New Venture
NQF 2

Skills Programme 1:
START & GROW YOUR OWN BUSINESS VENTURE

ENTREPRENEURSHIP

By the end of this module you will be able to:

- Define what a Theory is
- Define the theorem Spiral Dynamics by Clare Graves
- Define what is the Belbin Team Roles
- Understand yourself better by establishing what paradigm you
- employ to see your world, as well as the role you take on in team
- situations.
- Refine your problem solving and critical thinking skills
- Understand the typical traits, aptitudes, behaviours, characteristics and skills of an entrepreneur (collectively referred to as competencies), and using this information, ascertain your individual strengths and potential developmental areas.
- Weigh up the pros and cons of entrepreneurship with examples.
- Identify barriers in starting a business, and how to overcome them.
- Reasons for business failure with examples
- Make SMART goals.
- Identify a mentor / coach.

I am a successful entrepreneur. There are opportunities all around me. I am happy, fulfilled, and prosperous.

Let’s discuss!

Activity 1: What is an Entrepreneur?

Entrepreneurship Defined

- According to the late Professor David McClelland:

1. Successful entrepreneurs are calculated risk takers.
2. Setting goals that are difficult but attainable is a hallmark of successful entrepreneurs.
3. The majority of successful entrepreneurs are success orientated.
4. Entrepreneurs spend time thinking about how to do things better.
5. HOWEVER according to other research, an entrepreneur's motivation may change from paying less attention to the bottom line and rather acting upon the desire to be independent, have flexible hours and make more money.

What does this tell us?

- This shows that for entrepreneurial animals, a standard mould is hard to find.
- There is no assessment or test to concretely define if you ARE or ARE NOT an entrepreneur.
- There are a combination of attributes which will aid or hinder you as an entrepreneur.
- Thus, we are all capable of being an entrepreneur – although some of us may gravitate more naturally towards entrepreneurship than others

What are the desirable traits of an entrepreneur?

1. Informed Risk taker
2. Flexible
3. Confident
4. Financial acumen
5. Resilient
6. Self-motivated
7. Open to criticism / feedback
8. Strong problem solver
9. Follow through
10. Sense of urgency
11. Opportunistic
12. Internal locus of control
13. Commercial Awareness
14. Strong interpersonal skills
15. Strong leadership skills
16. Able to take initiative
17. Ambitious
18. Goal orientated
19. Self-insight / awareness
20. Ethical
21. Visionary / Strategic
22. Sales orientated
23. Enthusiastic / High drive
24. Trust in intuitive wisdom / judgement and discretion
25. Persevering
26. Forward thinking / focused on sustainability

Remember!

There is no “one size fits all” profile for the ideal entrepreneur. We all have strengths and developmental areas as part of our own personal entrepreneurial profile. However, those who possess more of the above mentioned competencies may gravitate more naturally toward entrepreneurship.

Problem Solving

- Problem solving is the process of working through obstacles by using critical thinking.
- The critical thinking involved in problem solving allows you to recognise issues and analyse their root causes, which leads you to a solution.
- A good solution also prevents the issue from recurring.

Developing Problem Solving skills:

- Define the problem clearly
- Realise that there are some issues over which you have no control
- Be careful of any problem for which you think there is only one definition
- Always question the origin of a problem
- Identify as many potential solutions
- Prioritise all possible solutions
- Make a decision and stick to it.
- Delegate tasks and responsibility
- Assess the effectiveness of the solution

Activity 2:
Debate “Entrepreneurs are born, NOT raised”

Activity 3: Video

https://www.youtube.com/watch?v=aivzlw7LK14

Activity 4: Self-Assessments

What is a Theory?

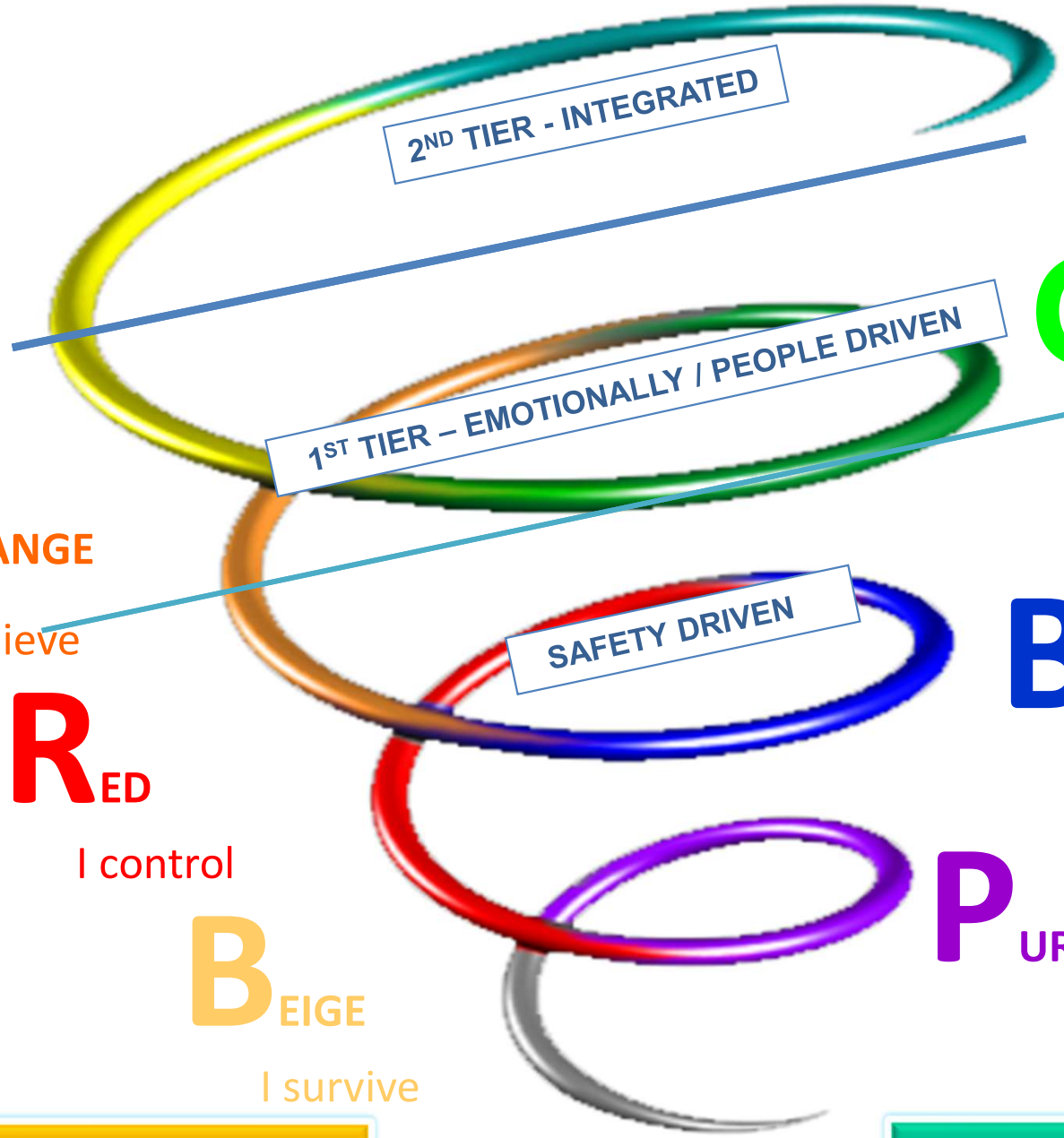
- A theory is an idea or set of ideas that is intended to explain facts or events.

SPIRAL DYNAMICS THEOREM, BY CLARE GRAVES

What are values?

- A perspective on what is desirable: good, beautiful and important
- Even though values remain relatively stable, change and adaptation take place

Values defined:



YELLOW

I learn

ORANGE

I achieve

RED

I control

BEIGE

I survive

TURQUOISE

We experience

GREEN

We relate

BLUE

We conform

PURPLE

We belong

Expressive (I) value systems

Sacrificial (we) value systems

Values defined:

YELLOW

Independence, Self-worth

ORANGE

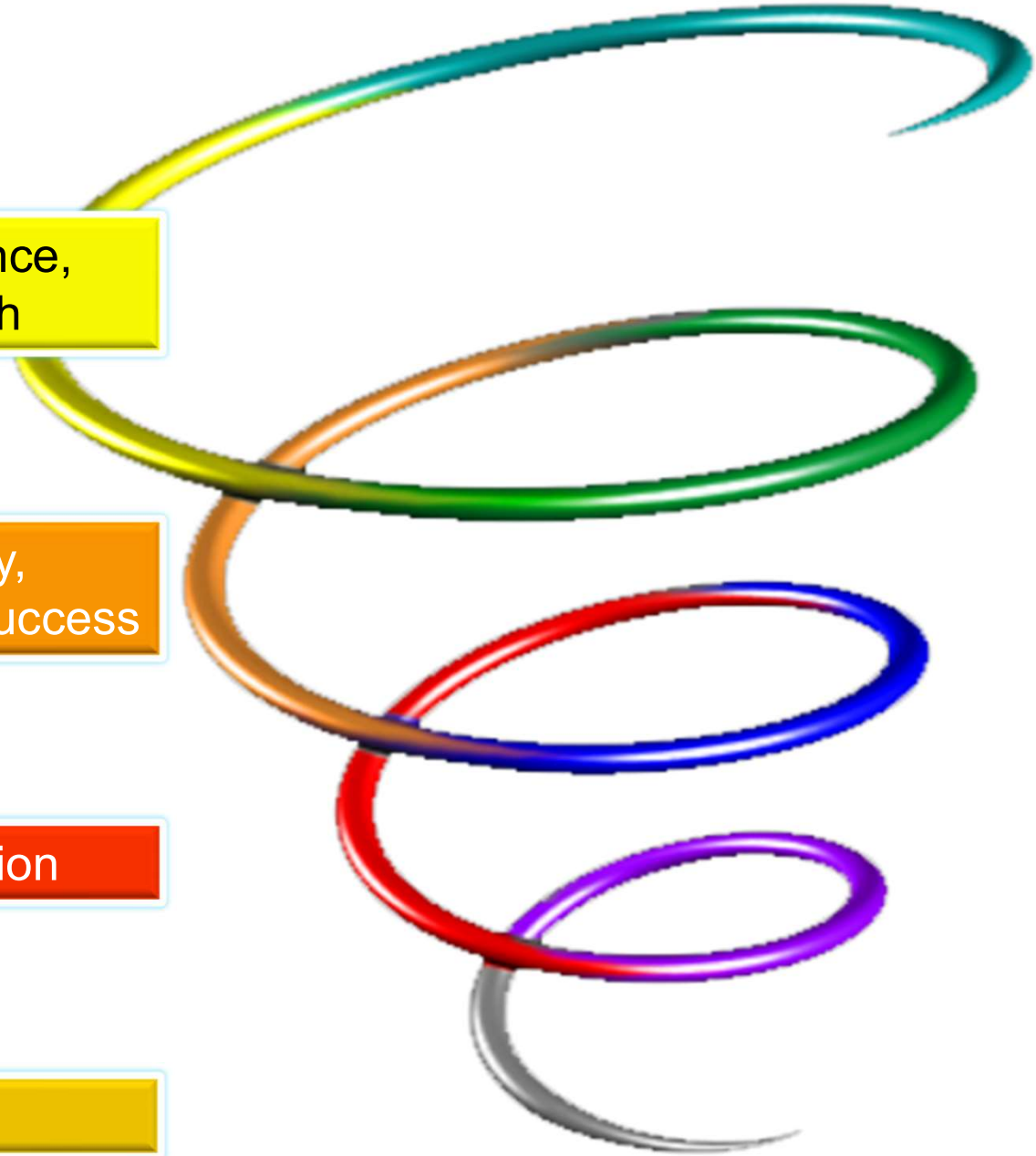
Prosperity, Opportunity, Success

RED

Power, Action

BEIGE

Survival



TURQUOISE

Global community

GREEN

Harmony, Compassion, Love

BLUE

Truth, Stability, Order

PURPLE

Safety, Security

Worldview – Motivation:

YELLOW ➢Self actualization ➢**Change and learning** ➢Experimentation ➢Functionality ➢**Involved in big picture**	**TURQUOISE** ➢Interconnectedness ➢**Personal purpose** ➢Social and environmental responsibility
ORANGE ➢**Motivation of individual by achievement and material** ➢Personal responsibility and accountability ➢Performance appraisal ➢Competition	**GREEN** ➢**Motivation of harmonious relationships** ➢Meaningful work ➢Acceptance of diversity ➢Participation and communication
RED ➢**Motivation – carrot stick** ➢Directive leadership ➢Power and rank	**BLUE** ➢**Motivation – provide structure and security** ➢Duty and discipline ➢Authority ➢Avoid risk
	PURPLE ➢**Motivation of the group.** ➢Tradition ➢Nepotism ➢Expects self-sacrifice

Values Comparisons:

	Assumptions regarding people at work	Assumptions regarding work	Leadership style
Purple	People seek a paternalistic environment and are bound to the group In-group reciprocity is important	The organisation is like a parent providing security Traditional ways are important	Nepotism is accepted Self-sacrificial to promote the group In-group – out-group polarisation is common The leader should come from the in-group
Red	People need to be coerced in order to perform; People need strong leadership; Nobody is to be trusted People will respond to the "carrot-stick" approach	Work must provide basic needs – then people will comply People's natural goals are in conflict with that of the organisation	Strong, directive leadership Strong pecking order Emphasis on power and rank
Blue	People need structure and order They need to be told to do things the right way Being dutiful and correct provides meaning	Duty is paramount, discipline strict Inequality is natural and there is a purpose or role for everyone The organisation must provide order and security	Higher authority rules by rightful compliance Avoidance of innovation and risk taking Moralistic and prescriptive

Value Comparisons:

	Assumptions regarding people at work	Assumptions regarding work	Leadership style
Orange	People are motivated by achievement and material rewards as well as by “playing the game” “Value add” has inherent motivational value; Personal responsibility or accountability is important	Competition is important for productivity The first priority is the viability of the organisation	Performance is evaluated continually Rewards are accorded to those most successful Administration is pragmatic Appointments are according to objective criteria
Green	People are motivated by human contact and want to maintain harmonious relationships Emotions need to be addressed Diversity is accommodated	Sharing and participating is better than competition Involvement, participation is valued Diversity in approach enriches outputs	Emphasis on consensus and compromise Facilitates processes rather than directs them Open communication
Yellow	People need to do things that will provide self-actualisation Learning and understanding is intrinsically rewarding	Change in organisation is inevitable Organisation must capitalise on the diversity of the workforce Contextualised Focus on functionality	Emphasis on access to knowledge & information

Value Comparisons:

	Assumptions regarding people at work	Assumptions regarding work	Leadership style
Turquoise	All is interconnected Human connection is via spiritual and experiential bonds Awareness of contextualised changes is important Personal purpose is highly regarded	Work must be meaningful to the overall health of all Emphasis on the importance of enhancing Life (the principles of Life)	Social and environmental responsibility is emphasised All previous approaches are integrated and transcended

Values: Using them to develop your team & business:

Team Development

- What should the team profile look like?
- In your view, what are the strengths and the development areas / risks of the current profile for the team?
- Considering your own profile:
  - What are your own strengths and development areas?
  - What unique contribution do you make to the team?
  - What is the potential impact of your profile on the team and on your business?

Values: Using them to develop your team & business:

Opportunities	Threats
• All colours - diversity • Awareness • Colours central language • Cultivate best in the colours • Match people and positions (e.g. Blue in Safety) • Encourage independent thinking	• Harsh environment - little Green. • Lack of common identity – Purple rejected • Red rejection – power plays, politics, 'me' • Dissatisfaction, absenteeism, demotivation stimulate turnover

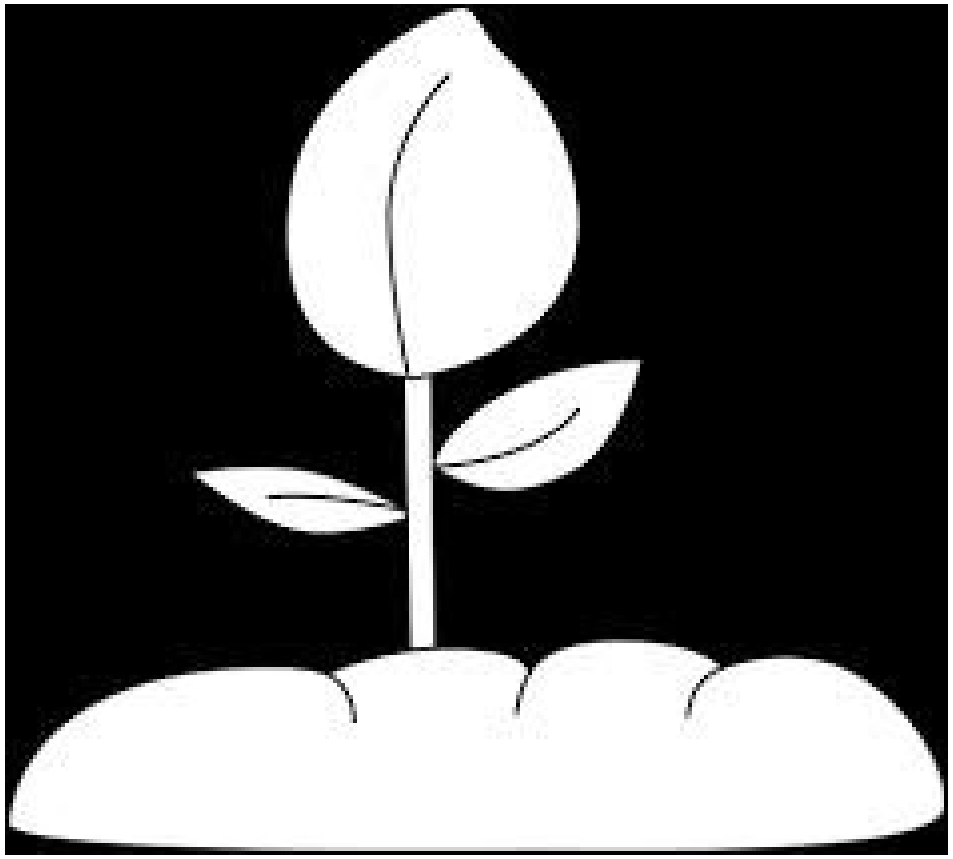
What do I need to be aware of as an Entrepreneur?

Belbin Team Roles

- Meredith Belbin wanted to understand different roles people take on in a team situation.
- Originally he conducted research to establish what made some teams more successful than others.
- Over a period of nine years, Belbin and his colleagues gathered their research, and the following team roles were established:

Plant

- Creative, unorthodox and generators of ideas



Resource Investigator

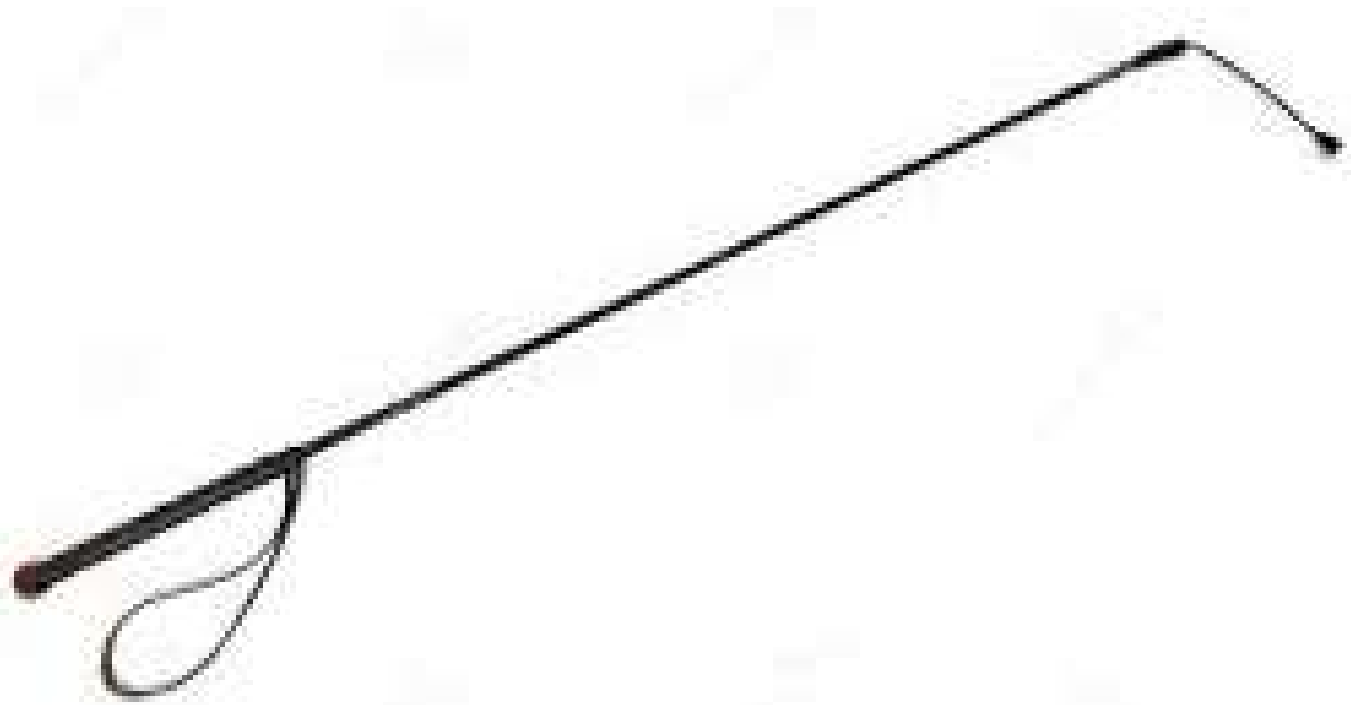
- Focused outside the team
- Injects the team with energy

Co-Ordinator

- Chairperson of a team

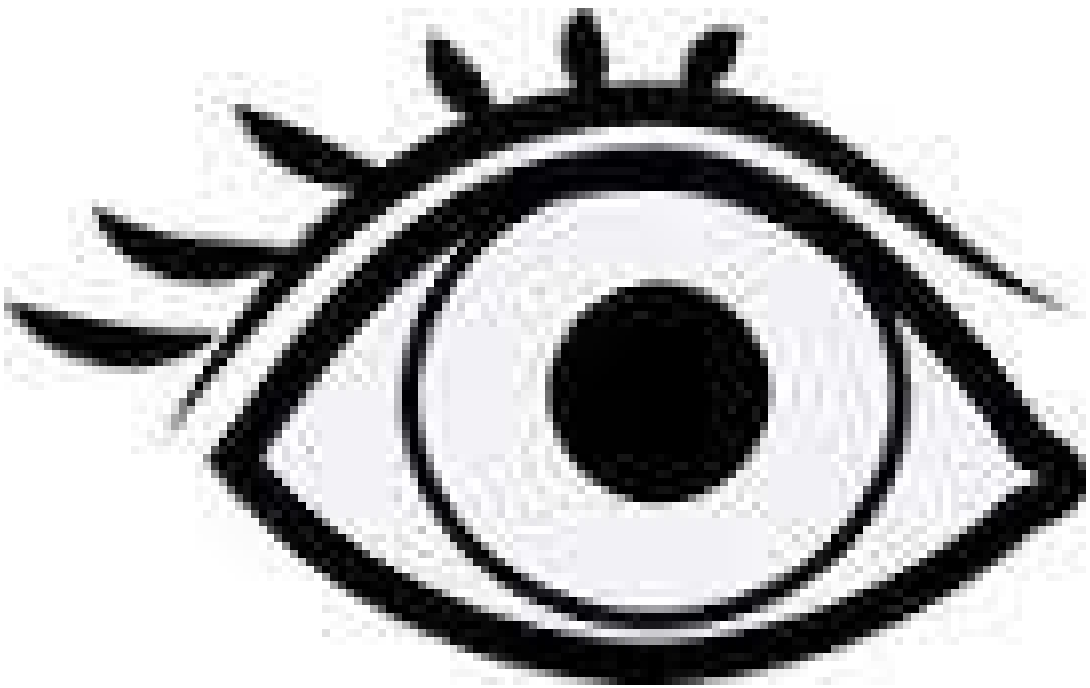
Shaper

- Task-focused individual
- Driven by tremendous energy



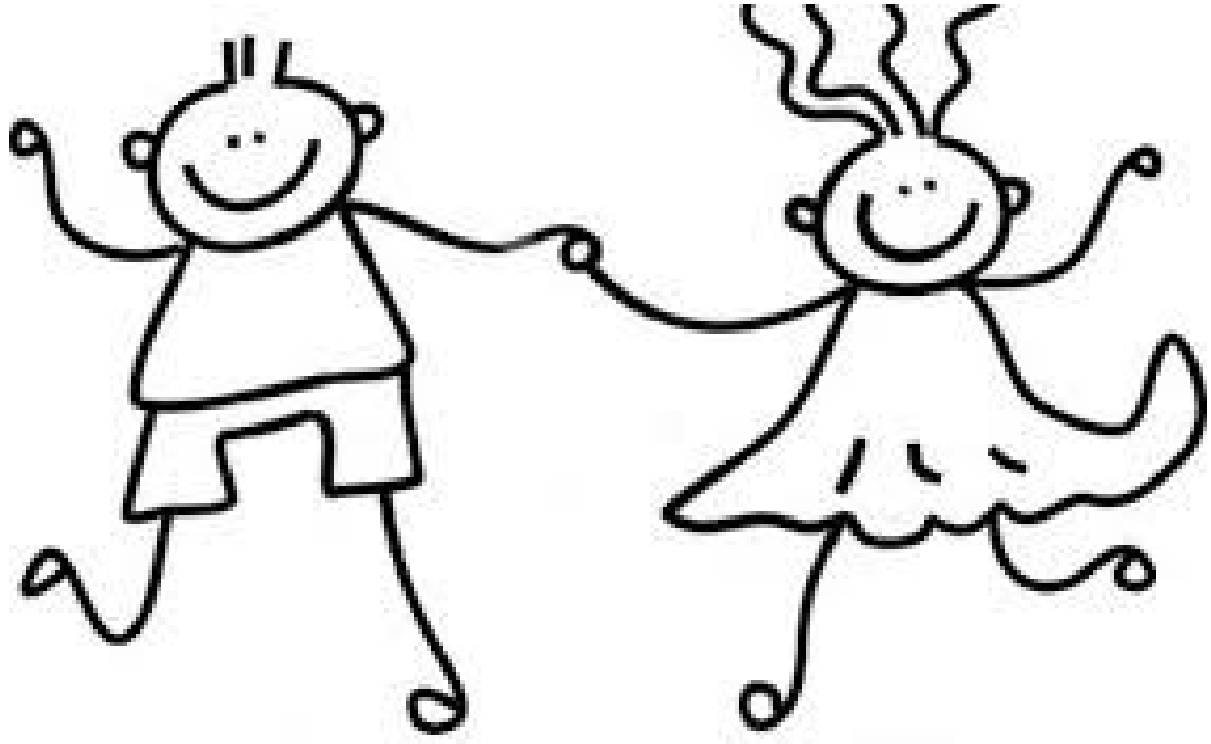
Monitor Evaluator

- Fair, logical observers and judges



Teamworker

- The oil between the cogs that keeps the machine (team) running smoothly

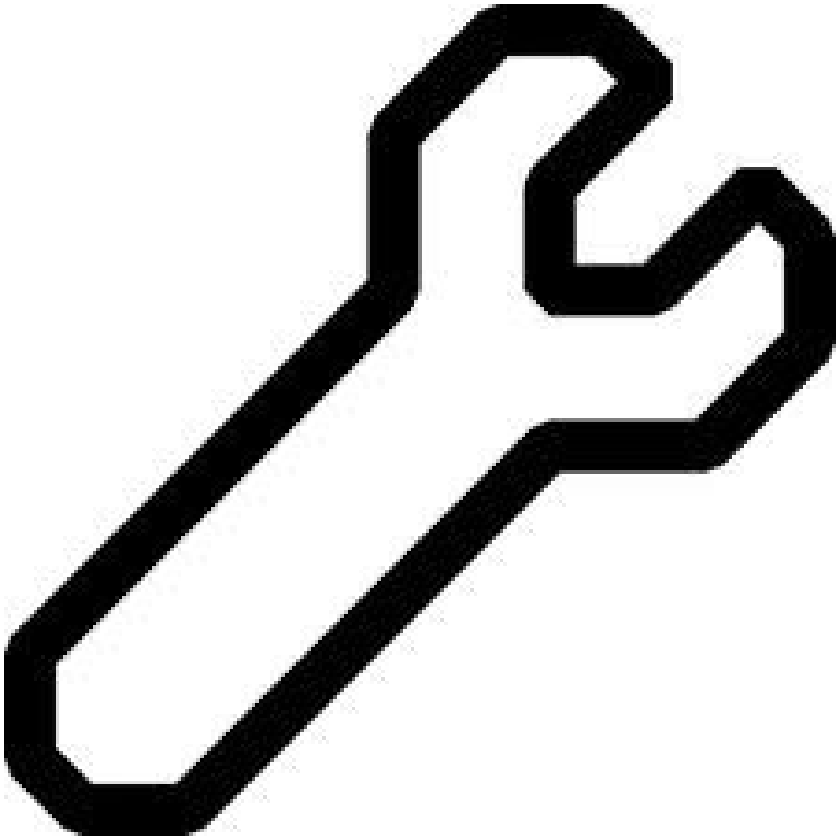


Implementer

- Turns colleagues' suggestions and ideas and turns them into positive action

Completer Finisher

- Likely a perfectionist and will often go the extra mile to make sure everything is "just right”



REMEMBER!!

- The most functional teams or organisations are those which have a rich mix of different value paradigms and team roles.

Activity 5: The Pig Poem

Activity 6: Guess the Entrepreneur!

1. Who was of the most creative geniuse of the 20th century who was once fired from a newspaper because he was told he lacked creativity?

Activity 6: Guess the Entrepreneur!

2. Who built a massive empire in his 20s, but was fired when he reached his 30s (from his own company)? Incidentally he was rehired years later…

Activity 6: Guess the Entrepreneur!

3. Who started a company called Traf-O-Data, which crumbled and was a complete disaster; after exploring new opportunities, and a few years later, he created Microsoft?

Activity 6: Guess the Entrepreneur!

4. Who was rejected by 12 publishing houses, who later on created a literary series of 7 books, which went on to sell millions?

Activity 6: Guess the Entrepreneur!

- Which other typical Entrepreneurs can YOU think of?
- Did they experience failure?
- Why?

SMART goal setting for Entrepreneurs

How to set SMART goals:

1. Set a vision
2. Make it measurable
3. Set Benchmarks
4. Celebrate Your Success

Activity 7 – let’s watch a short video!

- https://www.entrepreneur.com/video/271984

Activity 8 – Personal Development Plan

Activity 9 – Let’s create a vision board!

Activity 10 – Presentation time

- Let’s hold ourselves accountable to our peers: present your vision and goals to a friend

Self reflection

Group Activity 11 – The benefits of being an Entrepreneur!

Food for thought:

But hear this. Your life is not just about you. It's about contributing to others. It's about living true to your mission and reason for being here on this earth, at this time. It's about adding your piece of the puzzle to the world." – T.Harv Eke

The benefits of being an Entrepreneur (FROM AN INDIVIDUAL PERSPECTIVE)

PROS

- CONTROL
- EXCITEMENT
- FLEXIBILITY
- FREEDOM
- RATIONAL SALARY

The benefits of being an Entrepreneur (FROM AN INDIVIDUAL PERSPECTIVE)

CONS

- ADMINISTRATION
- LONELINESS
- NO REGULAR SALARY
- WORK SCHEDULE

The benefits of being an Entrepreneur (FROM A MACRO PERSPECTIVE)

PROS:

- Economic growth
- Job creation
- Charity
- Innovation
- Increased competition

The benefits of being an Entrepreneur (FROM A MACRO PERSPECTIVE)

CONS:

- Use of natural resources
- Governmental control
- Unemployment

What makes up a business?

- **Plans**
- **Organisation**
- **Procedures**
- **Leadership**
- **Skills**
- **Culture**

Case Study: **Lebo Gunguluza's advice**

- Cash is important and it runs out fast.
- Customers are everything.
- Have a healthy respect for compliance.
- Chase down your money.

Activity 12 – My New Venture!

Activity 13 – DEBATE

Men are better at business than women!

Barriers related to Entrepreneurship

- Cultural & Social Barriers
- Economic barriers
- Less advantaged group
  - Women
  - Racial inequalities
  - People with disabilities
  - Youth
- Beliefs

Activity 14: Let’s Brainstorm!

Overcoming gender, cultural & social barriers

Coaching & Mentoring

- Coaching is a developmental approach within the entrepreneur wishing to improve their skills by electing to be assisted by another person.
- Mentoring is the function of nurturing and supporting entrepreneurs by providing them with professional skills development and moral support.

Similarities between Coaching & Mentoring

- Trust and commitment
- Explore of needs, motivations, desires, skills and thought processes
- Increase the individuals effectiveness
- Use questioning techniques
- Support the individual in setting appropriate goals
- Focus on learning and development
- Creatively apply tools and techniques which may include one-to-one training, facilitating, counselling and networking
- Encourage a commitment to action and the development of lasting personal growth and change
- Evaluate the outcomes of the process

Steps to finding a mentor or coach

- Define your purpose
- Consider your options
- Connect
- Experience them for yourself
- Evaluate and Adjust

Activity 15 – Finding a coach

Group Activity 16: Let’s brainstorm!

Self Reflection

SMART Marketing

By the end of this module you will be able to:

- Understand what Marketing is, and apply related concepts
- Understand Market Segmentation
- Describe Product Life Cycles
- Conduct a SWOT Analysis
- Apply SMART Marketing Principles to develop a Marketing Plan

I am a successful entrepreneur. There are opportunities all around me. I am happy, fulfilled, and prosperous.

What is Marketing?

- Identify your mission
- Find out what is happening in your industry
- Describe your business's objectives
- Put into effect and assess your plan to deliver the products that your customers need.

What is a Market?

- A regular gathering of people for the purchase and sale of various commodities.
- Case Study: Thabo’s Boerewors Stand

Supply & Demand

- Demand refers to how much (quantity) of a product or service is desired by buyers.
- The amount demanded is the amount of a product people are willing to buy at a certain price; the relationship between price and quantity demanded is known as the **demand relationship**.
- The relationship between price and how much of a good or service is supplied to the market is known as the **supply relationship**. Price, therefore, is a **reflection of supply and demand**.

Activity 17 – Let’s apply what we have learned!

Markets Defined

- What influences Markets?

1. <u>Trends & Developments:</u>

1.1. Governments

1.2. International Transactions

1.3. Speculation and Expectation

1.4. Supply and Demand

Markets Defined

- What influences Markets?

2. Competition

2.1 Direct competition

2.2. Indirect competition

Markets Defined

- What influences Markets?

3. Location:

3.1. Brick and Mortar

3.2. Business on the Go

3.3. Business in the Cloud

Markets Defined

- What influences Markets?

4. Timing:

4.1. Maximize the **window of opportunity**

4.2. Avoid revenue loss from:

4.3. Command **premium prices** early in the lifecycle.

Activity 18 - DEBATE

Marketers are LIARS!

Market Segmentation

- Market Segmentation is a **marketing** strategy or plan, which involves first deciding WHO your **target market** is.
- After you have researched and established this, you can divide your market into groups
- Them, target them with what you want them to buy from your business

Market Segmentation

- Segments include:
  - Specific projects
  - Geographical location
  - Income brackets
  - Age
  - Gender
  - Ethnicity
  - Community

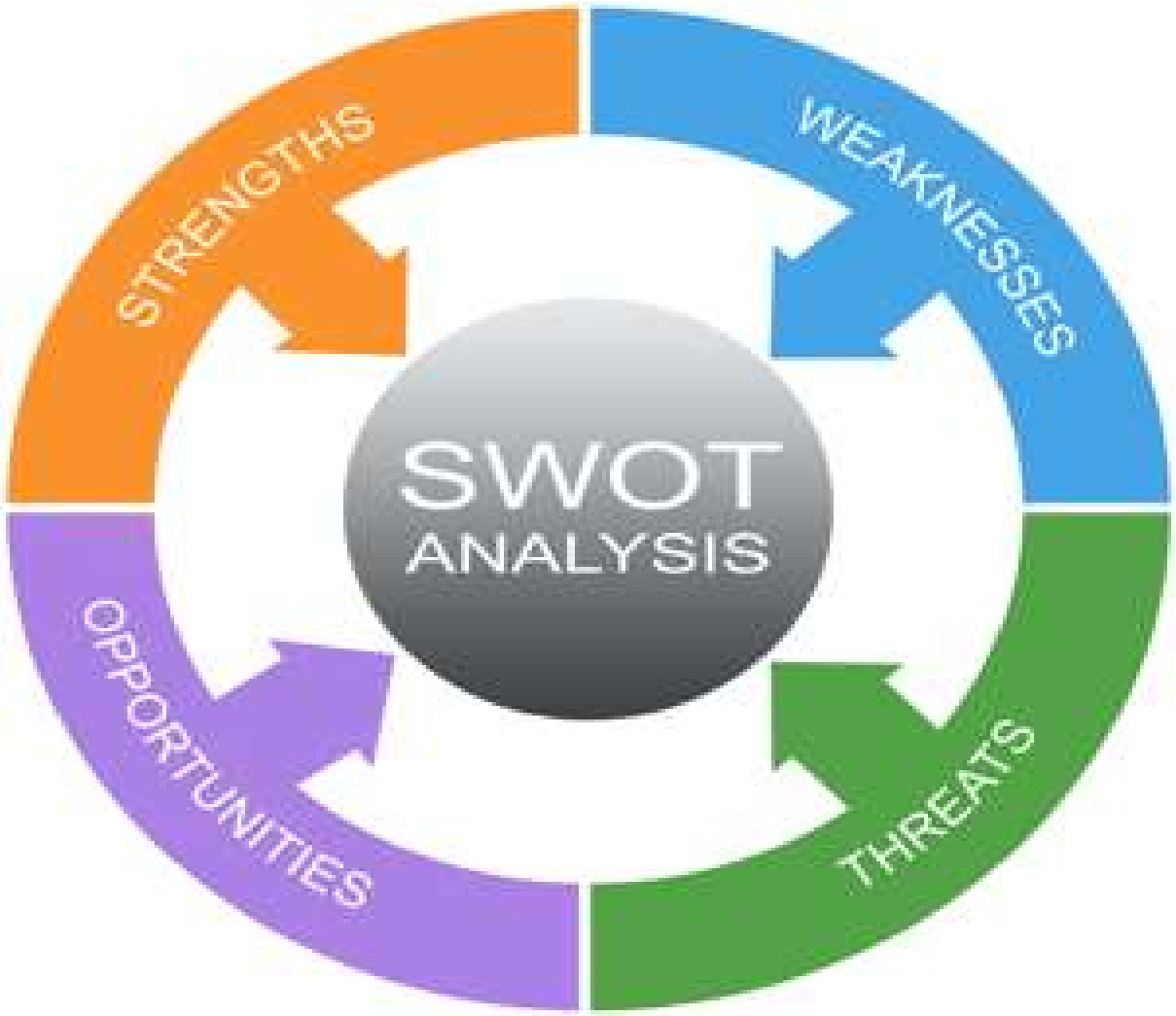
Market Research

- Market research is gathering information about your customers' needs & preferences
- Market research techniques:
  - Formal and informal research including quetionnaires
  - Community research
  - Intelligence gathering exercises

Product & Service Life Cycles

1. Introduction stage
2. Growth stage
3. Maturity stage
4. Decline or innovation stage

SWOT Analysis



PEST Analysis

- Can help to ensure that you don't overlook external factors:
  - Use PEST to brainstorm the changes happening around you
  - Brainstorm opportunities arising from each of these changes
  - Brainstorm threats or issues that could be caused by them
  - Take appropriate action

Activity 19 – Let’s do a SWOT analysis!

Activity 20 – Presentation to Class

Self Reflection

Activity 21 – Guess this business life stage!

1. Sasol (Petrol Station)?
2. Boxer Stores (Grocery chain)?
3. Vee's Videos (DVD rental store)?
4. Facebook (Social Media Platform / Company)?
5. Musica (CD store)?
6. SnapChat (Social Media Platform / Company)?
7. Checkers (Grocery chain)?
8. Coca-Cola (Soft Drink Company)?
9. Wakaberry (Frozen Yoghurt stores)?
10. I-tunes (Online Music Store)?

SMART Marketing Principles

PLANNING

What to include:

1. Marketing strategy
2. Form marketing and product goals

**Can use SWOT technique*

SMART Marketing Principles

Marketing planning process tips

1. Your executive summary
2. Target Market
3. Unique selling technique (USP)
4. Pricing and positioning strategies
5. Distribution
6. Specials and Discounts
7. Marketing tools
8. Promotional strategies
9. Online marketing strategies
10. Converting customers
11. Partners and joint ventures
12. Referrals
13. Prices
14. Sustainable business
15. Financial Projections

Strategies for an effective strategic marketing process

- Set goals
- Base your plans on facts
- Use clear, simple but specific plans to show benefits
- Use research to come up with the best way to bond with and engage your ideal customers.
- Customise your business's plans and goals to correspond with your customers' needs.

SMART Marketing Principles

- APPLICATION

1. Acquire Resources
2. Creating a marketing infrastructure
3. Planning schedules
4. Applying the marketing strategy

SMART Marketing Principles

- EVALUATION

1. Strategy compared with tactic
2. Calculative versus imprecise
3. Actionable versus conditional
4. Marketing strategies

SMART Marketing Principles

- Problems you may experience in the marketing planning process

1. Organisation
2. Marketing specific
3. General

Activity 22 – The 4Ps of Marketing Applied

The Marketing Plan demonstrated…

1. **Table of Contents:**

1.1. **Executive Summary**

1.2. **Situation Analysis**

1.3. **Marketing & Strategy**

1.4. **Implementation & Contingency**

The Marketing Plan demonstrated…

1.1. Executive Summary:

Summarise the most important aspects of your team’s business. Cover aspects of who the business is, what it is about, including unique aspects. Briefly describe the business’s history

The Marketing Plan demonstrated…

1.2. Situation Analysis

This section is comprised of several components. Before each component is broken down in detail, provide a brief description.

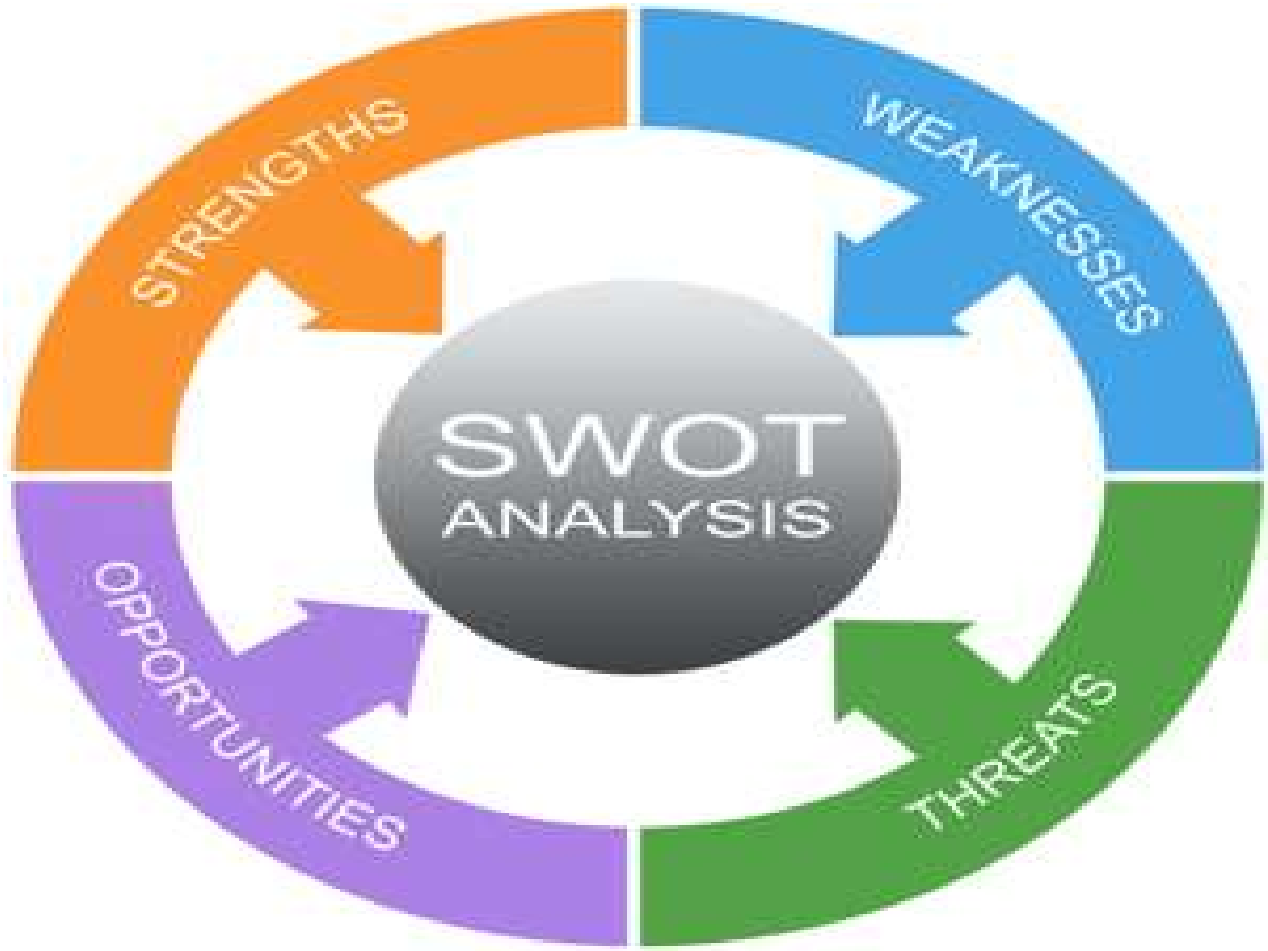
The Marketing Plan demonstrated…

1.2.1. Market summary

Here you need to describe who your most important customers are; describe your market, their needs, trends, growth and sensitivities (likes and dislikes)

The Marketing Plan demonstrated…

1.2.2. SWOT analysis



The Marketing Plan demonstrated…

1.2.3. Competition:

Describe your competition. Who are they? What is their offering? What do they do better than you? How are they a threat to your business?

The Marketing Plan demonstrated…

1.2.4. Products:

What are the primary products (or services) offered by your business?

The Marketing Plan demonstrated…

1.2.5. Keys to success:

What distinguishes your business from the competition? List points for what needs to be done to stand above competition and stand out in the market? Are there critical issues that need to be addressed in order to achieve success?

The Marketing Plan demonstrated…

1.3. Marketing and Strategy: In a paragraph, describe your business's mission, marketing objectives, and financial objectives (the financial aspect can be very basic)

1.3.1. Target Market: Include your customer's needs, trends and growth:

Needs? Trends? Growth?

The Marketing Plan demonstrated…

1.3.2. Positioning: Where is your business in the market, and where do you intend to go? (Pay attention to the product life stage).

The Marketing Plan demonstrated…

1.3.3. Marketing Mix: Detailed the proposed marketing mix, paying attention to:

- Product strategy
- Distribution strategy
- Promotional strategy
- Pricing strategy
- Marketing strategy

The Marketing Plan demonstrated…

- **1.4. Controls and Implementation: Implementation involves setting and following milestones through a specified time frame and anticipating difficulties and risks with a back-up plan.**

The Marketing Plan demonstrated…

- **1.4. Controls and Implementation: Implementation involves setting and following milestones through a specified time frame and anticipating difficulties and risks with a back-up plan.**

Group Activity 23

- Now it’s time to create your own Marketing Plan!

Self Reflection

Group Activty 24 – Let’s present!

Marketing Plan Presentations

Group Activity 25

- Self Assessment – Demystifying Myths

Learning the Language of CASH!

By the end of this module you will be able to:

- Contain any anxiety you may have related to money and / or
- financial concepts.
- Understand and use the SMART toolbox, containing financial
- concepts.
- Compile a budget
- Understand the ‘cost’ of doing business, and appreciate the
- concept of ‘value’.
- Understand the Fundamentals of Funding

I am forever conscious of my true worth. I give of my talents freely and I am wonderfully blessed financially. It is wonderful.

Demystifying myths

- When it comes to financial concepts, or anything math or accounting related, you may become anxious, which results in negative behaviours, such as avoidance.
- Here we will look at the concept of RET, or Rational Emotive Therapy, by Albert Ellis.
- RET has been shown to be quite effective in helping people overcome certain anxieties – and in this case, anxiety related to financial concepts.

Demystifying myths

- This fear of accounting, math or financial concepts is called a debilitative emotion.
- Debilitative emotions are problems emotions because

1. They are extremely unpleasant and
2. They tend to lead to self-defeating behaviours

- Being an entrepreneur = understanding financials

Demystifying myths

- What causes this anxiety?
- What is YOUR theory regarding your anxiety?
- What are YOUR myths?
- Do you have an internal, or external locus of control?

Overview of Rational Emotive Therapy:

- ABCs:
  - A stands for Activating event or experience
  - C stands for the emotional Consequence
  - Most people seem to believe that A causes C. In fact, this theory seems to be built into our language.

Overview of Rational Emotive Therapy:

Activating event	Cause	Emotional Consequence
Something happens	To cause me	To feel…
When you talk about math	That causes me	To feel…
This test	Makes me	Nervous

RET

The implications to this A-causes-C theory are

1. You can’t help how you feel and
2. the way to deal with the problem is to avoid or escape from activating events, such as tests.

Lean in close…

Is the A-causes-C theory true? It is not A, the Activating event that causes C, the emotional Consequence.

Rather, it is B, your BELIEF about A, that causes you to feel as you do at point C.

Activity 26 – Strategies to Succeed!

Activity 27 – The Moola Game!

The SMART Toolbox – Financial concepts unpacked Part I

- What is Cash Flow?

"The Cash Flow Statement is straightforward: it's an examination of a company's bank account over a certain period of time. Think of it like a checking account ledger: deposits of cash flow in and withdrawals of cash flow out. Ideally, more money flows in than flows out, and the total never goes below zero."

- Josh Kauffman, author of The Personal MBA

The SMART Toolbox – Financial concepts unpacked Part I

Remember…

- Profits are not cash
- Timing is of the essence
- Many businesses fail due to lack of cash, not lack of profits

The SMART Toolbox – Financial concepts unpacked Part I

What is a cash flow statement?

- A record of the change in the cash balance a business has on hand at any given time.
- You will need to include a cash flow projection in your business plan document and you will need to keep an eye on cash flow so long as your doors remain open for trading.

The SMART Toolbox – Financial concepts unpacked Part I

How do I manage my cash flow?

- Managing your cash flow will require good record keeping and regular cash flow forecasting.
- Good cash flow management will help you succeed, while poor cash flow management could cripple your business.
- There are always things you can do better.

The SMART Toolbox – Financial concepts unpacked Part I

How to make monitoring your cash flow easy:

- Keep a daily record of incoming and outgoing cash
- Deposit any cheques received on a daily basis
- Use numbered cash receipts and account for all of them
- Use numbered cheques for payments
- Send customer invoices within two days
- Collect receivables within two months

The SMART Toolbox – Financial concepts unpacked Part I

How to project your cash flow needs and then meet those needs:

- Anticipate payroll
- Pre-empt outstanding debt payments
- Set aside money for emergencies
- Set aside money to allow for growth
- Use short-term financing when necessary
- Arrange for a line of credit with a bank before you are short on cash

The SMART Toolbox – Financial concepts unpacked Part II

What to watch out for

1. Factor in your start up costs.
2. Keep an eye on inventory and receivables
3. Rapid Growth can put you in a tight spot

The SMART Toolbox – Financial concepts unpacked Part II

Be organized, but accept that you're human

- Occasionally, you may not be able to make a payment due to negative cash flow.
- Banks are far more willing to lend to those people that know months in advance they may have a cash shortage.
- Consider turning to your suppliers. They may be able to offer you a short-term loan.
- In general, keep an eye on your cash flow and make forecasting a habit.

The SMART Toolbox – Financial concepts unpacked Part II

Assets and Liabilities:

- An asset is something your business owns that can provide future economic benefits.
- Liabilities are your business's obligations - either money that must be paid or services that must be performed.
- Short term liabilities is money you need to pay to your creditor or supplier within 12 months of the balance sheet date
- Long term liabilities are due more than a year after the balance sheet date.

The SMART Toolbox – Financial concepts unpacked Part II

Liabilities & Expenses are not the same thing!

- Unlike assets and liabilities, expenses are related to revenue, and both are listed on a company's income statement.

The SMART Toolbox – Financial concepts unpacked Part II

Profit & Loss:

- Every month you need three financial statements:

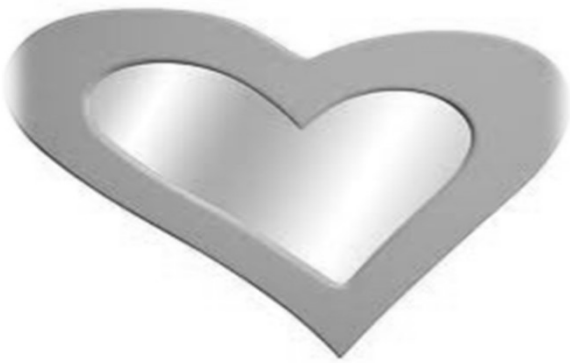
1. Balance sheet
2. Trial Balance
3. Income statement

The SMART Toolbox – Financial concepts unpacked Part II

Start-Up and Working Capital:

- Start-Up Capital = funds needed in order to set up and begin a business activity.
- Working Capital = funds used to keep the business going.

Self-Reflection



Activity 28 – Apply the financial concepts you have learned!

Budgeting

Budget planning

- You have to stay in control of your expenditure at all times.
- A plan to control your finances.
- Note the distinction between a forecast and a budget:
  - A forecast is a very important business management tool that is essentially a cost prediction of the future
  - A budget is a planned outcome of this same future based on the objectives of your business plan
- To break this down even further, a budget is about profit and the cash flow forecast is about cash.

Budgeting

Your budget in practice

- Once your business is operational create a budgeting process.
- A budget should include your revenues, costs, and your profits or cash flow so that you can figure out whether you have any money left over.
- A budget should be tabulated at least yearly.
- You have to factor in any obstacles you may encounter along the way.

Budgeting

How to draw up a budget

- Dedicate time to this process
- Your budget must include projected cashflow, typically on a monthly basis.
- A budget must also encompass costs
  - fixed ones such as rent and salaries
  - variable expenses including materials and products
  - one-off capital costs, such as a lease or buying a computer.
- A budget must take account of revenue forecasts.
- There is no benefit to creating an artificial profit by overestimating earnings, or underestimating costs.

Budgeting

Methods for managing and controlling budget:

- Be flexible
- Budget to monitor growth
- Pay attention to fixed and variable costs

Activity 29 – Let’s get budgeting!

The Cost of doing Business

- Money is more than paper and coins.
- It is representative of a **value exchange**.

Activity 30 – Associations around money

The Cost of doing Business

- The more value you add to people's lives, the more money you make. The more you help someone else with a problem they have, the more money you bring in. This is true REGARDLESS OF THE INDUSTRY YOU ARE IN.
- Your target market wants what you supply, and they need what you supply.
- Money is a cycle
  - it can be a <u>good</u> cycle of *give* (value/services/products) and *take* (what you need and want) or
  - it can be difficult, a <u>struggle</u> to give what you planned because there isn't money to produce the products or services

The Cost of doing Business

Pricing

- To determine a selling price: source the Cost of Sale amount & multiple by two and a half.
- Mark up is the difference between cost of a good or service, and it's selling price
- Ask yourself the following questions to assist yourself with price setting:
  - What are the direct costs of the product or service?
  - What are the business's indirect expenses, or expenditure?
  - What is the company's breakeven point?
  - How is the competition pricing their offerings?
  - What is the current state of your industry and the overall economy?
  - What is your target market willing to pay?

Activity 31 – Finding Value

Activity 32 – Assigning Price

Self Reflection

Activity 33 – Debate!

“It’s better to go into debt than to seek out funding”

The Fundamentals of Funding

Types of Funding:

- **Debt finance**
- **Bank finance**
  - **Overdraft**
  - **Debtor finance**
  - Asset Finance
- **Angel Investors**
- **Private Equity**
- **Venture Capital**
- **Government funds**
- **Government grants**

The Fundamentals of Funding

What do I need to apply for funding?

- Each institution may have their own list of requirements, but usually, you would be required to produce the following:

1. Proof of identity.
2. Proof of residence.
3. You will also be asked for details about where you get your money from (for example, a payslip).
4. Completed application forms filled out in black ink.

The Fundamentals of Funding

Risks:

- Costs incurred
- Guarentee requirements from the lending institution
- Collateral requirements
- What other risks can you think of?

The Fundamentals of Funding

Alternatives to Funding:

i. **Friends and Family**

ii. **Retirement Funds**

iii. **Seller Financing**

iv. **Cash Sales**

v. **Savings**

vi. **No funding**

Activity 34 – Applying the Fundamentals of Funding!

Business Plan Basics

By the end of this module you will be able to:

- Understand the necessity of a Business Plan
- Define business plan elements
- Create an organizational structure
- Be cognizant of the ethics around business
- Compile a Business Plan

There are always people looking for my services, my services are always in demand. I can pick and choose what I want to do. I earn good money doing what I love. All is well in my world.

Why a Business Plan is necessary

Without a roadmap, you will not know which way to go; as the saying goes: failing to plan is planning to fail.

The most important for your plan is:

1. Executive Summary
2. General Company Description
3. The Opportunity, Industry & Market
4. Strategy
5. Business Model
6. Team – Management & Organisation
7. Marketing Plan
8. Operational Plan
9. Financial Plan

Why a Business Plan is necessary

Business Plan Milestones:

- Your marketing strategy
- Your operational plans

Why a Business Plan is necessary

Cash flow projections:

- Help establish if the business will meet its obligations to vendors
- Helps if seeking investors
- After completion, entrust your mentor or close friend to have a look at it and point out the gaps.

Activity 35 – Let’s build a house!

Business Plan Elements

Types of legal businesses

i. Sole Proprietor
ii. Partnership
iii. Company
iv. Franchise
v. Limited Liability

Business Plan Elements

Legal Compliance:

- PAYE (Pay As You Earn)
- UIF (Unemployment Insurance Fund)
- VAT (Value Added Tax)
- RSC (Regional Services Council)
- COIDA (Compensation for Occupational Injuries and Diseases Act)
- Skills Development Levy
- Various Industry Regulations
- Registration as an Exporter
- Environmental Levy

Activity 36 – Pick up sticks

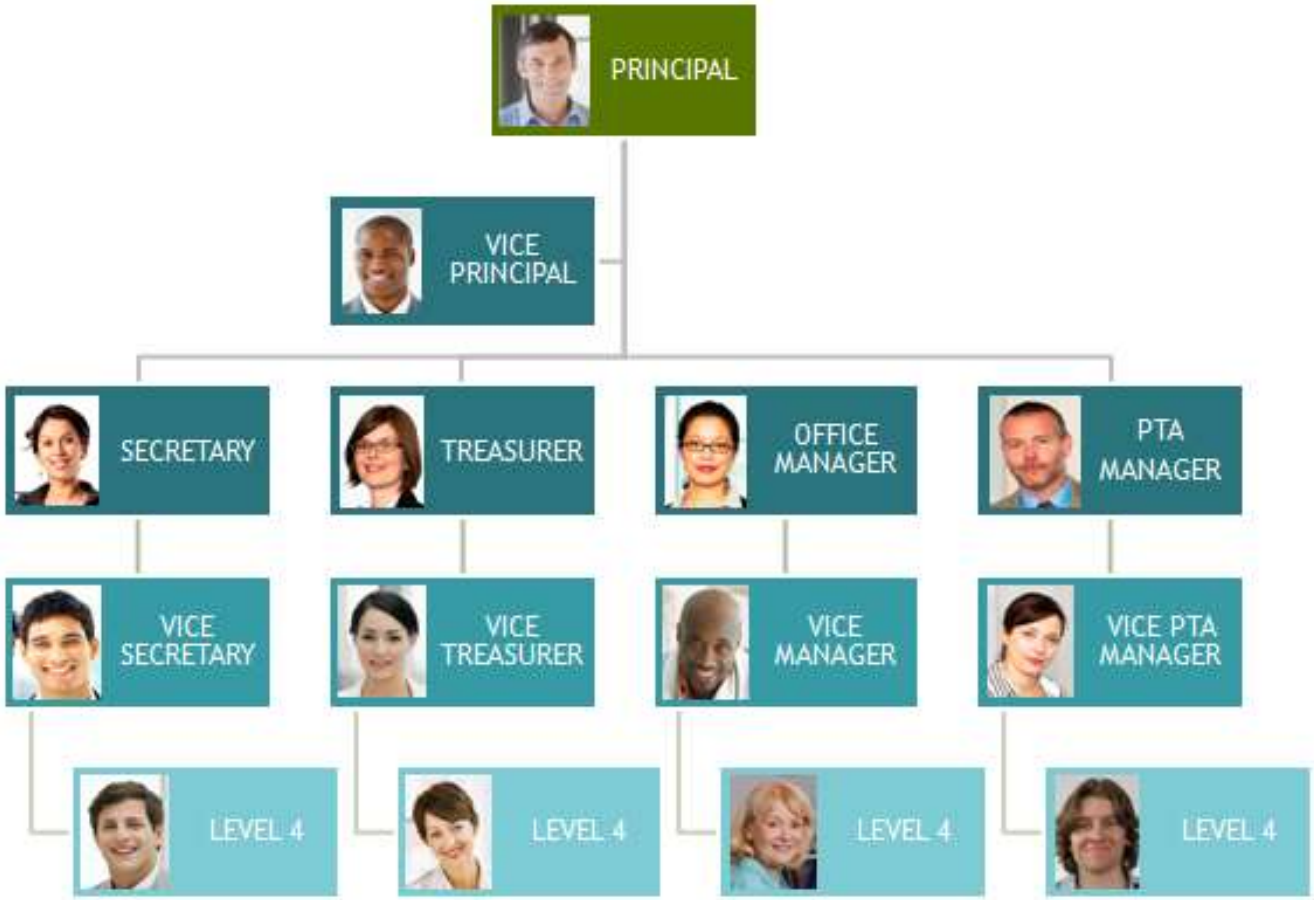
Self Reflection

Activity 37 - Debate

“Never go into business with family!”

The Organisational Structure

An organogram = a diagram that shows the structure of an organisation:



The Organisational Structure

The purpose of having a formal structure include:

- Giving Purpose
- Showing Significance

The Organisational Structure

Types of structure:

- 1. Flat structure
- 2. Tall structure
- In a small business, there are a few core departments which are necessary:
  - Administration
  - Accounting
  - Marketing and Advertising
  - Production
  - Sales
  - Human resources

Activity 38 – Create your Business’s organogram

The Ethics of doing Business

- How to Write a Code of Ethics for Business:
  - Setting Priorities
  - Getting Input
  - Don't Sweat the Small Stuff
  - Particular Pitfalls
  - Who to Turn to for Help
  - Putting Someone in Charge

Activity 39 – Devise your code of Ethics

Tips for Conducting Research:

- Deal with one piece at a time. Don’t try to tackle everything all at once.
- Use a system. Start your research with an idea of how you plan to collect and organize your information.
- Ask for help. Get everyone in the team to contribute.
- What other tips can you suggest?

Activity 40 – Conducting research

Self Reflection

Activity 41 – Compile a Business Plan

Self Reflection

Activity 42 – Presentations