Business Management: A Contemporary Approach

Supplement for IMM Students

Editors
Prof Cecile Nieuwenhuizen
Dirk Rossouw

This book is a supplement to Business Management – a Contemporary Approach, edited by Cecile Nieuwenhuizen, and has been produced for IMM students for use in conjunction with the book. Chapters 1 and 2 of the supplement replace the first sections of those chapters in the book, and Chapter 15 of the supplement is entirely new.
1.1 INTRODUCTION

What is the key focus of business management? The answer to this question in South Africa is embedded in the free-market system principle. In countries that function according to the free-market system, business plays a key role in the satisfaction of our multiple human needs. Management – or the entrepreneur in the case of a small business – must combine the correct portions of the factors of production (entrepreneurship, natural resources, labour and capital) available to them to ensure the effectiveness and efficiency of the business, to make a profit and to satisfy society’s multiple needs.

1.2 THE SCIENTIFIC FRAMEWORK OF BUSINESS MANAGEMENT

Business management is a particular form of science. Any science must have an object of research in the prescientific environment. This object of research is a precondition for the systematisation of scientific insights. In this regard, two questions arise. The first question addresses what is to be observed and studied; the second, from which viewpoint the observation and study will be done. The problem statement of business management is to maximise productivity. The business, therefore, is the study object of business management research, which means that business management is a systematic assimilation of scientific insight with the objective of maximising rate of return.

Business management can be described as a science that concerns itself with our profit-oriented market system by studying what a business is, how to establish the business, and how to manage it in an effective and efficient way to ensure the highest profit for the business.
1.2.1 The relationship between business management and economics

When looking at the problem statement of business management and economics, the initial impression is that these disciplines are one and the same, namely, studies of those economic activities that satisfy human needs. However, when looking at these two sciences it will be noticed that their objectives are different. As already indicated, the objective of business management is profit or maximising the rate of return, while the objective of economics is need satisfaction in general.

The study object of economics focuses on economic occurrence in the national economy as a whole. By contrast, the study objective of business management is a much smaller field and, as mentioned, focuses on what a business is and how to establish and manage it in an effective and efficient way to ensure the highest profit.

It is clear that, although business management has developed from economics and accountancy, it has its own problem statement and study objective.

1.3 FACTORS OF PRODUCTION: METHODS TO SATISFY PEOPLE’S MULTIPLE NEEDS

The following factors of production can be identified:

Natural resources
Natural resources refer to all the means provided by nature. A characteristic of natural resources is that they are scarce and limited. Examples include crude oil, water, minerals, etc.

Capital
During its establishment a business needs capital to start to operate. Normally, this capital is funded by the owners and investors who invest their money in the business.

Labour
No business can function without people. Humans have the knowledge (technical and academic), physical capabilities and skills to transfer goods into products, and provide a service and take leadership.

Entrepreneurship
Entrepreneurship is the process through which the individual takes capital, labour and natural resources and combines them with the risk linked with the provision of goods and services.
Knowledge
Traditionally, only four factors of production were identified. However, Peter Drucker added a fifth factor of production: knowledge. Knowledge, as a fifth factor of production, is embedded in the era of knowledge management. Information technology has revolutionised businesses, making it possible to determine the wants and needs quickly and to respond with desired goods and services.

The economic motive is the satisfaction of the society’s multiple needs with goods and services. The highest possible satisfaction of such needs with scarce factors of production is known as the economic principle.

1.4 THE THREE MOST IMPORTANT ECONOMIC SYSTEMS
The method in which a country’s economy operates is known as the economic system of that country. The economic system that a country uses determines the combination of products and services to be produced, the division and distribution of production factors, the percentage of production assigned to each person and the price charged for products and services.

The three most important economic systems are:
• capitalism, or a free-market system;
• socialism, or a mixed system; and
• communism, or a centrally controlled system.

Figure 1.1 shows the overlap between these systems. Assume we have two circles. The one circle is the capitalist system and the other circle is the communist system. If we move these two circles closer to each other the socialist system will be the part where the two circles overlap.

![Figure 1.1: The overlap of economic systems](image)

1.4.1 Capitalism or a free-market system
Capitalism is built on principles of private ownership. Within this system the demand and supply of goods determine what, how and for whom goods and services are to be produced. Capitalism is based on the right to make a profit, the right to compete, the right of freedom of choice and the right to own private property.
The system is market driven and the solutions to a country’s economic problems are left to the market forces to solve. The state, private individuals, enterprises and institutions can own assets and liabilities. The demand and supply for these products and services determine the price, quality and quantity of these goods and services that are supplied by the different entities. In such a system, everyone has a basic right to make a profit on products and services and the price is determined by demand and supply. There is free competition according to the legislation of the country and the consumers have the freedom to decide what products and services they buy and what prices they are prepared to pay. According to the freedom of choice principle you can choose any job or occupation; you can produce, render services or make anything that you like; you can buy, use and eat anything that you like or can afford; and you can spend or save your money within the laws of the country.

Entrepreneurs and business owners appoint the management. The management, in turn, decides what, how and for whom to produce, based on the demand for the product and services. The labour force has free choice as to where and for what salary they want to work.

1.4.2 Communism or a centrally controlled system

Communism is based on the ideas of Karl Marx and Friedrich Engels. The underlying principle of this system is that all assets must belong to the people. All the people must work as hard as possible and will receive those goods and services that are due. Although this theory seems attractive, its great shortcoming is that the state decides for the people – it tells the people what they must do and how they must do it. In the communist system the state tries to solve the economic problem and takes all the decisions regarding the products and services that will be provided. All assets and liabilities belong to the state so there is no motivation to make a profit. Because the state owns all the enterprises, there is no competition between these enterprises. The consumers also have no choice because the state determines the prices of production and services. The state controls all the means of production and therefore there is no private ownership and profits for the individual.

Because the state owns all the enterprises, it appoints the management. However, the management does not make its own decisions and must follow the guidelines provided by the state. Because the state is the sole provider of employment opportunities, it determines the employment opportunities as well as the salaries of the workforce.
1.4.3 Socialism or a mixed system

Socialism is a political and economic theory, which, like capitalism, is market oriented. A socialist system has characteristics of both capitalist and communist systems. In most cases the state owns and controls the most important production factors and therefore controls the most important industries and resources. These often include primary industries like steel, oil, gold and coal. When the state nationalises such assets and gains control over them, it usually compensates the former owners. In this way the state plays an important role in deciding on the allocation of production factors, the products that are to be manufactured and their distribution. Some free and private ownership is, however, allowed. People working for state-controlled industries have no motivation to make a profit and the prices are determined by the state. People with their own enterprises may make a profit and the prices of their products are based on the supply and demand of these products and services. There is no competition between the state-controlled enterprises as the price and quality of products are fixed. However, there is competition between the private enterprises and the consumers have freedom of choice.

In state-owned enterprises the state makes all the decisions, while in privately owned enterprises the management makes the decisions. Individuals within a socialist system also have free choice of employment; however the state can influence job opportunities.

1.5 SOUTH AFRICA’S ECONOMIC SYSTEM

No economic system is found in its pure form in any country in the world. The economic system that develops in a country like South Africa is the result of many economic, political, ideological and other influences. South Africa’s economic system is an attempt by the country and government to achieve in an orderly manner the allocation of scarce production factors to satisfy needs.

Note: This chapter continues from paragraph 1.4 on page 3 in the book.
2.1 INTRODUCTION

To navigate businesses in today’s turbulent environment requires managers to have various skills and qualities. The field of management is undergoing a revolution that asks managers to do even more with less, to engage employees, to see change rather than stability as the nature of things, and to possess vision and cultural values that allow people to create a truly collaborative workplace. Making a difference as a manager today and tomorrow requires managers to integrate solid management skills. Successful businesses and departments don’t just happen, they are managed to be that way. Every day, managers solve difficult problems, turn businesses around and achieve excellent results. To be successful, every business needs skilled managers. This chapter introduces the process of management by focusing on the four fundamental functions, namely planning, organising, leading and controlling.

2.2 THE SYSTEMS APPROACH TO MANAGEMENT

The business world is a complex system of individuals and businesses, which, in a market economy, transforms limited resources into products and services in order to meet the unlimited needs and wants of people. These products and services are offered to the market in exchange for a profit. The resources, which we can also refer to as the inputs of an organisation, can be human resources, financial resources, physical resources, information resources and entrepreneurship.

Human resources are the people who perform the activities necessary to achieve organisational goals, and they include skilled and unskilled workers, and managers and their subordinates. Financial resources refer to the capital that is needed to start a new business, and to run and grow it successfully over the long term. Capital may come from the owners of the organisations (such as
owners’ equity) as well as non-owners (such as loans from the bank, creditors and selling debentures). Physical resources refer to buildings, equipment, assembly plants, computers, water, vehicles and so on, which are needed to perform the activities of an organisation. Information resources could be data on the management environment, annual financial statements of the business and so on. Lastly, entrepreneurship refers to the special skills and aptitudes to start up a new business venture, expand it and manage it successfully.

An organisation’s resources, or inputs, should be transformed into certain outputs. These include the achievement of organisational goals, the delivery of products and/or services that satisfy the needs and wants of customers, the achievement of certain productivity levels, the generation of jobs for the community and realising a profit for all stakeholders of the organisation.

In order to transform inputs into various outputs, a process is necessary. This process basically refers to two types of processes. First, a physical transformation process is necessary where inputs are transformed physically into products and/or services. Second, a management process is necessary – the task of which is to combine, allocate, co-ordinate and deploy resources or inputs in such a way that organisational goals are achieved in an effective and efficient manner. By ‘efficient’, we mean using resources wisely and in a cost-effective manner. By ‘effective’, we mean making the right decisions and successfully implementing them. It is important to note that, on one hand, the resources available to a business are limited and scarce; on the other hand, customers have unlimited needs and wants. Business goals can also be very challenging, which places an even greater importance on effective and efficient management processes.

The resources that a business needs as inputs are taken from the environment in which the business functions. Similarly, the outputs that a business produces are given back to the environment. A business can therefore be seen as an interdependent system – it depends on inputs from the environment and gives outputs back to the environment in the form of products, services, job creation and so on. Furthermore, a business is an open system as it depends on the environment in which it operates.

A business as an interdependent system consists of various sub-systems. Each sub-system is a system within a system. Within the business context, the marketing, production and finance sections, for example, are sub-systems, but they can be viewed in their own right. The systems approach to management offers a framework in which the various sub-systems of an organisation can be studied separately, as well as in terms of the organisation as a whole.
The particular value of the systems approach to management is that it emphasises the fact that activities in one part of an organisation affect activities in other parts. According to the systems thinking approach, managers have the challenge to marry the objectives and activities of the various sub-systems in the business so that the goals of the system as a whole will be best achieved, and not only those of one of the sub-systems whose individual goals may be detrimental to the overall goals of the organisation.

The systems approach to management also implies that a business is an open system which has a specific relationship with its environment. In this regard, management needs to plan for and adapt to any changes in the business environment. The interdependence between a business and its environment leads to a complex relationship between a business and its environment, which needs to be carefully managed. The next section focuses on a definition of the concept ‘management’.

2.3 A DEFINITION OF MANAGEMENT

All managers engage in certain interrelated activities to achieve desired business goals. These entail four fundamental management functions, namely planning, organising, leading and controlling.

Figure 2.1 illustrates the transformation of inputs to outputs in a business and the role of the physical transformation and the management processes.

![Figure 2.1: the transformation of inputs to outputs in a business](image-url)
The management process and the four functions of the process are encountered at all levels and in all departments of the business. Figure 2.2 indicates this process.

**Figure 2.2: the management process**

2.3.1 Planning
Planning is typically the starting point in the management process. In its simplest form, planning means determining the future position of the business and deciding on the strategies needed to reach that position. During the planning phase, the vision, mission and goals are determined as well as the resources needed for the task.

2.3.2 Organising
Organising is the second step in the management process. A manager must design and develop an organisational system to implement the plans. Organising can therefore be defined as the process of delegating and co-ordinating tasks and allocating resources to achieve goals and objectives. Organising also involves developing a framework or organisational structure to indicate how and when people and other resources should be deployed in order to achieve goals. The success of a business lies in directing the different resources towards the achievement of a common set of goals.
2.3.3 Leading
A manager must lead employees as they perform their daily tasks. Leading is the process of influencing employees – who also are resources – to work willingly towards achieving goals. Managers must communicate the goals to employees and motivate them to achieve those objectives.

2.3.4 Controlling
Not all employees do the things they say they will do and the things that they are supposed to do. Therefore, goals will not be met without follow-up processes. Controlling is the process of establishing and implementing mechanisms to ensure that goals are achieved. An important part of controlling is measuring progress towards the achievement of an objective and taking corrective action when necessary. Feeding back results is an important aspect of control and serves as an input for the planning process.

To carry out the management functions of planning, organising, leading and controlling, managers rely on a number of management skills or competencies. These skills are discussed in the following section.

Note: This chapter continues from paragraph 2.3 on page 42 in the book.
15.1 INTRODUCTION

A small business enterprise is created as a result of a need in the market for a product or service. An entrepreneur is a person who identifies the need and develops a method of meeting the need. The method usually leads to the creation or expansion of a small business enterprise.

The relationship between an entrepreneur and a small business enterprise is that an entrepreneur plans, establishes and is responsible for the healthy development and growth of the enterprise. Not all enterprises are owned or managed by an entrepreneur. An entrepreneur or owner of an enterprise often appoints a manager to run the established small enterprise, or sells it to someone else. A small-business manager is a person who manages and runs a small business enterprise. This person is responsible for the profitability of the enterprise and must already have, or learn and develop management skills.

Sometimes a small-business manager has entrepreneurial qualities, but not all small-business managers are entrepreneurs. Similarly, not all entrepreneurs are small-business managers.

An entrepreneur is always on the lookout for new opportunities, either in an existing enterprise or in the creation of a new enterprise. Very often a consumer does not even realise that he or she needs the product or service. An entrepreneur develops the product or service and brings it to the attention of consumers (marketing).
15.2 DEFINITIONS OF AN ENTREPRENEUR

Definitions of entrepreneurs are similar, but they emphasise different features. These are some of the definitions found in management dictionaries and textbooks.

*Entrepreneurs are skilled at identifying new products, new methods of production or new ways of marketing existing products. They set up operations to provide new products, market the products and arrange the financing of the operations.*

Another description is:

*… entrepreneurs recognise opportunities for new products or services and obtain the finance and other resources to produce and deliver them. The finance and other resources may come from themselves or from other sources. Entrepreneurs are inclined to take risks and are generally associated with economic growth.*

Both of these definitions imply innovation (in other words, that something new is created) because they refer to new products, services and/or methods.

In contrast, there is no reference to innovation in the following definitions. These definitions regard establishing a new enterprise as sufficient to classify a person as an entrepreneur.

*Entrepreneurs are people with the ability to create an enterprise where none existed before. They produce combinations of ideas, skills, money, equipment and markets that form a successful enterprise.*

This is a more comprehensive definition:

*Entrepreneurship is creating and building something of value and involves creativity and innovation in identifying an opportunity and pursuing the opportunity by taking the risk to start a business, often with very limited resources.*

There is evidently considerable agreement between the various definitions of an entrepreneur, though some definitions are more comprehensive or specific than others.

For our purposes, an entrepreneur can be described as someone:

- who starts his/her own enterprise;
- who manages his/her own enterprise;
- who identifies new products or opportunities;
- who is creative and/or innovative;
who organises and controls resources (such as capital, labour, materials) to ensure a profit;  
• with the ability and insight to market, produce and finance a service or product;  
• who has the financial means or who can obtain financing so as to realise the enterprise; and  
• who is willing to take calculated risks.

The definitions of an entrepreneur that we have given clearly indicate the role of an entrepreneur in establishing and running an enterprise. They show what an entrepreneur does and give a broad indication of the characteristics of an entrepreneur.

15.3 THE RELATIONSHIP BETWEEN ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT

The definitions of entrepreneurship and research into the subject reveal relatively conflicting perceptions, especially regarding creativity and innovation. On one hand, only someone who starts and operates a highly creative and innovative enterprise is regarded as an entrepreneur. This implies that the enterprise must be different from any existing enterprise and that a person is an entrepreneur only if he or she acts innovatively. A more general view is that a person who starts and establishes any enterprise, not necessarily a highly innovative enterprise, is an entrepreneur. Once the enterprise is established, that person is no longer an entrepreneur, but is in fact a manager of the enterprise – a small-business manager.

People who are responsible for the growth of an enterprise are also identified as entrepreneurs. Therefore, entrepreneurs are also small-business managers, as they manage their enterprises themselves to ensure permanence and growth.

According to this definition, all small-business managers and owners of small business enterprises are entrepreneurs. This is a false perception. If a person does not display entrepreneurship by starting an enterprise or causing it to grow, that person has not distinguished him- or herself as an entrepreneur.

Some examples of small-business managers who are not entrepreneurs are:  
• a person who manages an existing enterprise or franchise without ensuring growth;  
• a person who inherits an enterprise and runs it in the same way as his or her predecessor; and  
• a person who is appointed by the owner of a small business enterprise to manage the enterprise.
Successful entrepreneurs realise that effective management is necessary for the success of an enterprise. They therefore manage their enterprises themselves or appoint small-business managers to ensure permanence and growth.

The role of the small-business manager in the enterprise is just as important as the role of the entrepreneur. An enterprise must be managed well to guarantee survival and profitability. Without proper management, entrepreneurship is meaningless, and even the best product or service in the world cannot ensure success. A successful entrepreneur will realise that if he or she cannot perform all the management functions properly, then experts and/or managers must be appointed.

Thus, entrepreneurs are not necessarily small-business managers, and small-business managers are not all entrepreneurs. An entrepreneur must therefore be committed to developing both entrepreneurship and management skills, as these are the things that contribute most to success.

Thomas Edison, one of the greatest inventors of the nineteenth century, is a striking example of someone who was an excellent entrepreneur, but who did not know how to manage an enterprise properly.

Edison’s ambition was to be a successful businessman and eventually the head of a large enterprise. He had all the knowledge necessary to found an enterprise for developing his greatest invention, the light bulb. His product was unique and led to a new consumer need. But Edison made a single mistake, namely remaining an entrepreneur without developing his management skills. As a result, his four or five enterprises all failed, and could be rescued only by a true management team.

Another type of entrepreneur is a corporate entrepreneur. This type of entrepreneur is one who has no need to start a new enterprise, but wishes to use his or her business abilities in an existing enterprise. In other words, a corporate entrepreneur is someone who prefers the benefits of an existing enterprise (such as a regular salary and available resources) to the uncertainties of an enterprise of his or her own.

Corporate entrepreneurship involves identifying an opportunity within an existing enterprise, and creating a profitable reality for the enterprise from this opportunity.
These are some examples of entrepreneurial businesses:

**Examples of entrepreneurial businesses**

**Passion on a Plate**
Passion on a Plate is an entrepreneurial concern in the Catering, Accommodation and Other Trade sector. Two students started a catering company with R150 as an entrepreneurship assignment for a university programme. After less than two years they had achieved a turnover of R70 000 per month. Their business now includes catering for weddings and other functions, team building and cooking classes. Recently, they also opened a restaurant and guesthouse.

**Ezabantu Fishing**
Ezabantu Fishing is another inspirational micro enterprise that grew to become a successful small business. It began because the owner, Bulelwa Qupe, couldn’t find enough fish for her fish-and-chip shop. She acquired a fishing quota and soon had too much fish for her own needs. This prompted her to establish her own export company, Buntu Marketing and Exporting, which exports white hake to Spain and abalone to Asia.

**Decorex**
Decorex, South Africa’s international interior decorating showcase, was started with a few hundred rand by Nicola Hadfield 10 years ago. She first approached Decorex in London to start a similar show in South Africa, but they regarded South Africa as too Third World for a decorating show of the calibre of Decorex. She decided to proceed on her own and the show became a huge success. After eight successful years in operation, Nicola sold the show to a Dutch company to pursue new business opportunities. She is a typical ‘habitual’ entrepreneur.

**Cape Classics**
André and Gary Shearer established Cape Classics Inc. in 1991. The company began as a small export company in Cape Town and has developed into two award-winning companies: Cape Classics Export based in Cape Town and Cape Classics Inc., based in New York. They have achieved this success in only 10 years. André Shearer set up Cape Classics Inc. in 1992 in New York. In the USA the wine import industry is worth approximately $3,3 billion. Cape Classics Inc. is responsible for approximately 15% of South African wine imports into the USA. The Shearer brothers attribute their success to perseverance, knowledge of basic business principles, the quality of their products and the excellent service they provide.
Entrepreneurs possess particular characteristics that set them apart from people who are not intent on starting an enterprise of their own. This does not mean that all entrepreneurs have the same characteristics or combination of characteristics. Some entrepreneurs are successful because they are prepared to take chances, while others achieve their goals largely as a result of their innovative skills and flair for management. Each entrepreneur has a unique combination of factors at his or her disposal for achieving success. These factors are known as key success factors.

Before we examine the individual key success factors, let us look at the profile of an entrepreneur.

**Black Like Me**
Herman Mashaba set up Black Like Me, a company producing hair care products for the African market. He started his business from the boot of his car in 1985 and grew it to a turnover of R80 million. He also has a 30% stake in Stocks Building Africa (one of South Africa’s largest unlisted building contractors) and is involved in a R130-million development of the Cradle of Humankind World Heritage Site.

**Butterfield Bakery**
Kobus Oosthuizen started the first bakery franchise of Butterfield Bakery in 1997. He is now franchisor to more than 120 franchisees. These franchises have a defined market and are close to their target markets, such as mines and other areas inadequately serviced by traditional or in-house bakeries. The combined turnover of these franchises is more than R300 million per annum.

**First National Bank**
First National Bank (FNB) is a good example of corporate entrepreneurship. FNB, which was traditionally a conventional bank, has recently ventured into new businesses such as Outsurance and Discovery Health. Outsurance is a short-term insurance business and a diversification of the core business of FNB. When Outsurance was established through FNB it was entrepreneurial and different in that it offered direct short-term insurance to individuals without the traditional intermediary insurance brokers. Outsurance has grown from a small corporate entrepreneurial business to a large insurance business.

### 15.4 KEY CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS

Entrepreneurs possess particular characteristics that set them apart from people who are not intent on starting an enterprise of their own. This does not mean that all entrepreneurs have the same characteristics or combination of characteristics. Some entrepreneurs are successful because they are prepared to take chances, while others achieve their goals largely as a result of their innovative skills and flair for management. Each entrepreneur has a unique combination of factors at his or her disposal for achieving success. These factors are known as key success factors.

Before we examine the individual key success factors, let us look at the profile of an entrepreneur.
15.4.1 The profile of an entrepreneur

The profile of an entrepreneur is an indication of the personal abilities and characteristics the entrepreneur possesses. Considerable research has been done to try to describe a typical entrepreneur; however, the findings have shown that there is no typical entrepreneur.

Peter Drucker, the well-known management consultant and author, has said the following about the profile of an entrepreneur:

’Some are eccentrics, others painfully correct conformists; some are fat, and some are lean; some are worriers, some relaxed; some drink quite heavily, others are total abstainers; some are persons of great charm and warmth, some have no more personality than a frozen mackerel’ (Drucker, 1996: 22).

Few, if any, entrepreneurs possess all the key success factors that have been identified by researchers. In the next section, we will discuss the most important of these personal characteristics and management skills. Through introspection and self-evaluation, entrepreneurs can establish what their personal strengths and weaknesses are. Strengths can be positively applied and weaknesses can be addressed by one or more of the following:

- personal development;
- attending courses; and
- appointing staff and/or experts to compensate for the weaknesses.

15.4.2 The skills, expertise and aptitudes of entrepreneurs

Successful entrepreneurs have particular skills, expertise and aptitudes that can be applied profitably in any enterprise. It is best to start or run an enterprise in something you feel comfortable with and know a lot about (expertise) or in which you are skilled. The match between you (the person starting the enterprise) and the type of enterprise is therefore most important.

- Skills usually refer to manual work, and can be learned. For example, you can learn to become an electrician, a hairdresser or a cabinet-maker.
- Expertise is based on knowledge that you acquire. Expertise and knowledge are obtained by studying and/or experience. There are experts in fields such as taxation, computer systems and study techniques.
- Each person is born with aptitudes and talents. Some people are artistic, some have a talent for communicating, and others have a flair for figures.

Usually, your skills, expertise and knowledge are a product of your natural aptitudes, talents and interests. Someone who has a strong verbal aptitude,
for example, will learn languages easily and so develop a sound knowledge of languages with further study. People who are artistic can practise art as a career or a hobby. They can paint or do graphic design. Further study can enable them to qualify in architecture or jewellery design.

Table 15.1 shows examples of ways in which entrepreneurs can use their skills, expertise and aptitudes in specific enterprises.

Table 15.1: Examples of ways in which entrepreneurs can use their skills, expertise and aptitudes in specific enterprises

<table>
<thead>
<tr>
<th>Skills, expertise or aptitude</th>
<th>Types of enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example 1: Technical thinking (aptitude)</td>
<td>Draws furniture designs</td>
</tr>
<tr>
<td>(+) Cabinet-making (skill)</td>
<td>Designs and installs kitchens and built-in cupboards</td>
</tr>
<tr>
<td>(+) Knowledge of antiques (expertise)</td>
<td>Restores antique furniture</td>
</tr>
<tr>
<td>Example 2: Artistic (aptitude)</td>
<td>Produces and/or sells art</td>
</tr>
<tr>
<td>(+) Experience in jewellery design (expertise)</td>
<td>Designs jewellery</td>
</tr>
<tr>
<td>(+) Apprentice in jewellery manufacture (skill)</td>
<td>Manufactures jewellery</td>
</tr>
<tr>
<td>Example 3: Analytical, practical thinking (aptitude)</td>
<td>Develops computer programs</td>
</tr>
<tr>
<td>(+) Experience in stock control (expertise)</td>
<td>Develops methods of stock control for enterprises</td>
</tr>
<tr>
<td>(+) Knowledge of book retailing, and of the need for reliable suppliers (skill)</td>
<td>Central distribution service for suppliers of books to retail shops</td>
</tr>
</tbody>
</table>

You can see how important it is for an entrepreneur to consider his or her skills, expertise and aptitudes when considering starting an enterprise.

15.4.3 The important personal characteristics of entrepreneurs

Skills, expertise and aptitudes in isolation do not guarantee a successful enterprise. To ensure success in your own enterprise, business characteristics and management skills are indispensable.

A successful interior decorator must have a thorough knowledge of materials, furniture styles and the use of space. Knowledge of various manufacturers and their products and services is also essential. Such a person must also be artistic and creative, and have a feel for colour and dimensions in order to furnish a room tastefully. These are the person's expertise and talents.
An interior decorator must also maintain sound human relations, as he or she will largely deal with people (clients, employees, suppliers and the public) when the enterprise is marketed.

Involvement in their enterprises ensures that entrepreneurs will use their expertise and talents to offer clients the best possible service. This in turn ensures the success of their enterprise.

This is an example of important personal characteristics displayed by successful entrepreneurs. The following personal characteristics warrant attention:

**Persistence**
Entrepreneurs have confidence in themselves and their enterprises and carry on in spite of setbacks and difficult situations and problems. They are able to make immediate decisions, but can also exercise patience until a task has been completed and a goal has been reached. They do not lose heart when they make mistakes or fail.

**Commitment to the enterprise**
Entrepreneurs dedicate all their skills, expertise and resources to establishing and building the enterprise. They could prove their commitment, for example, by:

- using their own money in the enterprise;
- taking a mortgage on a house;
- working long hours for the sake of the success of the enterprise;
- initially accepting a lower standard of living; and
- possibly earning little or no income from the enterprise.

**Involvement in the enterprise**
Entrepreneurs are personally involved in the enterprise and are aware of everything that is happening at all levels and in all sections of the business. They perform tasks themselves and communicate with staff and others involved in the enterprise, such as suppliers and clients. The example of the interior decorator reminds us of the importance of personal involvement.

**Willingness to take risks**
Entrepreneurs take calculated risks. This means that the risks related to a business opportunity must not be too great, for then the chance of success is not in the hands of the entrepreneur. Entrepreneurs are not gamblers. However, the level of risk should not be too low either, as then exploiting the opportunity does not pose a challenge, and is usually not as profitable. A risk factor that is too low implies limited profitability. A business opportunity with a low risk factor makes
it easy to enter the market, but also raises the likelihood of competition. In the business world this consideration is called a ‘barrier to entry’.

Entrepreneurs usually try to reduce risk by finding investors to provide finance, making arrangements with suppliers to provide goods on consignment, persuading suppliers of services and goods to accept special terms of payment, and such like.

When a business opportunity is exploited, this must be done in a carefully considered and planned fashion.

**Sound human relations**
Entrepreneurs have a close involvement with people. They realise they cannot be successful in isolation. They motivate their employees and know how to build contacts to the benefit of the enterprise. They find it important to ensure long-term relationships and stay on good terms with suppliers, clients and others involved in the enterprise.

**Creativity and innovative ability**
Creativity refers to a person’s imagination and ability to think creatively. Innovative ability refers more to the use of creative abilities to create something concrete. So it is logical that creative thinking, but especially innovative ability, is fundamental to starting a new enterprise.

Examples of creativity and innovation are:

- starting and expanding an enterprise by developing and marketing a new product or service, like a new computerised lawn mower that is automatically driven;
- presenting, marketing or making available an existing product or service in a new, innovative manner, for example Amazon.com, through which books can be purchased over the Internet and delivered to your home instead of having to look for them at a bookstore;
- applying new technology to improve or extend an existing product or service. An example is the Kindle, an electronic reader. Books can be downloaded from Amazon within minutes and read on the Kindle. Thus hard-copy books are replaced by electronic versions of books.

Creativity distinguishes entrepreneurs from their competitors. Often it does not represent a radically new method, but rather a method that satisfies a client’s need in a better way.
Positive attitude and approach
Entrepreneurs learn from their setbacks and failures. They are realistic and accept that disappointments are inevitable, and are not discouraged when these occur. They are able to identify opportunities even in adverse and difficult situations.

All this indicates that entrepreneurs remain positive despite setbacks, failure and disappointment. This does not mean they do not sometimes feel dispirited when events are not favourable, but on the whole they deal positively with situations. We often read of entrepreneurs who have lost everything, sometimes more than once, only to start afresh. Success is achieved by using negative experiences positively and by learning from past mistakes.

In this way, Henry Ford, father of the motorcar assembly line and the first mass-produced motorcar (the Model T Ford), twice started enterprises (both times building racing cars) that proved unsuccessful, before achieving success.

15.5 ENTREPRENEURIAL SKILLS
Never underestimate your power to change and improve yourself.

Entrepreneurial skills are related to the personal and interpersonal competencies of people and are expressed in their behaviour. Entrepreneurial skills are not simply inherited and unchangeable as traditional perceptions would lead us to believe. Research has proved that people can change certain characteristics previously regarded as genetic – that they do have more freedom to act and to find opportunities in their environment.

Management skills and business knowledge are an indication of how well an entrepreneur can perform important tasks and activities related to the eight functions of a business. These eight functions of a business are:

- the general management function;
- the operational function;
- the financial function;
- the purchasing function;
- the human resource function;
- the marketing function;
- the administrative function; and
- the external relations function.

Examples of important tasks related to these functions are market research, advertising, job description, budgeting and the business plan.

It is important to bear in mind that training in entrepreneurial skills without training in business skills will not ensure optimal results. A combination of
training to develop entrepreneurial skills and business training will be most
effective in preparing and developing successful entrepreneurs.

Management skills, business knowledge and the development of entrepreneurial
skills are important for all types of entrepreneurs, for example:
• the professionally qualified entrepreneur, such as a lawyer who starts and
  is responsible for the growth of his or her own practice, or a plastic surgeon
  who develops and markets his or her own range of beauty products;
• the innovative entrepreneur who identifies a unique opportunity and
  combines the knowledge and skills of experts to establish a successful business;
• micro-entrepreneurs who defy the odds against them and earn themselves
  an income, albeit only a living wage.

Through extensive research, McClelland (1986) and McBer and Company
(1986) have identified the following three groups of competencies, related to
entrepreneurial skills, as being more characteristic of a successful entrepreneur
than an average one.

Table 15.1: groups of competencies

<table>
<thead>
<tr>
<th>Competency</th>
<th>Characteristic</th>
<th>Shown by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proactivity</td>
<td>Initiative</td>
<td>Does things before being asked or forced to by events</td>
</tr>
<tr>
<td></td>
<td>Assertiveness</td>
<td>Confronts problems with others directly; tells others what they have to do</td>
</tr>
<tr>
<td>Achievement</td>
<td>Sees and acts on opportunities</td>
<td>Seizes unusual opportunities to start a new business by obtaining financing, land, work space or assistance</td>
</tr>
<tr>
<td>orientation</td>
<td>Efficiency orientation</td>
<td>Looks for or finds ways of doing things faster or at less cost</td>
</tr>
<tr>
<td></td>
<td>Concern for high quality of work</td>
<td>States a desire to produce or sell a top or better-quality product or service</td>
</tr>
<tr>
<td>Systemic planning</td>
<td>Systemic planning</td>
<td>Breaks a large task down in to sub-tasks or sub-goals; anticipates obstacles and evaluates alternatives</td>
</tr>
<tr>
<td>Commitment to others</td>
<td>Commitment to work contract</td>
<td>Makes a personal sacrifice or expends extraordinary effort to complete a job; pitches in with workers or works in their place to get a job done</td>
</tr>
<tr>
<td></td>
<td>Recognises the importance of business relationships</td>
<td>Acts to build rapport or friendly relationships with customers; sees interpersonal relationships as a fundamental business resource; puts long-term goodwill before short-term gain</td>
</tr>
</tbody>
</table>

Source: McBer & Company (1986)
This book addresses not only the competencies listed in the table, but also internal and external loci of control, creativity and innovation, which are also regarded as important entrepreneurial characteristics.

15.5.1 Proactivity
As you saw in Table 15.1, proactivity is characterised by initiative and assertiveness. A proactive person does things before being asked or forced to and confronts problems directly. Such a person will tend to take the lead and will tell others what to do.

15.5.2 Achievement orientation
McClelland (1961), one of the best-known researchers into entrepreneurship, identified the need to achieve as an entrepreneurial characteristic and correlated this property with the wish to start and expand a business enterprise. Hornaday and Aboud (1971) confirmed that a high need to achieve is the most important psychological factor affecting entrepreneurial success.

15.5.2.1 Competencies related to achievement orientation
Achievement orientation is a person’s need to do things better, faster and more efficiently. Individuals with high achievement orientation behave like successful, rational business entrepreneurs.

- They plan and organise their lives and show concern about the use of their time – that is, they tend to maximise the likelihood of achieving success by setting challenging yet achievable goals, and show a great deal of persistence and determination in pursuing their goals.
- They perform significantly better when they have positive and definite feedback as to how well they are doing.
- They assume personal responsibility for problems and seek creative solutions in order to experience a sense of achievement satisfaction from completing a task.
- They do not favour tasks where the outcome depends on luck or circumstances beyond their control.
- They reflect a high degree of self-assertion, self-confidence and flexibility in their behaviour.

The competencies of people with a high need for achievement can be summarised as follows:
- They prefer to be personally responsible for solving problems.
- They want to set their own goals.
They aim to reach their goals by their own efforts.
They want feedback on the degree of success with which they have accomplished their tasks.
They want to achieve a personal sense of accomplishment.
They want to control their own time as they know that time is a limited resource.
They use time and money creatively.
They are true to themselves and to their ideals.

It is important to inculcate the need to achieve and to create more effective entrepreneurs through achievement motivation conditioning. This is necessary because large sums of money are wasted by creating opportunities and by training unskilled individuals without providing any training to motivate them to want to take advantage of new opportunities or to use their newly acquired skills.

Take, as an example, the research conducted on certain fishermen in a very poor community. To help them to ensure a better income for themselves, they were supplied with stronger, improved fishing nets. The improved equipment did, indeed, result in better catches.

The outcome, however, was not as expected. The increase in volume did not lead to improved living conditions, as the fishermen either used the additional income to buy more alcohol and to party or they stopped fishing as soon as they reached their previous quota, which to them was acceptable. The provision of better equipment did not ensure an achievement orientation.

Most people take a dim view of character education: some because they do not think that it is necessary and others because they think that it simply cannot be achieved. The confusion about development programmes stems from this perception. More than one development economist has scoffed at the idea that psychological inputs might affect the rate of economic growth. They even strongly suggest that no money should be wasted on such undertakings. They choose to overlook the fact that the motives of people can be changed.

15.5.2.2 Achievement orientation of managers and employees of organisations

According to McClelland (1986), an innovative manager who has decision-making responsibility is as much an entrepreneur as the owner of a business. People in other careers also have a need to achieve. Other areas of professional endeavour, such as arts, politics, religion or education, may also constitute proper channels for achievers. People devoted to these various sectors may easily be characterised
by McClelland’s entrepreneurship characteristics. Even within economic activities, this concept of entrepreneurship may be applied to managers, farmers, salespeople, professionals and others. Therefore, the development of these skills is relevant, not only to entrepreneurs, but to those in other careers as well.

McClelland’s research has proved that successful entrepreneurs and successful corporate entrepreneurs (which you learnt about earlier in this chapter) display characteristics associated with an achievement orientation, whereas average or unsuccessful entrepreneurs do not display such characteristics, or do so in only a limited way.

15.5.3 Human relations skills/commitment to others

Entrepreneurs are closely involved with people; they realise that they cannot be successful in isolation. They motivate their employees and know how to build contacts to the benefit of the enterprise. They also find it important to ensure long-term relationships and to stay on good terms with suppliers, clients and others involved in the enterprise. An unsuccessful entrepreneur is unwilling to listen to or learn from others.

Timmons and Spinelli (2008) have identified the ability to conduct good human relations as a desirable and learnable entrepreneurial skill. They describe entrepreneurs as team builders and hero makers:

‘The successful entrepreneur is not a “loner”. He or she makes “heroes” out of the people they attract to the business, giving them responsibility and credit for their accomplishments … Venture capitalists place considerable emphasis on the demonstrated capacity of the lead entrepreneur to attract, motivate, and build a high-quality entrepreneurial team.’

15.5.4 Internal locus of control

Locus of control is the extent to which a person perceives him- or herself as being within or beyond personal control and understanding. Some people have a strong internal locus of control, while others have a strong external locus of control.

People with a strong internal locus of control believe that their own ability to control the outcome of their efforts is relatively decisive in determining their fate. They acknowledge and are realistic about their own efforts and related results and generally do not ascribe their success or failure to factors beyond their control.

On the other hand, people with a strong external locus of control perceive the outcome of an event as being primarily beyond their personal control – they do
not believe, for example, that the outcome of a business venture will be influenced by their efforts. They are more inclined to be fatalistic and usually see success or money as a matter of chance or good luck and not directly related to intelligence, good management, hard work or other personal efforts.

Research has proved that successful entrepreneurs and successful managers hold more internal locus-of-control beliefs than the general population.

Generally, people with an internal locus of control:

- believe that their own active efforts affect the outcome of events;
- have more control over their own behaviour;
- are likely to be activists on political and social issues;
- are successful in persuading other people;
- are not easily persuaded;
- search for strategic information and knowledge relevant to their situation;
- are better informed about their vocations;
- are less ambivalent about their jobs;
- show better performance on skill-related tasks;
- are efficient at processing information; and
- are more subjectively certain, though not necessarily more accurate.

People with an external locus of control:

- are more anxious and emotional; and
- prefer a more structured, directive style of supervision.

It should be borne in mind, however, that too high an internal locus of control is not necessarily good, as extreme internals may be less well adjusted and may overestimate their abilities to control their lives.

As an internal locus of control is typical of successful entrepreneurs, it is important to be aware of the behaviour associated with this characteristic. Self-awareness, goal setting, time management, conflict management, assertiveness and networking are topics related to internal locus of control.

15.5.5 Creativity and innovation

According to Ted Engstrom, ‘Creativity has been built into every one of us; it’s part of our design.’

It is very important to distinguish between creativity and motivation. The following definitions will suffice at this stage:

Creativity refers to a person’s imagination and to his or her ability to think of something original.
Innovative ability refers more to the use of creative abilities to create something concrete.

Successful entrepreneurs combine creative thinking with innovative action and their business knowledge and management skills. The combination ensures success. They are continually on the lookout for unique opportunities, and identify business potential by asking questions and looking for answers. A successful entrepreneur identifies what others see as a problem as an opportunity, and finds innovative ways of acting on it.

Originally, creativity was regarded as a genetic trait, but this perception has changed. It is now believed that creativity can be learnt to a certain extent.

‘Judging by the level of creativity and innovation in the United States compared with that of equally sophisticated but less creative and innovative cultures, it appears unlikely that this trait is solely genetic. An expanding school of thought believes that creativity can be learned. In new ventures there often is a collective creativity that emerges from the joint efforts of the founders and personnel and produces unique goods and services’ (Kuratko & Hodgetts, 2004:75).

‘I submit that creativity will never be a science in fact – much of it will always remain a mystery, as much of a mystery as “what makes the heart tick?” At the same time, I submit that creativity is an art – an applied art, a workable art, a learnable art – an art in which all of us can make ourselves more and more proficient, if we will’ (Alex Osborn).

A few ways in which creativity and innovation are expressed are:

- the ability to consider new ideas and to take a wider view;
- seeking and taking initiative in solving problems in a unique way;
- successful correlation between time and money and other critical resources;
- seeking ways to do things differently;
- exploiting opportunities;
- being distinguishable from competitors;
- the ability to see, recognise and develop opportunities; and
- creating and building a business.

15.6 ESTABLISHING A BUSINESS

To start a business the entrepreneur should ideally follow a specific process, namely:

1. Identify a business opportunity or idea.
2. Evaluate the feasibility of the business opportunity or idea.
3. Do a viability study to determine whether the business opportunity will be profitable.
4. Develop a business plan.
5. Establish the business as a legal entity.

We will now look at these steps in the process.

15.6.1 Identify an opportunity
The first step in the process is to identify an opportunity. An opportunity is a gap left in the market by those who currently serve it. Good ideas are not necessarily good opportunities. A good opportunity is attractive, durable and timely, and is anchored in a product or service that creates or adds value for its buyer or end user.

As an entrepreneur, you must identify a business opportunity by considering your skills, expertise or aptitude, and the needs and problems identified in the market. You evaluate the business opportunity by doing feasibility and viability studies to determine whether it would actually be worthwhile and profitable to start the business.

15.6.2 Do a feasibility study
When you (as an entrepreneur) have identified a possible business idea you must then determine whether there is a need for what you are thinking of doing and whether you have the necessary skills, knowledge and resources to do what is implied by the business idea. This is the next step in the process and is known as the feasibility study. The feasibility study includes evaluation of the business idea, identification of the market for the business idea and assessing how you will get your idea to the market and address the needs of the market.

15.6.3 Do a viability study
The next step is to do a viability study. This study pre-empts the business plan and contains valuable information in assistance to drafting the plan. Hisrich and Peters (2002:229) indicate that the following information should be included in a feasibility study:

- **The proposed location for the business**: An assessment of the accessibility of the business for customers, suppliers and distributors.
- **Manufacturing operations**: The decision on whether the products should be manufactured by oneself or outsourced to an outside entity. When the self-manufacturing route is followed, what are the resource requirements and skill needs in an optimal operational set-up?
- **Raw materials**: An assessment of the availability, quantity, quality and cost of raw materials needed.
• **Equipment**: An assessment of the equipment required to manufacture the product effectively and efficiently and the most suitable format of acquisition (purchase or lease).

• **Human resource skills**: An assessment of all the aspects surrounding the human resources requirements (quantity, skills levels, remuneration/cost and the sources of employment).

• **Space**: A decision regarding the optimal size of the factory should be determined combined with the cost and availability of manufacturing space (linked to the location decision).

• **Fixed and variable costs**: An analysis of all the cost variables involved in the pre-establishment, start-up and establishment phases of the business (for example, marketing research, rent, salaries/wages, equipment, lease amounts, insurance, professional fees and advertising).

In addition to the above, the viability study includes the development of a mission statement of the business as well as the setting of goals and objectives for the business. An integral part of setting and formulating goals is an examination of the expected market share of the total market.

*The mission statement of the business*

The following should be included in the mission statement of the business:

- The consumers of the business.
- Needs that will be addressed by the business.
- How the needs will be satisfied by the business.

This is an example of a mission statement, from ‘Follow ad’, an advertising research company:

*Follow ad strives to attend to all the advertisement research of marketing companies and businesses and provide concise results for planning of advertising campaigns.*

*The goals and objectives of the business*

As an entrepreneur, you must determine the primary goal and objectives of the business. Goals and objectives have to be realistic and the most important goal is usually to be profitable.

This is an example of a goal, from Follow ad:

*The goal of Follow ad is to become profitable after the first year of establishment and then increase profitability by 3% per year.*
Objectives are derived from the goal/s of an organisation and support the organisation goal/s. They are smaller things that you have to do and achieve in order to reach the goal/s of the business.

Examples of Follow ad’s objectives that contribute to the goal of the business are:

To ensure contracts of R100 000 per month within the first six months.

To increase sales by 30% per year for the next three years.

To ensure 10% of the market share for advertising research in South Africa within the first year.

The market share of the total market
The market share of a business is the share of the business of the total market for a specific service or product. Although it is sometimes difficult to calculate, the total market size for the product/s or service/s of a business must be determined. Competitors in this market have to be identified and the niche that the planned business will serve has to be specified. This niche to be serviced is known as the target market of the business. We can say that the target market is the niche of a total market to which a business will market its products and services.

Defining the target market will make it possible to calculate the potential market share of the planned business.

Although it is difficult to identify the size and exact features of a target market, some information can be obtained and it is important to analyse competitors in as much detail as possible and find out information such as:

- the market share of competitors;
- how many competitors there are;
- the specific target markets served by the competitors; and
- the size of the target market interested in the product or service.

15.6.4 Develop a business plan
The next step is to develop a business plan. A business plan clarifies where a new business is heading or how the expansion of an existing business is planned. The plan assists a business to focus all its activities in an organised manner on reaching the objectives.

What is a business plan?
A business plan is a document created to develop a guideline to define a business. The plan is:

- a detailed written document stipulating how the business activities will be addressed and how the identified business opportunities will be achieved;
• a document that sets out the plan and explores and indicates the guidelines to follow into the future; and
• a document that the entrepreneur should formulate personally.

The primary functions of a business plan are to:
• guide management;
• chart the future prospects of the business;
• define goals and the strategies to accomplish them;
• raise funds to start or grow the business; and
• inform investors about the potential of the business.

An important benefit of a business plan is risk reduction of the business. When you, as entrepreneur, write and develop a business plan, you are forced to evaluate and consider all the dimensions of the proposed business. This means that you must gather and formulate all relevant information.

Key elements of a business plan
A business plan should consist of the following:

1. A cover page
The cover page includes details of the business, such as the:
• name;
• logo;
• type of business; and
• address and contact details (telephone, fax, e-mail, web address) of the owners, bankers, attorneys and auditors.

2. A management summary or cover letter
This section of the business plan should include evidence of an effective entrepreneurial team. The management part of the plan is very important as it should convey the skills and contribution of each member of your team to the overall objectives of the business.

3. A Table of Contents with page references
This section of the business plan reflects the contents of the business plan with the relevant page numbers.

4. The current position of the business
This section details the following:
(a) The primary activities, which include:
• the mission of the business;
• the goals and objectives of the business;
• the strengths, weaknesses, opportunities and threats of the business;
• the choice of product or service;
• the needs that the product or service meet;
• the strengths of the product or service;
• the position of the product or service compared with competing products or services;
• the place of establishment;
• the features of primary consumers; and
• the features of primary suppliers.

(b) Positioning of the business, which includes:
• a market analysis (identification of the target market and particulars of the target market explaining the market research process and results); and
• the competition.

(c) The operational plan, which includes:
• the operations process;
• the building and fixed assets;
• the design of the factory/business;
• how much capacity is to be used;
• the raw materials to be used;
• the labour to be employed;
• the overhead costs; and
• the operations cost per unit.

(d) Staff, which includes:
• the total personnel requirement;
• the skill levels required; and
• the availability of personnel.

(e) The strategy for achieving the goals and objectives of the business, which includes:
• the cost of the business;
• the capital required;
• the owners' capital/investment in the business;
• the security to cover the debt (collateral);
• the expected break-even point;
• the expected net profit; and
• the expected return on capital.
(f) Addenda, including all detailed calculations of:

- pro forma statements;
- sales;
- purchases;
- staff;
- income;
- balance sheets;
- cash-flow statements; and
- break-even analysis.

_Establish the business as a legal entity_

The final step is to adhere to the specific legal requirements to establish the business as a legal entity.

**15.7 SUMMARY**

All the factors that have been discussed must be analysed in personal terms. This may discourage some potential entrepreneurs, but it is vital that an aspiring businessperson be aware of all the important aspects. Remember that successful entrepreneurs are critical of themselves, but positive about solving problems. An entrepreneur will therefore see which adjustments must be made or what can be done to start an enterprise that has been a dream. Thus an entrepreneur has a vision. He or she realises that it is essential to evaluate personal strengths and weaknesses realistically to achieve the goals.

The entrepreneurial skills of self-awareness, goal setting, time management, assertiveness, networking and conflict management form part of the comprehensive entrepreneurial competencies, namely: proactivity, achievement orientation, locus of control and human relations/commitment to others. In order to achieve entrepreneurial success, personal, internal development and the development of good interpersonal skills are essential. In addition, creativity and innovation are essential general entrepreneurial characteristics, and form the career anchors of successful entrepreneurs.

It is important never to underestimate your power to change and improve yourself. In this book we aim to create an awareness of some essential entrepreneurial skills and to provide you with guidelines for personal development.

**Life is 10% what happens to you and 90% how you react to it.**

To ensure the best reaction it is important to be well prepared; self-improvement and the development of internal and interpersonal skills are therefore essential.
15.8 SELF-EVALUATION

As a self-evaluation exercise, answer the following questions:

1. Discuss the difference between entrepreneurial skills and business-related knowledge and skills.

2. Why is the development of personal entrepreneurial skills essential for successful entrepreneurship?

3. Apart from entrepreneurs, people in other careers also have a high achievement orientation. Give three examples.

4. Why is it important to learn about personal goal setting and time management?

5. Which entrepreneurial skills would you regard as related to good human relations/commitment to others?

6. What does internal locus of control mean?

7. Why do you think that a successful entrepreneur should have a strong internal locus of control?

8. Analyse yourself to determine whether you have an internal or an external locus of control. Give two reasons why you have identified yourself in these terms.

9. Distinguish between creativity and innovation and provide one example of your own creative and one example of your own innovative behaviour.

10. Think of enterprises in your neighbourhood. Give an example of an enterprise that is managed by (a) an entrepreneur and (b) a small-business manager. Give three reasons why you think the first person is an entrepreneur, and the second a small-business manager.

11. Define the term ‘entrepreneurship’.

12. Name four types of key success factors and explain briefly what each one means.

13. Analyse your own strengths and weaknesses. Now list these strengths and indicate how they will contribute to a planned enterprise or to one you are already involved in.

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<tr>
<th>Strengths</th>
<th>How strengths will be exploited</th>
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Now list the weaknesses and indicate how you will address them.

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<th>Weaknesses</th>
<th>How weaknesses will be addressed</th>
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14. Why is it important to take note of external factors when starting and managing an enterprise?
REFERENCES


