Research The Viability Of New Venture Ideas/Opportunities

Unit Standard 114596
NQF Level – 4    Credits – 5
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<tr>
<td>Cellular</td>
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<tr>
<td>ID Number</td>
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</tr>
<tr>
<td>Learner Number</td>
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**INTRODUCTION**

This module belongs to you. It is designed to serve as a guide for the duration of your course and as a resource for after the time. It contains readings, activities, and application aids that will assist you in developing the knowledge and skills stipulated in the specific outcomes and assessment criteria.

Follow along in the guide as the facilitator takes you through the material, and feel free to make notes and diagrams that will help you to clarify or retain information. Jot down things that work well or ideas that come from the group. Also note any points you’d like to explore further.

Participate actively in the skills practice activities as they will give you an opportunity to gain insights from other people’s experiences and to practice the skills. Remember to share your own experiences so that others can learn from you too.

Each section will be preceded by outcomes and assessment criteria taken from the South African Unit Standards, where available. These will describe what you must know and be able to do in order to successfully complete the course. If the course is aligned to Unit Standards, you will be able to receive credits towards a National Qualification upon successful assessment.

**Programme Overview**

**Purpose**

In order to achieve the credits and qualify for the appropriate registered standard, determined by the Sector of Education Training Authority, you are expected to have demonstrated specific learning outcomes.

**Specific Outcomes**

Specific Outcomes describe what the learner has to be able to do successfully at the end of this learning experience.
Assessment Criteria

The only way to establish whether a learner is competent and has accomplished the specific outcomes, is through the assessment process. Assessment involves collecting and interpreting evidence about the learners’ ability to perform a task. This module includes assessments in the form of self-assessments, group tasks, quizzes, projects and a practical training programme whereby you are required to perform tasks and collect, as portfolio of evidence, proof signed by your facilitator that you have successfully performed these tasks.

To Qualify

To qualify and receive credits towards your qualification, a registered Assessor will conduct an evaluation and assessment of your portfolio of evidence and competency.

Range of Learning

This describes the situation and circumstance in which competence must be demonstrated and the parameters in which the learner operates.

Responsibility

The responsibility of learning rests with you, so ..........

✓ Be proactive and ask questions
✓ Seek assistance and help from your facilitator, if required.

How You Will Learn

The programme methodology includes facilitator presentations, readings, individual activities, group discussions and skill application exercises. Know what you want to get out of the programme from the start and start applying your new skills immediately. Participate as much as possible so that the learning will be interactive and stimulating.

How you will be assessed

This programme has been aligned to registered unit standards. You will be assessed against the outcomes of the unit standards by completing a assessments that cover the essential embedded knowledge stipulated in the unit standards, and by compiling a portfolio of evidence that provides proof of your ability to apply the learning to your work situation. When you are assessed as competent against the unit standards, you will receive 10 credits towards your National Qualification.
**Personal Objectives And Expectations**

You will get much more out of the programme if you take some time to think about the things you would like to achieve as a result of the training.

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UNIT STANDARD

Unit Standard Title
Research the viability of new venture ideas/opportunities

Unit Standard ID
114596

NQF Level
4

Credits
5

Purpose
This Unit Standard is aimed at learners who wish to identify and screen new ideas and/or opportunities with the intention of establishing and/or participating in a new venture. The qualifying learner is capable of finding information about different industry sectors; explaining the purpose of potential new ventures; identifying characteristics of successful ventures and evaluating new venture opportunities.

Learning Assumptions:
Learners accessing this qualification will have demonstrated competence in Computer Literacy, Mathematical Literacy and Communications at NQF level 3 or equivalent

Unit standard range
✓ Risks include demand, competition, capability to produce/service at an economic and marketable price, level of capital require.
✓ Failure factors include capital management, credit management, technical ability, market access and size, marketing/selling skills, management capability, business growth, personal life conflict.
✓ Evaluation refers to the size and type of market segment, product range, sources of supply, physical facilities, essential services, financial resources, return on investment, staffing needs, technology requirements, legal/regulatory compliance, growth potential

Specific Outcomes And Assessment Criteria
Specific outcome 1: Identify and assess own business ideas/opportunities for a new venture.
Assessment criteria
✓ An own business is discussed in terms of its advantages and disadvantages for the owner, the labour market and the business sector

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✓ Sources and methods of access to general and commercial business information are identified for proposed business venture
✓ Reasons for selecting or rejecting a particular new venture idea/opportunity are explained with examples
✓ Essential features of the new venture are identified in terms of market share, sales volume, asset value, and extent of independence from outside control

**Specific outcome 2:** Analyse the viability of a selected idea/opportunity against specific screening variables.

**Assessment criteria**

✓ The aptitude, interests and values of the potential owner are screened for suitability to the new venture
✓ The market conditions are assessed to determine the viability of the new venture
✓ An assessment is made of the competition the new venture is up against
✓ The access to relevant technology and other resources needed for the new venture is analysed to aid a decision on the viability of the new venture

**Specific outcome 3:** Research the potential of a particular idea/opportunity as a new venture.

**Assessment criteria**

✓ A personal profile of an entrepreneur is matched to the type of work, product or service that has potential as a new venture to ensure compatibility
✓ Training needs to ensure success of the new venture are identified for all persons involved in the venture
✓ Market research is conducted including analysis of demand for the product/service and competitor analysis
✓ The most suitable location of the new venture is investigated to aid a decision on the location of the new venture
✓ Constraints on trade and applicable by-laws are investigated to ensure that there are no legal obstacles to the establishment of the new venture

**Specific outcome 4:** Analyse a range of risks associated with a new venture.

**Assessment criteria**

✓ The concept of risk management is explained with examples
✓ The potential risks and factors that may threaten the new venture are identified and analysed with a view to eliminating and/or minimising them
✓ The risks associated with being an employer are explained
✓ The possible measures to reduce risk are explained with examples from a real or simulated new venture
✓ The insurance and security needs associated to risks in the new venture are investigated.

**Specific outcome 5:** Evaluate new venture ideas/opportunities based on research findings

**Assessment criteria**

✓ Criteria are established for evaluating the success of a new venture
✓ A preliminary evaluation of the proposed new venture is produced in the form of a written report, using the identified criteria.

**Unit Standard Essential Embedded Knowledge**

✓ Methods and techniques for assessing and analysing information associated with new venture opportunities.
✓ How to evaluate new venture opportunities.
✓ The types of new ventures and opportunities.
✓ The Labour Market study
✓ Researching the industry and the broad market
✓ Consumer, competitors and supplier research
✓ Interpreting research findings
✓ Identifying your target market
✓ Estimating the size of the market
✓ Conducting own research
✓ Risk management, insurance and security

**Critical cross-field outcomes**

Upon successful completion of this course, the learner will be able to:

✓ Identify and solve problems and make decisions, which arise during the process of assessing, analysing and evaluating new venture opportunities.
✓ Organise oneself and one’s activities by using structured methods in investigating and assessing new venture opportunities.
✓ Collect, analyse, organise and critically evaluate information which will assist in the investigation and assessment of new venture opportunities.
✓ Demonstrate an understanding of the world as a set of related systems by explaining the potential impact of proposed new venture decisions.
✓ Develop entrepreneurial opportunities.
SECTION ONE: YOUR OWN BUSINESS

Specific Outcome
Identify and assess own business ideas/opportunities for a new venture.

Assessment criteria
On completion of this section, you will be able to ensure that:

- An own business is discussed in terms of its advantages and disadvantages for the owner, the labour market and the business sector.
- Sources and methods of access to general and commercial business information are identified for proposed business venture.
- Reasons for selecting or rejecting a particular new venture idea/opportunity are explained with examples.
- Essential features of the new venture are identified in terms of market share, sales volume, asset value, and extent of independence from outside control.
**Introduction**

To start your own business will need careful planning and lots of perseverance. It will not always be easy, but if you succeed, you will enjoy the benefits of hard work. Every successful businessperson will tell you that he achieved what he did through hard work.

When you intend starting a new venture it is good to have an idea of what you want to do. If you don’t have any idea of what to do, that is not a great problem. Some people lose their jobs and are forced to start some sort of a business to survive. Others are luckier and have money available to invest in an undertaking, but do not know what type of business to start.

Therefore, whether you know what type of business you are going to start or not, the basic principles remain the same.

Unfortunately, many people who start out in business don’t succeed. This may be for various reasons but whatever the reason, it is sad that something that someone has put his heart in and worked hard for has failed.

This learner guide will give you some guidelines to help you on your way to becoming successful in your new venture. GOOD LUCK! If you’re going to spend the time and effort to start a business venture, you might as well do it properly and be successful at the end.

**Starting Your New Venture**

Some important factors need to be considered when starting a new business venture. These include:

**Type of business**

You might have an idea already. Make sure that you have a working knowledge of the type of business you intend starting. It would be unwise to start a mechanical workshop if you do not know which side of a screwdriver goes in your hand. Often people start a hobby, which then later becomes a business venture. This is the ideal situation, as you are doing what you like and earning a living from it.

**Viability of the business**

You must do market research to establish whether your business will have a chance of success as you plan to do it. Determine what demand there is for your product or service. Consider elements like the makeup of the population, access to the business, logistics, etc.

**Owner’s knowledge and skills**

If the owner does not “suit” the business, or vice versa, chances are that the business will fail. If you are going to provide a service where you need to work with people all the time you need to have the personality and necessary “people skills” to be successful in business. If you do not have the personality and/or skills to work and communicate with people effectively, find something else, where regular contact with people is not necessary.

**Premises**

The nature of your business will determine the nature of the premises where the business will be conducted:
Premises must comply with legal requirements with regard to lighting, water supply, ablution facilities, waste disposal, air- and water pollution, etc.

Avoid renting premises that you will not utilise fully, even if you get it at a good price. Unused offices or stores could provide opportunities for criminal activity. Sub-let if possible.

Make sure of all details of rental contracts and agreements and get legal advice, if necessary, to avoid costly disputes in future.

Risks

Consider risks related to:

- **Demand** – if you cannot provide a steady supply to meet the demand of customers, they soon seek greener pastures elsewhere. On the other hand, if there is no demand for your service or product, you won’t sell anything.

- **Competition** – know what your opposition does and stay abreast with them. Avoid sensitive information about your business reaching your opposition.

- **Market demands** – you must be able to put your product or service into the market at a competitive price and still make money.

- **Capital required** – this is normally the biggest risk facing any prospective entrepreneur. You might be required to mortgage property in order to get a loan from the bank. Whether you use your own or someone else’s funds, the management thereof must be carefully planned and monitored.

Finance

You can finance the business yourself if it is within your means to do so, but be careful to tie up too much of your own money in the business. Financing options should be carefully considered in terms of cost, term of payment, interest, etc.

Legislation

Decide the legal form of your venture e.g. sole owner, partnership, cc, etc. and acquaint yourself with legislation that will affect your business and the management thereof, e.g. labour-, health and safety-, employment legislation.

Labour

Determine what the labour- and labour management requirements are. Any work force needs to be managed effectively to perform effectively.

Information

You must know where to find information and/or advice about starting your business venture. If you know where to look you can find all the information you need to start a new business venture without too much trouble and much of it free of charge. Refer to module 1 unit standard

The Advantages Of Being An Entrepreneur

Most small business owners agree that there are many reasons why they prefer to run their own businesses than to work for someone else. Among the most important reasons for this are:
The opportunity to control your own future. While there are always risks involved, having your own business allows you to chart your own direction and goals. This means not having to rely on a superior’s assessment of your performance, for instance, before getting promoted.

The opportunity to reach your full potential. By working out your own ideas and plans, your business becomes an expression of your ability and creativity. Many jobs are not like this, and can leave people feeling bored and unmotivated.

The opportunity to make a difference. Many entrepreneurs are driven by the results that their business delivers. This can make your work very fulfilling, especially when the impact of your business is great enough to see a difference in the people and environment around you.

The opportunity to do what you enjoy. Entrepreneurs will frequently turn their hobbies or passions into an enterprise, allowing them to do what they most love, every day.

The opportunity to earn more. When you work for a salary the salary is normally limited to within certain scales, while having your own business really allows unlimited earning potential. It all depends on the success of your business, of course, and it would be a mistake to think that all business owners are wealthy.

The Disadvantages Of Being An Entrepreneur

No one will deny that running your own business is demanding and risky, so you need to be completely committed to doing it. These are the main drawbacks you will face:

You could lose the money you put into the business. For most people, starting a business will be a lifelong dream, and they will put just about all their money into it. The high number of small business failures tells us that there many people will lose their hard earned money in this way.

Your income will be uncertain. There is no guarantee that you will earn enough to survive. Part of your planning must include ways of ensuring that starting a business won't leave you without a roof over your head, but there are always setbacks that you can't foresee.

Your working hours will be long and hard. There is no knocking off when your eight hours of work is done. Your business will survive only if you give it the time it demands, and there is sometimes no limit to the things you must accomplish each day.

You will have to face stressful times, especially starting up. Entrepreneurs have to deal with the anxiety of what could happen if the business fails, while at the same time staying focused on the job at hand. You need to be able to live with high levels of stress without letting it affect your business or family life.

You have to be responsible for everything that goes on, as well as your employees. As a business owner, you cannot deny responsibility for things that fall outside your job description, as you could as an employee. In the business, everything falls into your job description and you are ultimately responsible for the entire operation and its activities. This is quite a burden to bear.
The Contribution That Entrepreneurs Make To Society

More than 95% of businesses in South Africa are small enterprises. Together, they contribute about 35% of the country’s gross domestic product (GDP).

Even though most small enterprises are micro businesses (that is, they employ less than five people each), they employ over half the number of people who work in the private sector. This is why government has identified small enterprises as vital in the fight against poverty and unemployment, as larger companies are not creating enough job opportunities.

Entrepreneurs, those people who make something happen from nothing, are the driving force behind small enterprises. Government can provide support for these businesses, but it cannot make them happen without the energy and vision of individual entrepreneurs, who can see the opportunities at grassroots level and who come up with the ideas to establish successful businesses to the benefit of the whole community.

It is however not only the community that benefits from successful businesses. Good business, no matter where or what the volume of business, is good for the particular industry or business sector, as it creates trust in that industry or sector. People spend money with people whom they trust.

In the United States, 25,1 million of its 25,5 million businesses (that is, 98% of all US businesses) are considered to be "small". These small enterprises employ 52% of the national private sector workforce.
**Labour market**

Starting your own business can have advantages to the labour market, as you will be providing employment opportunities. The table below shows the number of registered job seekers per province in 2004.

As with everything where there are advantages, there are also disadvantages. Some of the disadvantages to the labour market could be that you only provide one or two job opportunities or that you need employees with a certain level of knowledge and skills, thereby not affecting the labour market needs of less skilled job seekers.

**Table 1: Registered job seekers by province, January - December 2004**

<table>
<thead>
<tr>
<th>Province</th>
<th>2004</th>
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<tbody>
<tr>
<td>Eastern Cape</td>
<td>59 690</td>
</tr>
<tr>
<td>Free State</td>
<td>12 262</td>
</tr>
<tr>
<td>Gauteng South</td>
<td>17 120</td>
</tr>
<tr>
<td>Gauteng South</td>
<td>-</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>60 789</td>
</tr>
<tr>
<td>Limpopo Province</td>
<td>33 118</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>99 568</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>3 820</td>
</tr>
<tr>
<td>North West</td>
<td>21 240</td>
</tr>
<tr>
<td>Western Cape</td>
<td>7 977</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>315 584</td>
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_Source: Department of Labour - UIF and job seeker statistics_

**Table 2: Registered job seekers by education, January - December 2004**

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<td>Special school</td>
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<tr>
<td>None-Grade 7/Std 5</td>
<td>62 051</td>
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<tr>
<td>Grade 8/Std 6 –Grade 9/Std 7</td>
<td>53 002</td>
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<tr>
<td>Grade 10/Std 8 –Grade 11/Std 9</td>
<td>78 197</td>
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<td>Grade 12/Std 10</td>
<td>97 855</td>
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<tr>
<td>Higher than Grade 12/standard 10</td>
<td>20 044</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>315 584</td>
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</table>

_Source: Department of Labour - UIF and job seeker statistics_
Some disadvantages of having employees to a business owner would be having to allocate the time to negotiate with trade unions about working hours, conditions and wages. If this leads to a strike, the business loses productivity and business, which affects the profitability of the business. The table above shows the number of workdays lost due to industrial action between 2000 and 2004.

Unfortunately, this is not only a loss to business, but employees also lose income during industrial action.

Another disadvantage to labour of new businesses starting is that there is the anticipation of employment opportunities that fall away if the business closes.

**Business sector**

Businesses can be classified into three sectors according to their activities.

- **Primary sector:** This sector is involved in exploiting natural resources in their raw and unprocessed form.
- **Secondary sector:** This sector is involved in processing and converting these exploited natural resources into a final product.
- **Tertiary sector:** This sector is responsible for conveying the final products from the manufacturer to the consumer.

There are many advantages to a business sector when entrepreneurs start businesses. A new entrepreneur entering the sector often brings a fresh point of view and some sort of innovation.

<table>
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<tr>
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<th>2003</th>
<th>2004</th>
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<td>13 073</td>
<td>4 400</td>
<td>28 833</td>
<td>59 714</td>
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<tr>
<td>Mining and quarrying</td>
<td>364 210</td>
<td>229 042</td>
<td>94 547</td>
<td>279 176</td>
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<td>Manufacturing</td>
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<td>Wholesale and retail trade</td>
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<td>249 099</td>
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<td>121 781</td>
<td>188 579</td>
<td>4 660</td>
<td>48 717</td>
<td>72 644</td>
</tr>
<tr>
<td>Financial, insurance, real estate and business services</td>
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<td>0</td>
<td>0</td>
<td>180</td>
<td>35 428</td>
</tr>
<tr>
<td>Community, Social and personal services</td>
<td>922 322</td>
<td>98 575</td>
<td>451 479</td>
<td>17 775</td>
<td>464 562</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1 669 966</strong></td>
<td><strong>953 610</strong></td>
<td><strong>615 723</strong></td>
<td><strong>919 780</strong></td>
<td><strong>1 286 003</strong></td>
</tr>
</tbody>
</table>

Source: Department of Labour, strike statistics
into the sector, from which all businesses can benefit. An example is the cell phone companies who entered the communications market and changed the perspective of all industries in this sector.

More businesses mean more competition, which leads to better products and services as well as improved customer relations.

New businesses often introduce new or improved products to the market, which influence all the sectors of business.

The efforts that businesses make to gain the competitive edge means that new ideas, products and services enhances competition in the market and as a result improves the offering of the entire business sector.

Of course, new businesses also have disadvantages to a business sector. Resources such as water and electricity, mineral deposits, food products, etc. now have to be shared between more users. As resources are already scarce, new businesses increase the demand, possibly pushing up prices.

Also, while new businesses increase competition to the benefit of the entire industry, when businesses close down it also has a negative effect on the sector. Customers lose faith in the products and general business environment, it causes unemployment and reduces the spending of the community.

### Getting Information

In the process of starting a new business venture, you are going to need lots of information about what to do, how to do it, what not to do, etc. People who have worked in a business environment before starting their own business will have the advantage of already having acquired much of the knowledge and skills required to start a new business in their previous work situation.

If you don’t have the necessary knowledge or skills, all is not lost. Information is readily available if you know where to look.

Several sources of information exist, and depending on the facilities at your disposal, you can use all of them effectively to obtain all necessary information.

### Other Business Owners

All business owners aren’t willing to share information, especially if you are going to operate in opposition to them, but most business owners are starting to realise the advantages of networking and are therefore becoming more willing to exchange information. Valuable information about e.g. unique traditions in a region or special permission to operate in a certain area can be gained from other business owners.

### Your Business Association

Most industries have business associations that have regular meetings, newsletters and websites containing information important to that industry. You can contact other business owners through these associations. Many suppliers also advertise in these newsletters and websites.

### Suppliers And Customers

Suppliers have been operating in the area for some time and can give you valuable information about trends in your area e.g. what product lines are popular, seasonal trends, etc.
Likewise, customers have also been around for some time and will often tell you their needs and preferences without you having to ask.

"The DTI" – The Department Of Trade And Industry

It is the function of the Department of Trade and Industry ("the dti") to provide and maintain the infrastructure to effectively govern business activities in South Africa.

"The dti" also assist would-be entrepreneurs by providing all relevant information about starting a new business venture. This information is communicated using pamphlets, posters, fact sheets, reports, etc., as well as on their website at www.thedti.org.za.

Where necessary they will guide you to the appropriate person, department, organisation, etc. to obtain further or more specific information if they do not have it readily available.

Workshops and seminars are conducted from time to time where you can also get information and advice on how to start your new venture.

As part of government’s involvement in the promotion of establishing small business as a measure against poverty and unemployment, the Small Enterprise Development Agency ("seda") was established in December 2004 through the enactment of the National Small Business Act of 1996, as amended.

"seda" – Small Enterprise Development Agency

The “seda” Mandate

“Seda's” mandate is to design and implement a standard and common national delivery network that must uniformly apply throughout South Africa in respect of small enterprise development, integrating all government funded small agencies across all tiers of government.

“The mandate includes the support and promotion of cooperative enterprises to reach a greater variety of enterprises, particularly those located in rural alternative forms of enterprises, will be an important way to facilitate the integration of the second economy into the first economic sector.” - Minister Mandisi Mpahlwa - December 15, 2004.

The Target Market

“Seda's” efforts are aimed at its primary stakeholder, small enterprises in South Africa and improving the viability and socio-economic contribution of this sector. The focus is on developing products and services to assist small, micro and co-operative enterprises, while continuing to provide the existing products and services to medium enterprises.

Establishing A National Footprint

One of seda's key initiatives is to establish a national footprint, covering every province, district and local municipality in the country. The rollout process involves:

- A common brand across the country.
- Common service delivery standards across service points.
✓ A minimum set of products and services.
✓ A common database for clients.
✓ Adherence to corporate governance in line with the Public Finance Management Act, the National Small Business Act and any required governance principles.
✓ Linkages with business associations.
✓ Appointing local people at its branches.
✓ Intensive consultations with the relevant provincial and local authorities.

Products and services

“Seda's” envisaged delivery network consists of the national “seda” office, provincial “seda” offices, “seda” branches at district level and enterprise information centres at local municipality level.

The main service delivery point will be the “seda” branches, where entrepreneurs will receive assistance with:

✓ Information, advice and referrals
✓ Tender information and advice
✓ Training
✓ Import and export training
✓ Trade information
✓ Company audits and assessments
✓ Technical support
✓ Business coaching and mentoring
✓ Market access and business linkages
✓ Co-operative enterprise development

A limited range of products and services will be available at the enterprise information centres, including:

✓ Information
✓ Advice and counselling
✓ Referrals
✓ Tender information and advice
✓ Basic business planning
✓ Training
✓ Following are the contact details for “seda”:

CEO
Mrs A N Damane

Tel.
0860 103 703

Fax.
+27 (12) 441 2064
The Internet

The internet is the biggest source of information ever. It is the ideal tool to use when looking for information, providing you have access to a computer and the internet. Literally millions of websites exist where you can access some form of information about starting a business. Many of them require membership subscription before information can be accessed. There are however sites, like the “seda” website, that provide a “one stop” solution to any queries you might have about starting a new venture.

The DTI” and “seda” deserve to be commended for the quality of presentation of information on their websites and it is strongly recommended that any prospective entrepreneur visit these sites for valuable guidance and advice.

The “seda” Website – www.seda.org.za

As mentioned already, you can get most information about starting a new venture on this site. Of particular help are the fact sheets, which you access from the homepage. Here you will find fact sheets on various subjects relating to starting and managing your own business.

There is also an “online course for business start-ups” with links to all the relevant sites to obtain more or specific information.

Professional Advice

Between the sources of information mentioned above, you should be able to find all information you might need to start your business. If, however, you should feel that you are not sure about some aspect relating to starting your new venture, you can always seek professional help in the form of a lawyer, bookkeeper, business consultant, etc. Just remember that these people do not normally provide free advice or assistance.

What Is A Small Business?

There is no definition of a small enterprise that everyone agrees on, but it is generally a description of any enterprise with 50 - 100 employees and (businesses) as well as non-cooperatives. Within the definition of a small enterprise, many people also small (or micro) enterprises,
Small enterprises are also sometimes called SMME’s (small-, medium- and micro enterprises), a term which includes the larger end of the small business sector which is the medium sized businesses that employ up to 200 people.

How does South Africa compare to other countries when it comes to entrepreneurship? According to the Global Entrepreneurship Monitor, 5.4% of adults in South Africa were involved in starting a business in 2004. This compares to:

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Peru</td>
<td>40.3%</td>
</tr>
<tr>
<td>Uganda</td>
<td>31.6%</td>
</tr>
<tr>
<td>Australia</td>
<td>13.4%</td>
</tr>
<tr>
<td>United States</td>
<td>11.3%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>6.3%</td>
</tr>
<tr>
<td>Sweden</td>
<td>3.7%</td>
</tr>
<tr>
<td>Japan</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

**Choosing The Right Business**

*I Don't Have A Business Idea, What Business Should I Start?*

**Are You Asking The Right Questions?**

✓ Make sure that you have an idea of what it takes to run a business.

✓ If you’ve never found employment before, are you sure that you’ve exhausted all possibilities of finding a job? It is easier to find a job than to run a business, even in South Africa. Besides, work experience is very important for success in business.

**Introduction**

Choosing the kind of business that will work for you takes a lot of thought, as there are a number of important factors to consider. To ensure that the business is viable, you need to find a product or service with a market that you can develop. In other words, you need to be selling something that people want.

However, to be competitive with your business, you also need to have the necessary skills. The business should also suit your personality; otherwise, you will soon lose enthusiasm for the venture.

**The Skills Factor**

First, look at your own skills and knowledge. If you are already employed, think about what part of your job you could perform as a business rather than for an employer. Successful businesses are frequently started by people with practical experience in the type of work that the business is in, but who finds that they want more independence in their working lives.
Perhaps you could adapt your existing skills by taking a course in something related to what you already know. If you can do this while you are employed, you could lay a good foundation for going out on your own. A worker in a furniture factory could use their woodworking skills to concentrate making a limited range of creative furnishings, instead of competing against well-established retailers.

Your hobby could be turned into a business. A love of gardening could be turned into a horticultural or even home landscaping business, for example. A talent for cooking could lend itself to a catering service for parties at customers' homes.

**The Personality Factor**

Does your personality or physique suggest any business ideas? If you have persistence, mischievous charm and the gift of the gab (speak well), you might be a good salesperson. There are frequent openings for self-employed salespersons to sell other people's products. If you are good at dealing with people, you might be just the person to take up a retail franchise.

**The Resources Factor**

If you have a home that you could work from, this could be a valuable resource in starting a business. You could set aside space to sew, knit or perhaps make toys. You could also sell products for other people over the phone.

As communications technology develops, there are more and more opportunities for people to do office work at home using a computer and modem, such as word processing, bookkeeping, freelance writing, research or translation.

**The Market Factor**

When looking for a business idea, a good place to start is in your local neighbourhood to see what goods or services are needed locally. Think of the problems and difficulties that you have experienced in getting things for your home, at work, or in your leisure activities:

- What problems cause you most inconvenience or cost you most to correct?
- What service is not available when you most need it?
- What products are difficult or impossible to obtain locally?
- What do you and your neighbours and friends most frequently complain about?
- Is there any way of providing a local service or product for any of these markets, which somebody will pay for?

When looking for a business idea, also think beyond consumers to goods or services that businesses need. There may be certain things that businesses have difficulty in obtaining locally. A developing industrial or housing area might be suitable to start a food outlet, as the "formal" traders will only move in once construction has been completed.

You can even use your existing area to start another venture e.g. you operate a small bus service from a yard in a rural area.

As your yard serves as boarding point, with a regular flow of passengers, you can start your own food outlet in your own yard to provide refreshments to passengers as they wait for buses. This venture can provide employment to the person who manages it on your behalf.
Ask For Advice And Ideas

When thinking about new business ideas, don't miss an opportunity to pick other people's brains. They can give you little insights into other sectors and opportunities, giving you information that would be very difficult to find elsewhere.

Talk to friends and relatives, as well as business colleagues if you are currently employed. People who have been working in the same company for a long time often have ideas for improving a product or service, but for some reason have not implemented it. If it is something that you can supply, or a service that you can provide, it creates a business opportunity to satisfy a particular need.

Selling For Yourself

If you have experience and skill in selling for an employer, there are opportunities for you to become a sales “agent” - selling goods on behalf of various different manufacturers or providers, and earning a commission.

This normally involves setting up an agency agreement with a manufacturer of goods, which will give you the right to sell their products within a certain geographic area for a certain period. In return for each sale, you would get a commission. The commission would depend on the value of the goods and the level of your involvement in the sale, supply and servicing of the products.

Opportunities From Legal Developments

New legislation is often a rich field for business opportunities. Every new piece of legislation generates opportunities in terms of administration and compliance. There may be a need to supply parts to adapt an existing product or process to meet new safety or health regulations.

Legislation may require businesses or consumers to do something that they don’t have the people or time to do. As a private consultant or contractor, you can build a business on providing these particular services and becoming an expert on what that law requires businesses to do e.g. labour consultant, skills development facilitator, labour broker, etc.

New Ideas From Local Universities

Students and academics often spend many years on research projects that are not subsequently pursued. Someone may have invented, designed or discovered some interesting new process or product, which could form the basis of a business.

Buying A Business

Buying a business seems an easy way to enter the business world. However, it can be hazardous if you do not know your way around the financial figures or legal aspects.

Family and friends

What business opportunities exist within your own family? For example, insurance sales people usually get started by selling insurance to their friends and family. Most of the friends and family
work or know other people, and the sales person then requests an introduction to those contacts. Those contacts are then asked for further contacts, and so the chain grows.

This process can be followed by any entrepreneur: use your family and friends and their connections to spread the word about your business. Arrange demonstrations, free samples, etc. to introduce them to your business idea. This is called networking. Entrepreneurs use networking all the time: they use the people they know to make their potential customer base bigger.

If you are not sure about your business idea, you can conduct a marketing survey to test the needs and wants of potential customers. For example, ask working mothers if they need someone to do their hair or demonstrate new fashions during lunch time; would they like a reliable service to transport children to school and back; would they consider buying food for lunch if it is delivered daily and the menu is varied; would an after school care centre for their children put their minds at ease, etc.

Listen to what other people say about their wants and needs – this is how entrepreneurs get business ideas. Maybe working families need a professional house cleaning service or someone to tutor their children after school or to service their cars over weekends at their houses, or maybe they want groceries delivered at home. The main thing is that you, as the entrepreneur, must find out what potential customers want and need and then work out a plan to fulfil that need.

**Wider economic trends**

Also be aware of what is happening outside your circle of family, friends and the community. Read business newspapers rather than tabloids that only contain gossip. For example, with the rising oil price, the price of petrol will also rise. What business opportunities can emerge as a result of this? Many people have been travelling in their own cars to work. Maybe there is a need for a shuttle service that collects them from home, takes them to their place of work process in the afternoon, where they can travel they have become used to. Or maybe there is a fuel saving device they can fit to their cars. With the problems in supplying electricity there is a demand for stoves, heaters, etc. that do not operate with electricity or gas – this is a good opportunity.

Then there are all the stadiums being built for the 2010 World Cup -there are many business opportunities available, such as delivering cement and other supplies, opportunities relating to the building itself, opportunities relating to the people who work there – what are their wants and needs.

Do not forget about the 2010 World Cup and general tourism. Opportunities such as tour guides, etc. are many

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**Unit Standard: Research the viability of new venture ideas/opportunities**

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<tr>
<td>Rev 1</td>
<td>09/02/2011</td>
<td>Page 26</td>
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</table>
What Type of Business?

**Trader**

A trader buys goods from a factory or a wholesaler to resell to the consumer. Normally he buys from his supplier in bulk, but only sells a few items to each customer. By buying in bulk, he can get a 'good' price and so sell at a profit. For example, a trader may buy twenty pockets of potatoes from the market. He then opens the bags and sells a few to each customer.

Trading is the buying and selling of goods, whether these are raw materials for factories, manufactured goods, farm or fishing products. Traders fall into two main categories:

- Those who buy goods from manufacturers in large quantities and then resell smaller quantities to shopkeepers. These people are wholesale traders
- Those who sell to the public. They are known as retail traders or shopkeepers.

**Manufacturer**

A manufacturer makes goods to sell. He normally buys materials from which the goods are made. These goods are then sold to customers

**Service Business**

A service sells or offers skills. A garage which repairs cars is a service business, as is an independent taxi driver or bus operator, as well as a hairdresser.

**Wholesalers and retailers**

Wholesalers and retailers perform valuable services for each other, the manufacturer and the public. The following is an analysis of these services:

**Wholesalers on behalf of, or for the benefit of, the manufacturer**

- They place orders for large quantities of goods for manufacture
- They arrange for the transportation of goods from the factories to convenient points in the country and store the goods in their own warehouses
- They take over the work, problems and risks of selling to retailers in small quantities
- They relieve the manufacturer of financial risk by placing their order before the goods are manufactured and allow credit to retailers
- They create a demand for goods and keep the manufacturer in touch with public needs and wishes
Wholesalers for the benefit of the retailer

- They put together large quantities of a variety of goods at convenient centres from which the retailer may collect them. They supply retailers with quantities as they are needed.
- They help the retailer financially by giving credit.
- They relieve retailers of the risk and expense of having to keep large quantities of stock for long periods.
- They advise the retailer of new goods coming onto the market and modern display and sales methods.
- They may advertise certain articles.

The retailer for the benefit of the public

- They may give customers time to pay by giving credit.
- They help the customer to select suitable articles and give advice on new lines and fashion changes.

The retailer for the benefit of the wholesaler

- They relieve the wholesaler of the expense of having to open many branches in the suburbs and country areas.
- They relieve the wholesaler of the need to create an organisation that can cope with many small orders.
- They allow credit to many people and deliver small quantities over a large area.
- They create and extend the demand for goods by displaying goods in shops and windows and so increase the demand for the wholesaler’s goods.
- Through the retailer, the wholesaler finds out about the requirements, difficulties and complaints of individual consumers.

Support services and related industries

We used the transport industry as an example of support services and related businesses that can be established. Most of these opportunities will relate to other industries as well.

<table>
<thead>
<tr>
<th>OPPORTUNITY</th>
<th>DISCUSSION</th>
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<tbody>
<tr>
<td>Informal food stalls at transfer station</td>
<td>This is probably the opportunity with the lowest barrier to entry in terms of funds required. However, competition is fierce and success will therefore depend on the ability of the vendor to satisfy customer demands in terms of choice, quality and price.</td>
</tr>
<tr>
<td>Dry cleaner</td>
<td>This venture requires high capital investment, but may be a profitable business, especially a franchised operation.</td>
</tr>
<tr>
<td>Café</td>
<td>A more formal business such as a café requires much higher</td>
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Unit Standard: Research the viability of new venture ideas/opportunities

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input cost and is also subject to increased levels of control and statutory requirements. It is also essential to do the necessary prior market research to ensure the correct location, viability etc. However, a cafe can be developed into a viable and highly profitable business.

Supply of stationery to bus companies
This is an opportunity that requires little capital investment but is subject to fierce price competition from the large suppliers.

Supply of tyres and spares
This opportunity requires substantial capital investment and is also subject to fierce competition. A franchised operation or joint venture with an existing supplier is generally viewed as less risky.

Supply of detergents and cleaning material
This opportunity requires less start-up funds but fierce competition can be expected.

Administering the payroll
This is an ideal opportunity for a personnel officer or clerk with the necessary knowledge of the legislative, tax and basic accounting requirements. Entry requirements limited to entrepreneurship, marketing cost, equipment cost and basic business expenditure.

Rendering catering services
This is an ideal opportunity for an existing chef. Initial capital cost may be high, but is also possible to enter into a leasing agreement with the bus company if existing facilities are available.

Rendering a specialised engineering service such as automotive machining, servicing, etc.
This is an ideal opportunity for an aspiring mechanic, foreman or engineering employee. Although viable, huge capital outlay may be required. This is also an industry that is characterised by extremely strong competition due to the fact that high calibre technical staff has been retrenched and render these services from their homes at much lower cost than large firms due to their much lower overhead cost.

The most likely candidates for the above opportunities include stores personnel and engineering clerks and other workshop personnel. However, every individual with an entrepreneurial mindset, commitment and the desire to learn can be successful in any of the above ventures. Existing personnel are in a more favourable position to detect the opportunities in their organisations.

**What do you want to DO or SELL?**

It would be unwise to start any business before you have decided what you want to do, or what you to sell. To be a success, a business must sell something or provide a service.

You may want to sell goods or articles. It may be something manufactured and then sold directly to the consumer or a retailer, or it may be a service.

Services include things like a garden service, electrical repairs, an advertising agency or a taxi service.
**Essential business features**

It is essential for every owner of a new business venture to plan his activities and implement measures to carry out this plan successfully. He needs to identify and set goals in terms of the following essential features of your business:

**Market Share**

The entrepreneur must use information obtained from market research and other reliable sources to make a realistic estimation of what share of the market he can expect to claim for himself. He must then formulate his objectives towards achieving his goal and control and monitor the progress of the plan.

**Volume Of Sales**

You, as the owner of the business, know how much you need to break even (cover all your costs). You also know what your profit on your product or service is. You can now calculate the minimum volume of sales necessary for you to make enough money to break even.

When you do this calculation, you need to consider factors like:

- **Shrinkage** (theft) – if people steal your stock you must replace it, losing the cost plus the profit on the stolen item.
- **Stock availability** – if you don’t have stock you cannot sell – loss of income.
- **Bad debts** – if your customers don’t pay their accounts, you won’t have money to pay for replacement stock.

Adapt the required **volume of sales** to compensate for potential losses due to the mentioned factors.

**Value Of Assets**

Assets include fixed property, vehicles, paid stock, investments, shareholding in other business, goodwill, etc. During the planning stages, the business owner should specify his goals and objectives relating to the above.

**Independence From Outside Control**

Entrepreneurs are normally people who like to be in control of things, including running their business the way they see fit. Someone like the bank manager or someone else who financed your business gain indirect limited control over your business by virtue of the fact that they financed your business or part thereof.

Any debt or other cause that may allow anyone else control over your business should be settled or eliminated as soon as possible.

The fact that the business does not have any debt will enhance the image of the business and will impact positively on any transaction where the credentials of the business scrutinised.

**Activity 1 (SO1, AC 1-4)**

**Activity 2 (SO1)**
SECTION TWO: YOUR PLACE IN THE MARKET

Specific Outcome
Analyse the viability of a selected idea/opportunity against specific screening variables.

Assessment criteria
On completion of this section, you will be able to ensure that:

✓ The aptitude, interests and values of the potential owner are screened for suitability to the new venture.
✓ The market conditions are assessed to determine the viability of the new venture.
✓ An assessment is made of the competition the new venture is up against.
✓ The access to relevant technology and other resources needed for the new venture is analysed to aid a decision on the viability of the new venture.
**The Right Person For The Job**

**Do You Have What It Takes? Are You Ready For Business?**

**Introduction**

To start and run a business, it is not enough just to have a good, viable idea. You also need to have the right skills, attitude and personality to make the enterprise succeed. Here are some points to consider and some questions to answer that will help you to decide whether you are ready to start your own business.

**Motives**

Think about why you want to start your own business. There are many good reasons, but there is often the danger of having unrealistic expectations. Here are some reasons that people often give, and some notes of caution:

- **I can't find a job:** If you have to do something to survive, by all means, start trading. Buying and selling things from home or at the roadside is the easiest form of survivalist trade, but it remains a very hard way of making a meagre living. Unfortunately, your chances of developing your business into a thriving one is small. For that, you need every bit of knowledge and experience that one can only pick up in the workplace. It is not suggested that you shouldn't venture into business if you haven't worked before. To give yourself the best chance of success, the most sensible way of going about it is to:
  - Find a job, even part-time or as a volunteer.
  - Use the job to observe and learn all you can about how organisations work, how business works, and how people work together.
  - Convince the people you work for in every possible way to give you an opportunity to manage more work, more systems and other people.
  - Gain management experience, save money.
  - Start a business.
  - If you do decide to start a business without work experience, **never stop reading and learning**, even while you are running your business. Get constant advice. Learn from your mistakes. It is the most difficult path to choose, but there are people who have had success this way.

- **Independence:** Working for someone else can be frustrating sometimes, but you still need to be disciplined and able to get on with others when you work for yourself.

- **Job satisfaction:** Self-employment allows you to do the job in your own way, and it is very satisfying when your way is successful. You of course, also have to take responsibility when it does not work.

- **Achievement and success:** There can be some glory attached to running your own business, but make sure that you are not trying to prove that you are something you are not. The venture may even fail, despite your hard work. Will you be able to deal with this?
Money: This is not usually enough of a goal by itself, as wealth is by no means guaranteed. You need to be sure that, even if you never get rich, you still want to manage your own business.

Is Your Personality Suited To Your Business?

There is no single type of person that is successful in business, but experience has shown that there are some characteristics that successful self-employed people often have in common:

- Logical, organised and responsible (good at getting things done);
- Confident
- Able to communicate and get their point across;
- Sociable, with the ability to take leadership;
- Flexible and adaptable;
- Quick to take opportunities (and ready to take risks);
- Hard-working, committed and determined ('get up and go' type);
- Thick-skinned (able to handle failure);
- Individualistic (not afraid to stand out from the crowd); and
- Creative and imaginative (always coming up with new ideas for the business).

Aptitude

Aptitude is a natural ability or tendency to do something. Do not become a portrait artist if you cannot draw, on the other hand if you have a good singing voice, go to auditions. It is important that you have the ability to do the work required by the business, especially a small business. If you do not have good selling skills do not start a business selling insurance policies, for example. If you do not like to get your hands dirty or do not like working in a garden, do not start a gardening business. You have to match your business opportunity to your natural aptitude – talents and skills you have.

Interest

Interest is the state of wanting to know about something. If you are interested in designing clothes, you will be enthusiastic about the subject of clothes, colours, materials, designs, etc. On the other hand, if mechanical engines interest you, you would probably be a good mechanic or fridge repair man, etc. Do not start a business that does not interest you – you will fail.

Values

Values are standards of behaviour: are you prepared to work hard, start early and work till late, are you prepared to listen to your customers so that you can satisfy their needs, are you prepared to negotiate with suppliers for better deals, etc.

An example of values and the type of business: if you believe that women should not wear mini dresses, do not start a business where you come into contact with women who wear mini dresses. As a business owner who supplies products or services to customers, you have no say about what your customers wear and, if you let your dislike show, you will lose customers.

Think carefully about your values, what you are prepared to do and put up with, because customers can be very difficult and demanding; and a new business, especially in the beginning
demands long hours, hard work and sacrificing things like a Saturday afternoon soccer game in order to get the filing and invoicing up to date.

This list should give you an idea of the challenges you face. You do not need to have all these characteristics, and you will develop and grow with the experience.

If you intend to start up as a partnership, look for complementary characteristics in your partner. The best partnerships are ones where the partners have different abilities and strengths to contribute to the business.

**Pressures**

The pressures of being self-employed are inescapable. You will be staking practically everything on your own ability. If it goes wrong, there will be no one responsible but you. You may have to work long hours, and there will be times when things get on top of you.

Think about how you would cope under these sorts of situations:

- You may well get into debt in order to finance the enterprise. Will you be able to maintain your faith in your business, often in the face of others people's doubts?
- If you employ people, you will need to be positive and show leadership all the time, even when you do not feel like it. Will you be able to be tough and to discipline difficult employees or make difficult demands on your suppliers?
- There will be times when you feel lonely, isolated and even under attack. Will you always be polite and helpful, even when an awkward customer is giving you a hard time?

This may sound like a nightmare, but you need to be the sort of person who can deal positively with such challenges. Above all, you need a lot of confidence in yourself, and the energy and toughness to get through the bad times.

**Age And Experience**

There is no doubt that it helps to have some experience in the workplace, and particularly in the sector in which you want to start a business. Surveys reveal that many successful businesses were started by people in their thirties who have some management experience.

On the other hand, young people have some particular advantages: they have fewer domestic commitments, plenty of energy, new ideas and the potential to develop and adapt to the challenges of self employment. Those who typically succeed are in their mid twenties with some education and experience behind them, but still at an early stage in their careers.

**What Are Your Abilities And Resources?**

Starting your own business is a risky thing to do, so you should get to grips with the various risks as early as possible. This will help you decide if you are willing and able to manage those risks. It will also help you to apply strategies that will reduce the risk.

- Do you have the financial resources, and can you afford to risk these? For example, you might take a secured loan based on the value of your home. What are your plans if the business fails and you are forced to sell your house?
- Do you have the experience and technical skills to do the jobs that your new business needs?
- Do you know enough about the market to know what customers want, where to find them, and how to get ahead of your competitors?
Do you have the personal tenacity and discipline to see through hard times when cash will be short and demands will be heavy (from customers, bankers, staff and family)?

In the end, there are no easy answers to such questions, but you must be honest with yourself and try to be as objective as possible. Discuss these points with friends, colleagues and relations. Think about how you have dealt with past challenges, as an indication of your response to difficult new situations.

Other Abilities

While the production aspects of your business will require specific skills and experience, there are broader demands that are as important. These include the ability to:

- Negotiate with suppliers;
- Mediate between staff;
- Be sociable with customers;
- Be convincing with prospects;
- Think clearly under pressure;
- Take criticism without being offended or defensive; and
- Use your time effectively.

Skills And Qualifications

Technical skills

It is obviously important to have the technical skills and qualifications relevant to your business activity. You must be able to deliver professional standards of work to keep customers satisfied. Even when you apply for start-up finance, lending institutions will be more comfortable if you have relevant qualifications. Certain businesses, such as those in design-related or artistic fields, require exceptional ability.

Business skills

It is essential that you acquire basic business skills if you do not already have them. It is important to understand the principles of business and management including marketing, strategic planning, accounts, personnel management, etc. Ideally, get some basic training in business administration before you start. If this is not possible (many people do not have the time or money initially), then read as much as you can to fill the gaps in your knowledge. The sources of information described earlier will also be able to assist you in this regard.

Leadership skills

If you are happy for the operation to remain small in the end, then you can continue to concentrate on day-to-day activities without worrying about leading, managing or inspiring others. In fact, many people enjoy self-employment because they have the freedom to work independently. However, if you expect your business to grow, you will inevitably have to employ people, and your ability to lead and manage others will be tested.
Selling skills

All businesses require an element of selling. Initially it is important to persuade people to support you, and crucial to be able to win over potential customers. It is possible to learn basic selling techniques, but being outgoing and articulate are equally important.

Organisational skills

To generate sufficient income, small businesses must be well organised and efficient. It is important to be the sort of person who can organise yourself and others, plan, manage your time and who has the discipline to set and meet deadlines.

Family commitments

Many of those who successfully start their own business have the backing of their family, even if this is only in the form of moral support. You will be under pressure, working long hours. Your family must be prepared for the impact this can have on family life. Also ensure that your family can accommodate the risks that self-employment can bring, especially in terms of lower income in the initial stages and maybe even the implications of the business failing.

The prospective entrepreneur must be convinced that he has the attributes and skills to successfully start and manage a new venture.

Remember, this is what you intend to do for the rest of your working life. If you are not “suited” for the job, you will experience endless frustration, which in turn will affect your effective running of the business.

There is so much satisfaction in starting and running a successful business venture. This makes it worth the effort to ensure that you choose a line of business in which you stand the best chance of success and to which you can fully commit your efforts, while doing what you like.

I Have A Business Idea - Where Do I Go From Here?

Introduction

If you have a business idea, you are probably eager to go and full of enthusiasm. This is good, as you will need that enthusiasm and dedication to get through the hard work that lies ahead.

Before you start working on the detailed planning of your idea, you need to do a quick viability study. This will help you with the following:

✓ The first thing that you need to do is to narrow down your idea into something workable. Chances are that you are thinking big at this stage. Perhaps you even have two or three ideas. But your chances of success will be much better if you focus on something manageable and realistic. Above all, do not attempt to start more than one venture at the same time.

✓ Coming up with an idea is probably the easiest part of becoming a business owner. Turning it into a business is much more difficult. Although some innovative ideas can give you an advantage in the short term, a successful business owner is not necessarily the one with the best idea, but one who can successfully execute a viable idea. A viability study will force you to investigate what you need to make an idea work.

✓ It is easy to become emotionally attached to your idea, to the extent that you refuse to accept that it is not working. The same passion that sets you off on a path of hard work and high risks, that keeps you going until you reach success, is the one that can blind you
to the fact that you have made a mistake. A good business owner needs to know when it is time to withdraw from an idea and move on to the next. A viability study can help you do this before you have invested a lot of time and energy and money in an idea.

✓ If you are thinking about copying someone else's idea then you also need to do a viability study. Just because it works for them does not mean it is going to work for you. There is nothing wrong with copying someone else's idea - most businesses start that way. However, it is not necessarily viable to start exactly the same business in exactly the same area as an existing business. There might not be enough people to support your business as well as the existing one. The viability study will help you decide how you need to change the existing business to make it workable and whether the same idea can work in a different area.

**Market conditions**

**Market environment**

Although there is no general agreement on exactly what a market entails, it can be maintained that a market consists of people or organisations which have specific needs (customers) and the ability to satisfy them (business).

The three main variables that influence the market and over which the business has little or no control are:

✓ customers
✓ competition
✓ opportunities and threats

Each market, e.g. transport, groceries, gifts, etc. has certain characteristics that will influence the market:

✓ population composition: who are the customers? Are big developments happening in neighbouring communities causing people to move from this neighbourhood, or are people moving into the neighbourhood?
✓ changing consumer values and spending patterns: what do they buy?
✓ economic growth rate: how is the economy affecting the money they have available to spend?
✓ present and future buying power: what will they be able to afford in the future?

The target market is the total market potential less the market share of competitors. A market segment is a group of consumers within the total potential market who possesses certain characteristics.

**Labour**

Will you be able to attract workers from the community if and when you need them?
Will your business provide employment in the community?
What wages and salaries are paid for similar work?
Government

Any business should maintain good relations with both Central and Local Government because it can pass laws that affect the business, it can make decisions that affect the business and it collects tax from the profit that the business makes.

✓ What are the rules and regulations in your municipality?
✓ Where will I be able to locate my business?
✓ Which licences do I have to apply for?
✓ What rates and taxes will I have to pay?
✓ Are the local and national government supportive of new business initiatives in this industry?

R.D.P.

A government policy document which contains a socio-economic policy framework which has as its aims the building of a democratic, non-racial and non-sexist society based on a sound, growing economy.

It deals with the upliftment of society - through redesign and reconstruction.

It is a policy document which spells out what the government wants to achieve in terms of the reconstruction and development of South Africa.

It is a policy document aimed at mobilising people and resources to redress the imbalances created by apartheid.

✓ How does the RDP affect my business?
✓ Is there any way that my business can benefit from the RDP?
✓ Is there any way that the RDP can benefit from my business idea?

Trade Union

Trade Union objectives are to represent labour, promote the interest of labour in a fair way, negotiate on labour’s behalf with management, monitor labour relations procedures, and to safeguard fair labour practice.

A union must acquire a mandate from the workers it intends to represent. This mandate must be created by the election of a shop steward. The shop steward must act on behalf of the workers it represents, if the workers request representation.

✓ How will the union affect the availability of labour for my business?
✓ How can my business benefit from union activities?

Community

No business can afford to ignore the community, as it conducts its business within the community. The attitude of the community will frequently determine how well the business does, or how its workers react to it.
Employees are part of the local community and absorb some of these attitudes. Not only will a high standing in the community benefit the business, it will also enable it to attract the best workers from the area because they want to work for the business.

- What is the perception of the community about my business?
- Will the community support my business?
- How can my business benefit the community?

**Suppliers**

A supplier is an individual or a business that supplies us with goods, materials and/or services that is needed to make or provide the product/service. It is very important that we develop and maintain good relationships with our suppliers. If suppliers do not supply us with the right quantities, quality and at the right time, we will be unable to supply our customers with their products/services on time. We may lose our customers if this happens. We may receive special discounts and credit from our suppliers if they are satisfied with our dependability in ordering and paying our debts. They may introduce us to new customers.

It is always a good idea to contact as many suppliers as you can in order to obtain the products you need at the best price for the best quality. Then you must also research the suppliers to find out if they are dependable, do they deliver on time, do they keep their promises regarding quality, how long have they been in business, will they be able to supply you in future so that you know if you can depend on them.

- Who are my suppliers?
- How will they affect my business?

**Competition**

Competitors are any people or other businesses that want to do business with our customers for the same reasons as we do. They provide similar products and/or services to meet the needs of our external customers that we have identified. Examples:

- Super- and Hypermarkets: Pick ’n Pay, Shoprite-Checkers, OK Bazaars
- Petrol companies: Shell, Engen, Caltex
- Mining: JCI, Anglo American
- Building: Murray & Roberts, Grinaker Construction
- Food brands: No name brands, Heinz, Maggi, Royco
- Beverage brands: Coke and Pepsi

As soon as you start a new business, you will be in competition with other businesses. Even when you have a new product that no one else has, it will only be a short time until someone else does the same thing. Vodacom was the first company in South Africa to introduce cell phones, but it was not very long until MTN was established and now we have a third cell phone company, Cell C.

Competition is a fact of the business life. It is therefore very important that you know everything you can about your competitors:

- Who they are?
- Are their businesses growing or not?
- How does your business compare with the competition?
In what areas do you have an advantage over your competitors?
In what areas are you weaker than your competitors?
What is your competitive edge?

**Competitive Edge**

Is what you have when customers can see that your products or services are better than those of your competitors.
- Who is my competition?
- What are they selling / what service do they provide?
- How will their customer service and prices affect my business?
- How much competition is there – is there room for one more business?
- What can I do to attract customers away from the competition?

**Technology and resources**

Every business needs resources. Resources include:
- human resources: people to do the work
- money: to start and run a business
- machinery and equipment: to undertake the activities that are necessary for the success of the business
- information: about what the competition is doing, what prices they are charging, economic trends, legislation and regulations, possible labour strikes, power cuts, etc.

These days most businesses also need to make use of technology such as telephones, faxes, personal computers, etc.

Your business will also need resources and technology. When you plan and decide on your business, you also have to decide where you will locate the business. Will the planned location give you access to technology and resources:
- Are electrical power and water available?
- Have roads been built and is transport for employees available?
- Have telephone lines been laid down for access to telephones and the Internet?

**Activity 3: (SO2, AC1)**

**Activity 4 (SO2, AC 2-4)**
SECTION THREE: MARKET RESEARCH

Specific outcome
Research the potential of a particular idea/opportunity as a new venture.

Assessment criteria
On completion of this section, you will be able to ensure that:

✔ A personal profile of an entrepreneur is matched to the type of work, product or service that has potential as a new venture to ensure compatibility.

✔ Training needs to ensure success of the new venture are identified for all persons involved in the venture.

✔ Market research is conducted including analysis of demand for the product/service and competitor analysis.

✔ The most suitable location of the new venture is investigated to aid a decision on the location of the new venture.

✔ Constraints on trade and applicable by-laws are investigated to ensure that there are no legal obstacles to the establishment of the new venture.
Entrepreneurship

What Is An Entrepreneur?

An entrepreneur is a person who takes an idea and an opportunity, and turns them into a profitable enterprise by harnessing the necessary skills and resources to manage the risks involved.

The real thrill of entrepreneurship is creating something from nothing. This requires vision, creative thinking, a skill for getting things organised, and a lot of hard work.

There is no single 'entrepreneurial personality type', but there are characteristics that most successful entrepreneurs share. According to one writer, these include:

- A desire to take responsibility and be in control.
- A preference for moderate risk (contrary to popular belief, entrepreneurs are not wild risk-takers; they must of necessity face business risks, but these are carefully considered and managed).
- A steady confidence in their ability to succeed.
- A high level of energy.
- An orientation toward the future.
- A skill in organising.
- A love of achievement.

Identify training needs

On the basis of the SWOT analysis, determine areas of knowledge and skill that need improvement. You have to do this for everyone involved in the new business, if you have partners or intend appointing staff. Ask the following questions:

- What jobs have to be done and what knowledge and skills are required to do the work?
- Who will be doing which jobs and what knowledge and skills do they have?
- What knowledge and skills still have to be acquired?

Now that you have determined the training needs, develop an action plan to ensure that everyone acquires the knowledge and skills.

For example, if you plan on opening a food stall, selling hot and cold lunches to customers, the knowledge and skills required would be how to prepare the meals as well as how to work out what you need on a daily basis to prepare meals for the number of people you will be serving meals to.

If you are going to sell 50 hot dogs, you need about 55 to 60 rolls, not 90. If you buy 90 rolls, you will have 40 rolls left over that will be wasted and a loss to your business.

Market Research

The aim of market research

Your market research needs to help you
✓ To estimate potential sales;
✓ Identify the characteristics of your potential customers;
✓ Test the demand for new product ideas; and
✓ Understand trends that will affect the sales of your product.

The research is NOT to prove your own optimism. So you need to be as detached and objective as you can: Everything that your business will do flows from the information and insights that you gather here - it is absolutely crucial to get right.

**Information you want to get from your market research**

Here are some of the sort of questions that you will need to answer

**With regard to customers:**
✓ What type of person or business will buy the product or service?
✓ What do customers want from the product or service?
✓ How many potential customers are there?
✓ How are customers currently made aware of similar products (similar to yours, that is) on the market?
✓ How much spending power is available?
✓ Will spending power rise or fall?

**With regard to competitors**
✓ Are other businesses offering similar products or services?
✓ What do they charge?
✓ Are there any gaps in the market?
✓ What equipment and methods do they use?
✓ Are they seen to be good at it?
✓ Is anyone else likely to try to enter this market?

**With regard to your planned operations**
✓ What special skills will your business need?
✓ What equipment will you need?
✓ What special regulations cover this business?
✓ How much does the business need to charge?
✓ How much can be charged?

**Types of market research**

There are two main types of market research

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Unit Standard: Research the viability of new venture ideas/opportunities

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✓ **Primary (field) research.** This is where a business does not have any existing information and has to arrange a way of collecting and interpreting the information themselves, e.g. a questionnaire.

✓ **Secondary (desk) research.** This involves the use of published sources of information. 'Desk' is perhaps the wrong word because it may be necessary to visit libraries, etc to find the publications required.

Formal research is highly organised and based on statistical methods, such as consumer surveys and analysis of demographic data. Informal research includes talking to business contacts, future competitors, trade associations, etc.

Below is a list of research methods that small businesses will find useful. (Large businesses, which compete for large chunks of market share and have the resources to commission expensive market research studies, focus on other methods.)

### Research methods for small businesses

✓ The most important research method is speaking to and investigating other similar businesses;

✓ The next most important is our own past sales or small-scale sales experiments, such as selling prototypes through one or two outlets, having 'test-runs' at flea-markets, starting off with special "guinea-pig" customers, or developing a small domestic clientele before signing on your first industrial client;

✓ Getting information and market research from complementary businesses who have an interest in seeing you succeed;

✓ Car and feet counts around specific locations;

✓ One-on-one interviews with potential customers;

✓ Limited door-to-door surveys to test the vibe in a targeted area;

✓ Speaking to suppliers, industry experts and advisors (just be careful that they don't have a particular service or product that they want to sell, especially if this will influence their responses);

✓ Reading (secondary research): but remember that the South African market is not nearly as well researched as the first world, and there is a tendency of local researchers to try to fit first-world patterns and consumer habits onto the South African market.

The main aim of this research is simply to estimate, as conservatively as possible, the amount of sales you will probably make each month in the first year or so, and whether the business will be viable. There is a secondary aim too, however, which is to get tips on how to run your business and improve your product.

Large businesses will focus on methods such as surveys by professional market researchers, aerial photography and traffic flows, focus groups (conducted by professionals) and scientific questionnaires. These are expensive and normally not affordable for small businesses. The aim of these studies is to determine the total size of the market, and then estimate what percentage share the large company can possibly get.

This is not really appropriate for small businesses, because they wouldn't even get a fraction of the total market. Even if the total size of the market is taken as the local neighbourhood, small businesses don't have access the kind of scientific data needed to make a percentage-market-share exercise worthwhile.
Conducting A Survey (Research)

The basic process of conducting a market survey is as follows:

1. Determine the aim of the survey (also called research)
2. Identify the population and sample: from which population group will you gather the information?
3. Decide how to collect replies: how will you get their replies to your questionnaire: by phone, mail, verbally, etc.?
4. Design your questionnaire: the questions you will ask in order to collect the information
5. Run a pilot survey: a test survey to check the process, the questions, the aim and the information
6. Carry out the main survey: the actual research
7. Analyse the data: now you will analyse the data in order to find out what it tells you.

It is important that the questions in your questionnaire asks questions that relate to the aim of the research in the first place. This is why you must first determine the aim and identify the population sample and also decide how you will collect the replies before you draw up the questionnaire.

You must also carefully think about how you will analyse the data before you start collecting the data. You should actually know before you even do the questionnaire how you will analyse the data.

Determine Your Research Aims

Start your survey by setting down the aims for the survey. Why are you doing research and what do you want to achieve? What do you want to know? If we use Markinor as an example, they want to determine before the election who is going to win in which area, and how the other political parties will do during the elections.

For your business it can be that you want to find out:

✔ How many passengers you transport per route
✔ Which routes are more profitable
✔ Why customers use your organisation rather than one of the opponents
✔ What other services customers require from your organisation
✔ How much fuel your vehicle uses
✔ How you can improve your customer service
✔ What your competition is doing that customers like
✔ What your competition is doing that customers do not like – you can then improve your customer service by making sure that you do not do what customers do not like
✔ How much your competition is charging for the product or service

Doing a survey does not have to be difficult and complicated or expensive. There is a story about a construction company that was trying to find a competitive edge. The management decided to
do market research and so it asked customers about the worst habits of the competitors. Of course, the customers talked about the bad habits of constructions companies:

- Being impolite
- Don’t care about the dirt that workers bring into the home
- Staff and equipment that looked shoddy

**So, what did this construction company do to be better than their competitors?**

**They**

- Bought new equipment and kept it in good condition
- Trained their workers to be polite
- Dressed the workers well in order to project a good image

Did the company benefit from the market research and the changes that were brought in as a result of the market research? Yes. In less than two years the company increased its yearly sales FIVE TIMES!

### Identify The Population And Sample

When Markinor does a survey before an election, they do not ask every person in the country for their views or opinions, they choose a number of people from the various population groups. The number of people they choose is called a **sample**: a sub-set of the population, while the **population** is the members of the group you are interested in.

When you choose the sample for a countrywide survey, you have to make sure that your sample represents the entire population. Usually the **sample** will then be chosen from a list that contains all the members of the population, such a list is called a **sampling frame**.

This is probably what Markinor does when they do surveys before elections. Luckily, for most of the research we want to do we do not have to go countrywide: we can usually choose from our community or customers or the customers of our competitors.

When we determine the population sample, we usually want to know market segmentation as well. Market segmentation is a breakdown of your sample taking into account the following factors:

- **Geographic factors**: where do they live? If our business is in Gauteng, getting information from people in Cape Town will not help us at all
- **Age**: which age group should we target?
- **Income bracket**: what should their earning be?
- **Gender**: male or female or both?
- **Community and cultural beliefs**: how will this influence our survey?
If you need more information about population groups and samples, you can contact The government statistical services and the Department of Trade and Industry will be able to give you information regarding the population segments according to the above criteria.

In order to find out how big your sample size should be (how many people you should question) you must first determine how many responses (completed questionnaires) you will need for the analysis.

A general rule is to look for about 20-30 responses in each of the major sub-categories for the aspect of your research is to you should look for about 30 responses.

Once you know how many the above example, you have to questionnaires you have to send people will reply to the that you then have to send out get 60 responses (people replying 20-30 responses in each of the sample. For example, if a key compare male and female then females and 30 males in your responses you want, 60 per find out how many out. Usually, about 20% of the questionnaire. This means about 300 questionnaires to to your questionnaire)

On the other hand, if you are going to interview your customers by telephone or face-to-face, you will need less questionnaires.

Decide How To Collect Replies

Now you have to decide the following:

- Are you going to mail the questionnaire
- Are you going to send the questionnaire by e-mail
- Are you going to phone customers
- Are you going to question customers face-to-face

If you choose the mail or e-mail option, you have to send a covering letter that gives details about your survey and why you would value their effort to complete the questionnaire.

If you are going to conduct the survey by means of telephone or face-to-face interviews, you have to decide who will do the interviews and how you will control the quality of the interviews. Remember, if you do not do this yourself, people can lie about how many interviews they conducted and what the response of the people they interviewed were.

It will also be important for the interviewer to explain to the potential respondent why they should answer the questions. They should persuade people to take part in the survey, not force them.

Questionnaire Design

Most researchers make the mistake of asking too many questions. Your greatest enemy in survey research may well be poor response rate. Clear and concise questionnaires can help get the best response.

Design of the questionnaire can be split into three elements:

1. Determine the questions to be asked
2. Select the question type for each question type and specify the wording
3. Design the question sequence and overall questionnaire layout

**Determine the Questions to be Asked**
Obviously, your questions should relate directly to the aim of the survey and to the specific information that you will require.

**Decide on Layout and Sequence**
- Do not clutter up the form with unnecessary headings and numbers.
- Include the contact and return information on the questionnaire, irrespective of whether addressed return envelopes are provided, these can easily become separated.
- Identify individual questions for reference purposes.
- Be careful not to overfill the page.
- Avoid using lots of lines, borders and boxes since these can make the page look too ‘dense’.
- Small fonts may put people off, especially people with bad eyesight.
- Use a good legible font.
- Make good use of italics and bold types, think of using italics consistently to give instructions.
- Consider using bold for the questions themselves or for headings. Symbol fonts may also be useful.
- Begin with questions that will raise interest.
- You should try to keep the flow through the questionnaire logical and very simple, i.e. avoid any complex branching.

**Question Types**

**Open-ended Questions:** E.g. Do you think football hooliganism is caused by: *(tick if appropriate)*

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<thead>
<tr>
<th>Lack of discipline at home</th>
<th>Players’ behaviour on pitch</th>
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<tbody>
<tr>
<td>Family breakdown</td>
<td>Youth unemployment</td>
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<tr>
<td>Poor schooling</td>
<td>Violence on T.V.</td>
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<tr>
<td>Other (please specify)</td>
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**Single vs. Multiple Response:** E.g. What is your most usual means of travelling to college?

- Bus
- Car
- Bike

**Rated Response:** A popular approach in the social science is to use Likert scales such as the example below.

Please state how often you use the following: *(Please circle the numbers as appropriate)*

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<th>Occasionally</th>
<th>Never</th>
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<td>2</td>
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**Wording of Questions**

When you compile a questionnaire, think carefully how you phrase the questions that you are going to ask the people out there. You have to phrase the questions in such a manner that the people who complete them must:

- Be able to understand the question
- Be able to answer the question
- Be willing to give you the information you need

You also have to ensure that the questions and the way you ask them cannot be constituted as biased in any way, e.g. biased based on race, gender, age, religion, culture, etc.

**Run A Pilot Survey**

Test the questionnaire on a small sample of your subjects first. If this is not possible at least test it on some colleagues or friends. The aim here is to detect any flaws in your questioning and correct these prior to the main survey.

Having done your pilot survey, you can make amendments that will help to maximise your response rate and minimise your error rate on answers.

**Carry Out The Main Survey**

The purpose of doing a pilot survey is to find out if you have to change anything in the questionnaires or in your population sample or even the aim of your survey.

If you are using fieldworkers, you have to ensure that they are well trained to minimise errors in the collecting of data.

- Errors when choosing respondents
Interviewer dishonesty
Misinterpreting or misreporting of information
Non responses: where people are not at home or refuse to answer questions

For the process of actually doing the market research, you also have to

- Set deadlines: start on a specific day and end on a specific day
- Determine the number of questionnaires you want to complete by that day
- If you employ field workers, how many questionnaires every day and how many at the end of the period

You have to put an administrative process in place: who is going to collect the completed questionnaires?

You must also have a quality and cost control system in place to prevent dishonesty and prevent fieldworkers from charging too much and wasting too much time. You could, for example, pay per correctly completed questionnaire.

**Premises**

Consider the options below when deciding on what premises you need to start out with.

- Working from home. For many small businesses, working from home is a sensible way to get going. It keeps costs down, and you can avoid tying yourself into an office rental agreement until you are sure that the business is on its feet.
- Renting space - estate agents will help you find suitable premises, and facilities management firms can offer a package that includes your furniture, communication infrastructure, computer equipment, etc.
- If the finances are available, and you're sure about where you need to be located, you might pursue the option of buying offices

**Location of premises**

Do your market research to find out where your customers are, and whether you need to be in relation to them and their movements. In addition, pin-point where your competitors are to make sure that you don't choose a spot where there is too much competition.

While an estate agent can help you find and view premises, they can't tell you much about the consumer traffic in that area.

If you want to set up a shop which will rely on passing trade, talk to other shopkeepers nearby to find out what kind of consumers frequent the area. Do your own 'footfall' measurements by counting the number of consumers passing through the place at different times of the day. Interview shoppers to make sure that they are the sort of customers your business is looking for.

**The availability of resources**

- Water
Electricity
Labour
Transport
Can the raw materials be delivered or must they be collected?

**Customer accessibility:**

You must always ensure that it is easy for your customers to get to you. The closer you are to your customers the more you improve your chance of success.

Customers must also feel safe, so you must try to find a safe area for the location of the business.

Studies have been done to determine which side of the street is the best side for locating a business, and you should choose the side of the street:

- With the highest number of customers
- Where big department stores and other major businesses are located
- Near the town’s fastest growing area
- That shield customers from bad weather conditions
- With fewest obstacles to customer traffic, such as loading zones, alleyways, etc.

**Where not to locate your business:**

- Areas where there are many abandoned or empty buildings. It creates the impression that you have located your business in an area that is dying
- Sites that are difficult to reach
- Places where many previous businesses have failed
- Places where there is too much heavy traffic
- Sites that have bad lighting
- Locations near businesses that have long parking times, such as restaurants and theatres
- Sites that contain businesses that do not complement your business. An upmarket clothing store situated in an area industrial area where you will find panel beaters, paint shops, hardware stores and so on will mean that you will have customers only during lunch times as everybody else will be working.

**Constraints On Trade**

**The Local Authority**

Each local authority can decide from which areas business may be conducted and advise if a business licence is required. You need licences if you:

- sell food
- supply entertainment
✓ supply health services
✓ are a hawker

**The Type of Area**
Some areas may only be used for manufacturing, others only for trading. Pavement trading or flea markets are allowed under certain conditions.

**Activity 5 (SO3, AC1-2)**

**Activity 6 (SO3, AC3)**

**Activity 7 (SO3, AC4)**

**Activity 8 (SO3, AC5)**

**Activity 9 Failure factors**
SECTION FOUR: TAKING RISKS SAFELY

Specific Outcome
Analyse a range of risks associated with a new venture.

Assessment criteria
On completion of this section, you will be able to ensure that:

- The concept of risk management is explained with examples.
- The potential risks and factors that may threaten the new venture are identified and analysed with a view to eliminating and/or minimising them.
- The risks associated with being an employer are explained.
- The possible measures to reduce risk are explained with examples from a real or simulated new venture.
- The insurance and security needs associated to risks in the new venture are investigated.
So, why do businesses fail?

**Why Small Businesses Fail**

- **working in the business**: Very often the owners end up working in the business, not working on improving the business. You should employ people to work in the business while you make sure that the business improves through planning the business activities, controlling to make sure that what you want done is being done, controlling expenses and making sure that money due is paid on time.

- **Emotional decision-making by owners**: Very often people think with their hearts, not their heads. You have to follow a process to make a decision and consult with customers, employees and partners to make sure that the right decision is made.

- **Unclear objectives**: The business owner does not really know what he or she really wants. To be successful, you...
have to set objectives. This way you and everyone else knows what has to be achieved, you will have standards against which to measure whether you are doing the right things and you will know when you are doing wrong things.

- **No monthly action plans** to outline what you want to do / how much you want to sell in that month. A monthly action plan is a very important tool. This is the only way you will know how your business is doing. For example, if you wanted sales of R100 000 and your sales are only R80 000 you know that you are not on target and have to take action immediately.

- **A lack of systems.** Things are done differently every time, instead of having a system that you can use again and again, making the work easier. If there are no systems you and your employees will not know how to do the work so that the job gets done the right way. For example, if you are operating a taxi service, the routes have to be worked out so that the drivers know where they should go. If you will be selling products, the sales process must be the same every time. If it is not, something important such as collecting the money from the customer will not be done.

- **Bad buying.** Some businesses pay too much for the goods they buy. This is always bad, but if you are buying to resell, it is fatal. Shopping around for better deals is very important.

- **Partners may have different goals.** If you have a partner, you must have the same goals.

- **Lack of capacity.** Not having the right people or equipment can cause a business to fail. If you start a food stall where you intend to sell lunches to 50 people, you have to make sure that you will be able to prepare 50 lunches. If your working area is too small and you can only prepare 30 lunches at a time, you do not have enough capacity.

- **No understanding of how to price** the goods you sell. If you sell your goods too cheaply you won’t make enough profit. If you price your goods too high, nobody will buy from you.

- No understanding of the difference between cash flow and profit

- **Too little money too start the business properly.** Before you start a business, make sure that you know exactly how much money you will need so that you do not run out of money during the first or second month.

## Failure factors

### Business growth (growing too quickly)

In the same way a plant or animal can grow too fast for its strength, so can a business. For example, you planned on starting with 3 taxis and suddenly you find you need 5 taxis. It might seem like a good thing, but you will have to find money to finance the 2 extra taxis, drivers to operate the taxis and there will also be extra expenses such as petrol, service and maintenance.

### Capital management

In any business, the capital invested in the business has to be managed closely through budgeting and checking on costs and expenses. Do not spend more than you earn, your business will fail.

Another aspect of capital management is that you have to make sure you purchase the correct equipment you need for the business – buy what you need for the business, the luxuries can follow later.
**Credit management**

Giving credit to customers is always risky. When you do give credit, make sure that the necessary credit checks are carried out and that your customer signs an agreement to pay within a certain period of time.

Then, when it is time to pay, make sure your customers pay on time. Contact them regularly to make sure that they do pay on time.

When customers take a long time to pay it affects your cash flow: the customer is sitting with the money you need to run the business. If you have one customer who does this all the time, consider walking away from this business. You will find this problem even with big corporate customers.

Credit management is a very important aspect of every business and especially so with a new, small business.

At the same time, make sure that you pay your bills on time. Suppliers talk to each other and you don’t want to be blacklisted by any supplier as it could mean that you cannot get the supplies and raw material you need.

**Technical ability**

No business can be run successfully without the technical ability required by the business. This includes basic business management abilities as well as the technical abilities required by the type of business you want to start.

If you are opening an electrician’s business, or you want to repair motor vehicles in your yard or even a food stall or hair dressing business, you and your employees will need the technical knowledge required to do the work that will bring money into the business. This is why you had to determine training needs during the previous session – so that you can make sure that the technical knowledge and skills required by the business will be available.

**Management capability**

- You, as the owner of the business, have to know how to manage the business, the resources and the employees. You have to know what business processes will give customers the products or service that was promised to them. You have to know how to manage equipment and machinery, what their daily outputs should be to optimise use of the equipment, and also when they should be serviced.
- You also have to know how to manage your employees to ensure their commitment and loyalty to your business. This means that they have to know exactly what they should do, why they should do it, how they should do it and what they should use to do their work.
- Praise them when they do a good job and coach and guide them when they fail.

**Marketing/selling skills**

- Any business needs someone who can do the marketing and selling of the business in order to attract customers. Without marketing and selling, a business will have no customers, and without customers there will be no business.
- If you do not have the skills, you have to develop an action plan in order to acquire the necessary marketing and selling skills, or you will have to employ someone to do this for you.
If you consider employing someone for the marketing and selling aspect of your business, consider this tip: do not make use of someone who is unemployed, rather use someone who is already successfully employed in the marketing or selling function.

Marketing and selling is very important to any business and it is the only business activity that brings in money – so do not neglect this aspect.

**Market access and size**

It is not always easy for a new business to gain access to a market by attracting customers. You will have to make sure that your marketing and selling activities make you noticeable by customers. You also have to make sure that your customers are aware of the benefits to them of making use of your products or services.

Also make sure that you do not underestimate the size of the market – every market has only so many consumers and you have to make sure that you get enough customers to make your business profitable.

If the market where you want to open your business already has a number of businesses doing what you intend to do, consider moving your business to another area where the demand is bigger and there are less suppliers.

For example, if you want to open a food caravan outside the premises where they are building a soccer stadium, and you find that there are already 4 other food caravans, look for another area to place your food caravan.
Personal life conflict

✓ Many businesses fail due to conflicts in the owner’s personal life. It has already been discussed that the business will require long hours of work from you, especially in the beginning. This will mean that you will probably have to sacrifice your weekend or evening leisure activities such as sport events, family occasions, etc.

✓ Are you willing to do this? Are you sure? Will your family be willing to support you or will this cause conflict in your family?

✓ Doctors are good examples of work conflicting with personal life. A doctor can be called out to see a patient any time of the day or night and s/he has to go to the hospital to attend to the patient, as it could be a life or death situation.

✓ The families of doctors make the same sacrifices as the doctor and they have to do this in a supportive way without complaining.

Other lessons

✓ Determine real customer needs. The needs of your customers and your commitment to serve these needs to the best of your ability are very important for a successful business.

✓ Invest in communities and make them feel part of the system.

✓ Social responsibility as well as marketing and advertising will increase your costs. Cost in respect of social responsibility should be budgeted for.

✓ Accept organised labour as major stakeholder. People are indeed an integral part of the business and careful attention should be paid to this vital resource.

✓ Ensure that you acquire the skills you need to remain competitive, especially in areas such as entrepreneurship, information technology, communications and cross-cultural skills. A competent workforce is viewed as the key to success of any venture, especially within a challenging industry such as public transport.

✓ Follow a turn around strategy to stay in business. Low cost and higher levels of efficiency are key focus areas in any business, especially against the high levels of competition within the industry.

✓ Be prepared to manage change as ongoing priority to stay in business. Our world is always changing and you must be able to adapt to changes in the environment that may affect your business.

✓ Encourage a work ethic that will give the stakeholders of your business confidence in your business. Also make sure that your business is efficient.

✓ Focus on affirmative action and corporate equity. Compliance with post democratic government policy.
Risk Management

Any business activity, whether it is a regular business activity or delivering according to the terms of a contract, is subject to risks.

When a business is always in crisis, the risks of the business are not managed properly. Reasons for poor risk management are:

- Inability to decide what to do
- When to do it
- Whether enough has been done

In order to manage risks we have to understand what a risk is. In my view the most helpful definition is that given by Larry Krantz, Chief Executive of Euro Log Ltd in the UK. Larry says that:

'A risk is a combination of constraint and uncertainty'.

We all face constraints (limitations or restrictions)in our businesses, and also uncertainty. We can minimise risk either by eliminating constraints or by finding and reducing uncertainty.

A business regularly faces the following risks:

- demand: will the demand from customers be enough to ensure that the business can make a profit? Will the business be able to supply in the demand of the customers?
- competition: What are the competition doing, what are their prices, what products are they offering, what is their level of customer service?
- capability to produce/service at an economic and marketable price: will my business be able to produce goods or services at a price that suits the market and where I can still make a profit?
- level of capital required: how much money will the business need to get started?

There are two stages in the process of Risk Management:

1. Risk Assessment and
2. Risk Control.

Risk Assessment

Risk Assessment can take place at any time, though the sooner the better. Risk Control cannot be implemented without doing a Risk Assessment. Most people tend to think that once they have done a Risk Assessment, they have done all that is needed. This is not true. Like everything else in a business, risk has to be controlled.
Risk Assessment has three elements:

**Identify Uncertainties**

**Demand:** will the demand from customers be enough to ensure that the business can make a profit? Will the business be able to supply in the demand of the customers?

**Competition:** What is the competition doing, what are their prices, what products are they offering, what is their level of customer service?

**Capability to produce/service at an economic and marketable price:** will my business be able to produce goods or services at a price that suits the market and where I can still make a profit?

**Level of capital required:** how much money will the business need to get started? Will I have the required capital or will I be able to obtain financing?

**Risks of being an employer:** being an employer also carries certain risks. You have to make sure that your employees have the necessary knowledge and skills to do the work, you have to make sure that you reward them adequately for the work they do, you have to make sure that health and safety procedures are implemented and that your employees follow these procedures. Employers have to negotiate with trade unions regarding wages, working conditions and working hours. Then you always run the risk of a strike being called if negotiations are not successful. An employer also runs the risk of employees stealing from him or starting their own business and taking his customers with them. Employers must also be aware of the relevant labour legislation and make sure that they comply with it.

**Insurance and security:** Are you going to carry stock of products, supplies and raw materials? What is the value of your equipment and machinery? Do you still owe money on equipment, machinery, vehicles, stock, etc. are insured. Do not take the first or the cheapest insurance option, shop around to make sure that your equipment, etc. will be replaced in case of theft, fire or other damages. This is very important – you will not have the money available to replace any of your resources if you have a loss. Also consider the security aspects of your business: can the premises lock, can you add more locks and security features such as CCTV cameras, what does your insurance company expect from you regarding security? What security can you offer your employees in case of an armed robbery attempt, what procedures can you put in place to ensure the security of equipment, stock and staff? For example, rather than paying employees in cash, pay wages and salaries directly into bank accounts. Do not keep large amounts of cash on the premises, deposit cash immediately.

**Technological and technical risks:** the current systems and equipment could become outdated and the cost of buying latest equipment could be too expensive. A good example of technological risk is the advances in computer technology. A computer becomes outdated very quickly. If you are thinking of graphic design, for example, your computer equipment and software will become outdated within about two years.

Your technical knowledge and skills, and that of your staff, can also be a risk – do you have the technical knowledge and skills and do you keep up to date on the latest developments? If not, your business could be at risk very quickly.

On the other hand, if you supply technical and technological equipment, it could become an opportunity as the technology changes very quickly – you could find yourself supplying equipment to the same customers every two years.
**Environmental:** do your business premises comply with building regulations? The fast food industry has very strict standards that have to be complied with. Does your business generate a lot of rubbish that has to be thrown away – how will you dispose of this rubbish? The equipment you use must be environmentally friendly. For example, are your vehicles fuel efficient and do they use unleaded petrol? Does your equipment give off harmful substances such as smoke, gases, etc?

**Performance:** will you be able to deliver the goods or services to the standard promised to your customers? For example, if you are operating a shuttle service for school children, will you be able to collect all the children and have them at the school on time? If you want to sell clothes to office workers, will the clothes be of the quality that you promised them?

**Time:** will you be able to provide the goods or service in time every time? For example, if you are delivering food to office workers, will you be able to deliver to 5 office buildings just before lunch time? If you bring the food after lunch, it is too late.

**Community:** will the community support your business; will there be resistance to the business, what is the crime rate in the area you want to set up business? Theft, vandalism, arson are very real risks to any business owner.

**Analyse Risks**
Once you have identified the risks, you have to analyse how these uncertainties can impact on your business: will you still be able to deliver the products or service?

**Prioritise Risks**
Determine

- Which risks should be eliminated completely, because they have the potential of impacting extremely on the business or because they will need regular management attention? For example technological risks and environmental risks can be eliminated completely by acquiring the technical knowledge and skills and by complying with environmental regulations.

- And which risks are small enough not to impact too much on the business and will not need detailed management attention. For example, if you have enough capital to invest in the business, you need not consider this further.
Elements of Risk Assessment

Risk Control

In the same way, Risk Control has three elements:

**Reduce the effect of Risks**

There is always something you can do beforehand to reduce the effect of risk. For example, you can service and maintain your vehicles regularly to minimise vehicle breakdowns.

When you mitigate risk, you take whatever actions are possible in advance to reduce the effect of Risk. It is better to spend money on reducing the effect of risk than to sort out the problem later.

Each risk is analysed and possible steps that can be taken to eliminate the risk or to minimise the risk are noted.

We have discussed two risks that should be eliminated completely, now let’s look at a risk that can be minimised. Competition always poses a risk, but this risk can be minimised by knowing who your competition is, what your competition does, what they charge and what their level of customer service is. You can then take steps to minimise the risk by charging less, improving your level of customer service, etc.

**Plan for Emergencies**

Once you have identified risks that could impact severely on your business and you have taken steps to reduce the effect of the risk, also have in place an emergency plan.

You must have the emergency plan in place before the problem arises, so that you and everyone else know what to do in the case of an emergency. If a vehicle does break down, which vehicle will be sent to replace it, for example, how long will it take and who must drive the replacement vehicle?
vehicle. Other things that should also go into the emergency plan could be: how quickly will the vehicle be repaired and brought back into service, and so on.

**Measure and Control**

Track the effects of the risks identified and manage them to a successful conclusion.

This means that you have check continuously whether the steps you have implemented to reduce the risk is working and, when a problem occurs, whether the steps stated in the emergency plan are taken so that the effect of the problem is minimal.

If we use the servicing of vehicles as an example, you have to check that the services are done as stated in your plan. Then, if a vehicle does break down, was the replacement vehicle sent with the replacement driver, was the broken down vehicle fixed in time and brought back to service, etc.

We have shown these elements as three separate branches of the same tree. This is correct, but it is important to remember that the process is in fact an iterative one, and the Risk Assessment is only completed when you are satisfied that any undetected risks are now insignificant.

**Summary**

The risk plan should include, against each identified risk, an emergency plan to recover from the risk.

This plan will

- Name the person accountable for recovery from the risk,
- The nature of the risk
- The action to be taken to resolve it, and
- The method by which the risk can be spotted

A risk which has been reduced may still be a significant and dangerous risk and will still require emergency plans.

**Activity 10 (SO4, AC 1-5)**
SECTION FIVE: MONITOR YOUR PROGRESS

Specific outcome
Evaluate new venture ideas/opportunities based on research findings.

Assessment criteria
On completion of this section, you will be able to ensure that:

- Criteria are established for evaluating the success of a new venture.
- A preliminary evaluation of the proposed new venture is produced in the form of a written report, using the identified criteria.
The Business Cycle

Every business passes through five very distinct stages, called the business cycle. Each of these stages has its own problems, which makes it necessary for the owner to know which stage he is in. A description of the different stages follows:

Pre Start-up Stage

This is when the businessman must carry out research on the product and the market. At this stage there should be no fixed overhead costs and it would be wise to have a separate source of income. In other words, if it is at all possible, this stage should be carried out in your free time while you are still employed elsewhere. Problems that may be encountered at this stage include:

- Moving ahead with the business without carrying out proper research
- Incurring fixed overheads before the business provides a source of income
- Underestimating costs. This often happens when the inflation rate is high.

Some solutions are:

- Testing your ideas
- Getting the family to commit themselves to the business to make sure that they understand that risks and commitment are involved. This may reduce the risk of family disagreements at a later stage
- Carrying out proper planning. Do not move ahead without completed plans

Development Stage

The business has started up and is running, but problems have begun. For instance:

- It is taking longer to reach break-even point than intended
- You are trying to do everything yourself: selling, buying, bookkeeping, etc
- Cash flow problems are being caused by credit customers not paying their accounts on time.

To solve these problems, it is necessary to:

- Delegate jobs. This will give you more time to look after the management side of the business.
- Chase up your debtors. Better still, try not to sell on credit. This always causes cash flow problems.
- Follow up all orders. Do not let an opportunity go by

Do not forget that you can get help from several places, including your bank manager, the Small Business Development Corporation, your suppliers and trade associations.

The Growth Stage

This stage begins when a business reaches break-even point. This is the point where the income from the business is equal to all costs. The business is now starting to make a profit, which does not mean an end to all problems! The following may still happen:
The need to become a manager becomes more pressing and you must have complete control over your business. This is sometimes difficult when the business employs people. Here it is better to manage by exception. This means that, having delegated certain jobs, you are confident that the workers will carry out their tasks. You only become concerned when something out of the ordinary happens.

You begin to chase growth for its own sake. This can be dangerous and the business may be over-extended. It is better to expand only into those areas of which you have experience that you have researched thoroughly.

The Comfort Stage

This is a dangerous stage. If there is slight growth, less than 10%, the income from the business allows a very comfortable lifestyle. This is when the owner may start to behave like a 'fat cat'. It is very important to guard against such complacency.

The Turnaround Stage

The business is in trouble if it reaches this stage. This happens when losses have been sustained for longer than two years, or competition has taken over a large share of your market. These problems could have been caused by:

- Too rapid expansion
- High overhead costs
- Poor economic conditions
- Poor costing
- Insufficient markup
- Poor customer relations
- Lack of attention to the business. During trading hours, as much time as possible should be spent at the business. An absent businessman loses customers

In order for the business to survive, the following should be done:

- Trim back on unproductive staff
- Apply better cash management
- Keep records of all your transactions, even if you buy from your own business
- Apply stricter stock control to avoid theft by both staff and customers
- Get help from organisations like Business Partners

Evaluate new venture ideas

In order to evaluate your business idea, you have to establish criteria.

Size and type of market segment

How big is the market you intend starting your business in? How many competing businesses are already operating in the market? Will you be able to attract enough customers to your business to make your business profitable?

Which market segment will your business be aimed at?
Product range
How many products or services will you offer? For example, if you want to start a hair dressing business, will you offer cuts, blow waves, hair extensions, perms, hair colouring, and will you add to these services by offering false nails, beauty treatments, etc? Or, if you plan on starting a food caravan, what types of lunches will you offer and will you offer cold drinks, coffee and tea and soup in winter? What about tables and chairs for customers to sit and eat? Umbrellas? Music?

Sources of supply
Who will be your suppliers? Have you sourced more than one in order to get the best quality at the best price? Do they offer favourable repayment terms?

Physical facilities
Where will your offices be situated? Will you need office equipment? Will you have a reception area where customers can be seated? Will you have a telephone and a fax? Will your offices be accessible to customers?

Essential services
Water and lights, roads, telephone lines, refuse removal

Financial resources
Do you have the capital to start the business with all the necessary machinery, equipment and vehicles, as well as start up capital or will you have access to the necessary financing?

Staffing needs
How many employees will you need and what should their level of knowledge and skills be?

Technology requirements
Will you need access to the Internet to run your business, or will a phone and a fax suffice?

Legal and regulatory compliance
Do you know what legal requirements you have to comply with regarding:
- employing workers
- registrations
- tax commitments
- requirements of local government
- health and safety requirements

Growth potential
Does your business have the potential to grow? What will you do to ensure that your business grows?
Return on investment

You are starting a business in order to make enough money for the business to be worthwhile. If you have partners and they invest money, they will also want to make some money out of the business. This is called return on investment – what financial gains will you and your partners make as a result of investing in the business?

Activity 11 (SO 5, AC 1-2)
ASSESSMENT ACTIVITIES

Activity 1 (SO1, AC 1-4)

This is a group activity

Discuss ideas/opportunities for possible new ventures. Select one idea and do the following:

1. List and discuss the pros and cons of the specific idea/opportunity in terms of its advantages and disadvantages for the owner, the labour market and the business sector

Your selection: (e.g. Bus operator)

Type of business: (e.g. Passenger transport in rural area)

Your comments:
Motivate your decision:

2. Identify sources and methods of access to general and commercial business information for the proposed venture

3. Identify essential features of the venture:

Lead the discussions and make sure that learners understand the concepts

Market share

Sales volume

Asset value
Extent of independence from outside control

4. Make a decision about whether to accept or reject the idea and motivate your decision

**Activity 2 (SO1)**

The Labour market review handout contains details of labour statistics released by the Department of Labour. Review this document in a group and discuss more advantages and disadvantages for labour when entrepreneurs start their own businesses

**Activity 3: (SO2, AC1)**

This is an individual activity

Select an idea for a new business venture. Do a self-analysis based on the following:
### Characteristics required

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<th>Describe yourself</th>
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<tr>
<td>Do you have the technical knowledge and skills?</td>
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<td>Identify possible training needs in order to compensate for lack of knowledge and skills.</td>
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<td>Temperament: are you able to work with employees and customers?</td>
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<td>Work ethic: are you willing to work hard?</td>
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<td>Do you have a desire to take responsibility and be in control?</td>
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<td>Do you have a preference for moderate risk?</td>
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<td>Do you have a steady confidence in your ability to succeed?</td>
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<td>Do you have a high level of energy?</td>
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**Unit Standard:** Research the viability of new venture ideas/opportunities

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<td>Rev 1</td>
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Do you have an orientation toward the future?

Do you have a skill in organising?

Do you have a love of achievement?

**Compare your findings in the group. Do your fellow students agree with you?**

Here is another self evaluation exercise. Test your strengths and weaknesses by answering the following questions as truthfully as you can:

<table>
<thead>
<tr>
<th>QUESTION</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are you willing to put your own money into the business?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you a hard worker?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have enough faith in your business to believe that you can succeed?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you good at selling? This is necessary for most businesses, trading, manufacturing or services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you work well with other people?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Are you good at communicating with other people?

In a manufacturing business, can you make things?

Do you want to be your own boss and do your own thing?

Do you want to get out there and do something?

Are you willing to learn?

Do you have a good credit record or do you have a lot of bad debt?

If, after having considered all these factors, you are still determined to go into business, you should check your weaknesses and take steps to improve on them. On the basis the analyses you did in the previous section, do a SWOT analysis for your business idea.

Check that learners used the questions given to help them complete this activity.

Use the following questions to guide you:

1. Do you know who your competitors are and what they charge for the products or service?
2. Do you have the experience and technical skills to do the jobs that your business needs?
3. Do you know how to set objectives?
4. Do you know how you want the work to be done? Do you have systems in place to make sure the work is done correctly?
5. Do you take time making decisions to ensure that you make the right decision?
6. Do you know who to buy from and at what price to buy?
7. Do you know how to price your products or service?
8. Do you know the difference between cash flow and profit?
9. Will you have enough money to start the business?
10. How much do you know about the industry that you want to start a business in?
11. Are you willing to learn about the industry?
12. Do you know who your customers will be?
13. Do you have a business plan?
14. Have you identified cultural, gender and social barriers to your business?
15. Have you identified ways of overcoming these barriers?
16. Do you have the self-discipline to work hard every day?
17. Are you logical, organised and responsible (good at getting things done)?
18. Are you confident?
19. Are you able to communicate with other people so that they understand you?
20. Are you sociable, with the ability to take leadership?
21. Are you flexible and adaptable or are you fixed in your way of doing things?
22. Are you quick to take opportunities (and ready to take risks)?
23. Are you hard-working, committed and determined?
24. Will you be able to handle failure?
25. Are you individualistic (not afraid to stand out from the crowd)?
26. Are you creative and imaginative (always coming up with new ideas for the business)?
27. Do you have enough experience in the field you want to start your business in?
28. Do you have the willpower to help you make it through difficult times?
29. Do you know how to negotiate with suppliers?
30. Do you know how to mediate between staff?
31. Do you know how to be sociable with customers?
32. Do you know how to be convincing with prospects?
33. Do you think clearly under pressure?
34. Can you take criticism without being offended or defensive?
35. Do you use your time effectively?
36. Do you have business skills?
37. Do you have leadership skills?
38. Do you have organisational skills? Are you good at controlling the work of others?
<table>
<thead>
<tr>
<th>Strengths</th>
<th></th>
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<tbody>
<tr>
<td>Weaknesses</td>
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<tr>
<td>Opportunities</td>
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Unit Standard: Research the viability of new venture ideas/opportunities

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</table>
Activity 4 (SO2, AC 2-4)

This is a group activity

Select a business idea of one of the learners in the group and do the following:

Assess the market conditions to determine the viability of the venture

Assess the competition the business will face

Analyse the access to technology and other resources that the business will need to be viable
Activity 5 (SO3, AC1-2)

This is an individual activity

Refer to the self-evaluation in activity 3 and do the following:

Match your personal profile to the type of work, product or service that your business idea will require, to ensure compatibility

Identify training needs to ensure the success of the business
Activity 6 (SO3, AC3)

This is a group activity.

Decide on a business idea that you want to do research on. Write down the aim of the research.

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<tr>
<td><strong>Revision number</strong></td>
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<td>Rev 1</td>
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</tbody>
</table>
Determine the population group that you will target for your survey. Then determine the size of the sample as well as the market segment.

Decide how you will collect the information for your research project and who will do it.

In a group, draw up a list of at least 10 questions for your questionnaire.
Use the other groups in the class as samples for your pilot survey. They must answer the questions drawn up for your group.

In your group, look at the replies you received from the pilot survey. Is there anything you would change on the questionnaire? Make the changes to your questionnaire and indicate the changes below.

Analyse the responses for the following questions:

<table>
<thead>
<tr>
<th>Why do you use a taxi to and from work</th>
<th>Cheap</th>
<th>1631</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fast</td>
<td>1091</td>
</tr>
<tr>
<td></td>
<td>Safe</td>
<td>312</td>
</tr>
<tr>
<td></td>
<td>Convenient</td>
<td>1849</td>
</tr>
</tbody>
</table>

If you sent out 2000 questionnaires, what percentage of the sample use taxis because they are cheap, what percentage use taxis because they are fast, what percentage use taxis because they are safe and what percentage use taxis because they are convenient?

| Cheap | 755 |
| Fast  | 830 |
| Safe  | 415 |
| Convenient | |

What percentage uses Route A, Route B and Route C?

<table>
<thead>
<tr>
<th>Which taxi route do you use every day?</th>
<th>Route A</th>
<th>755</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Route B</td>
<td>830</td>
</tr>
<tr>
<td></td>
<td>Route C</td>
<td>415</td>
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</table>

Unit Standard: Research the viability of new venture ideas/opportunities

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</tbody>
</table>
You would do this for all the questions.

On the basis of the above information, you can now make a decision as to whether there is actually place in the market for a new taxi service, or whether your improved service will satisfy a need with the customers.

Analyse the replies you received during your pilot survey and base your analysis on the questions you asked. Make a decision based on the analysis whether it would be a viable business idea.
Activity 7 (SO3, AC4)

This is a group activity.
Discuss a suitable location for this business idea. Note the factors you discussed in order to come to a decision regarding the location.

Activity 8 (SO3, AC5)

This is an individual activity
During the pre-training assignment, you were requested to find out if there are any constraints on trade or by-laws that apply to the business you want to start. Discuss your findings in a group and with the facilitator.
Activity 9 Failure factors

In groups, discuss the following failure factors and what can be done to make sure that these factors do not affect the profitability of your business

- capital management
- credit management
- technical ability
- marketing/selling skills
management capability
Activity 10 (SO4, AC 1-5)

This is a group activity

Explain the concept of risk management, using examples to improve your explanation. You may choose examples from the list of risks below.

In a group, do a risk assessment of the following risks as they will apply to a business of one of the learners in the group:

✓ Demand
✓ Competition
✓ Capability to produce/service at an economic and marketable price
✓ Level of capital required
✓ The risks involved in being an employer
✓ Insurance and security risks

Use the table on the next page as a guideline.

Then draw up a plan to control the risks. Use the table on the next page as a guideline.
### RISK ASSESSMENT

<table>
<thead>
<tr>
<th>Identify uncertainties / risks</th>
<th>Analyse risks</th>
<th>Prioritise risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explore the entire contract and look for areas of uncertainty.</td>
<td>Specify how those areas of uncertainty can impact on delivering the products or service as required by the contract</td>
<td>Which risks should be eliminated completely, because they have the potential of impacting extremely on the business or because they will need regular management attention, And which risks are small enough not to impact too much on the business and will not need detailed management attention</td>
</tr>
<tr>
<td>The nature of the risk</td>
<td>How will the risk be spotted</td>
<td>What must be done to resolve it</td>
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</table>
Activity 11 (SO 5, AC 1-2)

In a group, evaluate the business of one learner, using the criteria stated below. You have to come to a conclusion about whether it will be worthwhile to start this business and whether the business will be successful. You also have to be able to motivate your conclusions. Write a report and present the report to the class.

✓ size and type of market segment,
✓ product range,
✓ sources of supply,
✓ physical facilities,
✓ essential services,
✓ financial resources,
✓ return on investment,
✓ staffing needs,
✓ technology requirements,
✓ legal/regulatory compliance,
✓ growth potential
## Programme Structure And Strategy

### PROGRAMME STRUCTURE AND STRATEGY

**UNIT STANDARD 114596 Level 5**

Credits 5: notional hours 50, classroom training 15 hours, workplace hours 35

<table>
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<th>Page</th>
<th>Outcomes</th>
<th>Time Allocation</th>
<th>Delivery strategy</th>
<th>EEK</th>
<th>CCFO</th>
<th>Formative Assessment</th>
<th>Summative Assessment: total time 35 hours</th>
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<td>SECTION ONE: YOUR OWN BUSINESS</td>
<td>9</td>
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<td>66 minutes</td>
<td>Discussion &amp; Slideshow</td>
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<tr>
<td>What Is A Small Business?</td>
<td>19</td>
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<td>--------------------------</td>
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<tr>
<td>Choosing The Right Business</td>
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<td>Essential business features</td>
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<td>SECTION TWO: YOUR PLACE IN THE MARKET</td>
<td>29</td>
<td>SO2</td>
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<tr>
<td>The Right Person For The Job</td>
<td>30</td>
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<tr>
<td>I Have A Business Idea - Where Do I Go From Here?</td>
<td>34</td>
<td>AC2</td>
</tr>
<tr>
<td>Market conditions</td>
<td>35</td>
<td>AC3</td>
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<tr>
<td>Competition</td>
<td>37</td>
<td>AC4</td>
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<td>Technology and resources</td>
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### Revision 30 minutes

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<tr>
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<td>SECTION THREE: MARKET RESEARCH</td>
<td>39</td>
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<tr>
<td>Entrepreneurship</td>
<td>40</td>
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<tr>
<td>Identify training needs</td>
<td>40</td>
<td>AC2</td>
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<tr>
<td>Market Research</td>
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<td>AC3</td>
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<tr>
<td>Conducting A Survey (Research)</td>
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<td>Premises</td>
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<td>49</td>
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<td>SECTION FOUR: TAKING RISKS SAFELY</td>
<td>51</td>
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<tr>
<td>Topic</td>
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<td>Activity/Time</td>
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<tr>
<td>Why Small Businesses Fail</td>
<td>52</td>
<td>AC1, 2, 3</td>
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<tr>
<td>Risk Management</td>
<td>57</td>
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<tr>
<td>SECTION FIVE: MONITOR YOUR PROGRESS</td>
<td>62</td>
<td>SO5</td>
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<tr>
<td>The Business Cycle</td>
<td>63</td>
<td>AC1</td>
</tr>
<tr>
<td>Evaluate new venture ideas</td>
<td>64</td>
<td>AC2</td>
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<td>67</td>
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<tr>
<td>ASSESSMENT ACTIVITIES</td>
<td>67</td>
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<tr>
<td>Activity 1 (SO1, AC1-4)</td>
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<tr>
<td>Activity 2 (SO1)</td>
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<td>Activity 3: (SO2, AC1)</td>
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<td>Activity 6 (SO3, AC3)</td>
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<td>Activity 8 (SO3, AC5)</td>
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<td>Activity 9 Failure factors</td>
<td>82</td>
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<td>Activity 10 (SO4, AC 1-5)</td>
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<td>Activity 11 (SO 5, AC 1-2)</td>
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