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Notes Overview

Business Management 1A Unit 2

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CHAPTER 2

Entrepreneur: a person or personality type that takes up a new venture and is willing to accept full responsibility for the outcome. Entrepreneurs are those individuals in society who take the initiative and risk by harnessing the factors of production to generate products and services. The entrepreneurs' awards for taking the initiative and risk is profit. A loss is the result of a wrong decision

Entrepreneurship: the process of identifying, creating or sensing an opportunity where others do not see it and of finding and combining resources (often owned by someone else) to pursue the opportunity until it becomes a successful, established business

Reasons why individuals initiate business ventures:

1. Entrepreneurial traits and characteristics – achievement, motivation, an internal locus of control, innovation and creativity, risk-taking
2. Entrepreneurs' skills and industry experience
3. Opportunities arise due to outsourcing

Small business qualitative measures:

1. Management is independent – usually the owner
2. Capital is provided by entrepreneur(s)
3. Activities are mainly local
4. Small in comparison with the largest competitors in the industry

SMME: small, micro and medium-sized enterprise

Category of SMME	Description
Survivalist enterprises	Informal sector Mainly undertaken by unemployed persons Income generated below the poverty line

	Little capital invested, not many assets Not much training Business growth opportunities 1-5 employees, usually owner and family Informal – no license, formal business premises or labour legislation
Micro enterprises	Turnover below VAT registration level (R 300 000pa) Basic business skills and training Potential to become a viable formal small business Part of formal economy, uses technology
Very small enterprise	Fewer than 10 paid employees Include self-employed artisans and professionals Fewer than 100 employees
Small enterprise	More established – formal and registered, fixed business premises Owner-managed – more complex management structure Up to 200 employees
Medium enterprise	Still mainly owner-managed, but decentralised management structure with division of labour Operates from fixed premises with all formal requirements

Strategic role of small business in the economy:

1. Production of goods and services
2. Innovation
3. Aiding of big business
4. Job creation

Management skills:

1. Strategy skills: to position the business in the competitive environment
2. Planning skills: plan for the future of the business
3. Marketing skills: to identify the target market and meet the wants and needs of this market
4. Financial skills: to manage the finances of the business
5. Project management skills: to organise the business activities
6. Human relations skills: to deal with the employees

Reseller: a person who buys a product with the intention of reselling the product and usually making a profit from this effort

Distributor: an organisation that sells the product to different resellers who then sell it to the customer

The entrepreneurial process:



