Theory Guide

New Venture

NQF 2

Skills Programme 1:

START & GROW YOUR OWN BUSINESS VENTURE

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2. Define the theorem Spiral Dynamics by Clare Graves
3. Define what is the Belbin Team Roles
4. Understand yourself better by establishing what paradigm you employ to see your world, as well as the role you take on in team situations.
5. Refine your problem solving and critical thinking skills
6. Understand the typical traits, aptitudes, behaviours, characteristics and skills of an entrepreneur
7. Weigh up the pros and cons of entrepreneurship with examples.
8. Identify barriers in starting a business, and how to overcome them.
9. Reasons for business failure with examples
10. Make SMART goals.
11. Identify a mentor / coach.

SELF-REFLECTION ..... **Error! Bookmark not defined.**

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1. Understand what Marketing is, and apply related concepts
2. Understand Market Segmentation
3. Describe Product Life Cycles
4. Conduct a SWOT Analysis
5. Apply SMART Marketing Principles to develop a Marketing Plan

SELF-REFLECTION ..... **Error! Bookmark not defined.**

MODULE 4 – Learning the Language of Cash..... **Error! Bookmark not defined.**

Learning Opportunities..... **Error! Bookmark not defined.**

1. 1 Contain any anxiety you may have related to money and / or financial concepts.
2. Understand and use the SMART toolbox, containing financial concepts.
3. Compile a budget
4. Understand the 'cost' of doing business, and appreciate the concept of 'value'.
5. Understand the Fundamentals of Funding

SELF-REFLECTION ..... **Error! Bookmark not defined.**

MODULE 5 – Business Plan Basics ..... **Error! Bookmark not defined.**

Learning Opportunities..... **Error! Bookmark not defined.**

1. 1 Understand the necessity of a Business Plan
2. Define business plan elements
3. Create an organizational structure
4. Be cognizant of the ethics around business
5. Compile a Business Plan

SELF-REFLECTION ..... **Error! Bookmark not defined.**

INTRODUCTION

Welcome to 'Start and Grow Your Own Business Venture'. You may be here because you have a burning desire to start a business. Perhaps you are here because you want financial security, to build a legacy, or simply to own your time. Whatever your reason – you are at the right place! In this workbook, you will learn:

- What defines an Entrepreneur, and are you one?
- SMART Marketing
- Learning the Language of CASH
- Business Plan Basics

No matter where you are in your business journey – perhaps you are on your fifth business, or perhaps the idea of a business is just that: an idea; this course is the stepping stone to equip you with practical skills to start and grow your own business. The course work is set out to inspire you to think, stretch yourself, and most importantly, to HAVE FUN!

You may feel apprehensive about embarking on this journey. You may be filled with doubt and fear, asking yourself:

- Am I smart enough to start a business?
- Do I have what it takes?
- Is my idea good enough?
- How will I make my dream a reality?

Keep this in mind: The barrier between you and anything you want to do or achieve is a LEARNABLE SKILL. This fun, interactive course is going to teach you numerous skills to realise your dream.

HOWEVER, with any skill, it takes dedication, and lots of PRACTICE to refine that skill. Like with any fantastic cake recipe, we are going to provide with quality ingredients, AND we are going to give you with the recipe. But ultimately, it is up to you if you are going to use the ingredients, what KIND of cake you are going to make, and finally, IF you are going to go ahead and bake your cake. Your cake may not come out perfectly the first time – and that's okay.

As you've guessed, we're not talking about cakes or baking here; we're talking about starting a new venture. To facilitate the process we'll be making use of AFFIRMATIONS, which are short, positive statements which we are going to use to reprogramme the way we think, and counter-act the negativity that may be holding us back. Even after the completion of this course, you are encouraged to continue the practice of repeating affirmations.

Let's begin!

MODULE 1 - PROGRAMME DETAILS

Programme Purpose

The purpose of this programme is to provide you with the foundation skills required to start and managing your own business venture.

Learning Outcomes

The qualifying learner is capable of:

- ✓ Understanding and defining what entrepreneurship is, giving examples of such
- ✓ Understand and define theories related to understanding worldviews and personality profiles
- ✓ Identify characteristics, skills, aptitudes, personality traits, values and behaviours of entrepreneurs
- ✓ Apply problem-solving and critical thinking techniques
- ✓ Advantages and disadvantages of entrepreneurship with examples
- ✓ Reasons for business failure with examples
- ✓ Identify and describe what marketing is in relation to new venture opportunities
- ✓ Conducting market research
- ✓ Identifying market segments
- ✓ Conduct SWOT analysis
- ✓ Compile a marketing plan
- ✓ Describe a product life cycle
- ✓ Conduct a basic risk assessment
- ✓ Determine the financial and cash flow requirements of your venture
- ✓ Determine the income and expenditure of your venture
- ✓ Implement pricing and costing principles in your business
- ✓ Identify resources to obtain start-up capital
- ✓ Compile an organization structure for your business
- ✓ Complete a Business Plan

Unit Standards

This programme serves as a continuous development opportunity, which is aligned to the following unit standards that is part of the New Venture Creation national qualification (NQF 2)

US ID	Unit Standard Title	NQF Level	Credits
119673	Identify and demonstrate entrepreneurial ideas and opportunities	Level 2	7
119669	Match new venture opportunity to market needs	Level 2	6
119666	Determine financial requirements of a new venture	Level 2	8
119670	Produce a business plan for a new venture	Level 2	8

Learning Assumed To Be In Place

It is assumed that learners are competent in:

- It is assumed that learners are competent in Communication and Mathematical Literacy at NQF Level 1.

Target Audience

This programme is intended for those interested in learning practical skills that form the basis in starting, growing and managing a business in the South African context. Thus potential or existing entrepreneurs will find this course insightful and empowering.

Learning pathway

This programme will enable learners to obtain 27 credits towards the following qualification: National Certificate: New Venture Creation (SMME).

Explanation of Symbols

Pictures are used throughout the programme to focus your attention on important aspects of the programme. See the guide on the next page.

Activity

A formative activity that must be completed in class in your LEARNER ACTIVITY GUIDE - helps to augment your ability to apply what you have learned.

HEART to HEART

Pay attention - important information.

Self-Study

Reading that will enhance your knowledge.

Self-Reflection

An opportunity for you to reflect on what you have learned - compare your knowledge against the learning outcomes.

Learner Code of Behaviour

Do not use pencils in class - work completed in pencil is not authentic	Ask as many questions as you deem necessary to help you understand the topics
Do not copy anybody's work	Do your own work - even if you are not sure of the answers

You may not leave the class for a smoke break	Leave the class in a discreet manner if you need a nature break
Please switch off your cell phone - you may not leave the class to take a call from your office	Behave respectfully towards your fellow learners and your facilitator
Do not disengage or allow your mind to wonder off	Enjoy your learning journey and have fun in the process

Document Details

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Source List

Reference is made in the Guide.

Learner Responsibilities

- ✓ You are responsible for your own learning – make sure you manage your time responsibly.
- ✓ Ask for the Facilitator's contact details so that you can send an SMS if traffic congestion prevents your timeous arrival. Timeous arrival = 15 minutes before class commencement.
- ✓ Sign the attendance register on each day of training and complete the SAQA registration document on the first day of training.
- ✓ Please complete the programme evaluation form at the end of the programme before you leave the classroom. This will assist us in improving our service and learning materials.

Facilitator Responsibilities

- ✓ The Facilitator is there to guide and support you during the training intervention.
- ✓ The Facilitator is responsible to provide you with feedback.

Course Map

Module 1: Programme Details

Module 2: Entrepreneurship

Module 3: SMART Marketing

Module 4: Learning the Language of CASH

Module 5: Business Plan Basics

Assessment

You are expected to participate in an assessment process that starts during the training intervention as explained below.

Classroom Activities	Final Integrated Formative Assessment
Activities that are completed during the training, where such activities assist you in acquiring knowledge and in practicing what you learn. These activities are NOT to be included in your Portfolio of Evidence (PoE) unless you are instructed to do so by your Facilitator.	A closed-book assessment that takes place in class after training, invigilated by your Assessor to be included in your PoE. Specifically engineered to assess your understanding of the topics learned in class and to check your readiness for Summative Assessment.
Reflection	**Summative Assessment**
After each module you are given an opportunity to reflect on what has been learned by answering some questions. This reflection is an opportunity for introspection. Reflection notes should not be included in your PoE unless you are instructed to do so by your Facilitator.	You will be required to complete a PoE indicating your workplace experience. This is a collection of different types of evidence related to your ability to apply your learning in a work environment. It can include a variety of work samples. The PoE will assist you in identifying the evidence requirements for final assessment purposes. You will be required to complete activities in your own time, using evidence from your workplace environment in preparing evidence towards your portfolio.

MODULE 2 – ENTREPRENEURSHIP

Learning Opportunities

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

1. Define what a Theory is
2. Define the theorem Spiral Dynamics by Clare Graves
3. Define what is the Belbin Team Roles
4. Understand yourself better by establishing what paradigm you employ to see your world, as well as the role you take on in team situations.
5. Refine your problem solving and critical thinking skills
6. 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.
7. Weigh up the pros and cons of entrepreneurship with examples.
8. Identify barriers in starting a business, and how to overcome them.
9. Reasons for business failure with examples
10. Make SMART goals.
11. Identify a mentor / coach.

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

	It is now time for you to apply what you have learnt. Please do **Activity 1** in your Activity Guide.

1 What is an Entrepreneur?

The late Professor David McClelland, a researcher at the Harvard Business School, spent most of his life studying entrepreneurs. He developed a psychological profile of successful entrepreneurs and arrived at the following conclusions:

1. Successful entrepreneurs are calculated risk takers. They know that it will be difficult to build a business that has longevity, but they have sufficient confidence in themselves to know that it's achievable as long as they put their energy and intelligence behind it.

2. Setting goals that are difficult but attainable is a hallmark of successful entrepreneurs.

3. The majority of successful entrepreneurs are success orientated. They like to receive concrete feedback about how well they are doing. Money, while important to them, is frequently used as a yardstick of their ability to achieve, rather than simply as a means of creating personal wealth.

4. Entrepreneurs spend time thinking about how to do things better. They are not unduly concerned with the impression they make on others, but they want feedback on the quality of work they do.

5. The comments of another survey participant tell a slightly different story. The founder of a successful small company, she readily admits that she pays less attention to the bottom line than she knows she should. Her original motivation for going into business stemmed from a desire to be independent, have flexible hours and make more money. Once in business her expectations shifted. Her main reward now lies in creating products that not only meet, but exceed her customer's expectations.

This shows that for entrepreneurial animals, a standard mould is hard to find. Futhermore, to ascertain whether you ARE or ARE NOT an entrepreneur is not a concrete 'yes' or 'no' answer. There are a combination of attributes which will aid or hinder you as an entrepreneur. Based on the above research and available literature, the most important competencies which are desirable in an entrepreneur are:

**Keep in mind some to the traits / competencies can exist across categories listed below. To illustrate, the competency "problem solving" is a cognitive skill BUT an individual can also possess a "problem solving approach" from a personality perspective.*

1.1. Desired Entrepreneurial Profile:

Traits / Competencies:	**Technical / Skills / Cognitive**	**Business competencies**	**Managerial / leadership competencies**	**Personal competencies**
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 (believing you have control over your life, instead of external factors such as luck, fate, etc.)				√
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	√	√	√	√

Not even the most successful entrepreneur you can think of may possess every single competency discussed above. In fact, the above profile is looking at the *typical* entrepreneur. It is important to note that Entrepreneurship does not exist as a concrete construct. The concept of Entrepreneurship exists on a *continuum*. However to enhance our understanding and aid our growth, we have created the above concrete profile for you.

	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.

Although we may all have inherent abilities and strengths which aid our entrepreneurial journey, we can all develop our capacity to solve problems, and think critically.

1.2. Problem Solving defined:

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:

Success is often defined as "the ability to solve problems." Problems are an everyday part of all business and personal environments. Those who are good at problem solving are among the most valued and respected people in many environments. Individuals with good problem solving skills tend to think critically; they don't accept things merely at face value. This means that decisions are thought through fully and tasks are delegated effectively.

A problem solver essentially needs to identify, contain and eventually eliminate the root cause of an issue so that it does not re-occur. Skilled problem solvers see setbacks as opportunities to think creatively and ultimately improve their businesses with the solutions they choose to implement. Problem solvers can also pre-empt potential problems as they think of all the potential outcomes of a possible solution.

Steps to develop Problem Solving and Critical Thinking:

- Define the problem clearly. People often try to solve a problem immediately, before they understand it fully. Problems are usually exacerbated by "half-baked" solutions. Clarity of the obstacle will always accelerate the process to overcome it.
- There are some issues over which you have no control. These aren't problems; they are merely facts. Accept that there are certain non-negotiable obstacles that you need to work around.
- Be careful of any problem for which you think there is only one definition. The more definitions a problem has, the more likely it is that you will find the best solution. For example, a problem like low sales may mean strong competitors, ineffective advertising, or a poor sales process.
- Always question the origin of a problem. You need to identify the root cause, as opposed to treating a symptom. If you don't solve the underlying issue, the problem is likely to happen again, possibly with different symptoms. Don't waste time re-solving a previous problem.
- Identify as many potential solutions as possible. The more viable solutions you find, the more likely it is that you will identify the most effective one.
- Prioritise all possible solutions. A good solution that can be easily and quickly applied is better than an excellent solution that is complex, expensive, or requires more time. Every large problem was once a small problem that could have been solved easily at that time.
- Make a decision and stick to it. Once you have chosen the best solution, decide on a course of action. The longer you wait to decide on what to do, the higher the cost. Your goal should be to start solving 80% of all problems immediately. Setting deadlines for decisions ensures that you minimise potential costs.
- Delegate tasks and responsibility. Decide who would most effectively deal with elements of the issue or the whole issue. By delegating tasks, you ensure that each aspect of a solution is properly implemented.
- Assess the effectiveness of the solution after it has been implemented. By doing this, you will know whether and when the problem was actually solved. "Problem solutions" often have unintended and unanticipated side effects which can exacerbate the original problem.

1.3. Commitment to Life Long Learning:

Learning is one of the greatest joys in life and it can also be critical to our growth as an entrepreneur, and keeping our minds healthy as we grow older.

Here are tips to ensure you commit to life-long learning:

TIPS	
1.	**Commit to learning** Commitment means setting clear goals for what you what to learn, how you plan to go about it, and how long it will take. Write your goals and your plan down, and set a specific time each week for reviewing your progress.
2.	**Schedule a time for learning** We're learning all the time, often without even knowing it, but when it comes to achieving focused learning goals, our minds appreciate regularity and rhythm. Carve out a specific time each day, ideally, always in the same place – to devote to your learning activities. Get rid of distractions like e-mail and your cell phone during this time and focus your attention on your learning goals.
3.	**Organize** I tend to write things down all over the place, which can make it very hard to retrieve the information I am looking for when I need it. Don't fall into this trap. Determine a small number of specific places where you will

	store all of the materials related to your learning. Go digital to the greatest extent possible, among other advantages, this puts the power of search on your side.
4.	**Repeat, Repeat, Repeat** This one can't be said often enough. We build and maintain connections in our long -term memory over time. For truly mastering a subject-area or skill there simply is no substitute for putting in the time to review and practice. Of course, this can't just be mindless, mechanical repetition. You need to really focus your attention , and ideally, your passion , on what you are trying to learn.
5.	**Don't do too much** Multi-tasking and information overload are the enemies of effective learning. The human brain is an amazing organ, but it can only do so much at once. If you want to be successful in your learning efforts, you will have to set priorities. This is a key part of the goal-setting already mentioned above. Determine which learning goals are most important to you now, set aside other goals for later, and eliminate things that really aren't all that important to you.
6.	**Treat your mind and body right** Learning is a physical as well as a mental activity. We need enough sleep each night, 7 to 8 hours for most adults, to ensure that our brain functions properly. We need the healthy blood flow that aerobic exercise can help support to ensure that the brain gets enough oxygen. And there is increasing evidence that our diets can have a significant impact on our cognitive abilities.
7.	**Relax** Leaving aside special circumstances like cramming for a test, we don't learn well under stress. In fact, excessive stress over a long period of time can cause damage to the hippocampus, one of the parts of our brain that is critical for long-term memory. Living and learning are not about some grand, ultimate goal. They are simply about living and learning. Relax, and the learning will come

Source: http://www.pickthebrain.com/blog/the-7-keys-to-becoming-a-more-effective-lifelong-learner/#AGLG1FEdxQkM8u0o.99

In the upcoming sections, you'll have the opportunity to complete two assessments, looking at your strengths and any potential developmental areas. Remember! Even the most successful people in the world have areas to grow. Commit to your personal development but first celebrating your strengths, and then coming up with a plan on how to develop the other areas too.

Self-Study

Reading that will enhance your knowledge.

i. Brian Tracy is a Canadian entrepreneur, public speaker, author and personal and professional development trainer. Among his many written works, "The Miracle of Self-discipline: The "No-Excuses" Way to Getting Things Done" (published in 2010) contains tips on how to improve problem solving skills, including a nine-step formula to solving corporate problems successfully.

http://www.amazon.com/No-Excuses-The-Power-Self-Discipline/dp/1593156324

ii. Michael R. Kallet has had over 30 years of experience during his career in problem solving, innovation and leadership. His latest offering, "Think Smarter" (published in April 2014) has received high praise and is described as "a pragmatic framework and set of tools to apply critical thinking techniques to everyday business issues".

http://www.amazon.com/Think-Smarter-Critical-Problem-Solving-Decision-Making/dp/1118729838

iii. The following articles focus on developing problem solving skills and how to think analytically and constructively.

	http://www.lifehack.org/articles/productivity/6-ways-to-enhance-your-problem-solving-skills.html http://www.businessinsider.com/nine-steps-to-effective-business-problem-solving-2011-7 http://smallbusiness.chron.com/five-steps-business-problem-solving-55129.html http://www.mindtools.com/pages/article/newTMC_00.html
	It is now time for you to apply what you have learnt. Please do **Activity 2 & 3** in your Activity Guide.
Break	
	Please do **Activity 4** in your Activity Guide.

2 Theory

What is a Theory?

According to the Merriam-Webter dictionary, a theory is an idea or set of ideas that is intended to explain facts or events. In order to help us understand the way we see the world, what motivates our decisions and why we behave the way in which we do, we will look at two theorems.

2.1 SPIRAL DYNAMICS THEOREM, BY CLARE GRAVES

The concept **value** is associated with a number of meanings. For the purposes of this discussion, however, we focus on the sociological meaning of the term value, and define it as "*a belief that something is good and desirable. It defines what is important, worthwhile and worth striving for*."

If you were to list a number of "important aspects or issues", you will probably find that these are related to one another in some direct or indirect way. In fact, values often cluster together as part of a particular **value system** or **value orientation**. These value systems or value orientations can be likened to, for example:

- Paradigms
- Worldviews
- Ways of thinking about things
- Belief structures

What you consider important or desirable in life often develops in response to environmental conditions, be it your upbringing, your social circumstances (e.g. your position at work), your culture, your physical conditions, your life stage, or the requirements for your existence.

Values are usually not stable throughout life. The mere fact that they develop in response to the above-mentioned environmental factors suggests that they tend to change (i.e. emerge, surge, regress and fade) depending to a large extent on fluctuations in these external circumstances.

2.2. Why are Values Important?

Value orientations or value systems represent "*core intelligences*" that guide one's behaviour. Such values impact on all life choices by acting as a decision-making framework. It provides a *structure* for thinking (that is, it is more than its *content*). Compare, for example, the following two value orientations and consider some of their implications in terms of life choices:

Value system centred on the importance of personal achievement		Value system centred on the importance of the family and traditions
Works long hours; prepared to sacrifice leisure time	Approach to work	Tries to balance family life and work
Material success; desire to improve and be the best	Yardstick for success	Creating a warm, supportive environment, taking care of the needs of the family or group
Successful mentor who challenges himself/herself and others for improvement	Leadership style	Can be caring, tends to reassure and guide; exhibits a strong group orientation
Obstacles to getting ahead	Stress producers	Lack of structure; the unfamiliar

> "…humans do not necessarily act in a rational fashion. Much of what we do, for good or bad, to help or hinder our success in adapting to our environment, is pure happenstance." – Don Edward Beck & Christopher C Cowan

An individual often has a *combination* of value systems. These value systems act as both *organising principles* and *modes of adaptation*, albeit that one is not always conscious of these values. Creating awareness of what values we encompass helps us in understanding our wold. It can also shed light on the origins of your frustrations and highlight your own ambitions and aspirations.

On an ***intra-personal level***, insight into one's core value orientations can greatly help you develop your own self-awareness – which in turn, develops your own emotional intelligence.

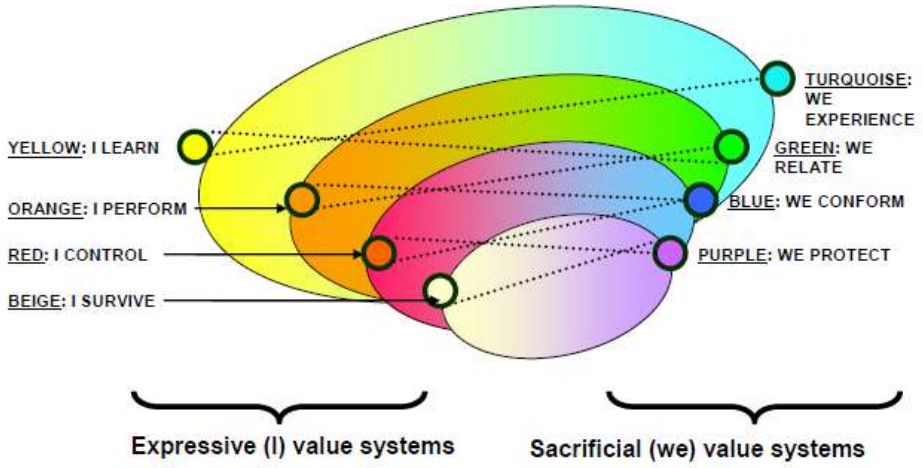
Awareness of the different value orientations and their impact on the life choice you make is not only beneficial to the individual on an *intrapersonal* level, but can also enhance ***interpersonal* relationships**. Very often, misunderstandings and failures to communicate effectively are directly related to the fact that people approach life using different frames of reference, without necessarily being aware of these underlying organising principles. A labour dispute, for example, is often aggravated by conflicting perceptions and interests (e.g. a trade union and management clash on the issue of salary increases versus the continued viability of the organisation).

An awareness of the underlying values other individuals have will ultimately enable one to not only refrain from categorising them into 'types', but will also help to gain a greater understanding of their points of reference. This, in turn, could:

- facilitate tolerance of others
- help one to see beyond physical markers such as gender, socio-economic class, skin colour and ethnicity
- help one to understand what underlies some individual's choices in life – be it what programmes to watch on television, what types of entertainment to be enjoyed, friends preferred, what on-the-spot decisions are made in the work environment, etc.
- help one understand where people are in terms of their frames of reference and to respond appropriately

The benefits that an understanding of your own and other's value orientations have on an interpersonal and intrapersonal level, may bear significant advantages in the **business context**. Examples of such advantages include:

- When employing others, matching the individual to the specific requirements of a job in terms of values (e.g. is this person suitable to an ever-changing work environment or does he/she prefer stability? Does this job require someone who pursues interpersonal harmony at all costs, or a person who is prepared to sacrifice harmonious relationships in a quest for opportunity?)
- Team building (e.g. by identifying compatible team players, or by capitalising on diversity)
- Managing conflict (e.g. by recognising the roots of misunderstandings)
- Effective leadership (e.g. by detecting and understanding others‟ feelings, motives and concerns)



Most appropriately, however, is to understand the worldview of the typical entrepreneur. Although some combinations of values may be more beneficial to the entrepreneurial pattern of thought, **there is no one "pure" value that embodies** every single desired competency. The beauty of understanding what values we possess is that can make an informed decision when deciding what skills we need to develop within ourselves, OR rallying our resources together. This means outsourcing a particular work function, getting insight from a trusted business advisor or subject matter expert, or even employing a staff member to assist you with tasks you may not enjoy, or are inherently good at.

Let's say for example, we look at the typical Entrepreneurial Profile. Inherently, Entrepreneurs are commonly innovative and flexible in their thinking. Thus the shadow side to this is that they may not be very conscientious (high attention to detail, able to complete routine tasks). But if you are careless in your bookkeeping, your business may fail in the first five years (according to research). Being in business requires one to be conscientious as much as one may need to be flexible. Just like anything

Together, let's embark on a journey of self-discovery, to ascertain what values you possess. In doing so, we have the opportunity to celebrate our strengths, and develop any potential weaknesses.

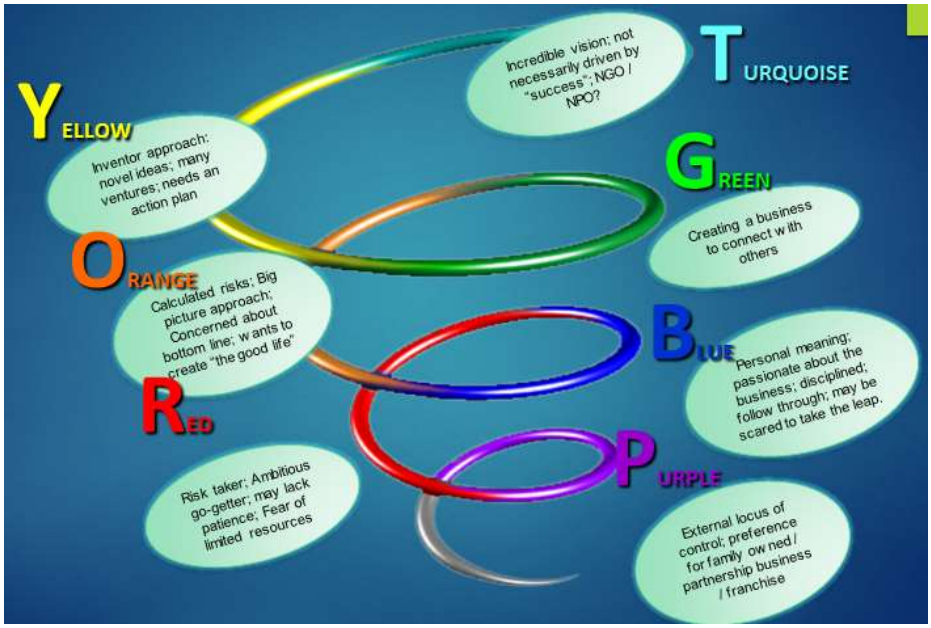
What's important to note, however, is that although the values appear to be ordered in a hierarchal manner, this does not mean that one set of values is more superior to another. Keep in mind that:

- adherence to any value system is dynamic and individuals can move up *or* down the spiral depending on the particular problem of existence and coping mechanisms
- more often than not an individual adheres to a complex combination of value systems. It is, therefore, overly simplistic to categorise an individual as, for example, *Blue* or *Red*
- stress or trauma could have the effect that an individual abandons a particular valuing system (e.g. *Yellow*) temporarily in order to cater for emotional needs that are better met at a "lower" level (e.g. *Red*)

Each of the eight value systems (*Beige*, *Purple*, *Red*, *Blue*, *Orange*, *Green*, *Yellow* and *Turquoise*) represents a way of thinking that has far-reaching effects on an individual's life. Below, these different ways of thinking are summarised:

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

2.3. What do the values mean for those wanting to go into business?



2.2 BELBIN TEAM ROLES INVENTORY

Originally this assessment, created by Meredith Belbin, was created 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:

2.2.1. Plant

Plants are creative, unorthodox and generators of ideas. If an innovative solution to a problem is needed, a Plant is a good person to ask.

2.2.2. Resource Investigator

The Resource Investigator gives a team a rush of enthusiasm at the start of the project by vigorously pursuing contacts and opportunities. He or she is focused outside the team, and has a finger firmly on the pulse of the outside world.

2.2.3. Co-ordinator

A co-ordinator is a likely candidate for the chairperson of a team, since they have a talent for stepping back to see the big picture. Co-ordinators are confident, stable and mature and because they recognise abilities in others, they are very good at delegating tasks to the right person for the job.

2.2.4. Shaper

The Shaper is a task-focused individual who pursues objectives with vigour and who is driven by tremendous energy and the need to achieve - for the Shaper, winning is the name of the game. The Shaper provides the necessary drive to ensure that the team is kept moving and does not lose focus or momentum.

2.2.5. Monitor Evaluator

Monitor Evaluators are fair and logical observers and judges of what is going on in the team. Since they are good at detaching themselves from bias, they are often the ones to see all available options with the greatest clarity and impartiality.

2.2.6. Team worker

A Team worker is the oil between the cogs that keeps the machine that is the team running smoothly. They are good listeners and diplomats, talented at smoothing over conflicts and helping parties understand one another without becoming confrontational.

2.2.7. Implementer

The Implementer takes their colleagues' suggestions and ideas and turns them into positive action. They are efficient and self-disciplined, and can always be relied on to deliver on time. They are motivated by their loyalty to the team or company, which means that they will often take on jobs everyone else avoids or dislikes.

2.2.8. Completer-Finisher

The Completer-Finisher is a perfectionist and will often go the extra mile to make sure everything is "just right," and the things he or she delivers can be trusted to have been double-checked and then checked again.

3. Conclusion:

It's important to note that the most functional teams or organisations are those which have a rich mix of different value paradigms and team roles. For example, if we only had "Plants" or "Yellow" we may just have lots of ideas with little follow through; likewise if we just had "Implementers" or "Blues", perhaps we would all be using really cool typewriters because no one would have invented the computer!

With diversity comes challenges, but if we use Spiral Dynamics and Belbin's work with team roles as a common "language" to speak, we may be able to work better together – and capitalise on all the uniqueness that each one of us brings!

	It is now time for you to apply what you have learnt. Please do **Activity 5** in your Activity Guide.
Break	

3 SMART Goal setting for Entrepreneurs and Personal Growth Plans

	Please do **Activity 6** in your Activity Guide.

As an entrepreneur, we are bound to face many failures. The trick, however, is to learn to use those failures as a springboard to success. But how? We've spoken briefly about how the use of daily affirmations can pre-programme our thinking, and attractive what we so desire to manifest in our lives. Another effective way to keep motivated and focused on the bigger picture, is by setting GOALS.

"If you fail to plan, you plan to fail." – Benjamin Franklin

3.1. Goal setting

According to a study done by Gail Matthews at Dominican University, those who wrote down their goals accomplished significantly more than those who did not write down their goals. Let's look at goal setting from a broader context to being with:

1. **Identify gaps:** No one is perfect. However, those who are committed to growth and development are the one who are able to look at themselves, identify the gaps in their behaviours and skills, and create a plan to attain their objectives.

2. **Set a vision:** The first step to creating a goal is to figure out what you want. If you don't know what you want, you don't know what you need to achieve to get there. This is actually the fun part. You get to dream. This strategy can be used for goal setting in all aspects of life, but in this instance, let's talk business. What business do you want? Why? Where do you see yourself in five years? Close your eyes, and really immerse yourself into the vision. Where are you? What's around you? What can you smell? How do you feel?

3. **Make it measurable:** Take your vision and turn it into a written list of concrete goals. Choose an achievable time frame to accomplish your goals as well as measurable details so you know exactly when you've achieved them. Make sure to set yourself up for success by creating goals that are realistic and achievable in the given time-frame.

4. **Set Benchmarks:** Most of our goals are a build-up of small achievements, sometimes even years of many small successes. Break your goals into small actionable steps and assign realistic time frames to each. Continue to break big steps into smaller and smaller steps until goals seem less daunting and achievable. Benchmarks are a great way to keep you on track. You may find you are moving more quickly or slowly than you expected. That's not a problem, you can adjust! Adjust your expectations and timeline as you gather more information while achieving your benchmarks.

5. **Celebrate Your Success:** The most important part of goal-setting is celebrating our successes. How will you reward yourself for hitting your benchmarks along the way? How will you celebrate once you've reached your goal? As we journey to the realization of our goals, it's important to remember our vision. Why we want something can provide us with the motivation and determination to continue to work toward it even when things don't go as planned or are more difficult than we anticipated.

From now on, choose to be among the most successful people and write down your goals. Create a vision for what you want, turn that into a list of measurable goals, set benchmarks and celebrate your successes along the way.

We are going to start digging deep, to uncover what our wishes, desires and hopes are when it comes to conceptualizing a business. In your Personal Development Plan (PDP) you will be required to take a deep look into yourself, celebrating and being thankful for the competencies you have conducive to your entrepreneurial journey; however, you'll also be required to identify your gaps, and come up with a plan to address these.

3.2. Example of PDP

Some of the questions you will be required to complete in your PDP are as follows; remember that you are encouraged to answer honestly and authentically, to facilitate your growth:

- What has driven me to take this course, what do I want to achieve?
- Why do I want to achieve this? From where does this desire stem?
- What does success look like to me?
- What are your strengths?
- What are your developmental areas (NOT weaknesses)? What is your plan of action to address these issues?
- Remember to always keep in mind that passion cannot be taught – but skills can. If you are feeling unsure about embarking on any entrepreneurial journey because you feel you are lacking in a particular skill (Mathematical? Writing? Communication?) make a note of this, and research course you would like to attend
- How are you going to measure mastery of a particular skill?
- Although improving your entrepreneurial skills will be a journey during this course and beyond, what concrete measures can you take to improve the competencies you have identified?

Please get your Activity book ready!

	Please do **Activity 7, 8, 9 & 10** in your Activity Guide.

4 The Benefits of Being an Entrepreneurship

Entrepreneurship comes with its share of ups and downs.

The most obvious advantage is the opportunity to be your own boss. Being in charge and making the important decisions regarding your business can be fulfilling, but it can also be challenging.

	Please do **Activity 11** in your Activity Guide.

Many of us may feel inspired to start a business to fulfil our own persona desires, which is perfectly fine. However, T.Harv Eke (author of "Secrets of the Millionaire Mind") writes about the difference between playing small in business and playing big, and why people choose one over the other.

> "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

How powerful is that? Your business is not just about you: you already know that it includes your family. But it also touches every person you hire, whether full or part time, every supplier, and each ad hoc worker. It includes every single person you come into contact with during the course of your business, including clients and customers. It also impacts positively on your town, country, and the world.

In South Africa, the most recent statistic released from Stats SA tells us that over a quarter of the population are unemployed. Thus, if we have the ambition, passion and desire to start a business, we can even be said to be ethically obligated to start a business, in the spirit of giving to our community, and creating work opportunities for others.

> *"And what is it to work with love? It is to weave the cloth with threads drawn from your heart, even as if your beloved were to wear that cloth". (Kahlil Gibran – The Prophet, 1923)*

Need some more motivation? Have a look at these reasons to succeed:

1. **Flexibility.** Work your own hours.
2. **More spare time (eventually).** Spend more time with your family and friends. But note*:* This is only applicable once your business is established and you have employees handling the majority of necessary responsibilities. Don't expect to have more spare time until you reach this point. In fact, expect to have *much less.*
3. **Call the shots.** Nobody else is going to set the rules. You are.
4. **Set your own deadlines**. No more last-minute rushing unless you want to do it.
5. **Sell how you want to sell.** Online? In person? Inbound? Outbound? It's your call.
6. **Create your own environment.** You can set the formality and culture of your organisation.
7. **Pursue your passion.** You can do what makes you happy.
8. **Create something from scratch.** Watch your organisation grow from start to finish.
9. **Meet new people.** Network with other entrepreneurs and professionals.
10. **Build a team.** You decide who to hire and bring into your company.
11. **Create jobs.** Improve the economy with new job opportunities.
12. **Help people.** Use products and services to improve people's lives.
13. **Become an expert.** Learn the ropes of your industry through first-hand experience.
14. **Invest in yourself.** You take the risk, and you'll gain the rewards.
15. **Make more money.** If you want a pay raise, you can give yourself one.
16. **Financial independence.** No one else is signing your pay cheques.
17. **Tax benefits.** Write off your biggest expenses – but ensure these expenses are indeed related to your business!
18. **New challenges every day**. Find new ways to stimulate your mind.
19. **Get exposed to new cultures.** Discover new perspectives and approaches.

20. **Discover new fields.** Delve deeper into your industry.
21. **Create an asset**. Give yourself something sellable to hedge your bets.
22. **Connect with your clients.** Forge real, personal connections.
23. **Delegate boring tasks.** Don't do anything you don't want to.
24. **You can stop working.** Work you enjoy doing can't be described as "work."
25. **The power to give.** Have the power and flexibility to donate time or money to worthy causes.
26. **Get involved in the community.** Participate actively in your neighbourhood and region.
27. **Improve your industry.** Push your industry forward with new innovations and ideas.
28. **Get a mentor.** Meet valuable, insightful mentors and learn from them.
29. **Become a mentor.** Take your own knowledge and experience, and mentor someone else.
30. **Learn new skills.** Branch out in new departments.
31. **Attend new classes and seminars.** Constantly refine your skill-set and stay updated.
32. **Have a big office.** If you want the biggest office in your workplace, it's yours.
33. **Work from anywhere.** Work from home, an office or a beach if you so choose.
34. **Have the option for multiple ventures.** Start another business when you're done with this one.
35. **Gain entrepreneurial experience.** Being an entrepreneur makes you a better professional in almost any position.
36. **Get recognised.** Start earning name recognition and build a reputation.
37. **Get things done faster.** Set your own efficiency rates.
38. **Build a personal brand.** Take the time to develop your personal brand, and tie it into your businesses.
39. **Get more creative.** Create your own opportunities and your own solutions.
40. **Inspire others.** Serve as an example for other people to follow their dreams.
41. **Reduce your commute.** Find an office space closer to your home.
42. **Have more job stability.** Never worry about being laid off or fired.
43. **Find pride and fulfilment.** Finally start taking pride in the work you're doing.
44. **Reach your dreams.** If you've ever dreamed of being wildly successful, this is your chance.
45. **Learn to embrace failure.** Even if you fail, you'll walk away with new skills and more experience you never had before.
46. **Have a great story to tell.** It will be a fun story for your grandchildren one day, win or lose.
47. **Leave something behind.** Pass the business down to your children and grandchildren.
48. **Change the world.** It may seem like a lofty goal for you right now, but your business really could change the world.
49. **Resources are plentiful.** With the dominance of the Internet, it's easier than ever to find resources you need, including start-up capital, loans, grants and even mentors.
50. **There's nothing stopping you.** What's really keeping you from being an entrepreneur? Of course there are risks, but there's nothing forcing you not to take them.

Source: http://www.entrepreneurmag.co.za/advice/starting-a-business/start-up-advice/50-reasons-to-start-your-own-business/

4.1. The Basic Make Up of a Business:

The successful running of a business is made up of certain major factors and elements, allowing it to adapt, survive and ultimately grow. These key elements should feature within any progressing business:

- **Plans:** Company mission, vision, goals, and objectives that all work together
- **Organisation:** A structure for your company that makes sense
- **Procedures:** Efficient and effective ways of doing things
- **Leadership:** An ability to influence and encourage others around you
- **Skills:** The talents and expertise your people need to succeed
- **Culture:** Beliefs and attitudes that lead to doing the right thing

To illustrate the above, let's consider a case-study

Lebo Gunguluza's on business success and never giving up

Lebo Gunguluza became one of South Africa's youngest self-made millionaires at 27 and is now the founder, co-founder and managing director of numerous businesses. His entrepreneurial journey wasn't a smooth path, in fact Gunguluza made and lost his fortune twice over.

His failures did not stop him from achieving the goals he had set for himself: To become a millionaire by 25, multimillionaire by 35 and billionaire by 45. He's achieved the first two, with steep learning curves and major pitfalls. He's still chasing the last one.

For Gunguluza's full story, you can read it here: https://bizconnect.standardbank.co.za/start/launch-your-business/lebo-gunguluza-the-entrepreneur-that-never-gave-even-when-he-lost-everything-twice.aspx

Gunguluza lessons

- Cash is important and it runs out fast. Cash gives you flexibility and mobility, be wise and frugal when spending it.
- Customers are everything. Your customers determine whether your business is successful or not. Poor customer service can cause customers to take their business elsewhere. Aggrieved customers will also tell everyone they know about your poor service.
- Have a healthy respect for compliance. Comply with regulations and having the required certificates or you won't get paid.

- Chase down your money. Invoice on a continuous basis or your customers won't pay you.

	Please do **Activity 12** in your Activity Guide.

5 Barriers & Risks related to Entrepreneurship

	Please do **Activity 13** in your Activity Guide.

5.1. Cultural & Social Barriers:

- Creating a business can be difficult, because it demands knowledge of the law, environment, market, institutions, etc.
- To start a business in South Africa, the entrepreneurs need to be fluent in English (written and spoken) in order for processors and the implementation to run smoothly.
- The limited access to social and business networks and institutions can also be a barrier.
- The promotion of entrepreneurial culture may not be fostered in your particular environment, which can be a challenge.
- The stigma of failure can put many people off starting a business.

5.2. Economic barriers:

- Access to finance: Entrepreneurs may not have bank credit and can experience difficulties in getting loans because the risk for the banks is higher.

5.3. Less advantaged groups:

5.3.1. Women:

- In most countries, regions and sectors, the majority of business owners/managers are male [from 65% to 75%). However, there is increasing the number of women interested in becoming business owners or starting a business. Even so the barriers remains, such as:

  i. Lack of business support

  ii. The impact of caring and domestic responsibilities

  iii. The lack of role models in entrepreneurship

  iv. Sex discrimination

5.3.2. Racial inequalities:

- Although South Africa is by no means the most ethnically diverse country in the world, the country remains a complex mix of different races, cultural identities, languages and ethnic bonds. The groups continue to face challenges, such as:

i. Language barriers

ii. Discrimination

iii. Vulnerability

iv. Isolation

v. Lack of information and trust in public support services

vi. Limited business, management and marketing skills

vii. Impact of Apartheid era on education, upbringing, etc.

5.3.3. People with disabilities:

- Despite the work limitations, people with disabilities need opportunities to pursue jobs and entrepreneurship provides a way for them to gain employment: studies made show that people with disabilities have a higher rate of self-employment than people without disabilities.
- However, people with disabilities face additional barriers to create their own job or business:

i. Losing cash benefits from disability programs, health care benefits or housing and other subsidies

ii. Programs for people with disabilities may not support or encourage self-employment and entrepreneurship

iii. Restricted access to support networks

iv. Discrimination based in misguided stereotypes about the capabilities of people with disabilities

v. Lack of knowledge about opportunities.

5.3.4. Youth

- Research suggests that the typical age for setting up and running a business is over 30 and in many cases over 40 years. Barriers include:

i. Lack of capital

ii. Underdeveloped skills in business management

iii. Limited market contacts

iv. Outdated attitudes on the part of support finance or providers.

5.4. Beliefs:

What about pre-conceived notions about what entrepreneurship is, or should be? Perhaps you only consider the success stories of those who have "made it", have a lot of cash in the bank, and loads of staff reporting to them as Entrepreneurs.

What about different TYPES of Entrepreneurs?

Typical examples of entrepreneurship have been presented – such as the High Impact Entrepreneur Lebo Gunguluza. However, it is important to recognise and celebrate the Entrepreneurs such as the lady who runs a hair salon from home, the young boy who has a hot dog stand business selling to his friends every Friday. What about the entrepreneur who is working within a big corporate company and due to his ability to create and innovate, he may stay with this company and enjoy the rewards and benefits of being an employee – but still exercise his entrepreneurial tendencies.

What other examples of entrepreneurs can you think of?

5.5 Risks

Risk-taking is almost synonymous with entrepreneurship. To start and support your own business, you'll have to put your career, personal finances and even your mental health at stake.

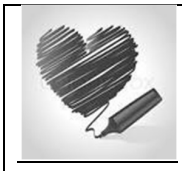
For most, the prospect of making your own decisions and being in charge of your own destiny is worth it. But if you're going to be successful as an entrepreneur, you have to be prepared for the risks and challenges that come with it.

The following are seven risks that every entrepreneur must take:

RISKS	
1.	**Abandoning the steady pay cheque.** Before you venture into the world of business ownership, you'll first have to say goodbye to your current job, and in some cases, your career. Some people have the luxury of a backup plan - an option to resume your career in case things don't go well in your independent business. There's no guarantee of your personal income, especially in the first few months and years of your company's existence, and you'll probably be too busy to secure or sustain an alternative line of income.
2.	**Sacrificing personal capital.** Some entrepreneurs are able to start their ventures relying solely on external funding. But many entrepreneurs also have to dive into their own bank accounts and personal savings to get things started. You may not need to completely liquidate your nest egg, but you will have to front at least some personal money - and that means abandoning, or at least diminishing, your safety net.
3.	**Relying on cash flow.** Even if you have a line of credit, securing a regular cash flow is difficult and stressful. You can position yourself for a profitable year, but still struggle with the day-to-day necessities if your revenue doesn't match or exceed your costs in a timely manner. Bills can add up quickly, and if you don't have enough revenue to support your outgoing cash flow, you could run short of money or be forced to dip into emergency funds. Be prepared to address it daily, or at least weekly.
4.	**Estimating popular interest.** No matter how much research you do or how many tests you complete, you'll never be able to estimate popular interest in your business with perfect accuracy. Even when all the information appears to be in your favour, there's a chance you're overestimating the interest in your company, and if your projections are off, your entire financial model could implode.
5.	**Trusting a key employee.** When you first start a business, you won't have a full team of employees working for you. Instead, you'll probably have a small, tight-knit group of people working tirelessly together in an effort to get things up and running. You'll have to put an overwhelming amount of trust in them, especially if they have special skills that are hard to find and are willing to start work at a lower salary than the industry standard.
6.	**Betting on a crucial deadline.** Start-ups are, by nature, forced into strict timelines for their product launches and milestone goals. Their finances are fragile, and their investors are eager to start seeing the wheels turning. As a result, most entrepreneurs are forced to make multiple goals contingent on a handful of deadlines, and those deadlines become absolutely critical. Be prepared to stay up at night worrying about your ability to hit those deadlines, and coming up with contingencies if you cannot.
7.	**Donating personal time (and health).** Entrepreneurship takes a toll on the average person. You'll spend countless hours doing work to make your company successful, and your remaining hours worrying about what you have or have not done thus far. You will lose sleep, you will miss out on personal time, and you will experience a lot of stress. The rewards of entrepreneurship often outweigh these personal risks, but you have to be prepared to live this type of lifestyle.

Risks shouldn't steer you away from pursuing entrepreneurship. Instead, see them for what they are: necessary obstacles on a greater path. There's no way to avoid the risks you'll face as an entrepreneur, but by recognizing them, you can prepare and try and minimise them.

Source: https://www.entrepreneur.com/article/238319

	Please do **Activity 14** in your Activity Guide.

6 Coaching & Mentoring

- The decision to start you own business is one of the biggest you will ever make in your professional life. You'll need help to start, grow and manage your business. Choose a coach or mentor who will provide guidance and inspire you to reach your full potential.
- As an entrepreneur you have the innate ability to find and implement solutions to pretty much any problem, by using your unique toolset. But like most tools, they tend to get dull from overuse. You start to lose your motivation and sense of direction. You need someone to help you sharpen those tools. Someone that can offer comprehensive advice on how to grow your business and achieve your goals.
- A coach or mentor can help you move forward. They'll push you to develop certain skills and guide you to the next level of achievement. Every entrepreneur encounters challenges while trying to get their business off the ground. A mentor will help you help yourself when you get stuck. A coach will help you to think about things in a different way.

Coaching and mentoring use the same skills and approach but coaching is short term and task-based and mentoring is a longer term relationship.

6.1. What is Coaching?

Entrepreneurial coaching is a good way to help you catapult your entrepreneurial vision into reality. Basically, coaching is a developmental approach within the entrepreneur wishing to improve their skills by electing to be assisted by another person.

"A process that enables learning and development to occur and thus performance to improve". Eric Parsloe

6.2. What is Mentoring?

Mentoring is the function of nurturing and supporting entrepreneurs by providing them with professional skills development and moral support. Mentoring helps break down the isolation entrepreneurs' experience, preventing them from losing hope and making hasty, poorly thought-out decisions while enabling them to develop their full potential.

"Off-line help by one person to another in making significant transitions in knowledge, work or thinking". David Clutterbuck & David Megginson

6.3. Similarities between mentoring and coaching:

Mentoring and coaching frequently overlap and show many similarities. The things both have in common are:

- Both require trust and commitment
- Facilitate the exploration of needs, motivations, desires, skills and thought processes to assist the entrepreneur in making real, lasting changes

- Both aim to increase the individuals effectiveness and to apply it to the task at hand in a positive manner
- Use questioning techniques to facilitate the entrepreneur's own thought processes in order to identify solutions
- Support the individual in setting appropriate goals and methods of assessing progress in relation to these goals
- Both focus on learning and development and provide career guidance in South Africa
- 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, using objective measures wherever possible to ensure the relationship is successful and the entrepreneur is achieving their personal goals

6.4. Steps to finding a mentor or coach

Step 1. Define your purpose

Take a step back and ask yourself why you really want a mentor or coach. What is most important to you right now? Plan out what it is that you actually want to achieve from the sessions. Spend some time getting a clear understanding of where you would like to progress and clarify your expectations.

Step 2. Consider your options

Look for candidates. It's important that the relationship is beneficial in helping you reach your full potential. When you're thinking about reaching out to a potential mentor or coach think about how they've reached success and if that is a process you would want to follow.

Step 3. Connect

Research the people you are thinking of working with. Get to know everything about them to ensure they will be a good fit. Begin the process of outreach and have the courage to connect with that person.

Step 4. Experience them for yourself

Many business coaches offer a free business review and coaching session that they conduct before you start coaching sessions. They use these consultations to find out about you and your business so that they can properly assess what style and type of coaching they'll need to provide you with.

The process is more informal when "trying out" a mentor. Simply invite him or her for a coffee and see if there's a connection and if they're willing to sacrifice a chunk of their time each week or month to give advice and share insights.

Step 5. Evaluate and Adjust

Reflect on your first free session or coffee date and assess critically if your potential coach/mentor will be able to help you accomplish the goals you have set out in Step One.

Choosing a coach or mentor is a big commitment and you don't want to feel stuck with the person you essentially chose to help you move forward in the first place. Your coach or mentor can also assist you with compiling your business plan if you require a "sounding board" for your ideas and thoughts.

Source: https://bizconnect.standardbank.co.za/start/launch-your-business/mentoring-coaching-for-entrepreneurs.aspx

	Please do **Activity 15** in your Activity Guide.
Break	

	Please do **Activity 16** in your Activity Guide.

SELF-REFLECTION

	Reflect on what you have learnt by answering the questions in your Learner Activity Guide.

MODULE 3 – SMART MARKETING

Learning Opportunities

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

6. Understand what Marketing is, and apply related concepts
7. Understand Market Segmentation
8. Describe Product Life Cycles
9. Conduct a SWOT Analysis
10. Apply SMART Marketing Principles to develop a Marketing Plan

	Affirmation: ♥ *I am an example of success and triumph. I am creating the perfect business for myself; I love and enjoy what I do.*

1 Introduction to Marketing

"11% of small businesses fail due to sales and marketing problems" – excerpt from Fresh Living Magazine (February 2013)

Lets' say you are a farmer; you need to choose a piece of ground, cultivate the soil by giving it fertiliser, airing it, and finally planting the seeds, and finally, watering it daily. It takes a while for those seeds to show any stems protruding from the ground, but a lot of the "magic" which is happening – with the roots clawing their way down deep into the soil, and the seeds taking on a new form – is not seen for a while.

This is very similar to business; you may feel that you are pouring your heart and soul into your business and you are seeing absolutely nothing for your actions. Remember that the cultivating or planting stage can take some – but your time will come to harvest.

Marketing is a tool in cultivating your soil. It needs to be simple, deliberate and targeted. You don't need to employ every single platform there is to market your business; choose what fits best with your offering and personality, plan, and channel a conscious effort into that.

However, we will be equipping you with the skills you need to come up with the right marketing strategy and plan that works for you. However, before we get there, let's start with the very important foundational concepts.

1.1. What is Marketing?

Marketing is a practice which includes planning, constructing and applying strategic actions. These result in obtaining a competitive edge in your area of expertise; it determines your business's objectives and is the simplified map to achieving them.

- 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.

Customer satisfaction should be your central objective. This enables you to control the market and make you a leader in your industry, which will give you business satisfaction. Before you reach that point you need to perfect these three marketing strategies.

1.2. Markets defined:

A market can be defined as a regular gathering of people for the purchase and sale of various commodities. Let's illustrate with a case study:

Case Study: Thabo's Boerewors Stand:

Thabo decides to start a little business, offering young students in the hub of Braamfontein the opportunity buy delicious boerewors rolls after a night out on the town. His Unique Selling Point is that in the early hours of the morning, there are very little eateries open; the ones that are can be quite expensive for a student's tight budget.

To offer delicious, wholesome hot dogs at competitive prices means that Thabo's business rapidly starts growing and gaining popularity over weekends, as demand continues to mount. He keeps his

overheads low by purchasing boerewors in bulk from his local butchery, freezing it, then only and defrosting the portions he needs per night. He purchases fresh hot dog rolls on the morning of his shift.

As you will recognise, the young students (the market) loved Thabo's offering. Let's consider a few other key concepts when discussing markets.

1.2.1. Supply and Demand:

- Supply and demand is an important concept of economics
- 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**.
- Supply represents how much the market can offer. The quantity supplied refers to the amount of a certain good producers are willing to supply when receiving a certain price. 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**.

Please do **Activity 17** in your Activity Guide.

1.2.2. What influences Markets?

1. Trends & Developments:

Learning how major market factors shape trends over the long term can provide insight into why certain trends are developing, why a trend is in place and how future trends may occur. Here are the four major factors:

1.1. Governments

Governments hold much sway over the free markets. For example, by increasing and decreasing the interest rates, the South African Government can effectively slow or attempt to speed up growth within the country. This is called monetary policy.

1.2. International Transactions

The flow of funds between countries impacts the strength of a country's economy and its currency. The more money that is leaving a country, the weaker the country's economy and currency. Countries that predominantly export whether physical goods or services, are continually bringing money into their countries. This money can then be reinvested and can stimulate the financial markets within those countries. South Africa, for example, has a lot of minerals that can be exported, such as chromium, platinum and manganese.

1.3. Speculation and Expectation

Speculation and expectation are integral parts of the financial system. Where consumers, investors and politicians believe the economy will go in the future impacts how we act today. Expectation of future action is dependent on current acts and shapes both current and future trends.

1.4. Supply and Demand

As discussed earlier, supply and demand for products, currencies and other investments creates a push-pull dynamic in prices. Prices and rates change as supply or demand changes. If something is in demand and supply begins to shrink, prices will rise. If supply increases beyond current demand, prices will fall. If supply is relatively stable, prices can fluctuate higher and lower as demand increases or decreases.

2. Competition

2.1 *Direct competition* exists where organisations produce similar products that appeal to the same group of consumers. For example, Thabo and a new competitor who is also selling boerewors rolls.

2.2. *Indirect competition* exists when different businesses make or sell items which although not in head to head competition still compete for the same amount of money in the customers pocket. For example, Debonairs Pizza and KFC may sell completely different food products, so you would not guess that they would compete with each other. However, if you have just eaten a pizza, would you want to go and buy yourself a Streetwise Two?

3. Location:

Many businesses can operate only one type of location; for example, a towing service cannot be operated virtually. However, some businesses can be run from multiple types of locations. These companies are able to meet the needs of a very broad customer base, as they offer lots of ways for people to purchase products and services.

3.1. Brick and Mortar

A brick-and-mortar business provides face-to-face customer service in a physical store location. This type of business benefits from having the ability to create a personal connection with a customer, allowing employees to provide service customized to fit the needs of individuals. Downsides of this type of business include paying the costs necessary to operate a physical location, including expenses such as rent and utilities. An example of common brick-and-mortar businesses includes a restaurant in a mall.

3.2. Business on the Go

A mobile business provides services to customers on the go. This type of business is flexible and can operate from a variety of locations. A company operating in this manner benefits from low overhead costs and having the ability to provide convenient customer service. One disadvantage faced by mobile businesses in some areas includes being required to register under local business ordinances. Another is limited offerings if the business is selling products rather than services. An example is Thabo's Boerewors Stand.

3.3. Business in the Cloud

A virtual company operates on a remote basis, without a physical business location. All work is completed online, and employees are often located in different locations. Businesses benefit from this business model by having the ability to hire top talent from anywhere in the world without the barrier of location. Operating costs for this type of business is often much lower than in a traditional brick and mortar, allowing for higher profits, as a company does not have to pay to operate a physical location. A major disadvantage is that because of the lack of personal connection created by working face-to-face with customers, a client may not have a strong sense of loyalty to the business. Examples of common virtual businesses include Web design and online education.

4. Timing:

1. Maximize the **window of opportunity** in the market, seasonality, changing customer demand and other factors.
2. Avoid revenue loss from:
    - Being **late to market**.
    - **Missed opportunities** caused by the late launch.
    - Having less time in market by being late and **competitor(s) seizing the opportunity**.
3. Products that get to market in time command **premium prices** early in the lifecycle.

	Please do **Activity 18** in your Activity Guide.

2. 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 of consumers, businesses, or countries that have, or are perceived to have, common needs, interests, and priorities, and then designing and implementing strategies to target them with what you want them to buy from your business. Market segments include:

- Specific projects
- Geographical location
- Income brackets
- Age
- Gender
- Ethnicity
- Community
- Etc.

Important to market segmentation is identifying WHO your competitors are. Competitors can be said to be your rivals who are trying to achieve the same or similar goals as you, which includes increasing profits, gaining market share and sales volumes.

Case Study: Thabo's Boerewors Stand branches out…

Thabo's business idea starts gaining in popularity; soon, others are asking Thabo if he'll sell his boerewors rolls in other areas of Johannesburg. Thabo realises that he can't be in two places at once, so contemplates buying more equipment, and hiring someone – perhaps a friend - to provide the same delicious product in another area.

A few weeks after implementing a second boerewors stand in Melville and hiring someone to run the second stand, business is not great – his friend, Jabu, only manages to sell two boerewors rolls on his first day of trade. Thabo is stumped; he is offering the same delicious boerewors rolls at exactly the same price and the same time – just in a different area. He decides to sit down and come up with a marketing strategy to create awareness around his divine boerewors rolls. To do so, he needs to do some research.

2.1. Market Research:

As you've guessed, market research is gathering information about your customers, and what their needs are, as well as their preferences. Perhaps if Thabo had embarked on conducting market research before making decisions, he could have saved himself much frustration and money! There are numerous reasons why his boerewors rolls weren't selling as well in Melville as they were in Braamfontein; perhaps the boerewors stand was set up on the street where the clubs and establishments that the potential customers were at already had food inside? Perhaps there were other eateries offering food at the same time? Perhaps the customer's just weren't the type who enjoyed boerewors? Thabo wouldn't be able to answer any of these questions without doing proper research.

In order to get that information, Thabo needs to make use of market research techniques, including:

- Formal and informal research including questionnaires
- Community research
- Intelligence gathering exercises

Once Thabo gathers the relevant information he needs, he can then decide if his Melville business is viable, and create a relevant marketing plan.

2.2. Market Research Tools & Techniques

While there are many ways to perform market research, most businesses use one or more of five basic methods: surveys, focus groups, personal interviews, observation, and field trials. The type of data you need and how much money you're willing to spend will determine which techniques you choose for your business.

Market Research Tools & Techniques:	
1.	**Surveys.** With concise and straightforward questionnaires, you can analyze a sample group that represents your target market. The larger the sample, the more reliable your results will be.
2.	**Focus groups.** In focus groups, a moderator uses a scripted series of questions or topics to lead a discussion among a group of people. These sessions take place at neutral locations, usually at facilities with videotaping equipment and an observation room with one-way mirrors. A focus group usually lasts one to two hours, and it takes at least three groups to get balanced results.
3.	**Personal interviews.** Like focus groups, personal interviews include unstructured, open-ended questions. They usually last for about an hour and are typically recorded.
4.	**Observation.** Individual responses to surveys and focus groups are sometimes at odds with people's actual behavior. When you observe consumers in action by videotaping them in stores, at work, or at home, you can observe how they buy or use a product. This gives you a more accurate picture of customers' usage habits and shopping patterns.
5.	**Field trials.** Placing a new product in selected stores to test customer response under real-life selling conditions can help you make product modifications, adjust prices, or improve packaging. Small business owners should try to establish rapport with local store owners and Web sites that can help them test their products.

Example of a Customer Satisfaction Survey:

Purpose

The purpose of this very brief survey is to help us serve your needs more effectively. By understanding where we are exceeding your expectations, or need to improve, we can allocate our resources to provide better products/services, knowledgeable staff, and executive management. Our goal is be proactive in monitoring your satisfaction, so please provide constructive feedback that we can incorporate into our strategy.

Instructions

Please circle the response that best represents your view. Please circle N/A for any questions that you don't have enough experience to comment on. Following is an example of the scaling system.

EXCEEDS EXPECTATION ***UNACCEPTABLE***

10 9 8 7 6 5 4 3 2 1 N/A

Buying Process

Sales staff professionalism:

10 9 8 7 6 5 4 3 2 1 N/A

Ability to understand your challenges:

10 9 8 7 6 5 4 3 2 1 N/A

Expertise of sales staff:

10 9 8 7 6 5 4 3 2 1 N/A

Turnaround time for delivery:

10 9 8 7 6 5 4 3 2 1 N/A

Quality & clearness of marketing collateral:

10 9 8 7 6 5 4 3 2 1 N/A

Source: https://www.allbusiness.com/the-five-basic-methods-of-market-research-1287-1.html

3. Product and Service Life Cycles:

Just as businesses go through stages, so do products and services. The product or service life cycle is determined by how long it is marketable, or how much your market still desires your product.

The common stages a product or service may go through during its life are introduction, growth, maturity, and decline or innovation.

1. **Introduction stage** – Profits are low in this stage because research and development, production, and marketing costs are high. Prices are set high on the product or service to recoup some of the development and introduction costs.
2. **Growth stage** – Sales generally increase with the demand for the product. Cash flow improves and profits are at their peak.
3. **Maturity stage** – Sales may continue to increase or level off. Profits decrease since prices are continually lowered to compete. Still, a great amount of cash flow is generated through sales.
4. **Decline or innovation stage** – Sales drop rapidly even though prices continue to fall. Profits are extremely low at this stage, but the product or service has generated sufficient cash flow during its life. When a product or service hits this stage many entrepreneurs reintroduce it with a new feature or create a new benefit.

Knowing where one's products or services are in their life cycle will help an entrepreneur determine refinements or adjustments they may need to make to align them with the vision and strategy already developed.

http://entrepreneurship.org/resource-center/productservice-life-cycle.aspx

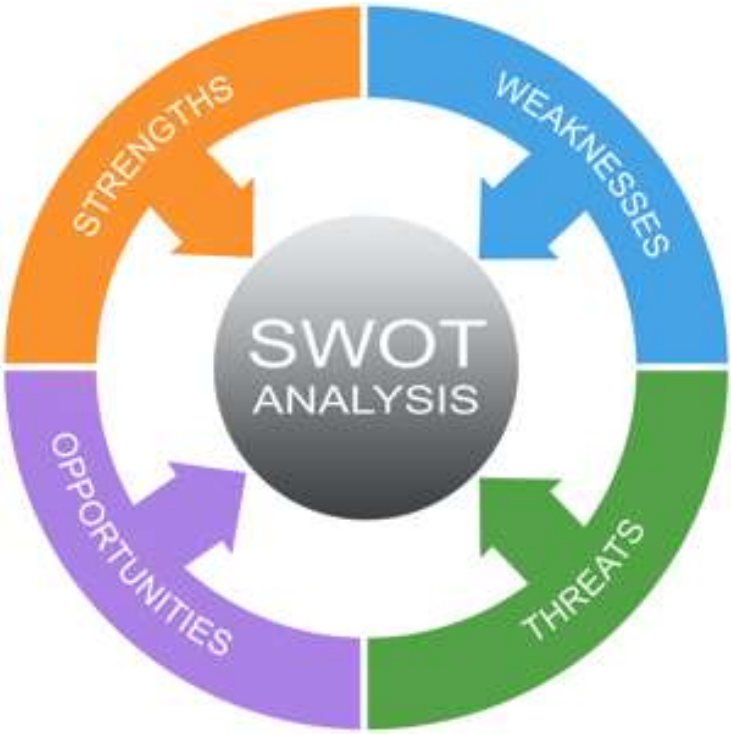
4. SWOT analysis

A SWOT analysis is research done to establish its internal strengths and weaknesses, as well as its external opportunities and threats.

What makes a SWOT particularly powerful is that, with a little thought, it can help you uncover opportunities that you are well-placed to exploit. And by understanding the weaknesses of your business, you can manage and eliminate threats that would otherwise catch you unawares.

More than this, by looking at yourself and your competitors using the SWOT framework, you can start to craft a strategy that helps you distinguish yourself from your competitors, so that you can compete successfully in your market.

Let's look at the four quadrants of the SWOT framework:



4.1. Strengths

- What advantages does your business have?
- What do you do better than anyone else?
- What unique or lowest-cost resources can you use that others can't?
- What do people in your market see as your strengths?
- What factors mean that you "get the sale"?
- What is your organization's Unique Selling Point (USP)?

Consider your strengths from both an internal perspective, and from the point of view of your potential customers and people in your market.

When looking at your strengths, think about them in relation to your competitors. For example, if all of your competitors provide high quality products, then a high quality production process is not a strength in your business's market, it's a necessity.

4.2. Weaknesses

- What could you improve?
- What should you avoid?
- What are people in your market likely to see as weaknesses?
- What factors do you think could lose you sales?

Again, consider this from an internal and external basis: Do other people seem to perceive weaknesses that you don't see? Are your competitors doing any better than you?

It's best to be realistic sooner rather than later, and face any unpleasant truths as soon as possible.

4.3. Opportunities

- What good opportunities can you spot?
- What interesting trends are you aware of?

Useful opportunities can come from such things as:

- Changes in technology and markets on both a broad and narrow scale.
- Changes in government policy related to your field.
- Changes in social patterns, population profiles, lifestyle changes, and so on.
- Local events.

Tip:

A useful approach when looking at opportunities is to look at your strengths and ask yourself whether these open up any opportunities. Alternatively, look at your weaknesses and ask yourself whether you could open up opportunities by eliminating them.

4.4 Threats

- What obstacles do you face?
- What are your competitors doing?
- Are quality standards or specifications for your products or services changing?
- Is changing technology threatening your position?
- Do you have bad debt or cash-flow problems?
- Could any of your weaknesses seriously threaten your business?

Tip:

When looking at opportunities and threats, **PEST Analysis** can help to ensure that you don't overlook external factors, such as new government regulations, or technological changes in your industry.

	Self-Study Reading that will enhance your knowledge.

4.5. PEST Analysis:

Here are the steps to follow when doing a PEST analysis:

- 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

Here is an example of a questionnaire that you can use when doing a PEST analysis:

1. Brainstorm Political Factors to Consider

- Could any pending legislation or taxation changes affect your business, either positively or negatively?
- How will business regulation, along with any planned changes to it, affect your business? And is there a trend towards regulation or deregulation?

- Are there any other political factors that are likely to change?

2. Brainstorm Economical Factors to Consider:

- How stable is the current economy? Is it growing, stagnating, or declining?
- Are customers' levels of disposable income rising or falling? How is this likely to change in the next few years?
- What is the unemployment rate? Will it be easy to build a skilled workforce? Or will it be expensive to hire skilled labour?
- How is globalization affecting the economic environment?
- Are there any other economic factors that you should consider?

3. Brainstorm Socio-Cultural Factors to Consider:

- What is the population's growth rate and age profile? How is this likely to change?
- What are your society's levels of health, education, and social mobility? How are these changing, and what impact does this have?
- What employment patterns, job market trends, and attitudes toward work can you observe? Are these different for different age groups?
- Are any other socio-cultural factors likely to drive change for your business?

4. Brainstorm Technological Factors to Consider

- Are there any new technologies that you could be using?
- Are there any new technologies on the horizon that could radically affect your work or your industry?
- Do any of your competitors have access to new technologies that could redefine their products?
- Are there any other technological factors that you should consider?

	Please do **Activity 19** in your Activity Guide.
Break	
	Please do **Activity 20** in your Activity Guide.

5. SMART Marketing Principles to create your Marketing Plan

	Please do **Activity 21** in your Activity Guide.

Your marketing planning process will include three main steps: Planning, application and evaluation.

A marketing strategies goal is to meet your customers' needs. If your marketing strategy is clear and achievable this will make the goal attainable. Many businesses have great marketing processes but only a handful have managed to inspire brand attachment and loyalty in their customers using just their marketing strategy.

5.1. PLANNING:

This is the most important step of developing a marketing plan as it looks at:

- Strengths and weaknesses within your business
- Competitors
- Technological changes
- Culture shifts within your industry.

Here, you can apply the principle of a SWOT analysis, learned earlier.

5.1.1. What to include in a marketing plan:

- **Marketing strategy** – When you have learnt the customers' needs and the identified the products which will fulfil their needs, you can create a marketing strategy. The strategy is the "how' of the planning step. This focuses on the 4P's (place, product, promotion and price) and the financial plan required for each stage of the marketing plan.
- **Form marketing and product goals**
    - Once the customers' needs are understood goals can be created to meet their needs. This can increase the success of your new product because your product will be targeting your customers' specific needs.
    - **Why is your business different?** What is your distinctive selling point? Each of your products should have features which make them better than your competitors' products. For example, the product can have an increased accessibility, reliability, last longer and be more user-friendly to ensure your customers will buy it instead of your competitors' product every single time.
    - **Where your product is located:** When using your marketing strategy effectively your product is the first one people think of. By using emotional and mental marketing strategies, customers will connect your brand with the solution to their problem and remove the option of choice. As an example, people use "Colgate" when referring to toothpaste, because this brand is positioned as the go-to in dental care.
    - **Choose your target market:** Base your customer target base on research and the attributes they have in common. This will make sure needs and goals are both achieved.
    - **Product focus and setting goals:** Decide where your resources are going to be assigned and how you'll turn goals into actions. Customers should be assigned in specific categories depending on which marketing technique will best reach/ impact them as well as what each customer category needs

Set goals to deliver the product to the various categories which will accomplish your marketing objective. Examples of this are: If the categories are specific to customer needs it will be easier to target marketing strategies as well as provide them with what they need.

If customers are categorised by the reactions your customers have towards your marketing then your business will be able to see which strategies work and which ones don't.

5.1.2. The 4 Ps Model

1. **Product –** The first of the Four Ps of marketing is product. A product can be either a tangible good or an intangible service that fulfils a need or want of consumers. Whether you sell custom made cupcakes or provide luxury accommodation, it's important that you have a clear understanding of exactly what your product is and what makes it unique before you can successfully market it. Differences in marketing products and services include:
    - Trust: In a service-based business YOU are the product. In other words, you have to sell confidence and trust in yourself, and your ability to perform the services as described.
    - Time: Selling a service also means you're selling your time. When you sell a product, there is time invested to create or acquire the product and then it is sold again and again without further time invested.
    - Deliverability: When you're marketing products, you can give customers a delivery date estimate if they're ordering online or through the mail, and they can walk out the door with the product in hand if

they buy it in your brick and mortar store. Services must be created after they're ordered, and delivery times will vary.

- Wants And Needs: Many products can be marketed in ways that trigger impulse buying. Services are rarely impulse buys, but the marketing materials can help buyers justify the want or need by explaining the benefits the customer will receive from buying the service.
- Relationships: Marketing a service-based business relies more on building a relationship than marketing products does.

2. **Price –** Once a concrete understanding of the product offering is established we can start making some pricing decisions. Price determinations will impact things like profit margins, supply, demand and marketing strategy. Similar products and brands may need to be positioned differently based on varying price points, while price elasticity considerations may influence our next two Ps.

3. **Promotion –** We've got a product and a price now it's time to promote it. Promotion looks at the many ways marketing agencies disseminate relevant product information to consumers and differentiate a particular product or service. Promotion includes elements like: advertising, public relations, social media marketing, email marketing, search engine marketing, video marketing and more. Each touch point must be supported by a well-positioned brand to truly maximize return on investment.

4. **Place –** Often you will hear marketers saying that marketing is about putting the right product, at the right price, at the right place, at the right time. It's critical then, to evaluate what the ideal locations are to convert potential clients into actual clients. Today, even in situations where the actual transaction doesn't happen on the web, the initial place potential clients are engaged and converted is online.

5.1.3. Marketing planning process tips

Tip 1: Your executive summary

Leave this for last. This is a summary of all your other sections of your marketing strategy. This step will be useful in providing an overview of the plan for you, employees and advisors.

Tip 2: Target Market

In this step you must describe the customers you are targeting. You will need to clearly define their:

- Demographic –like age and gender
- Psychographic profile – their interests
- Their wants and needs in relation to your product.

You will be able to better identify your target market by doing this step. This will allow you to better focus your advertising, which will get you a higher return on your investment. It will also help you to better speak to your potential customers.

Tip 3: Unique selling technique

This will set your business apart from your competitors. Many great companies have their unique selling technique to thank for their success.

Example: Fed EX

Their slogan is "When it absolutely, positively has to be there overnight". This is well-known and resonates with their customers who want a reliable and speedy delivery service.

Tip 4: Pricing and positioning strategies

These must be in line with each other.

Example: By having a very low price you will not be able to achieve a reputation of a premier brand.

In this step of your marketing strategy, specify where in the market you want your product to be and make sure your pricing supports this.

Tip 5: Distribution

How will your customers buy from you?

Example: Will your customers buy your product from your website? Will they buy your product from distributors or retailers?

Identify various ways you can reach your customers and make a note of them in this step of your marketing strategy.

Tip 6: Specials and Discounts

These will help you gain more new customers. These can include:

- Free trials
- Money-back guarantees
- Packages – different products sold together in a combination pack
- Discounts and sales.

Even if your business doesn't need to offer these, this could help your customer base to grow faster.

Tip 7: Marketing tools

These are the tools you will use to promote your business. This will include your website, brochures, business cards and catalogues. In this step, recognise which tools you are happy with and which ones you still need to develop or rework.

Tip 8: Promotional strategies

Shows how you will affect potential customers. There are various promotional strategies: Advertising via television, radio, print and online, trade show marketing, press releases as well as event marketing. Determine which of these will most effectively let you reach your target market.

Tip 9: Online marketing strategies

Many customers go online to find or review new products. Having a good online marketing strategy can secure you new customers and increase your competitive edge. Four key options are:

1. Keyword optimisation
2. Search engine optimisation
3. Paid online advertising
4. Social media.

Tip 10: Converting customers

This is a strategy you can use to turn potential customers into current customers.

Example: Improving your sales and increasing social media activity will increase conversation about your business. In this step, show which strategies you're going to use.

Tip 11: Partners and joint ventures

These are created with other businesses in order to reach new customers or possibly better monetise current customers.

Example: You sell guitar strings, it would benefit you to partner up with a guitar manufacturer. They would have a list of potential customers for you.

In this step consider who your customers buy from before, during or after they've bought from you. Several of those businesses could be good partners. Research these businesses in this step and attempt to form a mutually beneficial arrangement.

Tip 12: Referrals

With a strong referral program you could revolutionise your business success.

Example: One happy customer refers a new person to your business. The more happy customers you have the more new people they'll refer to your business which will continuously grow your customer base. You will need to formalise this strategy in order to harness this growth.

Example: Make sure to know when to ask for referrals and what you are prepared to give as a reward for the referrals. Develop and document the best referral strategy for your business.

Tip 13: Prices

Your initial goal when selling to a customer is to land the sale, but it is also important to make sure you have the best transaction price for your product. This can affect your success.

Example: If your customers' average bill is R100 and your competitors' customers' average bill is R150, they will make more profits per customer. They will then be able to spend more on advertising and continue to increase their profits at your expense.

Tip 14: Sustainable business

Spend half your time and energy on new customers and half on existing customers. Examples: Newsletters, loyalty programs. These will increase profits because customers will continue to buy from you in the long term. In this step identify and document the ways you can better keep existing customers.

Tip 15: Financial Projections

Example: Include promotional expenses, expected new customers numbers, sales as well as profits. Include all your expected results. These won't be 100% accurate. Use it to spot which promotional expenses and other strategies would give you more return on your investment.

Completing each step requires a lot of work but once your marketing plan is finished it will provide you with greater insight and help you increase sales and profits.

5.1.4. Strategies for an effective strategic marketing process

A plan which offers value and solutions to your customers allows your business to determine the needs of your customers and accomplish their need in an efficient and cost effective way. This then will allow your marketing team to measure your business's value.

This is based on what your ideal customers' response to your products and strategy is. Here are a few guidelines to make sure your strategy is effective:

1. Set goals which can be measured and are realistic. Make sure your goals are clear and structured making them easier to achieve.
2. Base your plans on facts and assumptions which have been validated with market research
3. Use clear, simple but specific plans to show how and what benefits you can offer your customers. To gain customer loyalty target your customers' needs and desires.
4. Use research to come up with the best way to bond with and engage your ideal customers. Use this information to put into practice a feasible plan which you can accomplish.
5. Customise your business's plans and goals to correspond with your customers' needs. This will create control and flexibility within your business.

5.2. APPLICATION

This is the action step of your marketing process. If your business can't implement the plan which was produced in the beginning, then the planning step was wasted time and effort. On the other hand if your planning was effectively designed, then by using a sales forecast and a financial plan your marketing process can be put into action. This can be accomplished by using these four components:

1. Acquire Resources – Capital to develop and market your new product

2. Creating a marketing infrastructure – A marketing hierarchy needs to be put into place in order to accomplish the plan.
3. Planning schedules – Tasks that need to be accomplished must be allocated the time required
4. Applying the marketing strategy – effectively applying the marketing strategy. This will require attention to detail as well as attention to strategies which were determined in the planning step.

5.3. EVALUATION

This is the step where everything is checked. This is to make sure that the end results are consistent with the goals set.

The manager and marketing team will need to spot any changes from the plan and if they're negative, change direction as an example: If there is a fluctuation in the Rand which creates a reduced need for your item, then the manufacture of the item should be repurposed for a new more desirable product.

Your team must take advantage of the positive changes to the plan. For example if a product is fulfilling a need and will definitely sell successfully then more resources should be assigned to increasing production or distribution. You can see this if there are an influx of pre-orders or if there is an influx of requests or orders of the product.

Here are some tips to pay attention to if you want to evaluate the effectiveness of your marketing strategy:

TIPS:	
1.	**ROI** Return on investment is always a major concern when it comes to marketing or any other business expense. The idea is to check whether the money you put into your marketing plan has resulted in a profit. You must measure the amount spent on each campaign, versus the amount of sales each campaign brought in specifically. You can calculate an overall measurement, but a more specific breakdown by each marketing initiative will tell you exactly which campaigns worked and which fell short.
2.	**Sales Numbers** Reading the numbers can be the fastest and most basic way to determine whether your plan is working. For example, if your overall sales for last year from June 1 to September 1 totalled R 100,000 and your total sales for this year totalled R 150,000, you can deduce that your current marketing plan is having some sort of positive effect. Take into account any rise in prices or expansion of the business, but when all is said and done, in raw numbers, you are selling more than you did a year ago.
3.	**Customer Response** Customer response in all its varied forms can help you to determine what type of reactions your marketing creates. The number of newsletter signups you're receiving, surveys online and in person, general customer service feedback and online commentary can all reveal what your customers think of your marketing and which campaigns have the greatest impact.
4.	**Expansion** If your marketing reach is expanding, the effectiveness of your plan is the probable cause. Marketing that makes its way into new regions either by customer recommendation or natural growth indicates both a successful and popular product or experience and an effective marketing message. The expansion of your marketing budget is another sign that your plan is working well and has gained more support from the company.
5.	**Partner Response** Your marketing partners will offer feedback about whether your marketing plan is working. Partner feedback reveals the effectiveness of your efforts in relation to associated brands, suppliers and vendors. These outside members of the team might feel the effects of a successful campaign before you do because they are often on

	the front lines and might have more direct customer interaction. The same goes for a negative report. If your partners are asking when you will be releasing new marketing efforts, it might be time to revamp the marketing plan.
6	**Salespeople** Outside salespeople are a great barometer for the measurement of marketing effectiveness. Ask for feedback from your soldiers in the field to determine whether the message you are providing and the ways you are providing it are effective. You are sure to get advice in any case, but if the feedback is overwhelmingly negative or customers are completely unaware of your latest marketing efforts, your plan should be revised to better address existing clients and to suit the needs of your sales team.
7	**Competitor Response** The actions of your competitors can often be very telling when it comes to the success or failure of your marketing plan. If competitors rush to copy what you've done or try their best to one-up your initiatives, the plan is working. If your campaigns go largely ignored or there is an immediate negative response, there may be an issue or at least a question about what you've set in motion.

5.4. Problems you may experience in the marketing planning process

Here are numerous issues which could crop up when developing a marketing strategy:

- Organisation – Such as poor assumptions. By assuming your customers' needs without confirmation, an absence of a skilled workforce to accomplish your plans, when you lose sight of customer needs while planning and when changing the demographic of your customers.
- Marketing specific – Inflexibility. Problems with performance evaluation and coordination. Poor information management and issues with human relations.
- General – Problems acquiring marketing feedback. Issues specific to marketing costs as well as difficulties integrating collected information into your plans.
- Integration – Integrating all the information you collect related to your research, and implementing it into a revised and refreshed strategy which speaks to the concerns you have identified.

Incorporate these steps into your business's marketing planning process. Be consistent in following through with your strategies. Your business will be rewarded as well as recognised for its hard work. Marketing strategies that are successful focus on your customers' needs.

There must be an emphasis on continuously advertising the benefits of your product. Your marketing strategy should provide a big picture of your business's objectives. It will keep you heading in the right direction while keeping your customers firmly at the top of your priorities

Source: https://bizconnect.standardbank.co.za/manage/marketing-tips/reference-documents/the-marketing-planning-process-marketing-strategy-and-example-guide.aspx

	You may feel overwhelmed with all the information you've been required to absorb so far. There will be plenty of opportunity to apply your new knowledge…and do so while having fun! Soon, your new skills will become like second nature to you.

	Please do **Activity 22** in your Activity Guide.
	Please do **Activity 23** in your Activity Guide.

	Please do **Activity 24** in your Activity Guide.

SELF-REFLECTION

	Reflect on what you have learnt by answering the questions in your Learner Activity Guide.

MODULE 4 – LEARNING THE LANGUAGE OF CASH

Learning Opportunities

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

1. Contain any anxiety you may have related to money and / or financial concepts.
2. Understand and use the SMART toolbox, containing financial concepts.
3. Compile a budget
4. Understand the 'cost' of doing business, and appreciate the concept of 'value'.
5. Understand the Fundamentals of Funding

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

1. Demystifying Myths

The aim of this Module is to help you achieve two important objectives:

- First, dealing with anxiety you may have around financial concepts, and avoidance responses
- Understanding and learning how to apply basic financial concepts.

	Please do **Activity 25** in your Activity Guide.

When it comes to financial concepts, or anything math or accounting related, you may become anxious, which results in negative behaviours, such as avoidance. Although we won't be doing any mathematical calculations in this section, running your own business will require you to be able to do some "number crunching". 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.

	Self-Study Reading that will enhance your knowledge. If you are interested to enrich your understanding, you can read books such as Ellis and Harper's "A Guide to Rational Living" or G.D. Kranzler's "You Can Change How You Feel".

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

1. They are extremely unpleasant and

2. They tend to lead to self-defeating behaviours, such as freezing on a test, or avoiding courses or occupations that you would otherwise enjoy. The problem with being an entrepreneur is that if you do not at least have an understanding of the financial aspect of your business, there is a high probability your business may die.

What causes this anxiety?

What you do about your accounting, math or financial concept anxiety will depend on your theory of what is causing the problem. For example, some people believe that the cause is hereditary, "I get my fear of math from my mother, who was never good at math". Others believe that the cause lies in the environment; "Women are taught from a very young age that they are not supposed to be good in math, to avoid it, and to be afraid of it." The implication of these theories is that if the cause is hereditary, you can't do much about the problem (you can't change your genetic structure), or if the cause is the culture in which you live, by the time you can change what society does to its young, it will be too late to help you. Although there may be some truth in both the hereditary and environmental theories, I believe that they can, at most, set only general limits of your performance. Within these limits, your performance can fluctuate considerably. Though you have

very little power to change society and no ability to change the genes you inherited, you still have enormous power to change yourself if you choose to do so, if you know how to bring about that change, and if you work hard at it.

Overview of Rational Emotive Therapy:

Let's being with the ABCs:

- A stands for Activating event or experience, such as taking a difficult math test
- C stands for the emotional Consequence, such as extreme nervousness
- Most people seem to believe that A causes C. In fact, this theory seems to be built into our language. Consider the following examples:

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

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.

But 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.

How to deal with math, accounting or financial concept anxiety:

What can you do about a way of thinking that seems so automatic, so ingrained? It's time to do an Activity!

	Please do **Activity 26** in your Activity Guide.

Effective strategies for dealing with anxiety around financial concepts:

1. Buy a calculator
2. Form a study group
3. Keep up with learnings
4. Manage your time
5. Ask for help if you don't understand
6. Practice!

2. The SMART toolbox: Financial Concepts Unpacked

	Please do **Activity 27** in your Activity Guide.

Starting a new business can be both an exciting and scary time for an entrepreneur. Before you start a new venture, the most important question you will need to answer is "What are my cash-flow requirements?" Cash-flow projections will help you understand how to run your business and will also help you obtain financing when you approach banks and other investors.

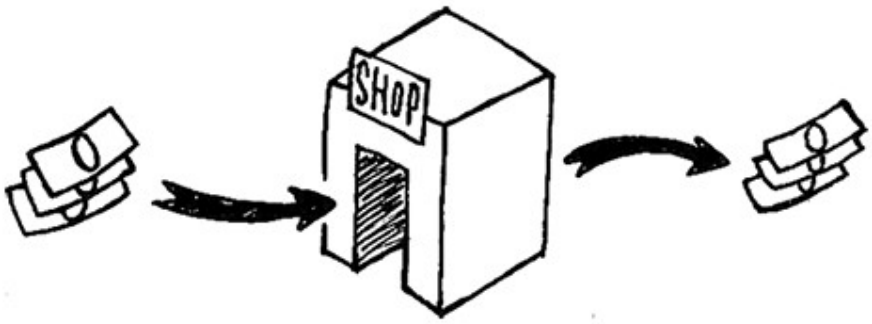
2.1. What is cash flow?

As the name suggests, cash flow is simply the money that flows in and out of your business. However, it is arguably the most important aspect of your business. And, it's a good way for outsiders to track your business's performance.

> Josh Kauffman, author of "The Personal MBA," explains it in simple terms:
>
> "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."

Realistically speaking, many businesses will find their cash flow drops below zero, especially during the first year of operation. Negative cash flow, to be clear, means a decline in the cash balance over a specified period of time. It's not as bad as a negative cash balance, which means you're bouncing checks. So you can have negative cash flow, temporarily, but negative cash balance, never. That said, if you can avoid a negative cash flow, do. It can lead to negative cash balance and that would make many aspects of running a business harder: getting loans, attracting investors, paying suppliers and employees, and growing the business.

	Keep this in mind: 1. Profits are not cash 2. Timing is of the essence 3. Many businesses fail due to lack of cash, not lack of profits



2.2 What is a cash flow statement?

A cash flow statement is a record of the change in the cash balance a business has on hand at any given time. Businesses can use the cash flow statement to record what has occurred to cash; or a cash flow projection to forecast into the future in order to determine future needs for cash.

You will need to include a cash flow projection in your business plan document (covered in our next module) and you will need to keep an eye on cash flow so long as your doors remain open for trading. This means, keeping an up-to-date cash flow plan as you run and grow your business.

2.3. Why is understanding cash flow important?

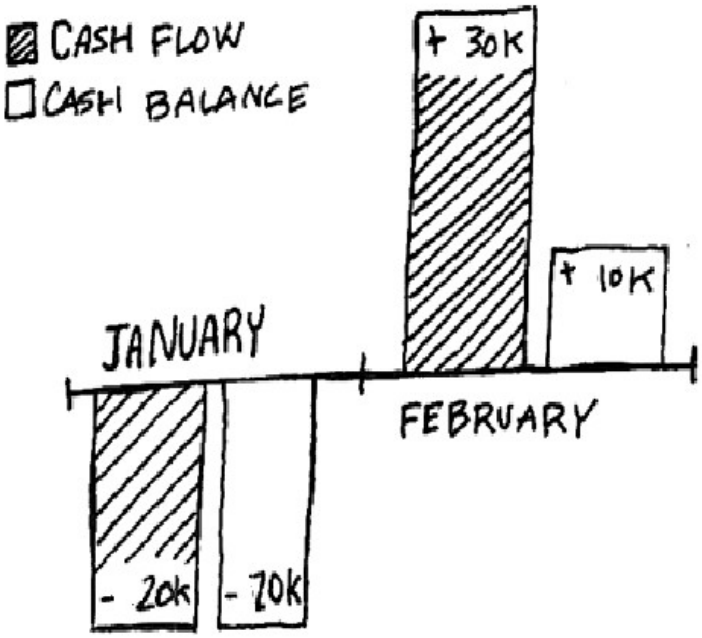
While it is perfectly possible to be profitable on paper, there's a big difference between money you're owed and cash on hand. This is why even a profitable business can go bankrupt if for example their receivables are not paid on time. This in turn will mean they cannot pay their own bills and operating expenses.

Good cash flow management can have a major impact on the success of your business. With a positive cash flow, you will be able to make inventory purchases, hire new staff and spend money on the things that matter, including paying yourself a salary!

On the other hand, if you manage your cash flow poorly—perhaps if you spend too much at the start—you won't have any cash to spend on acquiring new leads and on advertising. If you don't watch your cash flow on a regular basis, you could be setting yourself up for failure. Not to mention the mental stress of having to make back every dollar you spent in the early stages of setting up your business.

Consider the following scenario:

You're a used car dealer. You purchase a used car outright for R20,000 in January. Six weeks later you sell that car for R30,000. Your related cash flow for January is -R20,000 and your cash balance goes down by R20,000 during January (but nothing happens to profits or losses). Your cash flow goes up by R30,000 in February (which is also the month in which the R30,000 sale and the R20,000 direct cost appear in the profit/loss statement. So you made a R10,000 profit in February with R30,000 in sales and R20,000 in cost of goods sold. And the R20,000 outlay in January doesn't show up in profits at all. That's an instant example of how cash flow is different from profits).



Let's consider a slightly different scenario:

In the above scenario, we assumed you get the R30,000 when we sell the car. However, many businesses, including some car dealerships, sell on credit. That doesn't mean credit cards or financed auto purchases, it means the standard business-to-business practice of delivering the goods and services along with an invoice that the business customer pays later. So in that case, they don't get the R30,000 until later, when the business customer pays the invoice. That makes cash flow much worse, but doesn't affect profits at all. You'll still have made a sale (and the profit) but you don't get the money for it until later, when the business customer pays the invoice. The profit is only on paper.

Now, for the record, that car purchase was what we call inventory —the goods you buy with the intention of selling them later. What you pay to buy inventory doesn't show up in the profit or loss until that item is sold. There too, you see the difference between cash and profits.

These simple scenarios have probably given you a good idea of why it's important to keep track of earnings and expenses. After all, if you don't do this, how will you know when to purchase inventory, how much you can purchase, whether or not you can hire an additional employee, and, more critically, if you can actually afford to pay your own monthly bills, particularly if you splash out on other things!

2.4. 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.

Regardless of whether you've been operating for a year or for five, there are always things you can do better.

With that in mind, here are a few tips on monitoring your cash flow and on projecting and meeting cash flow needs.

2.4.1. 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

To encourage those that owe you money to pay on a timely basis, consider offering discounts; taking deposits immediately as a sale is made, and performing credit checks on those that don't pay with cash.

Likewise, when it's your turn to pay up, take full advantage of a creditor's payment terms. Don't pay for something 20 days before you should. Rather, be timely and set up an electronic transfer. Don't forget to take advantage of any discounts creditors offer you as well! However, be wary of making payments too early as it will make it hard to forecast cash flow and will make cash flow unpredictable.

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

2.4.2. What to watch out for

So that you're not surprised by the state of your finances, it's good to consider where your cash will go when you get started, and where most of it will go on a monthly basis.

1. Factor in your start-up costs. Every business will have initial start-up costs. Perhaps it's a lease on an office, or marketing expenses, or initial inventory purchases, or hiring the services of a contractor. While you may have to take this in stride for a year or two, you should also allocate an amount of cash to these early expenses. It's best to have this in mind before you start your business.

2. Keep an eye on inventory and receivables

As with your initial start-up expenses, as you grow, so too will your need for inventory, and your receivables. If at all possible, set aside cash to finance these things. Or, keep a close watch on them.

3. Rapid Growth can put you in a tight spot

As you grow, you will likely need more cash on hand to finance inventory, receivables, marketing expenses and other large acquisitions. This may result in a negative cash flow, which, if not managed carefully over time, could eventually force you

into bankruptcy. Many times, rapid growing business has been unable to cope with growing demands and has had to close shop due to poor cash management. Always remember… Cash is king!

2.4.3. Be organized, but accept that you're human

Occasionally, you may not be able to make a payment due to negative cash flow. Ideally, you will have predicted this in advance, but if not, accept the fact that you really cannot predict the future and take preventative measures.

Banks are far more willing to lend to those people that know months in advance they may have a cash shortage. This makes you look financially responsible. Plus, if you don't end up having a shortage, you don't need to take up on the loan you were offered, it's just a nice safety net to have in place.

Also, consider turning to your suppliers. Given that you've got an active working relationship with them, they will be the ones most invested in your success. 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. Any time you see expenses exceeding incoming cash, take this as a sign to be careful.

2.4.4. Assets and Liabilities:

An asset is something your business owns that can provide future economic benefits. Cash, inventory, accounts receivable, land, buildings, equipment - these are all assets (in the above scenario, your cars would be *fixed* your assets; current assets are cash or bank accounts).

Liabilities are your business's obligations - either money that must be paid or services that must be performed (for example, you contracted someone to fix the car up before you sold, and owe that person their wages). Short term liabilities are money you need to pay to your creditor or supplier within 12 months of the balance sheet date; this could be materials or ingredients you purchased to make your product . Long term liabilities are due more than a year after the balance sheet date. This may be your bond repayments if you purchased a business property, perhaps your pension fund and other benefits, etc.

	Liabilities & Expenses are not the same thing! The total assets are equal to total liabilities and stockholders' equity. On the other hand, an expense is the cost of operations that a company incurs to generate revenue. Unlike assets and liabilities, expenses are related to revenue, and both are listed on a company's income statement.

2.5. Profit & Loss:

Every month, you or your bookkeeper should draw up three financial statements to assess your business's performance and financial position. This includes the:

- Balance sheet
- Trial Balance
- Income statement

The income statement (otherwise known as profit and loss statement) summarises the revenues and expenses generated by the business. The basic equation on which a profit & loss statement is based is Revenues – Expenses = Profit.

All companies need to generate revenue to stay in business. Revenues are used to pay expenses, interest payments on debt and taxes owed to SARS. After the costs of doing business are paid, the amount left over is called net income.

	Don't confuse cash flow with profits If you are showing a profit on paper, but don't seem to have any cash left at the end of the month, it might be because you are spending money faster than you are making it. Slow spending on new products, equipment, growth etc. and focus on getting your invoices paid. Always track what you are spending, versus what you are selling – and cash in the bank.

Profit & loss statements are all organized the same way, regardless of industry. The basic outline is shown in the following example:

Profit and Loss Statement for your car dealership business, for the year ended December 31 2008	
Total revenue	R 100 000.00
Cost of goods sold	R 20 000.00
Gross profit	**R 80 000.00**
Operating expenses	
Salaries	R 10 000.00
Rent	R 10 000.00
Utilities	R 5000.00
Depreciation	R 5000.00
Total Operation expenses:	**R 30 000.00**
Operating Profit	**R 50 000.00 (Gross profit – Total Operation expenses)**
Interest expense	R 10 000.00
Income before taxes	**R 40 000.00 (Operating profit – Interest expense)**
Taxes	R 10 000.00
Net Income:	**R 30 000.00 (Income before taxes – taxes)**

Earnings / Net income / Profits are not the same as cash or cash flow. It is possible for a business to be profitable on the profit & loss statement, but not be generating cash flow, and vice versa.

2.6. Start-Up and Working Capital:

Start-Up Capital is the funds needed in order to set up and begin a business activity. Working Capital are funds used to keep the business going. So where do you secure Capital Investment?

Finding finance for a new venture can be extremely difficult. When you set out to find funding opportunities for your business, it's important to remember that some sources of finance will be appropriate for some but not for others. If

you're thinking of setting up an interior design business, for example, your funding needs will be very different from those of a high-tech entrepreneur seeking funding for the development of a new software programme.

	Please do **Activity 28** in your Activity Guide.

3 Budgeting

Compiling a budget is essential to ensure your business has a future, but to many budding entrepreneurs, the task of putting one together is both daunting and unknown. Here are some top tips for drawing up a plan to control your finances and give your new business the best chance of success.

3.1. Budget planning

Budgeting is essential. It allows you to control your cash flow and make provisions for larger costs, as well as giving you an indication of when the time is right to invest in your idea further and expand it.

You have to stay in control of your expenditure at all times, whether you are a million-rand multinational corporation or a small and operational start-up. The only difference? How much and where budget is allocated.

See your budget as a plan to control your finances. You don't want to run out of cash and fall short of payments. Similarly, you want to know you can meet your current goals, as well as plan for future ones.

Although it works hand in hand with cash flow projections, it is important to 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, whereas 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 – two concepts we covered briefly earlier.

3.2. Your budget in practice

Once your business is operational, it's essential to plan and tightly manage its financial performance. Creating a budgeting process is the way to keep everything on track. See your budget as the navigation system for your business – it will keep you heading in the right direction.

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 for capital improvements or capital expenses.

	Don't treat sales as revenue until you've invoiced Don't count deposits as income. Depending on what you do, it could take months before the service is rendered or the equipment installed, delivered etc. If you post great sales this month, when the revenue will only come in later, you can give your business a false sense of profitably – and incorrectly predict cash flow.

A budget should be tabulated at least yearly. Most yearly budgets are also divided up into 12 months, with blank columns next to your estimates to fill in with your actual results as the year progresses.

You have to factor in potential market changes, customers and their demands, competition from rival companies, your business objectives and key performance indicators, team management, forecasts and any obstacles you may encounter along the way.

3.3. How to draw up a budget

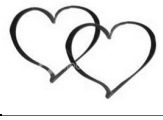
Dedicate time to this process and, if possible, seek to provide you with estimates for your budget. As a start-up business, it's likely that this role will land on you, and it will be your responsibility to ensure your budget is realistic.

Your budget must include projected cash flow, typically on a monthly basis. This allows you to pinpoint any issues immediately, rather than waiting, running the risk of making the problem far greater.

A budget must also encompass costs — fixed ones such as rent and salaries, variable expenses including materials and products, and one-off capital costs, such as a lease or buying a computer. Finally, a budget must take account of revenue forecasts. This means both historic sales and future sales must be included.

Don't kid yourself

There is no benefit to creating an artificial profit by overestimating earnings, or underestimating costs. Make sure you have built in the cost of your time and the sensitivities of seasonality, depending on the market you are entering.

	Remember to budget the business's income according to market research and business growth opportunities!

When you grow as a business, you must also consider staff holidays and how this will affect turnover. Although you may not immediately need to give yourself a salary, eventually you will and you will have to include this in your budget, too.

3.4. Methods for managing and controlling budget:

- **Be flexible**

Once you make a budget, you should stick to it, but be open to reviewing and revising it as needed – when the market, pricing, or anything else that could have an impact on your business changes.

- **Budget to monitor growth**

The great thing about budgeting is the ability to benchmark performance. Comparing your budget year on year also allows you to implement your key performance indicators if they do, in fact, need revision, as well as comparing figures for growth and projected margins with your market competitors. Remember to always review and revise.

Ultimately, as an entrepreneur, your business's budget is also your budget. Owning a small business means allowing it to impact both your business and personal considerations.

Budgeting your own expenditure could mean the difference between success and failure - so be smart with your start-up.

- **Pay attention to fixed and variable costs**

Variable costs are those costs that vary depending on a company's production volume; they rise as production increases and fall as production decreases (for example, in Thabo's Boerewors Rolls business, he was able to negotiate a better price of the wors with the butcher, by purchasing in bulk).

Variable costs differ from fixed costs such as rent, advertising, insurance and office supplies, which tend to remain the same regardless of production output (for example, if Thabo insured his boerewors stand, that cost would likely remain stable).

3.5. Pricing and Costing

Economic factors, competition and many other reasons may cause you to re-evaluate the price of what you are selling. Raising and lowering prices effectively involves careful attention to timing. It requires knowing how to affect your customers' perception of the value inherent in what you are selling. It forces you to study and accurately predict reactions from your competitors.

3.5.1. Deciding How Much to Change Prices

Sometimes businesses announce major price hikes, even doubling their previous rates. Businesses may also announce large price hikes when they've experienced major increases in the price of a key ingredient or cost component. A company that is being overwhelmed by sales volume from an unexpectedly popular product may jack up prices to reduce demand to a manageable level.

However, most price hikes are done in stages on the theory that customers will be accustomed to higher prices over time and be willing to tolerate them as they become more loyal. A series of smaller hikes may not even be noticed by customers who would be seriously put off by a single large one.

3.5.2. Picking the Right Time

If you decide to raise or lower prices, you must pick the right time. If you're lowering prices, choose a time when the change will have the most impact; if you're raising prices, choose a time when you'll encounter the least resistance. Your business's seasonality, growth stage and sales cycle affect your choice.

3.5.3. Changing Value and Price

Prices don't exist in a vacuum. Like the earth under your feet, a price is supported by the value the customer perceives in the product or service to which the price is attached. Thinking about price and value in this way makes it clear that this is at least a two-dimensional problem. That is, you can change the pricing and leave the value alone, or you can change the value and leave the pricing alone. You can also change both value and pricing or leave them both alone. Any one of these changes can be tailored to have the same impact on your bottom line, at least on an individual unit basis, but they may have vastly different effects as perceived by customers.

Source: https://www.entrepreneur.com/article/66010

	Consider how a large purchase will impact your cash Before you make your next big purchase – even if it's for growth purposes – evaluate how the equipment will depreciate over time, and if your cash reserves can handle the purchase. Instead, consider a short-term loan if the purchase will put a serious dent in your reserves. Be aware of the interest rates and evaluate your best options. Also ensure that the expense is worth the increased revenue

	Please do **Activity 29** in your Activity Guide.

4 The COST of doing business

"Needing" money is a difficult, hard, lonely place to be. It is a place of desperation of fear of not having enough.

The aim of this section is to get you to feel more comfortable around money; about wanting it, charging for it, and having it. Money is neither bad, nor good. What it is, is what you do with it. As a successful entrepreneur, you will be able to help – not only your family – but so many additional people.

Imagine if you were able to hire an additional person or two (or three)? How would that affect them as individuals? How about their families and **their** children? Imagine charities you could help as well, if you ran a more successful company! You see, money can be a wonderful gift!

4.1. What is money?

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

	Money = **Value**

	Please do **Activity 30** in your Activity Guide.

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. You do not have to solve world hunger. Perhaps you make beautiful little outfits for children, that you have poured your love and time, resources and expertise into making. You want to share that with the world (at least, with parents, and that is beautiful!).

Your target market wants what you supply, and they need what you supply. "Give freely of your talents". This does NOT mean *give them away for free*. See it as meaning, share your talents with love, put everything you have into what you do, when you are doing it, don't do it begrudgingly.

Money is a cycle, it can be a good cycle of *give* (value/services/products) and *take* (what you need and want) or it can be difficult, a struggle to give what you planned because there isn't money to produce the products or services (even services need money to produce: petrol, telephone, internet plus living expenses until you get paid) and if there is no give, well, there is certainly no take. Work that is done begrudgingly is rarely top notch quality and adds less value than it should.

But how do you decide on pricing?

4.2. Pricing

The most efficient and recommended way to determine a selling price is to source the Cost of Sale amount and multiple this figure by two and a half. This mark up (which is the difference between cost of a good or service, and it's selling price) may seem excessive, but keep in mind that the pricing model is not limited to the item itself, but should also factor in, let's take Thabo's Boerewors stand as an example, preparation, service and cleaning. Other variables like electricity, fuel, cooking gas, and wages also impact the pricing model.

Ask yourself the following questions to assist yourself with price setting:

- What are the direct costs of the product or service (otherwise known as supplier costs)? This refers to the direct materials used and associated with a business offering.
- What are the business's indirect expenses, or expenditure? These are often referred to as overheads and include expenses such as insurance, advertising, rent, office expenses and salaries.
- What is the company's breakeven point? This is the point at which revenue begins to exceed costs. However, remember as we learned earlier, costs include those which are fixed and variable. Consider Thabo's Boerewors stand: If he buys his rolls and boerewors at R 10.00 per serving, and sells it at R 25.00 per boerewors roll, is he making R 15.00 in pure profit? No – because we haven't taken into consideration the other costs, such as the gas he needs to cook his boerewors rolls, the serviettes he purchases once a month, the price of the sauces he uses, etc.
- How is the competition pricing their offerings? Compare the offerings and prices of competitors, to evaluate where the business's goods fit into the existing market. Efforts should be made to examine internal processes, and determine where value can be added without increasing costs.

- What is the current state of your industry and the overall economy? One needs to understand the changing nature of the marketplace to ensure that good business decisions are continually made.
- What is your target market willing to pay? Is your product or service in high demand, or is the market flooded?

Other factors impacting pricing:

- Economic trends
- Market needs
- Expenditure
- Supplier Pricing
- Competition

	Please do **Activity 31** in your Activity Guide.

	Please do **Activity 32** in your Activity Guide.

5 The Fundamentals of Funding

	Please do **Activity 33** in your Activity Guide.

As mentioned earlier, finding funding for your business can be rather difficult. However, there are various **types of funding** for entrepreneurs in South Africa.

5.1. Types of Funding:

5.1.1. Debt finance

Debt finance is basically money that you borrow to run your business. It's when a business raises capital by borrowing. In exchange for lending the money, the individuals or institutions become creditors of the business and are entitled to the payment of interest and to have their loan repaid at the end of a given period.

This type of funding can be long-term or short-term. Long-term debt financing usually helps to cover a business's need to buy basic necessities, such as facilities, equipment and vehicles. Short-term debt financing includes debt securities with shorter repayment periods and is used to provide day-to-day needs such as inventory and payroll.

Although the term debt financing tends to have a negative connotation, start-up companies often use this form of financing to finance their operations. Even the healthiest of corporate balance sheets will include some level of debt. The

most popular source for debt financing is the bank, but debt can also be issued by a private company or even a friend or family member.

Debt Finance Organisations in South Africa

- The National Empowerment Fund

Contact: +27 (11) 305 8000; http://www.nefcorp.co.za/HomebrPage.aspx

5.1.2. Bank finance

Overdraft

An overdraft is the ideal way to manage your cash flow. It is linked to your business account and you can use as much as you need, up to your limit. It's quick and easy to arrange, the cash is available when you need it, and you only pay interest on what you use, not on the full amount at which your limit is set.

This type of funding is one of the most common ways to finance your business and is your best bet if your need for money is fairly short-term - to cover start-up requirements, for example. You will need a business plan to present to potential lenders and to calculate how much money you need to borrow. If your business has no assets which can be used as security, the bank will probably require you to give some personal assets or a personal guarantee as security.

Debtor finance

This is a form of funding to obtain the working capital needs of growing businesses. For example, Standard Bank purchases approved trade debtor invoices with an agreed portion, usually 75%, being paid at the time of purchase and a similar portion paid on all future approved trade debtor invoices.

- You can apply for debtor finance if your business meets these criteria:
- Minimum turnover of R200 000 a month
- Receive repeat orders from your customers
- Sell on credit terms not exceeding 120 days
- Trade with suppliers of sound financial standing
- Have few trade disputes
- All financial controls and administration should be fully computerised, allowing you to produce a monthly income statement and balance sheet.

Asset finance

Asset finance enables the business owner to buy movable assets and equipment in a way that makes it easiest to manage cash flow. Banks finance all types of capital equipment. For example:

- agricultural equipment
- aviation
- commercial fleets and buses
- computer installations (network and mainframe)
- earth-moving equipment and material handling
- fishing vessels
- machine tools
- mining equipment
- plant and machinery
- radiological and medical equipment

5.1.3. Angel investors

Unlike banks or other financial institutions, angel investors are willing to take a chance and invest smaller amounts of money in high-risk businesses, with the hopes of gaining high returns within a set period of time (usually five to ten years).

These wealthy individuals use their own funds to finance projects that they believe will be lucrative, or where they can use their talent and skill to mentor new entrepreneurs.

Angel capital fills the gap in start-up financing between friends and family and large venture capital investment - it is usually difficult to raise more than a few hundred thousand rand from friends and family, and most traditional venture capital funds usually only consider multi-million rand investments. This funding opportunity is therefore a common second round of financing for high-growth start-ups. Because it's extremely high risk, a very high return on investment is normally required.

Angel Investors in South Africa

- Angel Investment Network

Contact: www.investmentnetwork.co.za

- Angel Hub Ventures

Contact: www.angelhub.co.za

5.1.4. Private equity

Private equity consists of money from third-party investors that is pooled together and then invested into other businesses. They can commit large sums of money for long periods of time. Private equity companies usually seek to invest large sums of money into big businesses, but there are smaller private equity firms in South Africa that may be interested in making smaller investments. Be warned though, that securing private equity can be a time-consuming and difficult process.

Private equity firms usually look for entrepreneurs who have contributed to their businesses using their own funds, have a solid credit history, a well thought out business plan and the necessary experience and skills to successfully operate in their chosen field.

Private Equity Funding in South Africa

- Business Partners

Contact: +27 11 713 6600; www.businesspartners.co.za

- Ethos

Contact: +27 11 328 7400; www.ethos.co.za

- Leaf Capital

Contact: +27 21 657 1180; www.leafcapital.co.za

- Coast2Coast

Contact: +27 21 701 2232/ +27 11 036 9400; www.coast2coast.co.za

5.1.5. Venture capital

Venture capital (VC), a type of private equity, is equity funding provided by outside investors into early-stage, high-potential, high-risk ventures in return for above-average returns. The VC capital fund makes money by owning equity in the companies it invests in, which usually have a new technology or business model in high-tech industries.

This form of funding is attractive for new companies with limited operating history (and a tried and tested concept) that are too small to raise capital in the public markets and have not reached the point where they are able to secure a bank loan or complete a debt offering. In exchange for the high risk that venture capitalists assume by investing in smaller and

less mature companies, they usually get significant control over company decisions, in addition to a significant portion of the company's shares and future value.

VC funds provide strategic direction to ultimately grow investments to a profitable exit. This includes experience and insights into international expansion, legal requirements regarding exchange control and intellectual property (IP) protection and an international contact base to open doors for entrepreneurs. Among the main advantages of VC is that investors only realise their investment if the business does well. If it fails, there is usually no obligation to repay the investment.

It's essential that you do your homework before applying for venture capital to ensure that your offering matches their preferences.

Private Equity Funding in South Africa

- Silicon Cap

Contact: http://www.siliconcape.com/page/venture-capital-investors

- Knife Capital

Contact: http://www.knifecap.com/index.php

- 4Di Capital

Contact: http://www.4dicapital.com/

- GroVest

Contact: 011 262 6433; http://www.grovest.co.za/

5.1.6. Government funds

South African government funding assists previously disadvantaged South Africans to develop new businesses.

Department of Trade and Industry (dti)

The dti provides financial support to qualifying companies in various sectors of the economy. Financial support is offered for various economic activities, including manufacturing, business competitiveness, export development and market access, as well as foreign direct investment.
Contact: 0861 843 384, www.thedti.gov.za

Khula Enterprise Finance

Khula helps SMMEs to secure loans from banks. It does not lend money itself. Khula also provides mentorship to entrepreneurs, helping them to manage their businesses successfully. The mentorship programme includes the transfer of skills on a face-to-face basis, the development of viable business plans, and pre- and post-loan services.
Contact: 012 394 5560/5900, 0800 11 88 15, www.khula.org.za

South African Micro Finance Apex Fund (Samaf)

Samaf gives financial services to small-scale entrepreneurs living in rural and outer urban areas. Samaf does not lend money directly to the public. It uses existing institutions within communities to handle the funds and lend to qualifying entrepreneurs. Samaf has three products: the Micro-Credit Fund (gives loans to entrepreneurs), the Capacity Building Fund (gives funds to be used for equipping the institutions with skills, systems and equipment) and the Savings Mobilisation Fund (encourages savings).
Contact: 012 394 1805, www.samaf.org.za, www.thedti.gov.za

National Empowerment Fund (NEF)

The NEF's role is to support B-BBEE. It anticipates future funding and investment requirements to assist black entrepreneurs and communities achieve each element of the Codes of Good Practice. These include a focus on preferential procurement, broadening the reach of equity ownership, transformation in management and staff, while preventing the dilution of black shareholding.

The NEF differentiates itself not only with a focused mandate for B-BBEE, but by also assuming a predominantly equity-based risk to maximise the empowerment dividend. It applies sound commercial decisions to support national priorities and government policy and targeted investments through the dti's National Industrial Policy Framework (NIPF). The work of the NEF therefore straddles and complements other development finance institutions by allowing the organisations to work in close collaboration with each other.
Contact: 0861 843 633, www.nefcorp.co.za

5.1.7. Government grants

Grants do not have to be repaid, but they do require a considerable amount of paperwork. You will also be required to account for how you spend the money.

Black Business Supplier Development Programme (BBSDP)

The Black Business Supplier Development Programme (BBSDP) is a cost-sharing grant offered to black-owned small enterprises, to assist them in improving their competitiveness and sustainability, in order for them to become integrated into the mainstream economy and create employment.
Contact: 011 363 3000, www.bbsdp.co.za

Enterprise Investment Programme (EIP)

The Department of Trade and Industry's (the dti's) Tourism Support Programme (TSP) is a sub-programme of the Enterprise Investment Programme (EIP). It is a targeted incentive, aimed at supporting the development of tourism enterprises, thereby stimulating job creation and encouraging the geographic spread of tourism investment. The TSP is targeted at both local- and foreign-owned entities and offers a cash grant of up to 30% towards qualifying investment costs in furniture, equipment, commercial vehicles, land and buildings required for establishing a new tourism facility or expanding an existing tourism facility.
Contact: 0861 843 384, www.thedti.gov.za

Support Programme for Industrial Innovation (SPII)

The Support Programme for Industrial Innovation (SPII) is designed to promote technology development in South Africa's industry, through the provision of financial assistance for the development of innovative products and/or processes.
Contact: 0861 843 384, www.thedti.gov.za

The Co-Operative Incentive Scheme (CIS)

The Co-operative Incentive Scheme (CIS) is a 90:10 matching cash grant for registered primary co-operatives (a primary co-operative consists of five or more members). The CIS is an incentive for cooperative enterprises in the emerging economy to acquire competitive business development services and the maximum grant that can be offered to one co-operative entity under the scheme is R350 000.
Contact: 0861 843 384, www.thedti.gov.za

5.2. 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. If your ID was stolen, you must make a statement at your local police station that is was stolen, proof of your application for a new ID from Home Affairs and your passport or driver's licence. Non- South African citizens need to take a passport.

2. Proof of residence. This document must include your name and residential (not postal) address. Some examples of documents you could take are:

- Water or lights account (less than 3 months old)
- Payslip (less than 3 months old)
- Telephone account (less than 3 months old)
- Bank statement from another bank (less than 3 months old)

- Home loan statement (less than 6 months old)
- HP agreement
- SARS tax return or IRP5 form
- Insurance policy
- TV licence
- Motor car licence

3. As well as the documents listed above, 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.

Source: https://bizconnect.standardbank.co.za/start/funding/reference-documents/types-of-funding.aspx

5.3. Risks:

There are obvious risks associated with formal funding, such as:

- Costs incurred (e.g. From interest on loans, overdraft facility, etc.)
- Guarentee requirements from the lending institution (A personal guarantee is essentially a promise or agreement to make yourself personally liable for a debt. If you personally guarantee the debts of your business, your lender can go after the assets owned by the business as well as your personal assets if you default on the loan)
- Collateral requirements (For example, real property like an owner-occupied home, or represented by your business's inventory, cash savings or deposits, and equipment).

What other risks can you think of?

5.4. Alternatives to Funding:

If you have no credit history, or a poor one at that, or perhaps you simply would prefer not to seek out formal funding from the examples provided, what alternatives are there to consider? However, keep in mind the risks inherent in these opportunities too.

i. Friends and Family

Borrowing money from the people you're closest to in life is probably the longest-standing method of funding entrepreneurial endeavours. Many people are hesitant to borrow money from friends and family for fear of straining personal relationships, but--if you make it a point to hold up your end of the deal under all circumstances and borrow only from individuals who are in a position to lend without risking their own financial health--it can serve as one of the most effective ways to fund a business.

ii. Retirement Funds

As with borrowing money from friends or family to buy a business, some might consider using money from a retirement nest-egg risky. That said, it can often be an effective way to invest in your entrepreneurial endeavours and has had successful outcomes for more and more of today's business buyers

It's even possible to combine money from your retirement fund with loans and other funding methods for greater flexibility.

However keep in mind the legislation around retirement funds, as well as the stipulations you may be bound by with your private investments.

iii. Seller Financing

Increasingly today more business-for-sale transactions are resting on a seller's willingness to finance at least part of a sale. In a deal that includes seller financing, the seller takes part of the purchase price in cash and the remainder in the form of

a note that the buyer will pay back with interest over a period of three-to-five years. This has become essential; buyers are having difficulty accessing funds through traditional methods, therefore there's a natural gravitation toward seller-financed businesses to help offset some of the cost up front.

iv. Cash Sales

Street vendors and flea markets usually operate by only accepting cash. There are numerous savings an entrepreneur can make, most obviously, not incurring the expense of renting or purchasing a card machine, and the transaction costs thereafter. Also, you are receiving funds immediately, which is a major plus. Keep in mind that cash only businesses are on the decline generally.

v. Savings

Utilising your own savings means that the only person you would be held accountable to, is you. To raise these savings, perhaps you would need to put in extra work and act diligently in putting the money aside for your entrepreneurial dreams.

vi. No funding

Perhaps you simply start your business with no funding at all. This will work best in a service business, where one can start selling their services. Keep in mind that you may need certain things before you officially get going. For example, if you offer web design services, you would need a computer and access to the internet, at the very least.

	Please do **Activity 34** in your Activity Guide.

SELF-REFLECTION

	Reflect on what you have learnt by answering the questions in your Learner Activity Guide.

MODULE 5 – BUSINESS PLAN BASICS

Learning Opportunities

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

6. Understand the necessity of a Business Plan
7. Define business plan elements
8. Create an organizational structure

9. Be cognizant of the ethics around business
10. Compile a Business Plan

	Affirmation: ❤ *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.*

1 Why a Business Plan is necessary

You have come up with a solid business idea in your business team, you have acquired numerous new skills, and as we near the end of this Skills Programme, we will collate a lot of the information we have already prepared, and put together a formal **business plan**. Congratulate yourself on how far you have come, and how much you have already learned.

	Remember, your business plan is not set in stone. As you and your business grow, your plan will adapt and grow.

1.1. Why do you need a Business Plan?

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

A business plan not only assists one to plan for the future, but it is a management tool in identifying and analysing the internal and external factors that can affect operations. Some of these factors are out of your control, including economic conditions, the weather, changes in technology, competitors, etc. It also includes issues unique to your business, such as staffing and hiring, management policies, estimated cash flow, etc. A written plan provides the mechanism to tie all these factors together and effectively manage them.

In the event of applying for **funding** at the bank or any financial institution, the decision makers will require a business plan from you, in order to evaluate your application, to be able to make a decision on how much you qualify for.

1.2. Business Plan Milestones:

A written business plan also contains two important elements, the milestones of each which must be met in order for the business to stay on track:

- **Your marketing strategy**, which identifies your target audience and explains how you will position your product or service to reach that audience. Your specific advertising and promotional activities will be linked to sales targets.
- **Your operational plans**, which deal with how your business will conduct its day-to-day activities. The timing of these activities is crucial, since there is little point in running ads for a product that isn't available for sale.

1.3. Cash flow projections:

A good business plan also includes information pertaining to **cash flow projections**. These projections help establish if the business will meet its obligations to vendors and others who provide the business with goods or services. Having a good understanding of the financial needs of a new business helps convince potential sources of funding that the entrepreneur has thought the idea through. It also gives any actual investors a set of financial benchmarks for which the entrepreneur can be held accountable. If seeking funding one needs to know exactly how much they need, and for what purpose. Well-thought-out, justified ideas get serious consideration. Ask yourself the questions:

- What initial investment will the business require?
- How much control are you willing to relinquish to investors?
- When will the business turn a profit?
- When can investors, including you, expect a return on their money?
- What are the projected profits of the business over time?
- Will you be able to devote yourself full time to the business financially?
- What kind of salary or profit distribution can you expect to take home?
- What are the chances the business will fail?
- What will happen if it does?
- Do you have a backup or alternative plan?

In reality, when you complete your Business Plan for your own business that you inspire to start, entrust your mentor or close friend to have a look at it and point out the gaps. It may be a humbling experience, but a second set of eyes may spot something you did not think of and save you a lot of heartache and possibly even money.

	Self-Study Here's a fun article to give you tips on how to create a powerful business plan: https://www.entrepreneur.com/article/231525

	Please do **Activity 35** in your Activity Guide.

2 Business Plan Elements

2.1. Types of legal businesses

i. Sole Proprietor

Typical sole traders – or "one man shows" – are typically sole proprietors. For example, a guesthouse owner.

ii. Partnership

Partnerships are typically found in professional services, such as accounting, law, medicine, etc. Partners are great to share expertise and skills and can also share the workload, where one can take leave where the other manages the

business. Partnerships are made up of two or more people, and any profits, debts and decisions related to the business are shared. For example, a doctor's private practice.

iii. Company

Companies are owned by shareholders are put an amount of money into a central pool. This pool of capital is then added to by borrowing and other forms of finance. Directors run the company on behalf of shareholders, who receive a share of the profits. Each shareholder receives a portions or share of the company that is equivalent to what they put in. A company is seen as a legal entity that is entirely separate from the shareholders.

In South Africa, a company can either be a Closed Corporation (CC) or a Pty (Ltd) [Proprietary Limited]. One can no longer start a new CC unlike a Pty (Ltd), although you can purchase an existing CC "off the shelf" which is no longer in business, and have the name of the business, name of the directors, accounting officer and business address changed.

There are two types of companies, namely public and private companies. A public company make shares and stocks available for purchase (for example, on the Johannesburg Stock Exchange, or JSE) and a private company does not.

iv. Franchise

Franchises are licensing arrangements whereby an individual or group can buy the right to trade and produce under a well name brand name in a given locality. A franchise involves you using another company's successful business model – and name – to establish your own business. The franchisee benefits from working for themselves while having the privilege and reputation associated with a much larger group.

v. Limited liability

Limited liabilities are intended to benefit professional partnerships such as lawyers, doctors, etc. They offer a form of business protection for company shareholders and some limited partners. For these individuals, the maximum sum they can lose from a business venture that goes under, is the sum of money that is invested in the company. Limited liability allows the members to limit their personal liability if something goes wrong with the business.

2.2 Legal Compliance:

There are various legal registrations / regulations and / or levies one needs to comply with and these should be included in your business plan. This includes:

- **PAYE (Pay As You Earn):** A pay-as-you-earn tax is a withholding tax on income payments to employees. Not everyone is eligible to pay towards PAYE; for the latest minimum threshold, visit www.sars.gov.za (at the time of going to print, the minimum is less than R 5892.00 per month for the year 2016).
- **UIF (Unemployment Insurance Fund):** UIF gives short-term relief to workers when they become unemployed or are unable to work because of maternity, adoption leave, or illness. It also provides relief to the dependents of a deceased contributor. Unlike PAYE, a contribution towards UIF should be made by every employee – no matter their salary bracket.
- **VAT (Value Added Tax):** VAT is an indirect tax, which means it's not deducted directly from one's salary and it's used to raise significant funds for government. Thus, VAT is collected from registered businesses that are charging tax on goods or services. Here is a simplified example of how VAT works:
  - You buy items from a supplier, which includes VAT.
  - You sell these items to your customers, charging VAT.
  - You can then claim the difference between the VAT that you paid and the VAT that you collected, from SARS.

  There are two registration options, either compulsory or voluntary registration. If your income from selling goods or providing services is or exceeds R1 million in 12 months, it is compulsory for you to register for VAT.

- **RSC (Regional Services Council):** With the exception of specialised enterprises, such as liquor stores and arms dealers, businesses no longer need a license to trade in South Africa. They are, however, required to register with the Regional Services Council (RSC) in the area in which they operate.

  Once registered, the business is charged services levies based on its total bill for salaries and wages, as well as on gross sales. Returns and payments must be lodged on a monthly or annual basis as determined by the RSC.

To register with your local RSC, complete and submit Form RSC1 at the offices of your local Regional Service Council. These vary from council to council, so can't be made available for download online

If you own a legally registered company, you have to pay the RSC levy, even if you don't employ any full-time staff. Late payments attract penalties and interest charges.

- **COIDA (Compensation for Occupational Injuries and Diseases Act):** This Act states that all workers who are affected by occupational injuries and diseases are entitled to compensation. Needless to say, all employers who employ one or more workers in connection with their business or farming activities, are required to register with the Compensation Fund.

  A separate registration is necessary for each separate branch of a business, unless an arrangement for combined registration has been made.

  More information can be obtained here: www.labour.gov.za

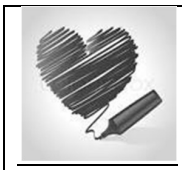
- **Skills Development Levy:** An employer must pay SDL if the employer pays annual salaries, wages and other remuneration in excess of R500 000. Employers with an annual payroll of R500 000 or less (whether registered for employees tax purposes with SARS or not) are exempt from this levy. The application form to register for SDL is the same form that is used to register for employees' tax (EMP101). The monthly return for SDL is combined with the monthly return for employees' tax, which means that the same terms and conditions apply.
- **Various Industry Regulations:** If you are a professional who works in Travel & Tourism, the Medical field or as an Estate agent, you are obligated to register with the appropriate board, and pay the relevant fees. For a comprehensive break down of all the regulated industries in South Africa, please go to: https://www.oxford.co.za/download_files/cws/Ch%2011%20Industry%20regulation%20in%20South%20Africa.pdf
- **Registration as an Exporter:** Any person who intends exporting goods from South Africa must register with SARS as an exporter. Exporters who export non-commercial goods, of which the value for each consignment is less than R20 000, provided that this is limited to three exportations per calendar year, are excluded from registration.
- **Environmental Levy:** An environmental levy is charged on certain plastic carrier bags and grocery bags at a rate of 3 cents per bag. Plastic bags used for immediate wrapping/packaging, refuse bags and refuse bin liners are excluded from paying this levy.

2.3 Identifying resources to complete Business Plan

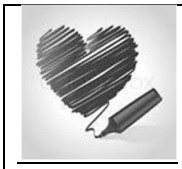
When seeking resources to assist you when compiling your Business Plan, consider these resources:

Resource	Description	Website
SME South Africa	Online media portal featuring SME news in SA as well as in the region and globally. The publication is dedicated to small and medium businesses, covering start-ups, entrepreneurs and all developments relevant to SMEs.	www.smesouthafrica.co.za
Awethu Project	The Awethu Project states that they are using entrepreneurship to build a country we all want to live in, where every South African has the opportunity to realise their potential. They state that they are the most innovative SMMME investment company in South Africa; whether you're a spaza shop owner or a Black Industrialist, they have a programme designed for you.	www.awethuproject.co.za
Entrepreneur Magazine	Entrepreneur magazine is a premium South African business magazine. Each issue delivers relevant, incisive, high-	www.entrepreneurmag.co.za

	quality content that not only inspires entrepreneurs to achieve their own business success, but delivers a 'call to action' as well.	
Hubspot	Hubspot sees themselves as pioneers in making the marketing and sales process human in that they treat buyers like people, not numbers on a spreadsheet; they build an inbound community and help people achieve their business goals in a more personable, empathetic way. Although they sell some of their tools, a lot of them are free, and the blog is filled with great information.	blog.hubspot.com
Entrepreneur Mom	Although this website may be geared at Entrepreneur Mom's, it contains a wealth of information for Entrepreneurs – whether you are a mom or not!	www.entrepreneurmom.net
Standard Bank Biz Connect	A plethora of useful articles, resources and templates for Entrepreneurs.	www.bizconnect.standardbank.co.za

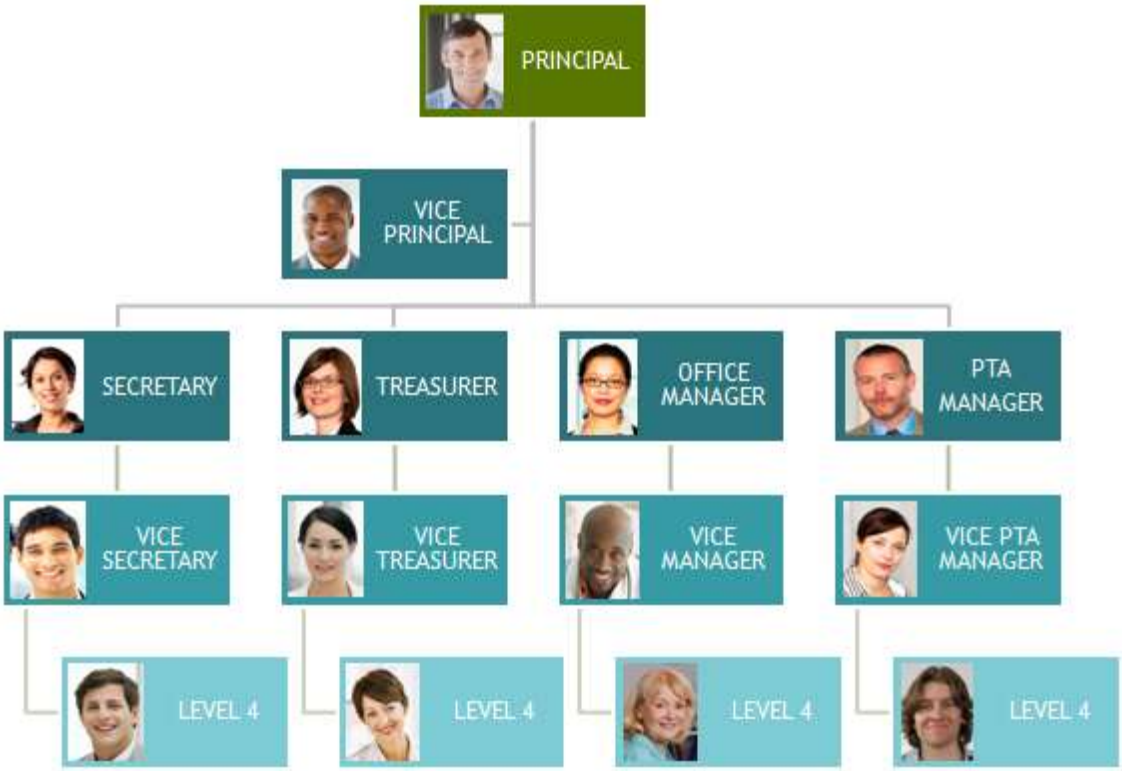
	Please do **Activity 36** in your Activity Guide.

3 The organizational structure

	Please do **Activity 37** in your Activity Guide.

3.1. What is an organogram?

An organogram is a diagram that shows the structure of an organisation and the relationships and relative ranks of its parts and positions or jobs. A basic organogram may look like this:



3.2. What is the purpose of an organogram?

The purpose of having a formal structure include:

- Purpose - provides guidance to all employees by laying out the official reporting relationships that govern the workflow of the company.
- Significance - Without a formal organizational structure, employees may find it difficult to know who they officially report to in different situations, and it may become unclear exactly who has the final responsibility and authority for what.
- Relevancy – When starting up a business, the entrepreneur may be fulfilling one or more of the key functions, to enable growth. Employment can be considered once the business is meeting your desired. In other words, this decision is based on concrete figures calculated beforehand (and not an emotional decision).

3.3. Types of structure:

There are two main types of structures, including a flat or tall organisational structure:

1. In a flat structure, front-line employees are empowered to make a range of decisions on their own. Information flows from the top down and from the bottom up in a flat structure, meaning communication flows from top-level management to front-line employees and from front-line employees back to top management.

2. In a tall organizational structure, managers make most operational decisions, and authority must be gained from several layers up before taking action. Information flows are generally one-way in a tall structure — from the top down.

In a small business, there are a few core departments which are necessary:

- Administration - The chief executive officer, also called the company president, and any other managers involved in making decisions for the company are a part of the administration department.
- Accounting - handles the bookkeeping for a business.
- Marketing and Advertising - responsible for developing product packaging, pricing, and creative materials for informing potential customers of the company's offerings.
- Production - orders inventory for production when needed, fulfils production orders specified by management and coordinates with the marketing and advertising department to make changes to products.

- Sales - coordinate their sales force to build customer relationships, meet particular revenue goals and pitch new products.
- Human resources - identifies current and future human resources needs for an organisation to achieve its goals.

	Please do **Activity 38** in your Activity Guide.

4 The Ethics of Doing Business

A code of ethics is a collection of principles and practices that a business believes in and aims to live by. A code of business ethics usually doesn't stand alone, it works in conjunction with a company's mission statement and more specific policies about conduct to give employees, partners, vendors, and outsiders an idea of what the company stands for and how it's members should conduct themselves.

Policies can include issues such as a company's commitment to not work with vendors who use child labor or are environmentally harmful, not discriminating in their hiring, and not taking bribes.

"A code of ethics is about corporate culture," - Michael Connor, editor and publisher of online magazine Business Ethics

4.1. How to Write a Code of Ethics for Business:

4.1.1. Setting Priorities

Laying out a code of ethics is deciding what values are important to the business, and what lines it won't cross.

Having HR educate incoming employees about the code of ethics and the company's culture is especially important in the age of increasingly rapid job turnover.

4.1.2. Getting Input

A common mistake that companies make when drafting a code of ethics is not to consult employees. Even if you think you're in tune with the daily trials and tribulations of your staff, you should invite broader participation in the crafting of the code.

4.1.3. Don't Sweat the Small Stuff

Making sure your code of ethics is neither too vague, nor too specific can be a challenge, and a slip up can make employees resentful of the endeavor.

4.1.4. Particular Pitfalls

Some ethical dilemmas can be felt much more powerfully through a small business than through a larger corporation. For example, an office romance, or nepotism.

4.1.5. Who to Turn to for Help

If you have more than 20 employees, it's time to consult an ethicist or human resources specialist.

4.1.6. Putting Someone in Charge

Even if senior management and employees embrace a code of ethics, someone needs to be put in charge of applying and updating it. This person is typically known as an ethical officer or, in a compliance officer. They need to be reliable, have a strong commitment to the company's success, and good people skills. They also need to have access to senior management or the board of directors for periodic updates or in case a problem arises.

5 Business Plan Template

(Insert Your Business Name here)

(Brief Description)

Business Plan

(Date)

Table of Contents

Summary

This will be a summary of your business.

Vision

This is a statement capturing the essence of your business. The vision is separate from your goals for having started your company. This is directly 'why' you chose 'this' business specifically.

Mission

What will your company stand for? What are your goals? The mission is similar to your vision, but has more of 'how' you will achieve this.

SWOT Analysis

*This is a list of the Strengths, Weaknesses, Opportunities, and Threats regarding your business. Threats and Weaknesses are not a problem, not knowing about them however **is** a problem.*

STRENGTHS	*WEAKNESSES*
1. *2.* *3.*	*1.* *2.* *3.*
OPPORTUNITIES	*THREATS*
1. *2.* *3.*	*1.* *2.* *3.*

Once you have filled out a few points for each in your SWOT analysis, ask yourself the following:

** How can I use these strengths to profit from the opportunities?*

** How can I use these strengths to counteract potential threats?*

**How do I ensure that the weaknesses do not ruin the opportunities?*

** What if these weaknesses combine with these threats, what action can be taken?*

Objectives

What do you want to achieve in your business? Who do you want to help, how many people will you be helping?

Action plan

List three or four strategic actions steps which must be completed in the short, medium, and long term.

The type of business you are setting up (do you need a seamstress to make clothing, office supplies, catering equipment, license to trade, first aid certificate, etc.) will really determine these next steps, especially short and medium term, as well as the next section: budget.

Immediate (short-term) Actions:

i.e. (as required): potential licencing, registrations, certification, insurance, sourcing suppliers, materials, financing

Medium-term Actions:

Website, social media, marketing

Long-term Actions:

Designed to increase profits, strengthen reputation, increase clients etc.

STRATEGY (as listed above)	***ACTION PLAN***	***PERSON RESPONSIBLE (if appropriate)***
Set up Website	*Hire freelance designer for website, logo, business card, stationery*	
Social Media	*Set up Linked In, Twitter, Facebook* *Add content and engage daily*	
Advertising	*Source ad rates from local publications*	

Timing

Lists when you aim to achieve the result and who is responsible for it. These should be in priority order and are critical for accountability.

Financial / Budget

Break down Action Plans from above, separating short, medium and long term goals, along with the cost of each one. This can be a separate attachment entirely, perhaps an Excel sheet, or just an added column above. Numbers aren't scary; it gives you a place to start.

	Please do **Activity 39** in your Activity Guide.

	Please do **Activity 40** in your Activity Guide.

	Please do **Activity 41** in your Activity Guide.

Conclusion

You've made it to the end of this Skills Programme, and you deserve a massive "CONGRATULATIONS"!

Remember that this is a journey; for you to be truly successful, you need to constantly be learning, growing and evolving. You'll have plenty more opportunities for that in the upcoming Skills Programmes. However, don't let your learnings here stop; the best way to solidify your learnings is to teach others. Impart your new knowledge to your friends and family. Enlighten them about what you've learned are your strengths and developmental areas as an entrepreneur. Continue to update your PDP, as well as your vision board. Repeat your affirmations, and seek out new ones.

All the best!

Don't quit:

'When things go wrong, as they sometimes will;

When the road you're trudging seems all uphill;

When the funds are low and the debts are high;

And you want to smile but you have to sigh.

When all is pressing you down a bit-

Rest if you must, but don't you quit

Success is failure turned inside out;

The silver tint on the clouds of doubt;

And you can never tell how close you are;

It may be near when it seems far.

So stick to the fight when you're hardest hit –

It's when things go wrong that you must not quit.'

- *JOHN GREENLEAF WHITTIER*

SELF-REFLECTION

	Reflect on what you have learnt by answering the questions in your Learner Activity Guide.

END OF DOCUMENT