENTREPRENEURSHIP VS SMALL BUSINESS



Study chapter 1, section 1.9, in the prescribed book.

The terms “entrepreneurship” and “small business” are often used interchangeably, even though they do not mean the same thing. The following fundamental differences exist:

- Small businesses

Small businesses are independently owned and operated; however, they are not dominant in their field of practice. They also do not engage in any new marketing or innovative practices.

- Entrepreneurial ventures

Entrepreneurial ventures aim for profit and growth.

Innovation and growth are what set the entrepreneurial venture apart from the small business. Entrepreneurial ventures thrive on innovation. An entrepreneurial venture also sets strategic objectives that are related to its target market and market development as well as market share and market position.



Activity 1.1

Work through **chapter 1** in the prescribed book.

- (1) Read the opening case study in the prescribed book. When Andrew’s father died, his family was left with no source of income, which forced him to find a way to generate an income for his family. However, his love for entrepreneurship grew as he grew older. From the above theory, apply the various entrepreneurial motivations to Andrew.
-

Learning unit 2

SKILLS SET OF AN ENTREPRENEUR



LEARNING OUTCOMES

At the end of this learning unit, you should be able to:

- explain the concept of entrepreneurial skills
- describe entrepreneurial competencies
- discuss time management
- describe the three P's of time management
- describe the qualities of entrepreneurial leaders
- describe the types of entrepreneurial leaders
- explain the concept of management
- discuss the main skills required for entrepreneurial success
- explain how various entrepreneurial skills influence entrepreneurial success



KEY CONCEPTS

Entrepreneurial skills
Planning
Leadership
Management
Creativity and innovation
Networking



Activity 2.1

- (1) The central question or argument in entrepreneurship is whether entrepreneurs are born or made. However, skills are learned and are essential in the success of a business. What is your take on this argument?
-

2.1 INTRODUCTION

This chapter begins from the position that even though some people are naturally talented entrepreneurs, one cannot succeed in business without a balanced skills set.

This learning unit introduces entrepreneurial skills and highlights their importance in performing well as an entrepreneur.

The aim of this learning unit is to aid the reader in developing an understanding of entrepreneurial skills necessary for the development and growth of the entrepreneurial venture.

2.2 ENTREPRENEURIAL SKILLS

An entrepreneur is most often described as someone who creatively comes up with innovative solutions to the world's problems. They assume risks on this journey and, ultimately, they are rewarded with profits from the business. However, this definition is criticised for oversimplifying the actual work that goes into making sure that a business succeeds. This definition of entrepreneurship fails to mention the essential role skills play in realising the success of entrepreneurial ventures. Entrepreneurial skills are the combination of skills and abilities to perform well. The best part about skills is that no one has the perfect set of skills; skills can constantly be improved.

2.3 ENTREPRENEURIAL COMPETENCIES



Study chapter 2, section 2.3, in the prescribed book.

Dara (2013) refers to entrepreneurial competencies as key characteristics possessed by entrepreneurs in order to perform entrepreneurial functions well.

Refer to table 2.1, in chapter 2, of the prescribed book.

2.4 CREATIVITY AND INNOVATIVENESS



Study chapter 2, section 2.4, in the prescribed book.

In entrepreneurship literature, creativity and innovation are often discussed together.

- Creativity

Creativity is the creation of useful and novel ideas.

Three components need to be present in order for creativity to take place, these are:

1. Expertise
2. Creative thinking ability
3. Motivation

- Innovation

Innovation is the conversion of creative ideas into business products, services and processes. For innovation to take place, the individual should display the following:

1. Proactiveness
2. Risk-taking

2.5 NETWORKING



Study chapter 2, section 2.5, in the prescribed book.

It is said that to be successful in business, “it is not what you know, but who you know”. This is especially true when it comes to entrepreneurship. Networking is a critical skill an entrepreneur needs to develop. Networks can be either informal or formal. However, it is important to note that good network relationships are based on mutual respect, trust and give and take.

2.6 LEADERSHIP AND MANAGEMENT



Study chapter 2, section 2.6, in the prescribed book.

Entrepreneurs wear many hats in the business. These hats include being a manager and leader in the entrepreneurial venture. Leadership and management are often treated as synonymous terms. However, they do not mean the same thing.

Leadership is the ability to influence people to work willingly towards a desired vision. Management can be thought of as the act of determining and directing how resources are spent.

Entrepreneurs need both management and leadership skills in the entrepreneurial venture.

Good leaders possess the following qualities:



Figure 2.1: Qualities of good leaders

Source: Mmako et al. (2017)

2.7 TIME MANAGEMENT



Study chapter 2, section 2.6.2.3, in your prescribed book.

It is said that time management, in essence, is self-management (Nieweunhuizen 2008). We all have the same 24 hours to achieve the goals that we set for ourselves. Self-management might be hard if we do not know how to prioritise. To be able to manage one's time requires understanding the priorities of the entrepreneur and their business. Good time management does not mean being busy, but being effective. The essential tools of good time management are proper planning and prioritising. There will always be the exception and we must constantly leave room for these exceptions.

Time management can have the following effects on the entrepreneur and/or their business:

Table 2.1: Effects and benefits if time management

Negative effects of poor time management	Benefits of time management
Missed deadlines	Greater productivity and efficiency
Inefficient workflow	Better professional reputation
Poor understanding of tasks	Less stress

Poor work quality	Increased opportunities
Poor professional reputation	Greater opportunities to achieve important life and career goals
Higher stress levels	
Failure to deliver products and services	

Source: Mmako et al. (2017:37)

- The three P's of time management

Time management does not necessarily mean working harder; it means working more efficiently. The following guidelines can be used for using time more effectively:

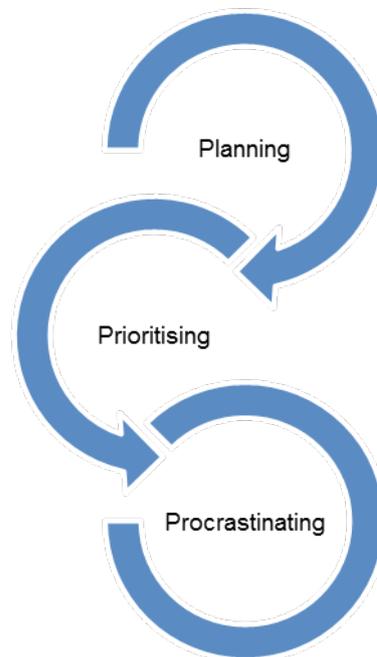


Figure 2.2: Three P's of time management

Source: Mmako et al. (2017)

- Planning

If you do not plan, then you plan to fail. Planning is a non-negotiable essential of time management. Planning helps an entrepreneur develop a clearer understanding of what they hope to achieve.

- Prioritising

Time is a limited resource. It is therefore important for the entrepreneur to know what is important and what should be done as a matter of priority and what is not urgent. This should help the entrepreneur to work more efficiently.

- Procrastinating

People tend to put things off until the last minute. This they do in favour of something more pleasurable. One should always strive not to put things off until the last minute. This increases the pressure to perform the task and may make one feel overwhelmed.



Activity 2.2

- (1) In your prescribed book, there is an entrepreneurial profile evaluation (chapter 2). Complete this evaluation profile. Evaluate the answers you provided against the entrepreneurial profiles identified. Write down the areas where you require improvement and work on these throughout the module.

.....

Learning unit 3

SETTING BUSINESS GOALS



LEARNING OUTCOMES

At the end of this learning unit, you should be able to:

- explain goal achievement
- describe self-efficacy
- explain the importance of goal setting
- discuss guidelines for goal setting
- apply the smart concept to goal setting
- evaluate the relationship between motivation and commitment
- explain the relationship between the vision, mission and goals of the business
- differentiate between goals and objectives
- describe factors to consider before setting goals



KEY CONCEPTS

Goal achievement
Self-efficacy
Goal setting
SMART goals
Motivation
Commitment
Vision
Mission

Short-term goals
Medium-term goals
Long-term goals
Objectives

3.1 INTRODUCTION

People often want to be successful without a solid plan of action. Goal setting is important in order to turn entrepreneurial dreams into a reality. However, we should bear in mind that goal achievement is not a linear process, but having a plan helps guide this process.

3.2 GOAL ACHIEVEMENT

Goals may be defined as the desired results of our efforts. Entrepreneurs invest a lot of time, money and effort in their entrepreneurial venture, but, somehow, many feel as though they do not always see the reward of these efforts. This may be because they have not set well-defined and measurable goals. All goals need to have an action plan.

The next section explains the relationship between goal achievement and self-efficacy.

- Self-efficacy

Self-efficacy is an individual's belief in their own abilities and skills to perform tasks (Piperopoulos & Dimov 2015). Self-efficacy determines business performance and this, in turn, determines the results in success for the entrepreneur. An entrepreneur's self-belief is greatly influenced by their confidence.

3.3 THE IMPORTANCE OF GOAL SETTING



Study chapter 3, section 3.4, in the prescribed book.

Goals direct attention, resources and actions. The importance of goal setting can be summarised as follows:

- Goal setting helps develop a blueprint for the success of the business.
- Goal setting sharpens an entrepreneur's focus.
- Setting goals sets in motion an entrepreneur's plan.
- Goals help measure and track progress.
- Setting goals helps an entrepreneur discover knowledge about themselves and their business.

3.4 GUIDELINES FOR GOAL SETTING



Study chapter 3, section 3.4.1, in the prescribed book

When it comes to entrepreneurship, one should not be like a dead fish and just go with the flow. The following are guidelines that can be used in setting goals:

- Choose a business that interests you.
- Set specific, measurable, attainable, relevant and timeous (SMART) goals.
- Set goals that are achievable.
- Align goals to your overall vision for the business.
- Goals should be measurable.
- Passion drives goal achievement.
- Determine the resources you will need to achieve your goals.
- Realistically think about how long it will take to achieve your goals.

3.5 STEPS TO GOAL SETTING

The following steps are proposed for goal setting:

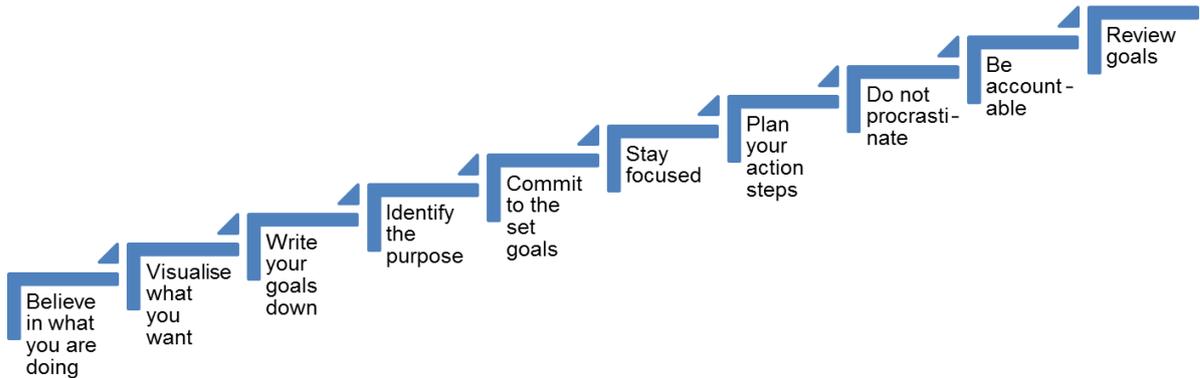


Figure 3.1: Steps for goal setting

Source: Mmako et al. (2017)

3.6 MOTIVATION AND COMMITMENT



Study chapter 3, sections 3.5.1 and 3.5.2, in the prescribed book.

Motivation and commitment go hand in hand. Motivation is what often gets entrepreneurs started. Commitment to our goals is what keeps us going.

- Motivation

Motivation is the reason to act in a certain way in order to accomplish something.

- Commitment

Motivation has its peaks and dips. Commitment keeps entrepreneurs going when motivation is at its lowest.

3.7 VISION, MISSION AND GOALS



Study chapter 3, section 3.6.1 to 3.6.5, in your prescribed book.

- Vision

A vision may be described as the desired picture the entrepreneur strives to create.

- Mission

The mission describes the current activities of the business.

- Goals

Goals are the aims the business wants to achieve. Goals can be classified as long, medium or short term.



Activity 3.1

You are an entrepreneur who has recently started your own business. You understand the importance of goal setting.

With the given guidelines, develop the vision, mission and goals of this business.

.....

Learning unit 4

NETWORKING IN ENTREPRENEURSHIP



LEARNING OUTCOMES

At the end of this learning unit, you should be able to:

- define the term networking
- describe the methods for developing effective networks in entrepreneurship
- identify the sources and benefits of networking
- identify ways to develop effective networks
- describe various government and non-governmental support institutions that can be used for networking by entrepreneurs



KEY CONCEPTS

Networking
Networks
Social media networking
Chamber of Commerce

4.1 INTRODUCTION

In today's business environment, networking is critical for the growth and survival of the business. Networking is a tool that should help entrepreneurs to identify opportunities by acquiring knowledge and information.

4.2 DEFINING NETWORKING

Networking may be defined as the process of meeting people, building relationships that are mutually beneficial by sharing information and ideas.

4.3 WHERE TO START? THE NETWORKING DILEMMA



Study chapter 4, section 4.3, in the prescribed book.

For some people, making connections and meeting new people does not come easy. As people, we have varying personalities. To know where to start with networking, one needs to determine their purpose for networking as well as the goals they wish to achieve. This helps set networking objectives that are aligned to your business.

4.4 HOW NETWORKS DRIVE BUSINESS DEVELOPMENT



Study chapter 4, section 4.4, in the prescribed book.

Networking provides many benefits for the business. Having access to a network is a great resource for many growth opportunities, especially for new businesses. A business should use different types of networks in the different developmental phases of the business.

4.5 SOCIAL MEDIA AND BUSINESS NETWORKING



Study chapter 4, section 4.5, in the prescribed book.

Social media has changed the networking landscape greatly. Today, various social media tools are used, for not only networking, but advertising as well. If a business is not on social media platforms, this often closes off a large segment of its market or potential market. Social media has its pros and cons and it is important that the entrepreneur knows what they are before engaging on social media to do business networking.

4.6 NETWORKING STRATEGIES



Study chapter 4, section 4.6, in the prescribed book.

There are various ways in which an entrepreneur can create beneficial networks. These strategies include:

- starting conversations
- being active in organisations
- doing research on potential networks and making the first move
- becoming a better listener
- presenting ideas to potential investors with confidence
- becoming an advocate for your own business

4.7 THE BENEFITS OF NETWORKING

Networking has many benefits for the entrepreneurial venture. These benefits include:

- access to information and knowledge
- access to funding opportunities
- exposure to new markets
- skills development
- creates a culture of sharing
- increased business exposure
- helps build the business profile

4.8 DEVELOPING EFFECTIVE NETWORKS



Study chapter 4, section 4.8, in the prescribed book.

The saying, “no man is an island”, also applies to networking. Opening up one’s business in order to share experiences with others, can help the business grow. Several places can be used to build effective networks:

4.9 FORMS OF BUSINESS NETWORKS



Study chapter 4, sections 4.9 and 4.10, in the prescribed book.

Becoming a part of various associations broadens the entrepreneur’s network. The entrepreneur, however, needs to evaluate the benefit of such associations and the contributions they can make in such associations. The following are forms of business networks the entrepreneur should consider:

- Chambers of Commerce
- Civil organisations
- Social clubs
- Business seminars

4.10 BUSINESS SUPPORT STRUCTURES



Study chapter 4, section 4.11, in the prescribed book.

SMMEs are a mechanism for job creation, upgrading skills, income redistribution, democratising the economy, poverty reduction and ensuring economic growth.

Government has put in place the following structures for SMMEs to achieve this:

- The Department of Trade and Industry (DTI)
- Small Enterprise Development Agency (SEDA)
- Small Enterprise Finance Agency (SEFA)
- Industrial Development Corporation (IDC)
- National Empowerment Fund (NEF)
- National Youth Development Agency (NYDA)
- Companies and Intellectual Property Commission (CIPC)



Activity 4.1

Knowing what you know now about networking and social media, identify the best platforms for interacting with customers/clients in your future/current business.

.....

Learning unit 5

ENTREPRENEURIAL LEADERSHIP AND MANAGEMENT



LEARNING OUTCOMES

At the end of this learning, you should be able to:

- distinguish between leadership and management
- describe the qualities of good leadership
- describe management capabilities of the entrepreneur
- explain how leadership skills can be used to resolve conflict
- discuss ethical issues related to entrepreneurial leadership and management



KEY CONCEPTS

Effectuation
Ethics
Leadership
Management
Motivation
Network
Persistence
Vision

5.1 INTRODUCTION

Many entrepreneurs believe that leadership and management are imperatives for only large corporations. This, unfortunately, is one of the reasons why entrepreneurial ventures do not grow. The role of entrepreneurial leadership and management should not be ignored, as it helps to grow the business fully so that it can realise its vision.

5.2 LEADERSHIP IN BUSINESS



Study chapter 5, section 5.1.1, in the prescribed book.

Leadership is ultimately the process of providing guidance and direction to a group of organised people. This may be in a company, church, community and even a country. Leadership involves four critical functions, these are:

- defining the purpose of the organisation
- defining the structure of the organisation
- allocating resources and budgets
- controlling actions and processes

5.3 WHY LEADERSHIP MATTERS



Study chapter 5, section 5.2, in the prescribed book.

Working with people is not easy. With our diverse backgrounds, opinions, tastes and beliefs, clashes are guaranteed. Given this, leadership is one of the most challenging tasks for the entrepreneur. The human resources in the entrepreneurial venture are an important asset that should not be neglected. Leadership is important to ensure that the human resources in the entrepreneurial venture continually support the ideals of the business.

5.4 ENTREPRENEURIAL LEADERSHIP: A BALANCE BETWEEN MANAGEMENT AND LEADERSHIP



Study chapter 5, section 5.3, in the prescribed book.

Many people tend to be confused by the term “entrepreneurial leadership”. If properly explained, this is a simple term. Three aspects with regard to entrepreneurial leadership are worth mentioning:

1. Entrepreneurial leadership is a critical skill required of an entrepreneur.
2. It is the single most important skill that will determine the success or failure of an entrepreneurial venture.
3. There are salient differences between management and leadership.

In the execution of their duties, entrepreneurs are confronted with three fundamental issues:

1. Determining what needs to be done
2. Creating networks and relationships
3. Ensuring that suitable people are recruited

See table 5.1 in the textbook, which demonstrates how managers and entrepreneurial leaders differ with respect to these issues.

5.5 WHAT DO ENTREPRENEURIAL LEADERS DO?



Study chapter 5, section 5.4, in the prescribed book.

Organisations should fundamentally achieve their goals and objectives. That is what leadership is essentially about.

The following are functions of entrepreneurial leadership:

- Entrepreneurial leaders define the vision of the organisation
- Entrepreneurial leaders develop networks
- Entrepreneurial leaders develop motivated leaders

5.6 LEADERSHIP HIERARCHIES IN A BUSINESS



Study chapter 5, section 5.5, in the prescribed book.

To ensure that the objectives of the organisation are effectively achieved, it is important to define the leadership structure of the organisation. Depending on the size of the organisation, there may be different levels of leadership.

Figure 5.1 below highlights three levels of management. At the top of the pyramid are top managers. They occupy the highest positions in the organisation and often make strategy-related decisions. In the middle of the pyramid are middle managers. They execute the strategy developed by top managers. They report to the top managers. At the bottom of the pyramid are first-line managers. An example of a first-line manager would be a supervisor. They work directly with the staff of the organisation.

The two axes in the figure are important in relating the power and levels of management. The y-axis (top to bottom) shows the relative power and authority of the managers. The x-axis (left to right) shows the relative number of managers.

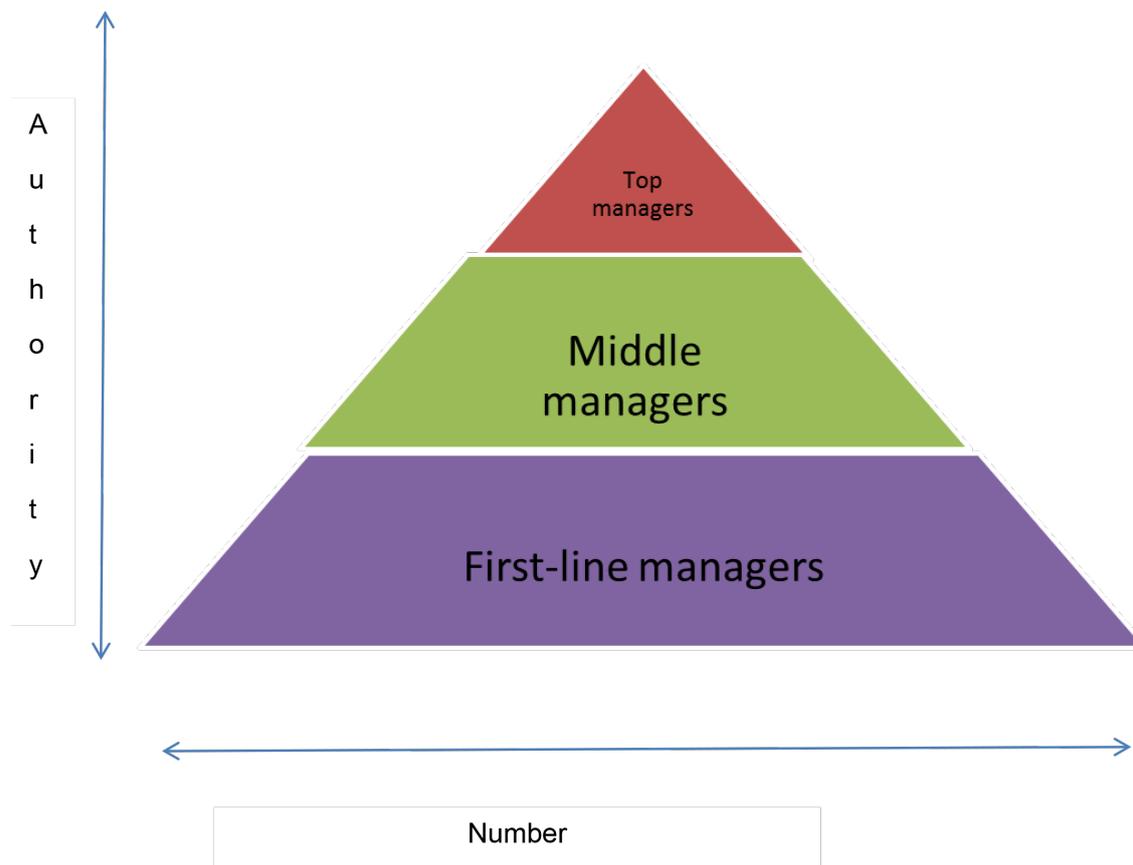


Figure 5.1: Levels of management

Source: Erasmus, Strydom and Rudansky-Kloppers (2013)

5.7 QUALITIES OF AN ENTREPRENEURIAL LEADER



Study chapter 5, section 5.6, in the prescribed book.

There is not a set of prescribed guidelines or characteristics of what a leader is supposed to be or not. The following are common qualities of entrepreneurial leaders:

- a well-defined vision
- ability to sell their vision
- ability to learn quickly
- persistence
- effectuation

5.8 ETHICS AND BUSINESS LEADERSHIP



Study chapter 5, section 5.7, in the prescribed book.

In conducting business, the entrepreneur needs to be ethical at all times. Ethical leadership refers to actions that are directed by respect for ethical beliefs and values and the dignity and rights of others. Entrepreneurs need to maintain high moral standards. This, however, may be difficult in practice. Doing the right thing, at all times, is not always simple.

For entrepreneurs' ethics can be divided into two aspects:

- An entrepreneur must act ethically by making ethical decisions.
- An entrepreneur must lead ethically.

The entrepreneurial leader is the moral compass of the business.

Table 5.3 describes the conflict between societal and business norms. It is important to note that to succeed in business, entrepreneurs need to hold ethics in high regard.



Activity 5.1

Identify leaders that you admire and dislike in business. Using the theory discussed in this learning unit, what makes the leaders you admire better leaders compared to the ones you dislike?

.....

PART 2

ENTREPRENEURIAL MANAGEMENT SKILLS

Learning unit 6

CREATIVITY AND INNOVATION – THE DRIVING FORCE IN ENTREPRENEURSHIP



LEARNING OUTCOMES

At the end of this learning unit, you should be able to:

- define the terms creativity, innovation and commercialisation
- explain the link between creativity and innovation
- apply the different approaches for generating creative ideas
- explain the steps to follow in enhancing creative thinking



KEY CONCEPTS

Commercialisation
Creativity
Innovation
Market
Sustainability
Value proposition

6.1 INTRODUCTION

What essentially differentiates the small business from the entrepreneurial venture is creativity and innovation. Entrepreneurial ventures, in the long term, generate sustained profits by continually satisfying consumer needs by thinking outside the box. Entrepreneurs do not always have to follow set trends, but can pride themselves in trendsetting.

6.2 UNDERSTANDING CREATIVITY AND INNOVATION



Study chapter 6, section 6.2, in the prescribed book.

- Defining creativity

Creativity may be defined as the generation of new ideas or the new use of existing knowledge to solve existing problems.

In other words, to be creative refers to the ability of an individual to generate new ideas in order to solve problems.

From the above discussion, the three features of creativity may be noted as:

- the existence of a problem needing a solution
- the definition of a new idea
- the formulation of a solution

- Defining innovation

The concepts creativity and innovation go hand-in-hand. Innovation is a function of creativity. There is no innovation without creativity. Innovation is the transformation of creative ideas into products and services.

Three forms of entrepreneurial innovation exist:

- Product innovation
- Service innovation
- Process innovation

6.3 THE INNOVATION PROCESS IN ENTREPRENEURSHIP



Study chapter 6, table 6.1, in the prescribed book.

Schumpeter (1934) proposes the following innovation process:

1. The introduction of a new product.
2. The introduction of a new method of creating value.
3. The development of a new market.
4. The conquest for a new source of supply of raw materials.
5. The carrying out of a new organisation or industry.

The above describes the process of innovation. To some people, however, creativity needs to be stimulated. Rossman (1931) proposed one of the best guidelines in stimulating creative thinking. This is done in seven steps, these are:

1. Observing a need or difficulty
2. Analysing the need
3. Surveying available information
4. Formulating solutions
5. Critical analysis of these solutions for their advantages and disadvantages
6. Developing a new idea (the invention)
7. Experimenting with the idea

While we can stimulate creativity, creative ideas need to be evaluated. This can be done in three steps:

1. Identifying gaps in the market
2. Developing and testing prototypes
3. Product development



Study chapter 6, sections 6.2 and 6.3, in the prescribed book.

6.4 CHARACTERISTICS OF CREATIVE PEOPLE



Study chapter 6, section 6.4, in the prescribed book.

Creative people come from all walks of life. They have varying characteristics. However, there are some common qualities among them, these are:

- They see possibilities.
- They are constantly on a quest for knowledge.
- They have an insatiable desire for solutions.
- They are imaginative.
- They are future oriented.

6.5 BARRIERS TO CREATIVITY IN ENTREPRENEURSHIP



Study chapter 6, section 6.5, in the prescribed book.

Seven barriers reduce or even stop creative thinking altogether, these are:

- A negative attitude
- Fear of failure
- Stress
- Overreliance on rules
- Intolerance to criticism and conflict
- Overreliance on logic
- Making assumptions

Activity 6.1

Think of a problem you have identified. It could be in any area of your life. Use the steps in table 6.2 (chapter 6), in your prescribed book, to solve this problem.

.....

Learning unit 7

MARKETING AND SALES



LEARNING OUTCOMES

At the end of this learning unit, you should be able to:

- contextualise the marketing process
- discuss the marketing strategy
- explain the target market
- describe the elements of the marketing mix
- explain how the internet and social media are changing promotional practices
- describe the sales and marketing skills that an entrepreneur needs



KEY CONCEPTS

Small business marketing
Marketing strategy
Market segmentation
Target market
Marketing mix
Breakeven analysis
Customer service

Internet
Social media

7.1 INTRODUCTION

Entrepreneurs do not invest their time, money and efforts to create a product or service that does not serve a particular market. It is important for entrepreneurs to know why customers buy their products. Small businesses should begin with a customer orientation and keep it throughout every development stage of the business. Small business marketing refers to the activities that direct the creation, development and delivery of a bundle of satisfaction from the creator to the target market.

7.2 PURPOSE OF MARKETING



Study chapter 7, section 7.2, in the prescribed book.

The primary purpose of marketing is to sell a product or service by positioning its value in the market. The process involves asking the following questions:

- What is the business selling?
- To whom is it selling?
- Why is it selling this to them?
- Why would they prefer this product/service over others?
- How do they aim to sell it?

7.3 MARKET ANALYSIS



Study chapter 7, section 7.3, in the prescribed book.

Entrepreneurs need to ask themselves one pivotal question before starting a business: Who will buy the product? This question will prompt further questions about the business, opportunities that exist in that specific market.

It is therefore important for the entrepreneur to conduct what is called a market analysis. This is done to segment the market into profitable segments and to develop a strategy to serve this market.

This process involves the following:



Figure 7.1: Market analysis process

Source: Mmako et al. (2017)

7.4 MARKETING STRATEGY (THE MARKETING MIX)



Study chapter 7, section 7.4, in the prescribed book.

The marketing mix consists of a set of four marketing tools or instruments, namely product, place or distribution, price and promotion. These are known as the 4 P's.



Study chapter 11, sections 11.5 to 11.5.9, in the prescribed book.

- Product or service

This is the tangible or intangible service manufactured for the purpose of being sold.

- Place (distribution)

Place refers to the physical or virtual location where the product or service is made available for customers.

- Price

Price refers to the amount that customers are prepared to pay for a product or service.

- Promotion

Promotion refers to the information provided to the target market regarding the product or service. This informs what you have on offer and why they should purchase from you.

7.5 SALES AND SELLING SKILLS



Study chapter 7, section 7.5, in the prescribed book.

Sales sustain a business. If a business fails to sustain sales, it fails.

There are various ways a business can sell products or services in the market, including:

- Direct sales
- Agency-based sales
- Consultative sales
- Telemarketing
- Retail
- Travelling salesperson
- Request for proposal
- Business-to-business sales
- Electronic or internet sales

Managing the buyer-seller relationship is important to satisfy the buyer in a professional way. The following factors are important to consider:

- Questioning skills
- Planning the sales call
- Presentation skills
- Gaining commitment

- Customer service

Good customer service may ensure repeat purchases, improved reputation in the market and improves people's perceptions about the business. There are various types of customer service. They are:

- High-touch customer service
- Low-touch customer service
- Bad-touch customer service
- Inflexible customer service
- Unfocused customer service
- Invasive customer service
- Perfect customer service



Activity 7.1

Go to Google. Search for an “elevator pitch”. Create an elevator pitch for your current business/future business.

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Learning unit 8

OPERATIONS MANAGEMENT



LEARNING OUTCOMES

At the end of this learning unit, you should be able to:

- explain the importance of operations planning
- draft an operation plan of a start-up or an existing business venture
- evaluate various options for selecting a location
- determine requirements of facilities required in a business
- determine raw material inputs required for the operations of a business



KEY CONCEPTS

Small business marketing
Marketing strategy
Market segmentation
Target market
Marketing mix
Breakeven analysis
Customer service

Internet
Social media

8.1 INTRODUCTION

Production in a business is important as it ensures that the consumable product or service is produced so that it reaches the end consumer. Without the operations function, a business (product/service) cannot exist.

8.2 OPERATIONS MANAGEMENT



Study chapter 8, section 8.2, in the prescribed book.

From the onset, goods and services are produced or manufactured. The following definitions should aid our understanding of operations management:

- Operations refer to a process where a set of tasks or jobs is performed to produce an output.
- Production consists of tasks performed that will result in an output. These outputs are known as goods and services.
- Operations management refers to the planning and control of a conversion process that includes bringing together inputs and turning these into outputs.

8.3 LOCATION FACTORS



Study chapter 8, section 8.3, in the prescribed book.

At the onset of establishing a business, an entrepreneur has to make an important consideration about where it will be located. Location is important because of its strategic contribution to the business.

When deciding on a location, the following factors should be considered:

- Nature of the business
- Business philosophy
- Affordability of location
- Marketing niche chosen

8.4 BUSINESS PREMISES



Study chapter 8, section 8.4, in the prescribed book.

The premises usually represent the physical location of the business in terms of the land and buildings occupied by that business. In today's world, the virtual office needs to be considered as the premises of the business.

8.5 EQUIPMENT



Study chapter 8, section 8.5, in the prescribed book.

Three major decisions have to be made about equipment:

- The type of equipment needed
- The source of equipment and costs
- The equipment capacity

8.6 RAW MATERIALS (INVENTORY)



Study chapter 8, section 8.6, in the prescribed book.

Purchasing forms an important part of operations management for the entrepreneurial venture. The quality of the finished good depends on the quality of raw materials used.

Raw material can be in the form of the finished goods such as the stock that is bought by the wholesaler or retailer for sale or the raw materials bought by a manufacturer for further processing or work-in-process, which is semi-processed.

8.7 THE ADMINISTRATION (HUMAN RESOURCES)



Study chapter 8, section 8.7, in the prescribed book.

Production is not always automated. It often involves manpower, management and leadership. The entrepreneur has to select and recruit skilled and qualified people to execute the production function.

He identifies the duties that need to be performed and the number of employees that will be required. Employees need to be recruited professionally, irrespective of the size of the business. Failing to recruit the correct personnel may lead to low productivity as well as litigation.

8.8 THE PRODUCTION PROCESS



Study chapter 8, section 8.8, in the prescribed book.

The production process comprises of a system. In its simplest form, this consists of three stages: inputs, processes and outputs.

Refer to figure 8.1 in your prescribed book.

8.9 PROCESS LAYOUT



Study chapter 8, section 8.9, in the prescribed book.

Layout refers to the way the equipment or workstations are arranged in the factory/production facility. This can also refer to how goods or services are arranged by the business.

In production, two types of layouts are used:

- Process layout
- Product layout

8.10 PRODUCTION PLANNING AND SCHEDULING



Study chapter 8, section 8.10, in the prescribed book.

When production exceeds demand, market development should be embarked on. Where the case is sales demands exceeds production capacity, the entrepreneur has to find methods to increase capacity. In both cases, there is a breakeven point that should be met otherwise the business will not survive.

8.11 PRODUCT SERVICE AND QUALITY



Study chapter 8, section 8.11, in the prescribed book.

Quality is defined as the product and service characteristics that determine its ability to satisfy stated and implied needs. Quality is subjective and depends on the customer. Entrepreneurs should focus on the needs of the customers, since products and services are ultimately developed for them.

8.12 COMPARISON OF MANUFACTURING AND SERVICE BUSINESSES



Study chapter 8, section 8.12, in the prescribed book.

The main difference between manufactured goods is that goods are physical and can be transported and stored for future demand. In contrast, services are intangible and perishable. Services are produced when the customer is present.

Refer to table 8.1 for the comparison between manufacturing and services.

8.13 OPERATIONS MANAGEMENT CHECKLIST



Study chapter 8, section 8.13, in the prescribed book.

Operations management should focus on the following areas:

- Location factors
- Premises
- Equipment
- Production methods and processes
- Production planning and scheduling
- Product and service quality



Activity 8.1

Identify three (3) different types of businesses in different locations. Evaluate which location factors these businesses could have considered in selecting the location of the business.

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Learning unit 9

HANDLING LEGAL ISSUES



LEARNING OUTCOMES

At the end of this learning unit, you should be able to:

- demonstrate sufficient knowledge of the process of registering a business in South Africa
- discuss the different types of business ownership in South Africa
- describe the registration process of a business
- explain the fundamentals of small business legislation
- demonstrate an awareness of tax obligations of entrepreneurial ventures
- explain intellectual property and its implications for the business



KEY CONCEPTS

Companies Act
 National Act of Small Business Act 102 of 1996
 Intellectual Property (IP)
 South African Revenue Service (SARS)
 Forms of business ownership

9.1 INTRODUCTION

Despite the size of the business, all businesses have to consider the legal environment in which they operate. Entrepreneurs have to consider the advantages and disadvantages of various forms of ownership, tax implications for their business and have an overall desktop understanding of their businesses legal requirements.

9.2 BUSINESS REGISTRATION



Study chapter 9, section 9.2, in the prescribed book.

According to the Companies and Intellectual Property Commission (CIPC), it is not a requirement for all businesses to register formally. However, should a business wish to transact with government and the formal sector, they should be registered. Even when your

business is not registered with the CIPC, it should be registered with the South African Revenue Services.

- How to register a business

In South Africa, a business may be registered as an unincorporated business and an incorporated business.

Establishing an unincorporated business

For unincorporated businesses, traders do not have the protection of limited liability. However, they are also subject to a few statutory requirements. They do not have to be registered, but should provide enough information to allow tax assessments to be made SARS.

Examples of unincorporated businesses:

- Sole proprietorships
- Partnerships
- Trusts

Establishing an incorporated business

A business is incorporated when the company's founders file incorporation documentation with government. This means that a separate legal entity is created.

Examples of incorporated businesses:

- Private company
- Public company
- Close corporation
- Cooperative

9.3 REGISTRATION WITH THE APPROPRIATE AUTHORITIES



Study chapter 9, section 9.3, in the prescribed book.

Before a business starts with its business activities, it may be necessary for it to register with appropriate authorities in order to comply with legislation or regulation in the specific field of operation.

These authorities may include:

- Registration with SARS
- Registration with the Department of Labour
- Registration with other authorities

9.4 LEGAL DEFINITION OF A SMALL BUSINESS



Study chapter 9, section 9.4, in the prescribed book.

A small business is defined in terms of the National Small Business Act 102 of 1996. This Act defines a small business as medium, small, very small and microenterprises based on certain characteristics. This Act was amended by the National Small Business Amendment Act of 2003, which aims to define the businesses according to five categories established by the original Act.

Refer to table 9.2 in your prescribed book.

9.5 INTELLECTUAL PROPERTY (IP)



Study chapter 9, section 9.5, in the prescribed book.

IP is the product of independent thought in developing something new and original. IP may be defined as the creations of the mind such as inventions, literary and artistic works, designs and symbols, names and images used in commerce.

The following are forms of IP:

- Patents
- Registered designs
- Copyright
- Trademarks



Activity 9.1

Discuss the concept of IP and describe the various forms of IP.

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Learning unit 10

FINANCIAL SKILLS



LEARNING OUTCOMES

At the end of this learning unit, you should be able to:

- demonstrate an understanding of financing an enterprise
- evaluate various sources of finance available to an enterprise
- compile various types of budgets
- price a product
- calculate the breakeven point
- explain the breakeven concept using a graph
- evaluate the financial progress of an enterprise



KEY CONCEPTS

Breakeven
Compound interest
Debt factoring
Fixed costs
Incremental budgeting
Lead time

Mortgage bonds
Overdrafts
Retained profits
Simple interest
Trade credit
Zero-based budgeting

10.1 INTRODUCTION

Usually, no one knows the business better than the entrepreneur does. An entrepreneur should equip themselves with the financial skills necessary to start and grow their business. The use of outside help such as accountants and consultants can be expensive. Developing financial skills helps the entrepreneur make the right financial decisions.

10.2 UNDERSTANDING FINANCE FOR THE ENTREPRENEURIAL VENTURE



Study chapter 10, section 10.2, in the prescribed book.

Finance is concerned with acquiring funding and the investment and use of these funds in the business. Raising funds involves short- to long-term sources from owners, financial institutions, investors or the government. Investing these funds includes buying assets.

10.3 ACCESSING FINANCE



Study chapter 10, section 10.3, in the prescribed book.

There are two main sources of finance available to the entrepreneur. These are briefly discussed below:

Own capital

Own capital is known as equity. Equity equals the assets of the business less the liabilities. Therefore, equity represents the owner's interest in the business.

Money borrowed by the owner in their personal capacity may also be regarded as own capital. Other sources of own capital include business angels, retained profits and venture capitalists.

Borrowed capital

Various types of funding are available at financial institutions. These include overdrafts, loans, mortgages, lease or debt factoring.

See the prescribed book about other types of funding.

10.4 MANAGING FINANCE



Study chapter 10, section 10.4, in the prescribed book.

Managing finance is generally concerned with the following:

Financial forecasting

Any type of business needs a plan. The business plan is the roadmap the business plans to follow in order to realise its goals. Based on the past, current or projected conditions of the business, the plan needs to estimate future income and expenses.

Budgeting

A budget is a written document that details management's goals and forecasts in financial terms for a specific future period.

Pricing a product and service

Pricing correctly can enhance the turnover of your business and ensure good profits in the end. Following an incorrect pricing strategy can harm your business and result in its closure.

Breakeven

An enterprise breaks even when its revenues equals its total expenses. At breakeven point, the business is not making a profit or a loss.

See the prescribed book for managing finance in further detail.



Activity 10.1

In chapter 10 of the prescribed book, there is a case study for Motaki. Complete the activity, which requires you to provide a report, based on the financial ratios measuring the performance of a business.

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