

Tutorial Letter 201/2/2018

Entrepreneurship II (Module 1) : Entrepreneurship and Entrepreneurial Skills

ETP2601

Semester module

Department of Entrepreneurship, Supply
Chain, Transport, Tourism and Logistics
Management (DESTTL)

IMPORTANT INFORMATION:

This tutorial letter contains important information
about your module.

CONTENTS

Page

1	INTRODUCTION.....	3
2	CONTACT DETAILS OF YOUR LECTURER.....	3
3	EXAMINATION GUIDELINES	3
3.1	Semester mark.....	3
3.2	Examination paper	3
4	FEEDBACK ON ASSIGNMENT 01	4
5	FEEDBACK ON ASSIGNMENT 02	9
6	FEEDBACK ON ASSIGNMENT 03	17
7	CONCLUDING REMARKS	21

1 INTRODUCTION

Dear Student

The purpose of this tutorial letter is to provide you with feedback on Assignment 01, 02 and 03 as well as information regarding the examination.

2 CONTACT DETAILS OF YOUR LECTURER

Questions regarding the academic content of this module may be presented to the primary lecturer:

Ms Marcia Lebambo: lebamm@unisa.ac.za

You may refer to Tutorial Letter 101 for all other contact details.

3 EXAMINATION GUIDELINES

Please note the following important information:

3.1 Semester mark

Your semester mark is the mark you obtained for your assignments. You had to submit two assignments during the course of the semester. These assignments constitute 20% of your final mark, and your examination mark constitutes 80%. You must obtain a subminimum of 40% in the examination to pass, regardless of the semester mark you obtained – even if it is 80% or more. In order to pass the examination, you require a final mark of 50%.

3.2 Examination paper

The duration of the examination paper is two (2) hours.

Please read the following information about the examination paper carefully:

- All chapters of the text book are covered in the examination paper. The questions in the assignments will also help you in your preparation for the examinations.
- Some questions are specific theoretical questions, for example, definitions or explanations of the meaning of important concepts in the study material.
- The examination paper is not easy, and you have to study and have a good knowledge of the work. Please spend time preparing for the examination. Read the textbook a few times, summarise the important concepts and make sure you understand them.
- Please read each question carefully before answering it. Take note of key words like “list” or “explain” and do what the question requires you to do. If you only list things when you also have to explain them, you will only get part of the marks.
- Keep in mind that you are not studying the work for examination purposes only. You have to know and internalise the information to ensure a successful business.
- The examination paper is set in English.
- The examination question paper counts a total of 70 marks and consists of two sections. **Section A** (30 marks) is compulsory and the questions will be based on a case study. **Section B** (40 marks) will consist of three questions (20 marks each) of which you will have to answer two of the three questions.
- The Examination Department will notify you of the examination date and time.
- The memoranda to Assignment 01, 02 and 03 are also included in this tutorial letter. Make use of these model answers to assess your own work.

4 FEEDBACK ON ASSIGNMENT 01

1. Option 3 is the key. **Refer to page 8 of the prescribed book.**

Creativity is the generation of new and usable ideas to solve any problem or use as an opportunity. When entrepreneurs are being open-minded, flexible and are able to learn quickly, they are displaying the characteristics of creativity and innovation.

2. Option 2 is the key. **Refer to page 8 of the prescribed book.**

Entrepreneurs have a high degree of autonomy. They believe that their accomplishments and setbacks are within their control. This is the case for Nikiwe who believes that her accomplishments and setbacks are within her control and nobody else's.

3. Option 3 is the key. **Refer to page 33 of the prescribed book.**

When you think of leaders you admire and those you do not when developing your own leadership style, you are observing and learning from others. From this, you can evaluate what makes them good and bad leaders as well as what you can incorporate in your own leadership style.

4. Option 4 is the key. **Refer to page 12 of the prescribed book.**

A micro entrepreneur is a formal sector entrepreneur with up to 10 employees. Nomzamo is one such entrepreneur as she employs nine people and has some accreditation from local authorities.

5. Option 4 is the key. **Refer to page 12 of the prescribed book.**

Subsistence entrepreneurs include street vendors selling fruits and vegetables at a stall. This is an independent income-generating operation on a small scale. Khotso is one such entrepreneur.

6. Option 1 is the key. **Refer to page 12 of the prescribed book.**

Someone who operates a business to survive until they find a job in the formal sector or an entrepreneurial opportunity is a basic survivalist. Lebo has been unemployed for over six months and until she finds a job, has decided to sell popcorn and sweets from her house.

7. Option 2 is the key. **Refer to page 12 of the prescribed book.**

Nathi is a small-scale entrepreneur. Small-scale entrepreneurs employ 11 to 49 people. Nathi employs 20 people.

8. Option 3 is the key. **Refer to page 46 of the prescribed book.**

Setting goals helps the entrepreneur track their progress. In line with their vision and mission, setting SMART goals can help an entrepreneur evaluate his/her progress towards their desired vision.

9. Option 4 is the key. **Refer to page 48 of the prescribed book.**

The acronym SMART stands for Specific, Measurable, Attainable, Relevant, and Timeous. Goals should be clear and well defined (Specific), precise about what it is they should achieve (Measureable), possible to achieve (Attainable), relevant and aligned to the direction in which the entrepreneur is headed (Relevant) and have a deadline (Timeous).

10. Option 2 is the key. **Refer to page 51 of the prescribed book.**

A mission describes the current activities of the business. The mission helps the entrepreneur answer “why” they are doing what they are doing. A good mission statement can also be used to direct the priorities of the business as it describes what the businesses current activities are.

11. Option 1 is the key. **Refer to page 59 of the prescribed book.**

Networking is defined as the process of meeting people, building relationships that can benefit all those involved, sharing information and ideas and getting one’s business on the map.

12. Option 1 is the key. **Refer to page 61 of the prescribed book.**

Reputational networks are made up of partner firms that are market leaders, or highly regarded firms or individuals, and where one of the main objectives in entering into this relationship is to increase the entrepreneurial firm’s credibility.

13. Option 2 is the key. **Refer to page 62 of the prescribed book.**

Social media networks refers to web-based services that allow individuals to create a public profile, create a list of users with whom to share connections, and view connections within the system. These types of networks open access to the world at the click of a button.

14. Option 3 is the key. **Refer to page 85 of the prescribed book.**

The fifth step of ethical leadership is expecting and demanding high ethical standards. This allows for no excuses for poor ethical behaviour. Each and every employee is held accountable for their actions.

15. Option 3 is the key. **Refer to page 81 of the prescribed book.**

Entrepreneurs are generally conscious people. By being conscious, they are well aware of their own personality, likes and dislikes. Effectuation is simply the ability to understand one's special skills and being able to capitalise on them.

16. Option 1 is the key. **Refer to page 84 of the prescribed book.**

One of the most common ethical issue at the workplace is the use of company resources for private purposes. Reprimanding an employee about their abuse of company property is not unethical.

17. Option 1 is the key. **Refer to page 100 of the prescribed book.**

Business model refers to how a business proposes to create value for its customers by satisfying their needs from its innovation and make revenue from its operation.

18. Option 3 is the key. **Refer to pages 93-95 in the prescribed book.**

The three forms of innovation are product, service and process innovation. Product innovation refers to the development of new products or the use of new materials or components in the manufacture of existing products. Service innovation is a form of innovation related to services, which are intangible and differ from tangible goods. Process innovation contains elements of service innovation. Process innovation I the implementation of a new or significantly improved production or delivery method.

19. Option 1 is the key. **Refer to page 168 of the prescribed book.**

A trademark is a brand name, slogan or a logo. It identifies the services or goods of one person and it distinguishes it from the goods and services of competitors. The main aim of a trademark is to enable the public to recognise the product as originating in a particular company or being a particular product.

20. Option 2 is the key. **Refer to page 186 of the prescribed book.**

An enterprise has broken even when its revenue equals its total expenses. At the break-even point, the company is neither making any profit nor realising any loss. It is breaking even- no loss, no profit.

TOTAL MARKS:

(20 x 1 mark)

[20]

5 FEEDBACK ON ASSIGNMENT 02

QUESTION 1

- 1.1 Uavhona displayed many of the characteristics that are common in entrepreneurs. With reference to the case study, discuss these characteristics of entrepreneurs. (12)

Refer to page 7-8 of the prescribed textbook.

1. **Commitment and determination.** Entrepreneurs are tenacious, decisive and persistent in problem solving. (1)
They commit to business by dedicating their skills, expertise and resources in establishing and building businesses. (1)
"I invest much of my time between three entrepreneurial endeavors". (1)
2. **Leadership:** entrepreneurs are self-starters and team builders who focus on honesty in their business relationships. (1)
"I have had to do in the past to appease my employees: they have been loyal to me with their services; therefore, I have to be loyal to them with payments." (1)
3. **Willingness to take risks:** entrepreneurs are people who take calculated risks. (1)
they reduced risks by finding investors to provide financed or make arrangements with suppliers to provide goods immediately they are ordered and persuade suppliers to accept special terms of payment. (1)
"I have had to learn that sometimes you have to dip into your personal finances in order to keep the business afloat" (1)
4. **Creativity and innovation:** entrepreneurs are open-minded, flexible quick learners. Creativity means the generation of new usable ideas to solve any problem or use any opportunity. (1)
"Getting up from my chair, I approached the hair-dresser and told him that I could arrange the girls for free" (1)
"cut out the middle man, and the rest is history". (1)

5. **Need for achievement:** entrepreneurs are motivated to excel. (1)
 They are goal oriented and aware of their personal strength and weaknesses. (1)
“Whatever I set my mind to do, in order to maintain or keep afloat the life”. (1)
6. **Determination and perseverance:** entrepreneurs show confidence in themselves and in their business (1)
 And are prepared to face difficult situations and problems. (1)
“the journey of an entrepreneur does not warrant overnight success: you need to keep going” (1)
7. **Passion:** entrepreneurs should start businesses that they are passionate about. (1)
 They are more likely to succeed in pursuing a business that they find interesting and fascinating. (1)
“Getting up from my chair, I approached the hair-dresser and told him that I could arrange the girls for free” (1)
8. **Locus of control:** entrepreneurs are people who prefer to be in charge of their own lives (1)
 And in control of their own ventures and business activities. (1)
“I have had an exciting journey – one with many twists and turns. In all, I have learnt the importance to step off the edge of my safety net.” (1)
9. **Need for independence:** entrepreneurs prefer to do things in their own way without other people. (1)
“I see it (rather) as a dive into the opportunity that I had been waiting for”. (1)
10. **Good human relations:** entrepreneurs know how to work with people by motivating them (1)
 And how to build good networks that would be useful in future. (1)
“I have had to do in the past to appease my employees, they have been loyal to me with their services; therefore, I have to be loyal to them with payments” (1)

(Any 6 characteristics. 1 mark for theory and 1 mark for application to the case study)

- 1.2 Uavhona explains that at first, she did not become an entrepreneur out of choice. Her family's financial crisis forced her to become one.

Refer to page 12 of the prescribed textbook.

- 1.2.1 What kind of entrepreneur was Uavhona at first? (1)
- Necessity entrepreneur. (1)
- 1.2.2 Describe the abovementioned type of entrepreneur. (2)
- Necessity entrepreneur is someone who start a business because he or she does not have any other choice. (1)
 - They have been retrenched or have not grown their businesses sufficiently to be in a position to retire. (1)

- 1.3 Good financial management practices are crucial for the success of a business. Uavhona states that she sometimes has to dip into her personal finances. This is not always good for the growth of one's business. Explain how Uavhona can apply the budgeting steps to her business.

Refer to page 181 of the prescribed textbook.

1. **Define goals:** think about what you want to achieve. (1)
The volume of sales or revenue. (1)
I.e. the volume of hairpieces to supply, size of the market, projected income or revenue and expenses for a specific period. (1)
2. **Collect information:** estimate all your income and expenses (variable and fixed). (1)
I.e. Information about competitors, suppliers and the current trends, the size of the market etc. (1)
3. **Draw up the budget:** use a template or spreadsheet and upload collected information. (1)
I.e. Uavhona could make use of the different types of budgets such as sales budget (1) capital budget and cash budget to help her determine the number of units as well as material price.
how much money is needed, and the amount of cash received, and payment made (1)

- 4. Control the budget:** monitor periodically the progress at predetermined checkpoints. (1)
- I.e. there are various financial control or tools that *Uavhona can use to track progress and evaluate results.* (1)
- These include liquidity ratio, activity ratio, debt ratio, profitability ratio.* (1)

- 5. Make adjustments:** adapt figures as necessary to ensure that the defined goals are accomplished. (1)
- I.e.:** *By getting into the habit of creating and maintaining a budget, Uavhona will be able to adjust where necessary.* (1)

(Two marks for theoretical discussion and 1 mark for application to the case study)

[30]

QUESTION 2

- 2.1 Followers in the entrepreneurial venture are often guided more by the action of leaders and their words. Discuss the seven (7) steps to ethical leadership. (14)

Refer to page 84-85 of the prescribed book.

- 1. Acknowledge and openly discuss the complexities involved in making ethical choices.** (1)
Openly discuss the ethical grey areas and acknowledge the complexity of work life with subordinates. (1)
Be a leader who talks about the difficult ethical choices and help others to learn to take responsibility for making ethical decisions (1)
- 2. Make ethics part of the day-to-day business.** (1)
Leaders must make it clear to their employees that ethics is the order of the day at the organisation. (1)
All activities within the organisation should involve conversations of ethics. (1)

3. **Promote respect and trust.** Build a culture of respect and trust. (1)
 Be an ethical leader who cultivate a respectful environment in which people can speak up about ethics and share the responsibility for living it. (1)
 Build trust, demand open communication and share the ownership of organisational values. (1)
4. **Ethical behavior goes beyond just following laws and regulations.** (1)
 Ethical leaders need to take action and show stakeholders (e.g. customers, employees shareholders) (1)
 that they actively engage with ethical issues in an appropriate manner. (1)
 These leaders should also provide that they are committees to promoting ethical behavior including human rights, social justice and suitability. (1)
5. **Expect and demand high ethical standards.** When it comes to ethics, do not allow for excuses. (1)
 Make sure that no one is exempt from meeting the ethical standards that are adopted. (1)
 Hold each and every employee, especially senior managers, accountable for all their actions. (1)
6. **Celebrate positive ethical moments.** (1)
 Managers should talk about what positive ethics looks like in practices often as they talk about what to avoid. (1)
7. **Constantly remind all stakeholders of the importance of ethics.**
 Integrate ethics into every action of the business. Talk about ethics as an ongoing learning journey. (1)
 Always be on the lookout for new dynamics and trends in your business that might affect ethics. (1)
 Remind the organisation always to remain vigilant in ethical issues. (1)

(2x for each step and discussion)

2.2 Discuss any three (3) characteristics of creative people

Refer to page 101 of the prescribed book.

1. **Seeing possibilities.** They see possibilities that others do not see. (1)
They are not the average thinkers; they are game changers. (1)
They set their own rules and help solve complex problems. (1)
2. **Quest for knowledge.** Information is a powerful tool for entrepreneurs. (1)
They therefore continuously seek new information and knowledge. (1)
This helps them to stay ahead of their competitors. (1)
3. **Insatiable desire for solutions.** The world's best innovators started with a dream. (1)
Dreams later developed into ideas to solve a particular problem or achieve a particular goal. (1)
Successful entrepreneurs have a desire to work towards finding solutions for existing and future problems. (1)
4. **Imaginative.** Imagination sets your mind free from the restrictions. (1)
Restrictions may prevent you from conceiving the best ideas to solve the most complex problems. (1)
Think outside the box. (1)
5. **Future oriented.** Creative people are always focused on the future. (1)
They are forward thinkers who use today's solutions to solve tomorrow's problem. (1)

(2 marks for any 3 characteristics discussed)

[20]

QUESTION 3

- 3.1 Cognitive barriers exist when individuals apply a constrained approach to idea generation and problem solving. Discuss any four (4) cognitive barriers to creative thinking. **Refer to page 101- 102 of the prescribed textbook.** (8)
1. **Negative attitude.** The tendency to focus and spend time and energy on negative thoughts. (1)
And negative aspects of products retards creativity and creative thinking. (1)

2. **Fear of failure.** Fear of failure usually associated with the lack of business experience (1)
 forces people to be extra cautious and less adventurous to try something new. (1)
 This barrier is also associated with that of lacking self-confidence. (1)

 3. **Stress.** Feeling stressed and mentally exhausted reduces the quality of creative thinking. (1)
 Usually stress results in negative attitudes, which in turn reduce objective thinking. (1)

 4. **Overreliance on rules.** To become creative usually requires bending and disregarding rules and status quo. (1)
 Thus, if an individual relies on rules and policies to solve new problems, it grossly diminishes creative thinking. (1)

 5. **Tolerance to criticism and conflict.** Usually within a group, certain individuals (including senior managers) fear criticism. (1)
 Others fear raising different opinions because of the possibility of conflicts from holding opposing views. (1)
 This inhibits one from trying out ideas. (1)

 6. **Overreliance on logic.** Investing time and effort on logic and analytical thinking that so mechanistic in nature prohibits creative thinking. (1)
 To be creative usually requires fluid and free thinking. (1)

 7. **Making assumptions.** Making assumptions about the way phenomena are is contrary to creative thinking. (1)
 Most assumptions and biases that people hold are conscious. (1)
- 3.2 At some point in time, as your business grows, you will interact with the South African Revenue Service (SARS). Illustrate the different types of taxes applicable to entrepreneurial enterprises. **Refer to page 160-161.** (12)
1. **Income tax.** As soon as you commence business, you are required to register with your local SARS office in order to obtain an income tax reference number. (1)

2. **Employee tax:** Employee tax is money that is deducted by an employer from an employee's wage or salary on a regular usually monthly basis. (1)
Two types of employee's tax are standard income tax on employees (SATE) and pay as you earn (PAYE). (1)

Standard income tax on employees (SATE): employers deducts SITE from the wages of employees who earn less than R 60 000 per year (1)
And have no form of other income. In this case employees do not have to submit a tax return. (1)

Pay as you earn (PAYE). Employers must deduct employee's wages where they earn more than R 60 000 per year. (1)
Employers must pay the tax that has been deducted to SARS. (1)

3. **Value added tax:** VAT must be included in the price of any taxable supply (i.e. the sale of goods and or the supply of service). (1)
Value added tax is an indirect tax levied under the value added tax Act 89 of 1991 (the VAT Act). (1)
It is levied on the supply of goods or services by a registered vendor in the course or furtherance of his or her enterprise. (1)

VAT is also levied on the importation of goods and certain serviced into South Africa by any person. (1)

4. **Skills development levy (SDL).** An employer is obliged to register for SDL purposes with SARS. (1)
Unless there are reasonable grounds for believing that the total leviabile amount paid or payable by the employer to all its employees during the following 12-months period will not exceed R500 000. (1)
This compulsory levy scheme was introduced with effect from 1 April 2000. (1)

(12x any tax identified and explained)

[20]

TOTAL MARKS:

[70]

6 FEEDBACK ON ASSIGNMENT 03

(Do not submit this assignment)

QUESTION 1

- 1.1 In business, risks are involved, as valuable resources must be committed to a venture. Describe the four (4) types of risks involved in a business. (8)

Refer to page 16 of your prescribed textbook.

Financial risk: entrepreneurs invest money in the business expecting to make sufficient profit with the investment. (1)

Good financial decision and sound cash flow management practices need to be followed to minimise financial risks and financial pitfalls. (1)

Personal risk: the entrepreneur invest too much energy and time in the business (1)

When time and energy is invested, the joys of family and social life in sacrificed. (1)

Career risk: this can be caused by leaving a successful career to start a business. (1)

If the business fails, the entrepreneur might have difficulty in finding other employment and might have to rebuild his career. (1)

Psychological risk: sometimes an entrepreneur allocates many hours to the business without taking time to eat healthily and exercise regularly. (1)

He should be aware of the factors that can cause stress, e.g. finance, social issues and the need to be successful. (1)

- 1.2 In table format, describe the basic management functions. (12)

Refer to page 36 of your prescribed textbook.

Planning (1)	Creating a detailed strategy to achieve the goals of the organisation. (1)	Deciding what should be done. Example: Planning a road show for a new product. (1)
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Organising (1)	Coordinating resources to ensure the successful execution of tasks. (1)	Deciding how It should be done. Example: Allocating tasks to team members. (1)
Leading (1)	Providing direction to employees to ensure the success achievement of organisational goals. (1)	Management says when it should be done. Example: providing guidance to team members about their tasks and how to successfully achieve them. (1)
Controlling (1)	Evaluating the achievement of goals against the set standard. (1)	Management ascertain whether the task has been done satisfactory. Example: Chairing a debriefing meeting to ascertain whether the road show was successfully executed. (1)

QUESTION 2

2.1 Entrepreneurs are driven by a great need for achievement. Discuss the importance of goal setting. (10)

Refer to page 45-46 of your textbook

Setting goals, helps develop a blueprint for the success of the business. (1)

Setting goals ensures that a detailed plan of action is in place for the entrepreneur. (1)

Setting goals sharpens entrepreneurs' focus. (1)

Setting clear, specific and measurable goals helps entrepreneurs to sharpen their focus. (1)

Setting goals sets in motion an entrepreneur's plan. (1)

A big vision can be overwhelming for the entrepreneur .However; realistic goals allow the entrepreneur to make incremental steps towards his or her desired future. (1)

Goals help measure and track progress. (1)

In line with the entrepreneurs' desired vision for himself. Setting goals can help the entrepreneur to measure and track progress towards the desired goals. (1)

Goals setting helps the entrepreneur discover knowledge about the business and self. (1)

Everything will not always go according to plan. Pursuing goals may be a journey of learning and self-discovery for the entrepreneur. (1)

2.2.1 Provide a definition of the term networking. (2)

Refer to page 59 of your prescribed book

Networking is a process of meeting people, building relationships that can benefit all those involved, sharing information and ideas and getting one's business on the map. (2)

2.2.2 Explain the four (4) networking spheres. (8)

Refer to page 60 of your prescribed book

First contact: family members. (1)

They are often the first point of contact and day-to-day communication. (1)

Second contact: friends. (1)

Friends can play a role in networking by sharing information about your business with others. (1)

Third contact: colleagues, church members, classmates and neighbors. (1)

They are the people you talk to everyday just like family. (1)

Fourth contact: business associates, referrals, mentors. (1)

These are people you do not talk to on a daily basis, but play a very important role in your networking circles. (1)

[20]

QUESTION 3

3.1 Discuss the seven (7) steps to ethical leadership. (14)

Refer to page 84-85 of your prescribed book

Acknowledge and openly discuss the complexities involved in making ethical choices. (1)

Openly discuss the ethical grey areas and acknowledge the complexity of work life with subordinates. (1)

Make ethics part of the da-to-day business. (1)

Leaders must make it clear to their employees that ethics is the order of the day at the organisation. (1)

Promote respect and trust. (1)

Build a culture of respect and trust. (1)

Ethical behaviour goes beyond just following laws and regulations. (1)

Ethical leaders need to take action and show stakeholders that they actively engage with ethical issues in an appropriate manner. (1)

Expect and demand high ethical standards. (1)

When it comes to ethics, do not allow for excuses. (1)

Celebrate positive ethical moments. (1)

Become a proactive ethical leader by taking time to celebrate positive ethical choices. (1)

Constantly remind all stakeholders of the importance of ethics. (1)

Integrate ethics into every action of the business. (1)

3.2 Discuss any three (3) characteristics of creative people. (6)

Refer to page 101 of your prescribed book.

Seeing possibilities: they see possibilities that others do not see. (1)

They are not the average thinkers, they are game changers, and they set their rules and help solve complex problem. (1)

Quest for knowledge: Information is a powerful tool for entrepreneurs. (1)

They therefore continuously seek new information and knowledge (1)

Insatiable desire for solution: Successful entrepreneurs have a desire to work towards finding solutions for existing and future problems. (1)

The world's best innovators started with a dream that later developed into ideas to solve a particular problem or achieve a particular goal (1)

Imaginative: Imagination sets your mind free from the restrictions that may prevent you from conceiving the best ideals to solve the most complex problems. (1)

Future oriented: Creative people are always focused on the future. (1)

They are forward thinkers who uses today's solutions to solve tomorrow's problems. (1)

(Any of the three characteristics 3x2 marks)

[20]

[Total marks: 60]

7 CONCLUDING REMARKS

We trust that you have found the feedback and information valuable. Do not hesitate to contact us if you have any questions regarding the assignments, the feedback or the examination guidelines provided in this tutorial letter.

We wish you all the best with your examinations.

Ms. Marcia Lebambo

ENTREPRENEURSHIP AND ENTREPRENEURIAL SKILLS (ETP2601)