



**OPEN EDUCATIONAL
RESOURCES
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Taking Education to the People



Open Educational Resources (OER) for Open Schooling

The Commonwealth of Learning (COL) Open Schools Initiative launched an Open Educational Resources (OER) Project to provide materials under the Creative Commons license agreement to support independent study in 17 specially selected secondary school subjects. Funded by the William and Flora Hewlett Foundation its aim is to broaden access to secondary education through the development of high quality Open Distance Learning (ODL) or self-study materials.

These specially selected OER subjects include:

1. Commerce 11
2. Coordinated Science 10 (Biology, Chemistry and Physics)
3. English 12
4. English Second Language 10
5. Entrepreneurship 10
6. Food & Nutrition
7. Geography 10
8. Geography 12
9. Human Social Biology 12
10. Life Science 10
11. Life Skills
12. Mathematics 11
13. Mathematics 12
14. Physical Science 10
15. Physical Science 12
16. Principles of Business
17. Spanish

Open Educational Resources are free to use and increase accessibility to education. These materials are accessible for use in six countries: Botswana, India, Lesotho, Namibia, Seychelles and Trinidad & Tobago. Other interested parties are invited to use the materials, but some contextual adaptation might be needed to maximise their benefits in different countries.

The *OER for Open Schooling Teachers' Guide* has been developed to guide teachers/instructors on how to use the Open Educational Resources (OER) in five of these courses.

1. English
2. Entrepreneurship
3. Geography
4. Life Science
5. Physical Science

The aim of this teachers' guide is to help all teachers/instructors make best use of the OER materials. This guide is generic, but focuses on Namibian examples.

Print-based versions are available on CD-ROM and can be downloaded from www.col.org/CourseMaterials. The CD-ROM contains the module and folders with additional resources, multimedia resources and/or teacher resources. Note that not all subjects have multimedia resources.

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Entrepreneurship

Grade 10

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<http://www.mtc.com.na>- Cellchat April 2008

Contents

About this ENTREPRENEURSHIP COURSE MATERIAL	8
How this ENTREPRENEURSHIP COURSE MATERIAL is structured	8
Course overview	9
Welcome to Entrepreneurship Grade 10.....	9
Entrepreneurship Grade 10—is this course for you?.....	10
Course Outcomes.....	10
Timeframe.....	11
Study Skills.....	11
Need Help?	12
Assignments.....	13
Assessments.....	13
Feedback	14
Resources.....	14
Getting around this ENTREPRENEURSHIP COURSE MATERIAL	14
Margin icons	14
Unit 1	16
Beliefs and Values about Business and Work	16
Introduction	16
Section 1 What is Meant by Beliefs and Values?.....	18
Myths Beliefs and Values in Business.....	18
Positive Beliefs and Values	19
Section 2 Types of Work	22
What is Work?	22
Types of Work	24
Section 3 Dignity of Work.....	26
What is Meant by Dignity of Work?.....	26
Rewards When We Work	27
Value and Importance of Work.....	28
Setting Goals for Yourself	30
Taking a Positive Attitude towards Work.....	32
Guidelines for Interviewing Successful Business People and Writing Reports.....	35

Unit Summary.....	38
Assignment	38
Feedback	39
Resources	41
Unit 2	42
Business Ethics and Career Opportunities in Namibia.....	42
Introduction	42
Section 1 Ethics in Life.....	44
Business Ethics	45
Section 2 Important Concepts.....	50
Section 3 Social Responsibility of Business.....	52
What is Meant By Social Responsibility?	52
Section 4 Career Opportunities in Namibia.....	57
What is Meant by a Career?.....	57
Types of Careers	57
Different Career Paths.....	59
Types of Employment.....	60
Skills Needed for Different Careers.....	61
Unit Summary.....	64
Assignment	65
Feedback	66
Resources.....	67
Unit 3	69
Entrepreneurship.....	69
Introduction	69
Section 1 What Is Entrepreneurship?	71
How Do We Define Entrepreneurship?	71
Entrepreneurship Environment	72
Section 2 Challenges and Benefits of Entrepreneurship.....	77
What are the Challenges for Entrepreneurship?	78
Benefits of Entrepreneurship	78
Section 3 Entrepreneurial Characteristics and Skills Needed to Overcome Entrepreneurial Challenges	81
Education and Knowledge	81
Natural Ability and Skills	82
Creativity.....	82
Recognition of Opportunities.....	83
Experience.....	84
Strong Personal Characteristics	84
Financial Back-Up	85

Unit Summary.....	87
Assignment	87
Feedback	90
Resources	94
Unit 4	95
<hr/>	
The Entrepreneur	95
Introduction	95
Section 1 How Do We Define an Entrepreneur?.....	96
Definition	97
Characteristics of a Successful Entrepreneur.....	99
Self Assessment	106
Section 2 Advantages and Challenges of Being an Entrepreneur	108
Benefits of Being an Entrepreneur.....	112
Challenges of Being an Entrepreneur	112
Unit Summary.....	113
Assignment	114
Assessment.....	114
Feedback	118
Resources.....	119
Unit 5	120
<hr/>	
Businesses in Namibia.....	120
Introduction	120
Section 1 Types of Businesses in Namibia	122
Trading Businesses	122
Forms of Ownership	127
Sole Traders.....	128
Partnerships	129
Close Corporations (CC)	130
Co-operatives.....	131
Section 2 Size and Importance of Businesses.....	134
Factors that Determine the Size of a Business.....	135
Importance of Businesses	137
Section 3: Registration of Businesses in Namibia.....	138
What is Registration?.....	138
Bodies of Registration.....	138

Unit Summary.....	146
Assignment	147
Feedback	148
Resources	149
Unit 6	150
Business Environment and Market Research	150
Introduction	150
Section 1 The Business Environment.....	152
What is Meant by Business Environment?	152
How to Identify Business Opportunities.....	155
SWOT Analysis	162
Section 2 The Impact of SMEs on the Environment.....	165
Importance of Businesses	165
Section 3 Market Research	167
What is Market Research?	167
How to Conduct Market Research.....	169
How to do Market Research for SMEs.....	171
How to Gather Market Information	172
Importance of Market Research.....	175
Section 4 Market Research Report	176
Unit Summary.....	179
Assignment	180
Feedback	181
Resources	184
Unit 7	185
The Business Plan.....	185
Introduction	185
Section 1 What is a Business Plan?.....	187
Definition	187
Basic Components of a Business Plan.....	188
Factors to Remember When Compiling a Business Plan	190
Section 2 How to Draw Up a Business Plan.....	192
Section 3 How to Present a Business Plan.....	200
Using the Business Plan Internally	201
The Business Plan and Outsiders.....	201

Unit Summary.....	204
Assignment	204
Assessment.....	206
Feedback	210
Resources	212

Unit 8 **213**

Management Tasks	213
Introduction	213
Section 1 Management.....	215
What is Management?.....	215
What are Managers?	217
Section 2 Planning and Organising.....	219
What is Meant by Planning?.....	219
Importance of Planning.....	219
Guidelines on How to Draw Up an Action Plan.....	221
Budgeting.....	223
What is Meant by Organising?	227
Section 3 Leading and Control	229
What is Meant by Leading?	229
Characteristics of Leaders.....	231
Importance of Leadership	232
Section 4 Controlling.....	236
What Does it Mean to Control?	236
The Control Process.....	237
The Nature of Control.....	238
Characteristics of Effective Control.....	238
Steps in the Control Process	239
What are the Methods of Control?.....	240
Unit Summary.....	242
Assignment	243
Feedback	245
Resources.....	247

Unit 9 **248**

Communication and Report Writing.....	248
Introduction	248
Section 1 Communication.....	250
What is Communication?.....	250
The Communication Process	251
Mediums of Communication	252
Importance of Communication	257
Barriers to Communication.....	258

How to Improve Communication	259
Communication Skills/Techniques	260
Section 2 Business Report	264
What is Meant by a Report?.....	264
Unit Summary.....	268
Assignment	269
Feedback	270
Resources	273
Unit 10	274
Marketing and Production Functions.....	274
Introduction	274
Section 1 Marketing Function	277
What is Marketing?.....	277
Value Addition.....	278
4Ps of Marketing/Marketing Mix	282
Customer Care in Marketing.....	288
How to Ensure Quality in Products	289
Section 2 Production Function.....	291
Production.....	291
Where to Locate a Business.....	292
Factors that Determine Where Production will be Located.....	292
Costs involved in Production.....	294
Sources of Production Inputs	296
Capital requirements	297
HIV and AIDS in the Workplace.....	299
The Effects of HIV and AIDS on the Productivity of a Business	299
Unit Summary.....	301
Assignment	302
Feedback	303
Resources	305
Unit 11	306
Finance and Personnel Functions	306
Introduction	306
Section 1 Financial Function	309
Capital	309
Types of Capital.....	309
Sources of Capital.....	311
Capital Requirements.....	311
Difference between Income and Expenses, and Profits and Losses.....	312
Recording of Different Types of Transactions.....	316
Recordings in a Two-Column Cash Book	317

Calculation of Gross Profit and Net Profit.....	320
Calculation of Cost of Sales.....	321
Income Statements	322
Balance Sheet	326
Taxes	328
Section 2 Personnel Function	329
Recruitment	329
Methods of Recruitment	330
How do you Calculate the Workers’ Remuneration?	331
Wages Journal.....	333
Guidelines to Motivate Workers.....	335
Conflict in the Business	336
Conflict Resolutions.....	337
Unit Summary.....	338
Assignment	339
Feedback	349
Resources	359

Unit 12 **360**

Natural Environment and Technology.....	360
Introduction	360
Section 1 Business and the Natural Environment.....	362
What is the Natural Environment?.....	363
How do Businesses Depend on the Natural Environment?	364
Population Growth.....	369
Effects of a Degrading Natural Environment on the Business and Population	369
The Natural Environment, Businesses and Population Growth.....	372
Section 2 Technology in Business.....	375
The Use of Technology in Business	375
Advantages of Technology in Business.....	377
Unit Summary.....	379
Assignment	380
Assessment.....	381
Feedback	384
Resources	386

About this ENTREPRENEURSHIP COURSE MATERIAL

Entrepreneurship Grade 10 has been produced by COL Open Schools Initiative. All ENTREPRENEURSHIP COURSE MATERIALS produced by COL Open Schools Initiative are structured in the same way, as outlined below.

How this ENTREPRENEURSHIP COURSE MATERIAL is structured

The course overview

The course overview gives you a general introduction to the course. Information contained in the course overview will help you determine:

- if the course is suitable for you;
- what you will already need to know;
- what you can expect from the course; and
- how much time you will need to invest to complete the course.

The overview also provides guidance on:

- study skills;
- where to get help;
- course assignments and assessments;
- activity icons; and
- units.

We strongly recommend that you read the overview *carefully* before starting your study.

The course content

The course is broken down into units. Each unit comprises the following:

- An introduction to the unit content
- Timeframe
- Unit outcomes



- New terminology
- Core content of the unit with a variety of learning activities
- A unit summary
- Assignments and/or assessments, as applicable
- Feedback

Resources

For those interested in learning more on this subject, we provide you with a list of additional resources at the end of each unit of this ENTREPRENEURSHIP COURSE MATERIAL; these include books, articles, web sites and other documents.

Your comments

After completing Entrepreneurship, we would appreciate it if you would take a few moments to give us your feedback by completing the following form”

[Course Feedback Form](#)

Your constructive feedback will help us to improve and enhance this course.

Course overview

Welcome to Entrepreneurship Grade 10

Entrepreneurship intends to impart the basic concepts of entrepreneurial skills to learners that will enable them to create jobs for themselves as well as for others in future. This course will help learners to apply the business knowledge, skills and attitudes they acquire, to solve environmental, economic and social problems in their everyday lives.

Entrepreneurship Grade 10—is this course for you?

The subject will help learners to appreciate the importance of good working habits, to develop positive attitudes towards work and promote interest in self-employment. It will also help learners to initiate, organise and control a Small and Medium Enterprise (SME).

Course Outcomes



Outcomes

On successful completion of Entrepreneurship Grade 10, you will be able to:

- identify local, regional, national and international needs and contribute towards development and employment;
- play an effective and productive role in the economic life of the nation;
- apply positive attitudes towards the challenges of co-operation, work, and self-employment;
- apply practical activities to preserve and sustain the natural environment;



Outcomes

- understand how the main types of business and commercial institutions, within the framework of SMEs are organised, financed and operated and how their relations with other organisations, consumers, employees, owners and society are regulated;
- understand the language, concepts, techniques and decision-making procedures in business behaviour;
- apply the skills of numeracy, literacy, enquiry, selection and the employment of relevant sources of information, presentation and interpretation in the running of an enterprise;
- understand the nature and significance of innovation and change within the context of SMEs;
- understand the effect of HIV and AIDS on business activity;
- understand the impact and influence of business activity on the environment.

Timeframe



How long?

This course is expected to be completed in the time frame of 30 weeks or 150 hours. This gives you approximately 12 hours per unit and 2 hours per assessment. The number of hours per unit is however flexible. You might spend less time on shorter units and more time on the longer units.

Study skills



As a distance learner, your approach to learning will be different to that from your school days. You will choose what you want to study, have professional and/or personal motivation for doing so and most likely be fitting your study activities around other professional or domestic responsibilities.

Essentially, you will be taking control of your learning environment. As a consequence, you will need to consider performance issues related to time management, goal setting, stress management, etc. Perhaps, you will also need to reacquaint yourself in areas such as essay planning, coping with exams and using the web as a learning resource.

Your most significant considerations will be *time* and *space* i.e., the time

you dedicate to your learning and the environment in which you engage in that learning.

We recommend that you take time now—before starting your self-study—to familiarise yourself with these issues. There are a number of excellent resources on the web. A few suggested links are:

- <http://www.how-to-study.com/>

The “How to study” web site is dedicated to study skills resources. You will find links to study preparation (a list of nine essentials for a good study place), taking notes, strategies for reading textbooks, using reference sources, test anxiety.

- <http://www.ucc.vt.edu/stdysk/stdyhlp.html>

This is the web site of the Virginia Tech, Division of Student Affairs. You will find links to time scheduling (including a “where does time go?” link), a study skills checklist, basic concentration techniques, control of the study environment, note taking, how to read essays for analysis, memory skills (“remembering”).

- <http://www.howtostudy.org/resources.php>

Another “How to study” web site with useful links to time management, efficient reading, questioning/listening/observing skills, getting the most out of doing (“hands-on” learning), memory building, tips for staying motivated, developing a learning plan.

The above links are our suggestions to start you on your way. At the time of writing, these web links were active. If you want to look for more of these types of sites, go to www.google.com and type “self-study basics”, “self-study tips”, “self-study skills” or similar.

Need help?

The institution that offers this course to students needs to provide the following information to their students. Please insert institutional information where links appear.



Help

The web address for this course: www.namcol.edu

The course instructor's and teaching assistant's names will be communicated to you via the learners' support office. Contact person is Ms U.Kazombiaze at NAMCOL Head Office +26461-3205343; e-mail address: kazombiaze@namcol.com.na. Office hours are between 8:00 till 17:00.

The learner resource centre is at Yetu Yama Centre located at NAMCOL Head Office. The resource centre's assistant is Mr Joel Kavetuna, kavetuna@namcol.com.na Office hours is between 8:00 till 17:00.

For technical assistance with regard to website access and computer related issues, contact Mr I Williams, williams@namcol.com.na and Mr Deo Tsauseb tsauseb@namcol.com.na respectively.

Assignments



Assignments

There is at least one case study activity and one assignment in each unit. The activities are self-assessed.

Assessments



Assessments

There are three (3) assessment activities in this course.

The assessments should be completed at the end of a theme before you move on to the next unit.

Assessment 1 is based on work discussed in Units 1 – 4.

Assessment 2 is based on work discussed in Units 5 – 7.

Assessment 3 is based on work discussed in Units 8 – 12.

Feedback



Feedback

Feedback for the case studies and assignments are given at the end of each unit.

Resources



Resources



















Links to extra web resources are provided at the end of each unit. Other additional resources are available on the course CD and can be printed for your convenience.

Getting around this ENTREPRENEURSHIP COURSE MATERIAL

Margin icons

While working through this ENTREPRENEURSHIP COURSE MATERIAL you will notice the frequent use of margin icons. These icons serve to “signpost” a particular piece of text, a new task or change in activity. They have been included to help you to find your way around this ENTREPRENEURSHIP COURSE MATERIAL.

A complete icon set is shown below. We suggest that you familiarize yourself with the icons and their meaning before starting your study.

 Practical Activity	 Assessment	 Assignment	 Case study
 Discussion	 Group activity	 Help	 Note it!
 Outcomes	 Reading	 Reflection	 Study skills
 Summary	 Terminology	 Time	 Tip
 Feedback	 Reading/Resources		

Unit 1

Beliefs and Values about Business and Work

Introduction

Welcome to the first unit, which deals with myths, beliefs and values about work and business. We will explain different kinds of work, types of work that we have, as well as the fact that work creates dignity. This is a very important unit, because we are a nation of diverse cultures, habits and ways of doing things in the context of business.



Time




Note it

You can spend approximately 12 hours working through this unit. Don't worry if you spend less time, because the number of hours per unit is flexible. You might spend less time on shorter units and more time on longer units.


Throughout the unit, you will find links to the assignment. Click on the highlighted word (question) to access the links.

Before we move on, please take some time to study the objectives for this unit.

On successful completion of this unit, you will be able to:

 Outcomes	<ul style="list-style-type: none"> ▪ <i>identify</i> myths, beliefs and values about work and business; ▪ <i>summarise</i> opposing views about values and beliefs in business and work; ▪ <i>identify</i> and <i>explain</i> positive beliefs based on case studies and real life activities; ▪ <i>express</i> positive beliefs and values about work and business both verbally and practically; ▪ <i>explain</i> the meaning and dignity of work in terms of employment, type of work and the measurement of self-worth; ▪ <i>compare and contrast</i> different types of work with the aid of examples; ▪ <i>explain</i> the importance and value of work in terms of contributions provided by entrepreneurs, and the benefits received by the community and government.
--	--

We hope you have carefully studied the outcomes? The outcomes give you an indication of the basic competencies that you will gain by working diligently through this unit. Shown below is a list of key concepts that will be covered in the unit content.

 Terminology	Beliefs	Refer to attitudes and views of people with regard to certain matters
	Dignity	Respect or importance that a person gains from doing a job
	Goal	Refers to an aim that you plan and set to reach through hard work within a certain time
	Interview	When you ask questions to a specific person to get information on a particular issue
	Myths	Stories that are told and carried over from generation to generation and are believed to be true but are not
	Report	Written or verbal summary of information gathered through an interview or research
	Values	Refers to principles that a person holds. These may include honesty, integrity and hard work
	Work	An activity where we use our bodily (physical) or mental ability or both to produce a product or a service

It's now time to work through the following sections which will help to explain the above-mentioned concepts and enable you to achieve the basic competencies given in the previously mentioned outcomes.

Section 1

What Is Meant By Beliefs And Values?

We live in a world of many different cultures. Each of these cultures has different beliefs and values. As entrepreneurs we need to be aware of these beliefs and values so as not to offend members of different cultures.

Examples of some beliefs are as follows:



Men can't be pre-primary teachers and women can't be truck drivers.

Sporting events cannot take place on Sundays.

Can you think of other examples of beliefs? Ask your parents or elderly people in your community to tell you stories and tales about interesting beliefs.

Entrepreneurship is about business. However, it also influences the individual as a human being. Entrepreneurial knowledge can help us to manage our personal and domestic finances as well as our community undertakings. It is a fact that every activity we engage in (do) should be based on business principles to be successful. The beliefs that influence us most are more directed towards our personal lives. However, there are business myths that also have an impact on our decisions.

Myths Beliefs and Values in Business

What do you think about the following Statements?

'The customer is always right.'

'Your cooking is good! Why don't you start a restaurant?'

'People will love my product. If I start a business, people will stream in to buy from me.'

These are typical examples of myths and beliefs in the business world. When we were young, our grandparents and parents used to tell us tales and stories. Although these stories were very interesting, not all of them were true. Myths are commonly held beliefs, which are not true but carried over from generation to generation.

Values on the other hand refer to principles that a person holds. So we can say that values in business are the beliefs that are really meaningful to a business. These may include honesty, integrity and hard work, customer care, etc. We will discuss these values in more detail in Unit 2 when we discuss business ethics.

Myths, beliefs and values have a strong influence on how we conduct ourselves. For example, let us consider the following statements about business beliefs and values:

‘The customer is always right’: Customers are not always right, but if a business values customer satisfaction, you’ll strive to fulfil customer demands.

‘Your cooking is good! Why don’t you start a restaurant?’ On the other hand, being able to cook does not mean that you are able to run a business successfully.

‘People will love my product. If I start a business, people will stream in to buy from me’: Self-confidence is good, but setting up a business based only on over-confidence without proper market research is looking for trouble.

Spend around about 10 – 15 minutes on the following discussion.



Discussion 1



Tip

1. Discuss with neighbours who have school age children the following statement:
 “I will not send my child to pre-primary school if the teacher is a man.”
 Write down the responses you’ve received and comment on the ones that you thought were the most logical and practical. You can also discuss this using Internet sites such as Facebook and Twitter.

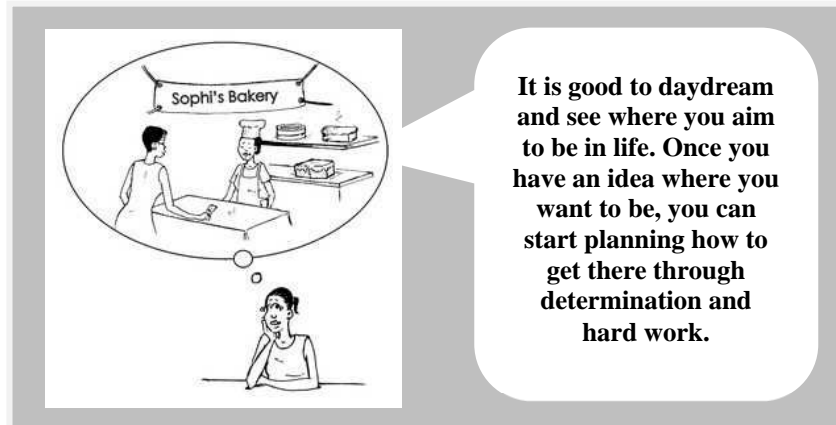
Think about the myth that certain jobs are traditionally reserved for either men or women.



Positive Beliefs and Values

A person with the right positive attitude towards his or her business is already a winner. An enthusiastic and confident person faces challenges much more easily and is almost sure to make a success of his or her business. Customers and other people with whom the positive entrepreneur deals, will also sense this positive attitude and have a positive view of the business. The person with a negative attitude and mindset is already on the losing side.

Positive beliefs should be complemented by positive thinking. We will deal with this in the next section.

Positive Thinking



 <p>Discussion 2</p>	<p>Discuss with people around you what they see as positive and negative beliefs about business.</p> <p>After the discussion, tabulate at least three positive and three negative beliefs about business.</p>
 <p>Tip</p>	<p><i>Always respect the views of other people, even if you disagree with them. This way you will be able to learn new things in life, become respected and more informed. You may spend round about 10 – 15 minutes on this discussion.</i></p>

It's now time to read the following case study . When you are done, take about 20 minutes to answer the questions.



Case Study 1

Selma has been a well-known medical doctor for the past ten years. A reporter asked her about her success story. This is what she told him: "I grew up in a small village and when I was fourteen years old, my grandma became ill and had to be admitted to hospital in the nearest town. The hospital life caught my imagination and I started dreaming of becoming a doctor with a white jacket and a stethoscope around my neck!

When we returned home, I discussed this dream with my parents. My dad simply said that there was no money and a woman's place is at home, caring for her family. My mom and I had several talks about it afterwards. She encouraged me to work hard in school and concentrate on science subjects and mathematics. I found myself a holiday- and weekend job to save money for further studies. However, this was not nearly enough. Through hard work and dedication, I obtained high marks and a scholarship at the end of Grade 12. My parents were very proud of me and my dad gave me his blessing. The rest, as they say, is history."

(Author: Unknown)

1. Which myth is mentioned in the story?
2. What personality traits and skills helped Selma to reach her dream?
3. Where do you see yourself at the age of twenty five?
4. Which special skills and/or training do you think you need to achieve your dream?

Now take a few minutes and answer [Question 1](#) of the assignment to test your understanding. You can compare your answer with the feedback provided at the end of the unit.

I hope you now have a clear understanding of beliefs and values in business, which will help you to build positive values towards the different types of work people do. Let's move on to the next section where we will discuss different types of work.

Section 2 Types of Work

*Do you work when you study? Do you work when you clean the house?
If you pack shelves at Checkers, are you working?*

In many cases, activities are only regarded as work when one is being paid in monetary value. Do you agree? Work through this section to find out whether this view about work is correct.

The following are some of the reasons why people do not want to work for themselves:

- They do not have confidence in themselves to make a success out of their own efforts.
- They are not willing to work hard.

People rather take the easy way out and work for someone else and become employees. Are you ready to define work now?

What Is Work?

We can define work in the following way:

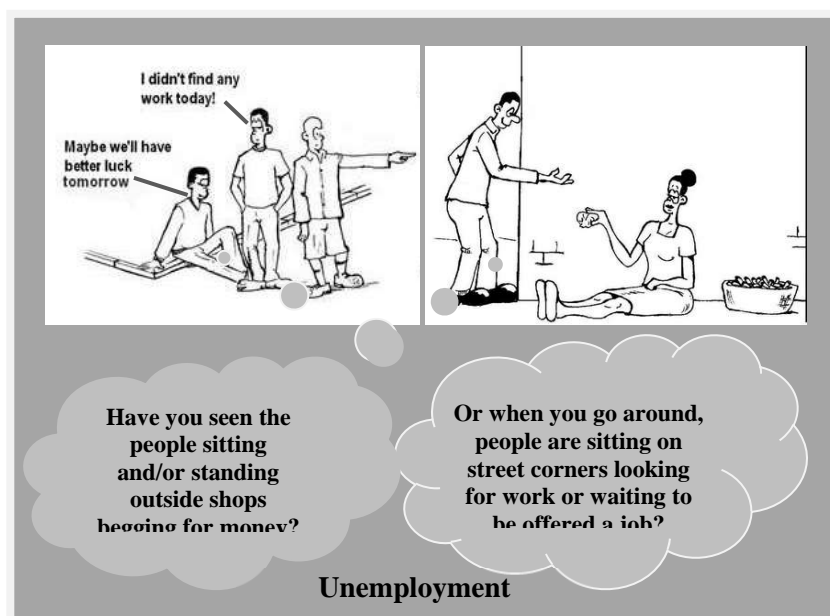
“An activity where we use our bodily (physical) or mental ability or both to produce a product or a service.”

Or

“Exert oneself by doing mental or physical work for a purpose or out of necessity”

Of course, you have to be committed when you work to make a success, but once you have the experience, it becomes easier to do the work. People do different types of work. We'll discuss different types of work later in the section.

Not everyone who can work has a job.



Why is it difficult to find work?


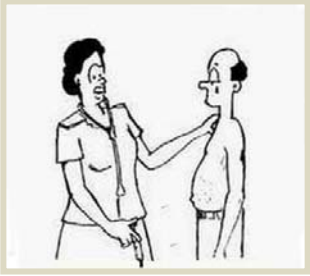

<p>Reflection</p>	<p>Do you know which specific skills are needed for different jobs? Are the skills needed to become a doctor the same as those needed to become a motor mechanic or a domestic worker? Definitely not. In some cases, you do not even have to have a special skill. Can you think of an example of such a job for which you do not need a special skill?</p> <p>When you look for work to become employed or think about becoming self-employed, you will realise that you should have different skills.</p>
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Some people do not have the skills to do a specific job while others are not even trained or have any qualification to be employed on a full-time basis. Let's take a look at skilled and unskilled work.

Skilled and Unskilled Work

A **skilled worker** is any worker who has some special skills, knowledge (usually acquired) and ability for his or her job. A skilled worker may have attended a college, university or technical school. A skilled worker may also have learned his or her skills on the job (in-service training), e.g., lawyers, doctors, nurses etc.

Unskilled work does not require any formal training. Usually, a worker acquires these skills by repeating the action until he or she acquires the skills. Examples of unskilled work are collecting firewood, work as a labourer to mix cement, digging holes to lay pipes, etc. Can you think about more examples of unskilled work?

 Reflection	<p>Look at the pictures below and distinguish between skilled and unskilled workers.</p> <div style="display: flex; justify-content: space-around; align-items: center;">   </div>
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The difference between skilled and unskilled work clearly show that people do different types of work in different organisations. We will discuss this next.

Types of Work

Skilled and unskilled workers can work for the government, for the private sector or for themselves. Let us distinguish between these three groups.

Working for Government (Public Sector)

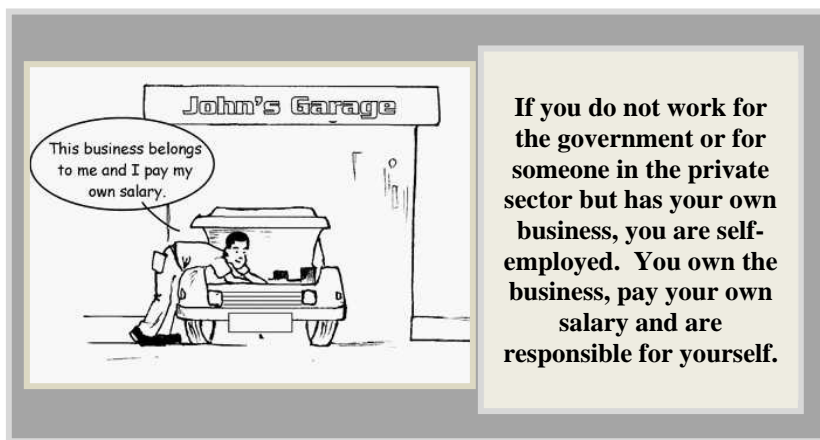
The public sector consists of businesses owned and controlled by the government e.g., state hospital. Nurses and doctors that work in state hospitals are called civil servants because they work for the government and receive salaries at the end of each month.

Do you know anyone who works for the government? Other examples of civil servants are prosecutors and teachers.


Working in the Private Sector

The opposite of working for the government or being a civil servant is to work in the private sector. Private sector businesses are owned by private individuals and not by the state. Here you can also work for someone else or be self-employed and have your own business. Examples of private sector businesses are restaurants, law firms and pharmacies. People who work for the government such as doctors and are

called civil servants. However, if the same doctors go and work in private practices, they are called private sector employees.



We will deal with different forms of self-employment later in Unit 2 and Unit 4. But before you go on, take a few minutes and do the following activity. You can spend around 30 minutes working through Practical Activity 1.

 Practical Activity 1	<p>Find pictures that illustrate different types or kinds of work. Make use of pictures to differentiate between</p> <ul style="list-style-type: none"> Civil servants Private sector workers Self-employment
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Now answer [questions 2 to 4](#) of the assignment before you continue with Section 3. You can compare your answers with the feedback provided at the end of the unit.

All countries have different beliefs about certain types of work. In the next section, we are going to deal with the dignity of work, as well as the contribution of businesses to the economy.

Section 3

Dignity Of Work

As a child, you might have dreamt about becoming a doctor, a teacher, a lawyer or even the president of your country. Very few dream about becoming a bricklayer or a plumber. We see doctors as highly paid, professional and rich people, while we see a bricklayer as poor. People see some types of work as inferior or below their standards. They regard highly skilled and semi-skilled work as more important than unskilled work.

What Is Meant By Dignity Of Work?

Do you think that people are unemployed just because they can't find work?

I know about people who will rather stay unemployed than do work which they think is below their dignity (standard).

This happens because people tend to measure the dignity (respect for/worthiness) of a person by the type of work that person does. This results in disrespect for people doing unskilled and semi-skilled jobs and high respect for skilled professional workers.

Dignity does not depend on what type of job a person does. Rather, it depends on the fact that the person has a job. Work gives a person dignity (self-worth), no matter what type of work he or she does. People not only work to make a living, but because they enjoy to work and get the satisfaction of being of service to other people.



Do you know of:

- rich people who do not have to work but are still working, because they get satisfaction from what they do?
- people who work in a community without being paid, because they love what they do and they get satisfaction from providing these services to others?
- people who are successful getting jobs but refuse to take up the job, because they believe the salary is too low or the job is below their dignity?

We should always treat people with dignity (respect), irrespective of their status or status in life or the type of work they do.

So far, we have been dealing with beliefs and values in general. However, there are also some common beliefs more specifically related to business. In the next section, we will look at examples of beliefs in businesses, identify positive business values and try to apply such positive beliefs to our own lives.

Entrepreneurs believe that success comes with:

- the investigation of the market to identify needs and recognise opportunities;
- the ability to interpret and analyse changes in the business environment and adapt business practices to keep up with the changes;
- hard work, dedication and determination — anything is possible if they work hard enough;
- innovativeness — taking up challenges and opportunities in an innovative way (have original ideas); and
- taking responsibility and practising self-discipline.

In developing countries like ours (Namibia), we need people who can identify needs/business opportunities and find solutions to satisfy those needs through innovative and creative measures.

So far, we have learned that all work creates dignity. When we work, we receive rewards. Such rewards can be in the form of money or satisfaction. Let's take a look at rewards that work can bring.

Rewards When We Work

People work for money. The money that a person receives helps him or her to satisfy his or her basic needs and sometimes to increase his or her standard of living and wealth. Highly skilled people are normally paid higher salaries than semi-skilled and unskilled workers.

Some people work for money whilst others work voluntarily (not getting paid). For example: If you take part in a cleaning operation or assist at an old age home in your free time, you might not be paid in money. Voluntary workers get their rewards by making a difference in the lives of others.



Successful family

Remember, wealth is not only measured in terms of money. It can also be measured in terms of good health, happiness and fulfilment.

Now answer [questions 5 to 6](#) of the assignment before you continue with Section 3. You can compare your answers with the feedback provided at the end of the unit.

Everybody who works, including entrepreneurs and voluntary workers contribute to the economy and social development of a country. In the next section you will learn more about the value and importance of the contribution of any type of work in a country.

Value and Importance of Work

Think about the business environment you live in and then look at the pictures below. These are common pictures on the sidewalks in many developing countries. Spend about 20 minutes doing this and answering the questions in Case Study 2.



Case Study 2

Look at the following pictures and answer the questions that follow.



Entrepreneurial ventures

1. What business activities are being practised here?
2. How do they contribute to the finances of a community to survive?
3. Name other examples of business activities that you may find in such a community.
4. Why do people here have such businesses?

Small and Medium Enterprises (SMEs) play a large role in the economy of a country. We will look at the contribution they make under three headings: the entrepreneur, the community and the government.



- *Entrepreneurs*
Self-employment provides employment as well as income to the entrepreneur. It allows him or her to satisfy his or her needs and wants and those of his or her family.

- Community*

The entrepreneur however not only provides employment to him or herself, but also to other people in the community. This in turn provides much needed income. This income improves a person's standard of living and alleviates poverty in the community. Entrepreneurs also invest in the community through sponsorships given to schools, hospitals, etc.
- The government*

As the entrepreneur's income increases over time, he or she starts to pay tax to the government. The income tax the government receives is used to increase services provided to the population.

Entrepreneurship not only provides work, but also enables a person to contribute to society and in this way increases his or her self-esteem.


 Discussion 3	<p>Pick a person with whom you can debate about entrepreneurs who make a difference in the economy versus entrepreneurs who do not make a difference to the economy.</p>
 Tip	<p><i>Don't spend too much time on the discussion. 10 to 15 minutes will be enough.</i></p>

There are different ways through which a person can become an entrepreneur. The local authorities in many countries assist SMEs through grants.



For example, in Windhoek and other towns, we have places like the market / centre where people can do business.

Read the story below to get an idea of the types of business people do at such centres.

 <p>Reading</p>	<p style="text-align: center;">The Story of Jason Nangombe</p> <p>Jason started working for a plumbing business when he was nineteen years old after he completed Grade 10. Jason had a skill for plumbing and was very practical. As such, he became very good in this trade within a very short period of time. His employer told him that the business is tough when you go on your own, because he did not want to lose Jason. He also told Jason that plumbers did not get rich if they were employed by the government or were self-employed. Jason, however, made careful observations and started to put together his plans to leave the job and go on his own. He saved money and bought his own equipment and a small pickup. He applied at the Municipality for a stand in the Incubation Centre in Katutura. He had to work hard at the beginning and nearly gave up, but he now employs three assistants, one of whom is managing the office. He now owns another pickup, because the workload has increased since he has also won government tenders.</p> <p style="text-align: right;">(Author: Unknown)</p>
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The story about Jason doing business at the incubation centre is but one of many that we find in and around our communities. So far, we have learned that all work has dignity and also briefly looked at the contribution entrepreneurs make to the economy of a country.

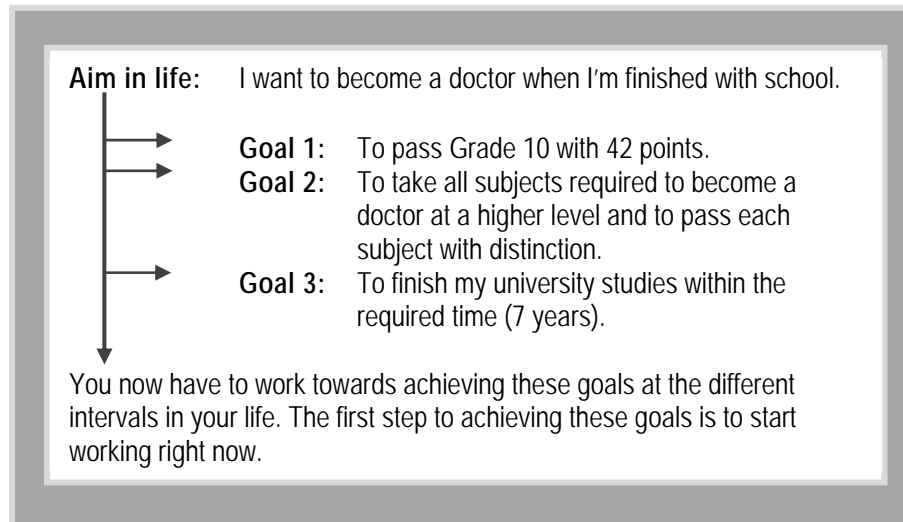
In the next part, we are going to look at positive approaches and activities that will make us successful. When a person wants to set up a business, he or she first needs to think about how to go about it. In other words, he or she has to plan what needs to be done. This normally starts with setting goals and then working towards achieving these goals.

Setting Goals for Yourself

To achieve something in life involves setting goals for one's self. However achieving the goals does not stop with the setting of goals. The next step is to decide what you need to do to achieve these goals.



For example:



Just as you need to set goals in your personal life, the entrepreneur also has to set goals for his or her business.

Setting goals involves making decisions about the aims and objectives that you want to achieve in your business. Remember, you have to be clear about what you want to achieve.

Let us look at the following examples of a goal set by two businesses:

Business A's goal: to make a net profit of 40 %.

Business B's goal: to make a profit.

Which of these two businesses' goal is clear and which is vague?

Think positively and make your goal something worth working for, but remember it should be realistic and achievable. We will discuss goal setting in more detail in a later unit.

Now answer [Question 7](#) of the assignment before you continue with Section 3. You can compare your answer with the feedback provided at the end of the unit.

Setting goals give you guidelines to work with. These will help you to have a positive attitude towards your work.

Having a Positive Attitude towards Work

Sometimes we find it difficult to do our work, and even when we do it, we don't pay enough attention to what we do. This happens, especially when we experience some difficulty in what we are supposed to do, either because we don't have enough time or we don't know what to do or because of distractions. Many times, you just want to give up and not do anything or you keep on postponing doing the work. If you, however, approach your work with a positive attitude you will overcome all these obstacles.



Take a few minutes to read the following scenarios.

1. You have to do an interview with a business person and write a report. You have a week to finish the assignment: You decide, "No! I won't do it today. I'll see how I feel tomorrow". The evening before the report is due, you quickly write up a report as if you have done the interview. Do you have a positive attitude towards your work?
2. You've set up your own business, but you decide to stay on at your current job until you are sure that the business will work. You have to divide your time between the business and your job. Due to the pressure from both sides, you either open up the business late or you come late at work. Your friend suggests that you should stay away from your job when you have to be at the business. Would you follow his advice?

Adapted from: New Entrepreneurial Education Grade 9

Now, spend about 20 minutes answering the questions in Case Study 3 before continuing with the rest of this section.



Case Study 3

Read through the following case study and answer the questions.

John has a friend called Albertina. She always tells John, who is a business person that he is wasting his time and that his business will not be successful. She tells him this because of the problems she sees him experiencing in his business. She sees that he is working long hours, that he does not have a vehicle and that he is neglecting his family and friends.

John tells her that he has set goals for himself and his business in order to become successful. John says that he has to work hard in the beginning and will spend more time with his family and friends once his business is running successfully. John explains that all the profits must be ploughed back into the business to make it strong. This will enable the business to be in existence for a long time and provide opportunities for him and his family.

Questions

1. What positive beliefs does John have that will make him successful?
2. Do you think Albertina will be a successful business person? Give two reasons for your answer.

When doing business we are faced with many challenges. Ignoring these challenges leads to failure. Tackling these challenges with a positive attitude (calmly and objectively) will enable you to overcome them with solutions. It is not always possible to solve all your challenges at the same time. To decide which challenges are more important, you should measure them against the goals. If the entrepreneur is goal-directed and determined to be successful he or she will come up with solutions to overcome challenges in innovative ways.

Let's look at another case study example. You can spend about 20 minutes answering the questions in Case Study 4 before you continue with the rest of this section.



Case Study 4

1. Look at the following drawings and answer the questions that follow.



What will you suggest to the owner of this business to improve the situation?

Remember the following before you answer the questions:

- *You know that getting angry about a small problem will not benefit your business. It will influence your work and the way you deal with other people.*
- *What steps would you take in each instance? Remember that you have control over your reactions, your attitude and your productivity.*

2.



If you are the supervisor of the official shown in the picture, how will you deal with this official to avoid something like this from happening?



Could you do this activity? Please put in some time and effort to do your activities well, before looking at the feedback at the end of the unit.

To learn more about the beliefs and values in business discussed throughout this unit requires that you interact with business people to learn from their experiences. The next section provides you with guidelines to conduct interviews, which will enable you to communicate with businesses in your community.

Guidelines for Interviewing Successful Business People and Writing Reports

Interviews with business persons, workers, friends and family can give us valuable views and information. In this section, we are going to deal with interviews as a tool for gathering information.

How to Prepare For Interviews

Before the interview

- Make an appointment: Remember the first thing you need to do is to make an appointment with the person and not just go there. Entrepreneurs are busy people so you need to make the appointment well in advance.
- Since we would like to have a written report afterwards, you must make sure that you have everything that you need, such as a book or some paper to make notes, your questionnaire, a pen, equipment such as a voice recorder if needed, etc.
- Prepare the questionnaire: Formulate the questions that you would like to ask the business person beforehand. The following are examples of questions that you can ask the person.

You can ask him or her:

- ▣ to describe his or her business
- ▣ when and how it started
- ▣ what the aims of the business are
- ▣ what challenges the entrepreneur had to deal with as the business grew
- ▣ what beliefs and values he or she has and how they impact on his or her business and business in Namibia in general
- ▣ what made the business a success, and
- ▣ whether there are things he or she would do differently if he or she could start again

Make sure that your questions are clear and straightforward so that the person understands exactly what you expect him or her to tell you. Do not ask unnecessary questions. You can practise these questions beforehand on a friend to make sure they will work.

During the interview

Greet the person friendly and respectfully and introduce yourself to him or her. You may want to give a brief introduction on the purpose of the interview before you start asking questions. Make sure to take notes or fill in the answers on the questionnaire as the person answers your questions. After the interview, you will use the notes to write up report.

You now have all the information on how to do an interview. Are you ready to do your first interview?



Tip

Always be honest with yourself by acknowledging your mistakes so that you will be able to improve your methods.

Good luck with the following activities. They will not only test how well you have done your interviews, but will also enable you to recognise negative attitudes and challenges that business people may have to face.



You can spend approximately 2 hours to complete practical activities 2 and 3.



Practical Activity 2

Arrange an interview with two or more persons in business to find out what type of negative attitudes they experience with their workers and write down their responses to the following questions.

1. What were the challenges or negative attitudes that these businesses identified?
2. Did they deny the existence of challenges or negative attitudes?
3. Compare how they dealt with the challenges or negative attitudes.
4. Who demonstrated the characteristics of a good worker? Give reasons for your answer.

 <p>Practical Activity 3</p>  <p>Tip</p>	<p>Make an appointment to spend an hour with a business person in your community. The business person you choose may have any kind of business: he or she may make food, run a bed-and-breakfast hotel or inn, drive a taxi, or paint houses. The business person can be somebody who had to study before he or she could practise their chosen career, such as a dentist, doctor or writer.</p> <p>Before you visit the business person you have identified, give some thought to the questions that you will ask.</p> <p>The following are possible questions that you can ask:</p> <ol style="list-style-type: none">1. How does this person keep a positive attitude to his or her work?2. How does this person approach challenges of negative attitudes at work?3. Can this person give an example of a challenge that nearly made him or her give up?4. What made this person stay in the business? Use adjectives to describe him or her, e.g., how good his or her business characteristics are. <p><i>Business people are busy and it shows that you respect their work if you make an appointment in advance.</i></p>
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You should now have a clear understanding of the entrepreneurial traits needed to successfully operate in different cultural environments. Let's summarise what we have discussed in this unit.

Unit summary



Summary


In this unit you learned that:

- different cultures and communities have different beliefs and values, not only regarding their personal lives but also about business;
- work has never killed anyone and we have to work hard to be successful;
- people are employed, self employed or unemployed;
- different kinds of work are referred to as skilled and unskilled work;
- being skilled or unskilled forces us to do different kinds of work;
- different people do different kinds of work or are engaged in different types of businesses;
- when you work for the government, you are called a civil servant;
- if you work in the private sector, you are called a private sector employee;
- every Namibian has the right to work;
- we should respect the work other people do, because they also contribute to the economy of the country.

Please put in some time and effort to answer the questions in the assignment if you haven't done it yet.

Assignment


The following questions are based on the content discussed in this unit. You should take about 20 minutes to answer the following questions.

 Assignment	<ol style="list-style-type: none"> 1. Differentiate between myths, beliefs and values in business. Return to course 2. Define the term work. 3. Distinguish between skilled and unskilled workers. 4. Explain the difference between the following and give one example of each: <ul style="list-style-type: none"> ▪ Civil servant ▪ Private sector employee ▪ Self-employment Return to course 5. What is meant by dignity of work? Return to course 6. List or name two rewards for work. Return to course 7. Why is it important to set goals when planning to set up a business? Return to course
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I hope you have done well in all the activities. You should now have a good understanding of this unit. You can compare your responses with the feedback provided below. If your responses are far off track, you should revise this unit.

The following is feedback to case studies and the assignment.

Feedback

 Assignment	<ol style="list-style-type: none"> 1. Myths are stories that are told and carried over from generation to generation and are in most cases not true. Beliefs refer to attitudes and views of people with regard to certain matters. Values refer to principles that people hold. These include honesty, integrity and hard work. 2. Work is any activity where we use our bodily (physical) or mental ability or both to produce a product or a service. 3. Skilled workers are workers who have received training to do specific kinds of work. Unskilled workers on the other hand, have no formal training in a specific kinds of work. 4. Civil servants work for the government, e.g., state advocates. Private sector employees work for people and businesses in the private sector e.g., shop assistants, mechanics and hairdressers. Self-employed people work for themselves, e.g., mechanics, plumbers and lawyers. 5. Dignity of work refers to the self-worth and the respect that a person earns from work, no matter what type of work he or she does. 6. Money and job satisfaction. 7. Goals give you guidelines that you can follow to complete what you want to do.
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Case Studies

Case Study 1

1. A woman's place is at home caring for her family.
2. Hard work and dedication.
3. Own answer — refer to your future career choice here.
4. Own answer — based on career choice indicated in number 3.

Case Study 2

1. Picture 1: shows a man selling fish to a woman.
Picture 2: shows a woman selling barbequed food to earn an income.
Picture 3: shows a woman begging for money on a street corner.
2. The pictures clearly illustrate that people find alternative ways to earn an income to support themselves. This lifts the burden from a community to support the unemployed. It also provides employment opportunities for those who have been made unemployed.
3. Business activities might include street vendors selling fresh products and food to people, shebeens and other types of SMEs.
4. As the population of a country increases, many people move to urban areas to look for jobs, but there are not enough jobs to go around. They use their skills to make things or to provide services to a community. These products or services will generate income, allowing entrepreneurs to support themselves.

Case Study 3

The following are guidelines for possible answers:

1. According to Albertina, John is hard-working because he works long hours. John has also set goals and is willing to make sacrifices to become successful for himself, his family and the economy of the country. He is willing to plough back profits into his business and in doing so, takes calculated risks.
2. In my opinion, Albertina will not be a successful business person since she is not willing to work hard and take risks. This is evident from the criticism she gives about the way John operates his business.



Case Studies

Case Study 4

1. In your response, you should make suggestions to improve the unhygienic situation. For example, these suggestions could include: keep the business clean, cover the food, provide food to the customers in holders like bags, workers should wear gloves when touching the food and clean the shop instead of reading.
2. Your response should cover the fact that it is unethical to make private calls during work time while customers are waiting to be served. All of us are busy and do not have the time to stand in lines or queues for long periods. We cannot be productive if we waste taxpayer's money as in this instance. Training in customer care is also a good suggestion.

This brings us to the end of the Unit 1. I hope you have enjoyed it and that you have acquired the necessary skills to answer any questions about it. Let's now move on to Unit 2 where we will discuss the importance of ethics in business. In Unit 2, we will also continue our discussion on different types of work when we discuss different career opportunities in Namibia.

Resources

The following are additional resources, which you can use for enrichment.

Internet-based resources

1. [Organisational culture](#)
2. [Top 7 Myths About Starting a Small Business](#)
3. [Unskilled, Semi-Skilled and Skilled Work – What Do These Terms Mean?](#)
4. [Skilled and Unskilled \[work\]](#)
5. [General guidelines for conducting interviews](#)
6. [Informational-Interview Questions for Entrepreneurs](#)

Other documents found on CD

You can open and print the following resources for your convenience.

[Practical Activities](#)
[Case Studies](#) and [feedback](#)
[Assignment](#) and [feedback](#)

Unit 2

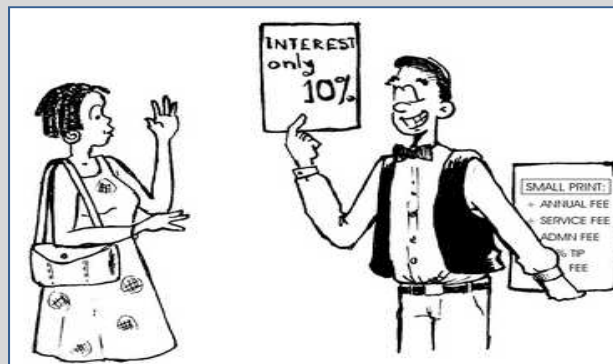
Business Ethics and Career Opportunities in Namibia

Introduction

In life, there will be good and bad businesses. We find different types of behaviour in the business environment. Some businesses will try to make a quick buck by being unethical.

For example:



- A motor dealer sold a car to a customer. He knew the car has minor mechanical problems, but the customer probably wouldn't experience problems during the first few months of driving the car.




- Businesses sponsoring schools, charity organisations, clubs, etc. such as Old Mutual Insurance Company, donating much needed office equipment to rural schools.

A business with good business ethics will be more successful, since more customers will be attracted to such a business. Customers will feel safer doing business with a business person that behaves “morally right”.


In this Unit, we will discuss what is regarded as desirable business ethics and how businesses fulfil their social responsibilities towards society in sections 1 to 3. We will end the unit with a discussion on different career opportunities in Section 4.

 <p>Time</p>  <p>Note it</p>	<p>You can spend approximately 12 hours working through this unit. Don't worry if you spend less time on this unit because the number of hours per unit is flexible. You might spend less time on shorter units and more time on longer units.</p> <p>Throughout the unit, you find links to the assignment. Click on the highlighted word (question) to access the links.</p>
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Before we move on, please take some time to study the objectives for this unit. On successful completion of this unit, you will be able to:

 <p>Outcomes</p>	<ul style="list-style-type: none"> ▪ <i>explain</i> the meaning of business ethics and list the following desirable business ethics: <ul style="list-style-type: none"> - honesty - loyalty - punctuality - fairness - non-sexual environment - harassment-free environment ; ▪ <i>explain</i> the meaning and importance of concepts such as discrimination, equality, affirmative action, xenophobia, minority groups and democracy; ▪ <i>explain</i> how to practice desirable business ethics towards customers, employees, society and the government; ▪ <i>explain</i> the meaning of the term career and <i>distinguish</i> between the different types of careers; ▪ <i>explain the meaning of phrase</i> dual-career couples. ▪ <i>list</i> career opportunities in Namibia and identify the skills needed for such careers. ▪ <i>identify</i> different businesses that create employment opportunities in their communities. ▪ <i>investigate and report</i> on different skills required by different employers in their communities. ▪ <i>describe</i> the different types of employment. ▪ <i>compare</i> the personal benefits and challenges of self employment and paid employment.
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Have you carefully studied the outcomes, do you have a clear understanding of what we will cover in this unit? Below is a list of key concepts that will be covered in this unit.

 <p>Terminology</p>	Bribery	An act of persuading a person by means of a gift or money to act wrongly
	Code of ethics	A formal statement that serves as a guide to actions in situations involving ethical questions
	Goodwill	The benefit arising from the good name, reputation and connections of a business, which enables it to make greater profits

Working through the following sections will help to explain the above-mentioned concepts and enable you to achieve the basic competencies given in the unit outcomes.

Can you still remember the values that we discussed in Unit 1? These values are essential for businesses to be successful. Work through Section 1 where we will look at Ethics, which is in line with values in business.

Section 1 Ethics in Life

Ethics refers to a code of values, principles and behaviour by which people live. It is a system of moral principles or rules of conduct. Ethics helps people to decide what is right and what is wrong and guide their actions and behaviour in business. A code of ethics guides a person or group when they have to make decisions between right and wrong behaviour.

“Corruption is an enemy of the Namibian people, it is an enemy of the poor, it is an enemy of the sick, it is an enemy of the unemployed, it is an enemy of those who seek better education, and above all it is a threat to our democracy, peace, security and stability.”

(Source: His Excellency President Hifikepunye Pohamba, The Namibian, 22 March 2006)

In every ordered society, we are guided by values and principles, which help us to decide between right and wrong behaviour. Also, every religion tells its followers which values are important to that religion and how its followers should behave. You too have a code of behaviour and a value system that you have determined for yourself and which tells you what is important to you.

Ethical behaviour is very important in the business environment. Let’s see how ethics can be applied in business and what is regarded as desirable business ethics.

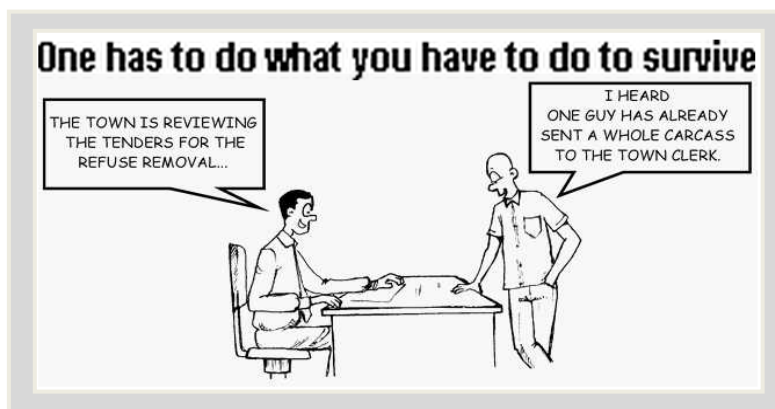
Business Ethics

It is generally accepted that good business ethics should be part of every business. What do we mean by good business ethics?

Business ethics refer to acceptable ways in which a business should be operated.

We can thus say that business ethics refers to the behaviour of a business in its daily dealings with its customers, employees and the rest of society. It also applies to employees' behaviours in the business.

We read in newspapers every day that many people in businesses and the government accept bribes of large amounts of money or other gifts to encourage them to make decisions that will benefit of the givers of the bribes.



This is an example of unethical behaviour. In order to run a successful business, it is important that the business have a strong code of ethics.




Suppose you were at the Hosea Kutako Airport with a paid-for reservation, and the airline clerk told you that no seat was available. Someone then calls you aside and says that there are seats available and that for N\$300 the clerk will assign you one. There is an important company meeting the next afternoon in Cape Town, and that is the last plane that can get you there on time. What would you do?

Customers prefer product and service providers or businesses that they can trust. Because all businesses are different, it is the duty of a business owner to establish a code of ethics for his or her business. To ensure ethical standards in your business, you should be a perfect example as far as the issue of ethics is concerned. You



should involve your employees in establishing ethical standards. What do you think is a code of ethics and what will such a document contain?

A **code of ethics** is a formal statement that serves as a guide to actions in situations involving ethical questions. In order to determine whether something is right or wrong, ask yourself the following questions:



- Is it the truth?
- Is it fair to all parties concerned?
- Will it build goodwill and better relationships?
- Will it be to the benefit of everybody?

 Reflection	<p>As a customer, how would you react to a firm with a reputation for dishonesty and unscrupulousness?</p> <p style="padding-left: 40px;">Continue doing transactions? Why?</p> <p style="padding-left: 40px;">Discontinue transactions? Why?</p> <p style="padding-left: 40px;">Seek a middle road? How? Why?</p> <p>Think about it and consider your options carefully before writing it down in your notebook.</p>
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Do the following activities to find out whether you understand the work discussed so far.

 Practical Activity 1	<p>Spend around 20 minutes and read through the following scenarios. Decide what should happen in each case. Discuss your views with a friend.</p> <ul style="list-style-type: none"> ▪ Martha is a sales representative for a construction company. Construction companies were invited to tender for repairing the road between Okahandja and Karibib. The cousin of the minister who will award the contract informs Martha that if her company pays N\$20,000 in addition to the normal fee, her company will get the contract. If the company does not make the payment, the contract will be given to another company. ▪ Owners closed a business due to financial difficulties, without informing the employees. ▪ A supplier sends expensive Christmas gifts to purchasing agents in an attempt to influence their future purchase decisions. <p><i>All of these scenarios are examples of some kind of unethical behaviour. Since we are trying to create an ethical nation, your discussion should be about rectifying the mistakes and not agreeing to what happens in each scenario.</i></p>
 Tip	

Now take about 30 minutes to answer the questions.

 Practical Activity 2	<p>What is desirable business ethics?</p> <ul style="list-style-type: none"> ▪ Can you think of any three examples of activities that you would consider to be unethical? ▪ From an ethical point of view, what views and expectations do you have of the people and businesses in Namibia? ▪ If you become the owner of a business someday, how will you operate your business and how would you behave to your customers. What would you expect from your employees?
 Tip	<ul style="list-style-type: none"> • <i>Activities should include examples of bribery, extortion, theft, discrimination, etc.</i> • <i>Expectation for the Namibian nation should be from an ethical perspective.</i> • <i>Remember that what you do unto others will also be done unto you.</i>

It is important to create and maintain ethical conduct in a business. Ethical behaviour creates goodwill and reputation that expand opportunities.

The following are examples of ethics, which are important in the business world:

Honesty and integrity	It means not telling lies, not cheating and not stealing. Integrity means the quality of being honest and upright in character.
Loyalty	It means to be faithful to your employers, employees and customers.
Punctuality	It means to arrive on time at your workplace and for meetings and to complete commitments on time, to keep appointments and to honour deadlines. A lack of punctuality is a sign of disrespect.
Fairness	It means to treat other people the same way as you wish or expect them to treat you.
Harassment free / non-sexual environment	Sexual harassment occurs when someone makes sexual suggestions or constantly says things relating to sex that make another man or woman feel uncomfortable. It also occurs when someone touches another person sexually without being encouraged or invited to do so. E.g., A manager can sexually harass his or her secretary or a subordinate.

Can you imagine a world without ethics? Ethics are essential for the efficiency of an organisation.

Now take a few minutes and do [questions 1 to 3](#) of the assignment to test your understanding. You can compare your answers with the feedback provided at the end of the unit.

Hope you did well in answering the questions. Let's do the following activity. You should spend at least 30 minutes doing this activity.



Practical Activity 3



Tip

Examine a number of television commercials or read a newspaper. Choose three (3) TV commercials or print advertisements:

1. Briefly outline the TV commercial or advertisement and describe how a business tries to convey a feeling that it can be trusted.
2. Examine a number of competitors' advertisements. How are they different in their approach?
3. See if you can find two (2) commercials that are either misleading or of questionable ethics.
 - a) Describe the advertisements.
 - b) In what ways are they unethical?
 - c) How might they be changed to produce more ethical approaches to the product.

What you should look at:

- *When you have the printed advertisement, look for words that are ethical, words that give the impression that the business can be trusted or mistrusted.*
- *Evaluate different advertisements, especially from competitors. A competitor is another business that deals in the same products, e.g., Cell One and MTC, Lewis and Bears, etc.*
- *Investigate different approaches from each advertisement. Are they portraying an ethical approach?*

Hope you are doing well so far. Read now through the following case study that shows an example of an unethical case and answer the questions that follow. You can spend approximately 20 minutes on this activity.



Case Study 1

Read through the following case study and answer the questions that follow:

Mr Banda decided to open a private school in his community, since most primary schools in his town are usually struggling to accommodate all learners in the area. He informed the parents in the community that his business was registered and he started to take in learners for the 2008 academic year. A total number of 110 learners were enrolled and he appointed five teachers at the school. Ninety percent (90%) of all parents paid the school fees in advance for the whole year.

Soon after the school started, Mr Banda decided to open a hostel and appointed two institutional workers as well. A tender was given out to provide meals to the learners in the hostel and Sara's Caterers got it.

During February, the teachers started complaining to Mr Banda about not receiving their salaries. Mr Banda promised to give them a raise as soon as all the parents have paid up.

By April, that promise was still not kept. None of the teachers, or the workers received any salary. Sara's Caterers that delivered food was not paid so the deliveries of food came to a halt. The teachers left the school and now the parents are very unhappy since most of them paid the school fees.

When the parents reported the case to the Ministry of Education, it was discovered that the school in fact was never registered. When the ministerial officials visited the school to address the issue, Mr Banda tried to bribe them.

Questions

1. List all the wrong things that Mr Banda has done.
2. In your opinion, if he wants to start another business, do you think this business will succeed? Give reasons for your answer.

"Real integrity is doing the right thing, knowing that nobody's going to know whether you did it or not." --Oprah Winfrey

Hope that you are enjoying the work and realise the importance of ethical behaviour not only in business, but also in your daily dealings with others. Let's move on to Section 2 where we will discuss different concepts related to ethical behaviour.

Section 2 Important Concepts

You know that businesses operate in an ever-changing world and environment. In order to stay on top of the game, an entrepreneur must have a full and up-to-date understanding of what is happening in the business world. In order to acquire this understanding, they must first learn the meaning of a number of key concepts related to business ethics. These will be discussed in this section.

Discrimination

Discrimination refers to the unfair treatment of a person or group of persons because they are of a certain race, colour, gender, religion, sexual orientation, etc. All workers should get ample and equal opportunity to reach their full potential.

Some examples of discrimination are as follows:

- When a qualified woman does not get promotion, because she is a woman.
- When an elderly person does not want to be treated by a doctor, because the doctor is too young.
- When staff refuse to co-operate with a staff member, because he or she has a different sexual orientation.

Can you think of other examples of discrimination that we find in the business world?

Equality

Equal treatment is important in interpersonal relations, especially between an individual and an organisation. All persons who are employees, customers, or contractors must be treated in the same way by the organisation. Impartiality and fairness are both accepted by all parties, because preference is neither given to nor taken from any person. When every person receives the same treatment, discrimination is impossible and justice prevails.

Affirmative Action

Affirmative action is a programme designed to make sure that people who have been discriminated against previously, are protected from discrimination. To achieve employment equity, Namibian businesses are expected to implement affirmative action measures to eliminate racial and gender discrimination, as well as discrimination against the physically challenged, to create more diversity in organisations.

Xenophobia

Xenophobia is an intense fear or dislike of foreign people (who enter a country), their customs and cultures.

Minority Groups

Minority groups are small groups of people that are disadvantaged with respect to dominant groups in terms of social status, education, employment, wealth and political power. Examples of minority groups include those with disabilities, the poor and unemployed and ethnic groups such as the San in Namibia.

Democracy

When individuals are part of the decision-making process in a business, we say that such a business has a democratic approach. Decisions should not just be made at top levels of the business and then passed on to the lower levels. All employees should be consulted in decisions that affect them.

By virtue of their history, the issue of equality of opportunity and treatment is one which Namibians are particularly sensitive.

I hope that you now have a clear understanding of the different concepts related to ethical behaviour. Test your understanding by answering the questions based on the case study. It should take you about 15 minutes to answer the questions.



Case Study 2

Read through the following case study and answer the questions.

Cement for Sale

Mr Thomas owns a cement business and deals mostly with the local contractors for cement, sand and stones. Mr Thomas has a reputation for high quality products and good customer service. His foreman has just run the standard quality control tests he performs regularly on the products.

When the test results are ready, he discovers that the new batch of products is 9 % less durable than the usual material. It is still well above all industry standards and meets all building codes and requirements for the purpose for which it is intended. Nevertheless, it is, nevertheless, not up to the usual standards. Throwing it away would cost the company many thousands of dollars. Mr Thomas decides to sell the cement anyway.

Questions

1. As an entrepreneur, comment on the ethical behaviour of Mr Thomas.
2. If you were Mr Thomas, would you use this cement for the foundation of your own house? If not, why not?

Now take a few minutes and answer **Question 4** of the assignment to test your understanding. You can compare your answers to the activities with the feedback provided at the end of the unit after you have tried to do it on your own.

Now that you have a clear understanding of business ethics, let's move on to the next section in which we will discuss social responsibility as one of the aspects of business ethics.

Section 3 Social Responsibility of Business

What Is Meant By Social Responsibility?

Social responsibility means that the government (including public corporations), NGOs, business organisations and individuals have a responsibility to society to eliminate corruption and irresponsible or unethical behaviour that might harm its people or the environment.

Corporate social responsibility, therefore, refers to a business's obligation to set policies, make decisions, and follow courses of action that are desirable in terms of the values and objectives of society — its customers, employees and people in the community.

Businesses accept social responsibilities when they take their objectives beyond what the business, the economy and the law requires and do what they feel are ethically and socially desirable. For example such ethical and desirable actions might include raising the safety standards of product and continuously striving to care for the well-being of workers and their customers. These ethical and desirable actions that businesses may choose to undertake may be well above the legally required standards.

Look at the following examples of Namibian businesses fulfilling their social responsibility towards the Namibian society:

Green foundation looks after the needy

The Old Mutual Foundation, the goodwill basket for the insurance company, has been dishing out much needed office equipment to rural schools, with one school receiving a photocopier and the other a fax machine. "The opportunity to enhance the lives of ordinary Namibians, especially those outside of our normal business circles, is an exciting privilege that we at Old Mutual embrace with great passion and enthusiasm," Raimund Snyders, the Chief Executive Officer of Old Mutual, said.

(Source: Namibian Economist)



More funds for initiatives to develop communities

Three charity organisations, drawn from different regions and with diverse initiatives to develop communities or assist self-reliant projects, were nominated to benefit from the First National Bank (FNB) Spirit of Giving Campaign. This is an initiative by the bank's corporate social investment programme. The three charity organisations are the Annelie Olivier Home for Senior Citizens (Rehoboth), the Western Papyrus Project (Khorixas) and Aviat Pre-Primary School (Keetmanshoop). They received financial assistance from FNB on 9 April.

(Source: Namibian Economist)

Cell One provides in need of learners

Chief Corporate Affairs and Regulatory Officer of Cell One, Stanley Similo, said his company has a clear corporate obligation to support national strategies aimed at developing the care of local communities.

“Our company's programme known as **Education for All** is aimed and dedicated to supporting the education of the children in our communities. The scholarship scheme creates an opportunity for less privileged pupils to receive full funding for schooling purposes, because we firmly believe that fairness should be the name of the game in education,” Similo said.

(Source: New Era 17/03/09)

Many companies are increasingly working on cultivating a social responsibility, whatever their actual practices. They are eager to prove that you can save the planet, help the poor and make money at the same time.

As an entrepreneur how can you behave in an ethically social responsible way towards the following?

- **Employees**

The main responsibility of any business is towards its employees. It is imperative that a business always looks for ways to support and empower its employees. A happy workforce, a well-motivated and a loyal workforce, leads to improvements in productivity and quality. Your responsibility towards your workers goes beyond just paying them salaries.

- Listen to your workers and respect their opinions
- Involve them in decision making processes
- Provide affirmative action training
- Provide on the job training in their specific fields
- Provide better and safe working conditions
- Always be open and honest with them
- Always treat your employees fairly and equally

A socially responsible business tries to ensure that its working environment is free from sexual harassment and discrimination.

- **Customers**

Even if you are an entrepreneur, you are also a customer at a business where you buy your products. It is therefore important that you live and practise the notion, “Do unto others as you would have them do unto you”. That means that you should treat your customers in the same way as you expect to be treated as a customer by other businesses. A business’s social responsibility actions towards its customers are rewarded by loyal customers and by their word-of-mouth advertising.

Customers’ rights:

- The right to be heard — to listen to customers’ complaints
- The right to choose amongst competitors
- The right to get safe products
- The right to get honest information

- **Government**

The acceptance of social responsibility has increased in the government, because through policies, the government is forcing businesses to act responsibly. When a firm acts in a socially responsible manner, it sets policies, makes decisions and follows courses of action that are desirable in

terms of the values and objectives of its different stakeholders. To pay tax is a business' responsibility towards the Government of a country.



▪ **Society/Community**

Social investment looks at what a business is doing for a community. Businesses can engage in social responsibility programmes to help the community fight their social problems, such as drug addiction in impoverished areas or providing recreation activities for the youth. These programmes normally aim to improve standards of living and create more stable and peaceful communities.

Now take a few minutes and answer [Question 5](#) of the assignment to test your understanding. You can compare your answers to the activities with the feedback provided at the end of the unit after you have tried to do it on your own.

Social responsibility, therefore, is about holding a group, organisation or company accountable for the effects it has on the people within the company, people working with the company, the community in which the company operates and those who buy from the company.

Do the following activity to find out whether you understand the concept of social responsibility. It should take you about 10 to 15 minutes to answer the questions.

 <p>Discussion 1</p>	<p>Your community has a very high unemployment rate and due to this, crime and violence, as well as the use and abuse of alcohol and drugs are prevalent, especially amongst young people.</p> <p>Discuss with friends what entrepreneurs in your community can do to fight these social problems in order to uplift your community and to improve the standard of living?</p> <p>You can also discuss this using Internet sites like Facebook and Twitter.</p>
 <p>Tip</p>	<p><i>Social responsibility refers to a duty that a person or business has towards other individuals or communities. Suggestions should include:</i></p> <ul style="list-style-type: none"> • <i>Provide equipment and/or facilities for the development for specific purposes like education.</i> • <i>Work with alcohol and drug addicts. For example, Telecom Namibia has the Nova Vita Centre for alcohol and drug addicts where they can rehabilitate.</i>

Read the following article with regard to the code of ethics of Telecom Namibia.

Confronting Unethical Practices:

Our core values in action

Our Code of Business Conduct and Ethics Policy reinforces our core values and drives our culture of compliance, ethical decision making and accountability.

In line with this Policy, Telecom Namibia does not condone any form of corrupt behaviour in business dealings and has procedures to deal with detected or suspected acts of fraud, corruption or irregularities, whether relating to employees, management members, contractors or any external third party.

The Board of Directors, through its Audit Committee, has put in place effective procedures and controls to minimise the potential for fraud to occur and undertake to ensure that these controls are kept under regular review in order to protect the company's staff, its resources, and its standing.

The ongoing high-profile copper scam trial in the High Court is one clear example of our vigilance and zero-tolerance stance for acts of fraud, corruption or irregularities. To us zero tolerance means that no case of unethical business conduct will be sanctioned, condoned and tolerated and

The corrupt would be punished through the due process of the Law.

Our Board of Directors played a pivotal role in ensuring that criminal fraud charges are pressed against those suspected of having materially benefited from underhand dealings in the much-publicized "copper wire scandal" at Telecom Namibia. Without working to conceal the suspected irregularities, the Board of Directors acted swiftly and decisively, without fear or favour, when these came to their attention; ordered an investigation into the matter and handed it to the competent courts to ensure that justice is done.

Both the Board of Directors and the Management Team will seek the strongest possible sanctions against those who seek to defraud Telecom Namibia. We are dedicated to demonstrating our commitment to a high standard of corporate governance. Good corporate governance has a direct impact on our profitability, sustainability and community positioning, helping to ensure our company is a good corporate citizen.



(Source: Informantè – 26 March 2008)

You should now have a better understanding of ethics, as well as of the importance of doing business in an ethical way. You should now be able to practise desirable business ethics in your everyday life.

Do you remember that we distinguished between skilled and unskilled work in Unit 1? Some careers don't require a person to have special skills whilst others do. Let's see whether you are able to distinguish between different career opportunities in Namibia in the following section.

Section 4 Career Opportunities in Namibia

The world of work is part of our lives from the day that we are born. When you grow up, you gradually become aware of this phenomenon. The first introduction is usually through parents and family members. Later, when you enter school, your knowledge of the world of work expands.



There is no set rule that you should choose the same career as your father or grandfather, unless you are really interested in it. Remember, you should make that final decision on the type of career that you want to pursue when you've finished school. People can guide you, but the final decision lies with you.

In this section, we will discuss the different career opportunities, which are available in Namibia, as well as the skills that one should possess for different careers.

What Is Meant By A Career?

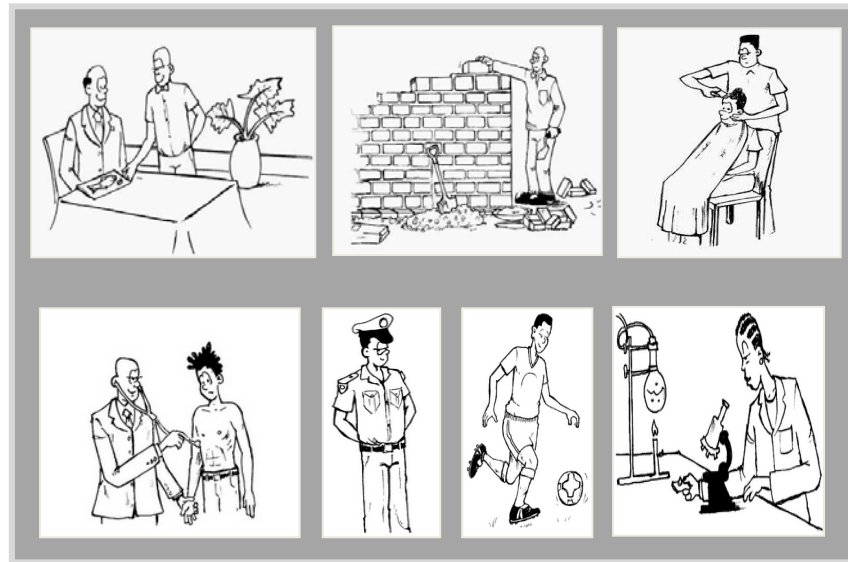
What comes to your mind when you hear the word “career”? Let's give a very short explanation of the meaning of the term career. A **career** is the name given to the different jobs that a person has during his or her working life.

Types of Careers

White-collar careers are careers where the holders do their work mainly using their mental intellect sometimes with the help of machines or other kinds of equipment and often in an office. Examples of workers with white-collar careers are nurses, and teachers.

Blue-collar careers are careers where a holder works with their intellect, machines and muscle power. They are often associated with sweat and dirty clothes. Blue-collar work may be skilled or unskilled and may involve [manufacturing](#), [mining](#), [building](#) and [construction](#) trades, [mechanical](#) work, [maintenance](#), repair and operations maintenance or technical installations.

Look at the drawings below:



Can you identify the different types of work illustrated in the pictures?

How do people make career or work choices? What are the factors you have to take into consideration? According to research and experience, some of the most important indicators of success and happiness in respect of career choices seem to relate to finding work-related activities that you would like to do and can do easily.

To be able to make a good choice you should do the following:

- Read and/or find out about different careers
- Know yourself

To know who you are, you must be able to answer the following questions:

- What abilities do I have / What am I good at?
- What are my interests / What do I like to do?
- What type of personality do I have / What type of person am I?



UNTIL YOU KNOW WHO YOU ARE, YOU WILL NOT KNOW WHAT YOU CAN BECOME.

Although talents, interests, ambitions and obligations are important in the choice of a career, personal values must also be considered. Values greatly influence the choice of what we want to do, because the work we do also affects the way we feel about ourselves.

Some key questions you need to ask yourself are the following:

What is my personal concept of success and how important is it to me to achieve it?
 How much risk am I willing to take?
 What's the basis of my values?
 Do I believe in work ethics or in a more leisurely approach?

The Namibian economy offers a variety of career opportunities in different industries.

Different Career Paths

Here are a few examples of careers available in Namibia:

Career	Jobs that you can do
Education	Teacher, Lecturer, Principal
Medicine	Doctor, Nurse, Pharmacist
Law	Magistrate, Prosecutor, Judge, Policeman

There are a number of places/people/websites where you can find information on careers as listed below:

- ❖ Ministry of Labour, Namibia
- ❖ School counsellors and/or career guidance teachers
- ❖ People in a specific profession can also answer questions you might have concerning that career.
- ❖ <http://www.learn4good.com/>
- ❖ <http://careers.co.za/careers>

Now take a few minutes to answer [questions 6 and 7](#) of the assignment before you continue working through the section.

Now that you've finished the first part, have you decided to have a career in business? Or are you merely considering such a choice?

You can access examples of advertisements placed by online recruitment companies to get an indication of the variety of available jobs in Namibia at the following links:

<http://www.learn4good.com/jobs/language/english/list/country/namibia/>
<http://www.jobsunlimited.namibia.cc/jobs.php?m=2>

It is important to remember that you need more than just interest in a work area to be successful!



Tip

Do both of your parents have careers? If not, do you know of a family where both the husband and wife work? We call such couples “**Dual-career couples.**”

You must also remember that all people do not work for someone, so after choosing a career you can also make a choice of working for someone or being your own boss. For example: A doctor can work for the government in a State hospital or he or she can choose to start his or her own practise.

Remember, we discussed different types of work in Section 2 of Unit 1 where we learned that people can either work for the government, the private sector or become self-employed. Next, we will discuss different types of employment.

Types of employment

We can distinguish between two types of employment.

Self-employment

- When entrepreneurs generate income by themselves and increase their own standards of living, they are in self-employment. This means they are working for themselves.



Paid employment

- People who generate income by working for someone else are in paid employment. These people get paid salaries by their managers at the end of the month or week for their efforts.

These two types of employment have benefits as well as challenges. Let's now have a look now at the benefits of both:

Self employment	Paid employment
Enjoy social recognition	No need to come up with capital
Independence, Making own decisions, Own boss	No risks of losing resources
Can express your own creativity	The certainty of receiving a salary every end of month
Flexible working hours	

Do the following activity before you carry studying the content in this unit. You can spend around 30 minutes doing Practical Activity 4.

 Practical Activity 4	<p>Find people in your community that are in either paid employment or self employment. Interview these people to get their views on the differences between being in self or paid employment. Write down these differences in tabular form in your notebook.</p>
 Tip	<p><i>Reference should be made to challenges and benefits for both types.</i></p>

Now take a few minutes to answer [Question 8](#) of the assignment.

Careers differ from one another. This means that people do different types of work which require different skills. This is what we will discuss next.

Skills Needed For Different Careers

Some of the jobs in a specific industry require specialist knowledge and skills directly related to that industry.

For example, if you want to be a medical doctor, you'll need specialised education and training to be able to practise medicine. A receptionist of a doctor does not need any specialist knowledge about medicine, but rather the skills to work on a computer and to handle a telephone professionally.

A skill is usually described as something you can do well. To be able to do a job requires that a person should have basic skills related to that job as well as transferable skills.



Tip

Basic skills refer to skills and knowledge that are required to work in specific job areas or work environments, whereas

Transferable ("portable") skills refer to skills that are common to more than one job area or work environment. Transferable skills enable individuals to move successfully from one occupation to another.

But how does one gain skills? Experience performing certain activities in a specific job area or work environment, as well as education and training usually provide one with the knowledge and skills required to do a job.

Study the insert below where you will find descriptions of different broad skill areas. Read the activities listed under each area and decide which ones you think you are good at or can easily learn to do.

<p>Practical Skills</p> <p>To get things done by working with your hands, using tools, machinery and equipment to build, construct and repair things.</p>	<p>Administrative Skills</p> <p>To be able to organise and clearly define activities in an office setting. E.g., file documents, type letters and reports, keep careful records of employees' leave.</p>
<p>Social or People Skills</p> <p>To help individuals with their mental, spiritual, social, physical or vocational concerns. E.g., teach and/or coach people, care for sick people, serve people on a plane and look after children.</p>	<p>Managerial Skills</p> <p>To be able to lead and manage processes, people and activities. E.g., supervise the work of others, manage big projects, plan and lead the activities of a group of people, do strategic planning.</p>
<p>Numerical Skills</p> <p>Doing numerical (computational) tasks. E.g., do the financial planning of an organisation, calculate the income and expenses of a business, work as a cashier in the bank, pay out the salaries of personnel.</p>	<p>Scientific Skills</p> <p>Using logical and scientific thinking to solve many different problems and develop new ideas and theories in the field of science. E.g., medicine, life sciences, the natural sciences, and the social and economic sciences. Conduct experiments and analyse data.</p>
<p>Artistic/Creative Skills</p> <p>To express your ideas and feelings creatively in order to produce works of art. E.g., performing, drawing and sketching, painting, design and draw buildings, play a musical instrument, take photos.</p>	<p>Entrepreneurial and Marketing Skills</p> <p>To innovate in business, promote certain products and persuade people to buy it. E.g., selling goods, promoting products, running a business, persuading people, initiating and implementing ways to make money.</p>
<p>Language and Communication Skills</p> <p>To communicate fluently in writing or speech. Eg., write stories and plays, do translation of written material, read the news or present a programme on TV/radio.</p>	
<p>(Source: careers.co.za/careers/index.php?option=com_content&task=view&id=34&Itemid=1)</p>	

In choosing a career, you should ask yourself questions such as: Which industries are growing? Which occupations provide opportunities for advancement? What are the salary opportunities in various positions? In what part of the country do you want to work and live?

Let's work through Practical Activity 5 to test your understanding of the content you have learned so far in the section. You should spend at least 30 minutes on this activity.



Practical Activity 5

1. Collect a few newspaper cuttings of job advertisements.
 - Identify three different businesses that create employment opportunities in the country from these vacancies in the newspaper.
 - List three different jobs that are offered by these employers.
 - Now list all the skills required for each job.

2. Study these advertisements and choose one of the jobs advertised as your career choice.
 - Think carefully about the things, which interest you about the job, as well as the skills that will be required for the job.
 - Write down the reasons for your career choice.
 - List the skills that you have that fit the requirements for this specific career.



Tip

When searching for newspaper cuttings, look for vacancies that cover both basic skills as well as cross-functional/transferable skills.

Example of a vacancy

Type of job: **Factory Manager**

Reasons: Will have full control over the factory;
Excellent remuneration package;
Fringe benefits offered e.g., company car, cell phone allowance, housing allowance, pension and medical aid.

Skills needed: Managerial skills;
Strong leadership skills;
Must be able to work collaboratively in a team – people skills;
Administrative skills;
Very good communication skills;
Must be goal-directed and hardworking to achieve these goals;
Good interpersonal and conflict management skills;
Highly motivated and independent, well organised and detail – oriented;
Computer literate.

Remember, the combination of your interests and skills may help you to identify occupations, which you can successfully pursue. Let's summarise what we have learned in this unit.

Unit summary



In this unit you learned that :


- business ethics play an important role in the setting up and running of a business. They are the standards used to judge the rightness or wrongness of a business's relations to others. You have also learnt of ways regarding how to behave ethically towards all stakeholders in business.
- desirable business ethics should always be practiced towards customers, employees, society and the government. We have also discussed the obligation of businesses to set policies, make decisions and follow courses of action that are desirable in terms of the values and objectives of society. In other words, we have discussed the social responsibility that businesses have towards society.
- there are different career opportunities available and we have pointed out that both interest and skills are important in choosing a career.

I hope you have enjoyed working through Unit 2 and that you have acquired the necessary skills to be able to answer any questions about it. Take some time and answer the questions in the assignment.



Assignment

The following questions are based on the content discussed in this unit. You should take about 30 minutes to answer the following questions.

 Assignment	<ol style="list-style-type: none"> 1. Explain the meaning of business ethics. 2. List any four desirable business ethics. 3. Explain the following ethic: Punctuality Return to course 4. Explain the meaning of the following concepts: xenophobia and affirmative action. Return to course 5. Explain in your own words how you would practise desirable ethics towards employees. Return to course 6. Define the term: Career 7. What do you call it when both a husband and wife work for a salary? 8. Differentiate between white and blue <u>collar</u> careers. Return to course 9. Compare the benefits of self employment with that of paid employment. Return to course
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Since you now have a good understanding of this unit, you can compare your responses with the feedback provided below. The following section provides feedback to the case studies and assignment.

Feedback



Assignment

- 1 Business ethics are acceptable ways of doing business. How a business should conduct itself in the carrying out of its operations.
- 2 Honesty, fairness, loyalty and punctuality.
- 3 Punctuality means to be on time.
- 4 Affirmative Action is a programme designed to make sure that people who have been discriminated against previously, are protected from discrimination. Xenophobia refers to an intense fear or dislike of foreign people, their customs and cultures.
- 5 Listen to your workers and respect their opinions. Involve them in decision-making processes.
 - Affirmative action training.
 - On the job training in the specific field.
 - Better and safe working conditions.
 - Always be open and honest with them.
 - Always treat your employees fairly and equally.
- 6 A **career** is the name given to different jobs that a person has during his or her working life.
- 7 Dual-career couples
- 8 White-collar careers are careers where the holders do their work mainly using their mental intellect sometimes with the help of machines and/or other equipment.
Blue-collar careers are careers where the holders have got work with their intellect, machines and muscle power. This kind of work is often associated with sweat and dirty clothes.

9.

Self employment	Paid employment
Enjoy social recognition	No need to come up with capital
Independence, Making own decisions. Own boss	No risks of losing resources
Can express your own creativity	The certainty of receiving a salary every end of month
Flexible working hours	



Case Studies

Case Study 1

1. Mr Banda was not honest to the parents, as well as the learners and the teachers.
He never honoured his promises.
He did not give his workers payment for the work done.
He did not pay the caterers.
The business was never registered, probably in an attempt not to pay tax to the government.
He tried to bribe the officials from the Ministry.
2. No, the business will not succeed.
Mr Banda is now known for being unethical. People will not trust him again with money.

Case Study 2

1. Mr Thomas acted unethically, because he decided to sell the cement, whilst he knew that it did not conform to the required standard. He should have informed his customers about it and could have lowered the price instead of keeping quiet and selling it for the same price. He was not honest towards his customers.
2. No, of course not. If I pay for something, I want value for my money and therefore I will not use something, which is not of a required standard.

I hope you've done well in all the activities. If your responses are far off track from the feedback provided, you should revise the relevant parts of the unit before proceeding to the next unit. I hope that you have found the unit interesting and will be able to decide on which career path you want to pursue once you have finished school. Now it's time to start studying Unit 3 where we will discuss the meaning of Entrepreneurship in more detail.

Resources

Below are additional resources, which you can use for enrichment.

Internet-based resources

[Xenophobia](#)

[Social Responsibility](#)

[Blue collar worker](#)

[Ethical behaviour is good](#)

[Career decision questionnaire - orientation quest](#)

[Jobs in Namibia](#)

[College, Career Development, and Job-Search Articles](#)



Other documents found on CD

You can open and print the following resources for your convenience.

[Practical Activities](#)

[Case Studies](#) and [feedback](#)

[Assignment](#) and [feedback](#)





Unit 3

Entrepreneurship


Introduction

People's perception about the real meaning of entrepreneurship is sometimes totally wrong. Entrepreneurship has become a buzzword in development today. It has the ability to bring major changes to the economy. Entrepreneurs serve the economy by providing jobs and producing goods and services for customers.


In this unit, we will discuss the difference between entrepreneurship and entrepreneurs, look at the challenges of entrepreneurship and also discuss how an entrepreneur can overcome these entrepreneurial challenges. Remember, that we are starting to work towards a plan on how to start and operate a business successfully. When we come to the other units later on, we will refer back to this and other units.

 Time	You can spend approximately 12 hours working through this unit. Don't worry if you spend less time on this unit because the number of hours per unit is flexible. You might spend less time on shorter units and more time on the longer units.
 Note it	Throughout the unit you will find links to the assignment. Click on the highlighted word (question) to access the links.

Before we move on, please take some time to study the objectives for this unit. On successful completion of this unit, you will be able to:

 Outcomes	<ul style="list-style-type: none"> ▪ <i>explain</i> and distinguish between the different types of needs an individual needs to survive in life; ▪ <i>explain</i> how creativity can help an entrepreneur develop new products or services; ▪ <i>distinguish</i> between the terms entrepreneurship and entrepreneur in terms of their definitions; ▪ <i>list</i> and <i>explain</i> the challenges and benefits of being an entrepreneur; ▪ <i>develop</i> and <i>explain</i> solutions for overcoming entrepreneurial challenges; ▪ <i>explain</i> the characteristics one should have to be able to overcome entrepreneurial challenges.
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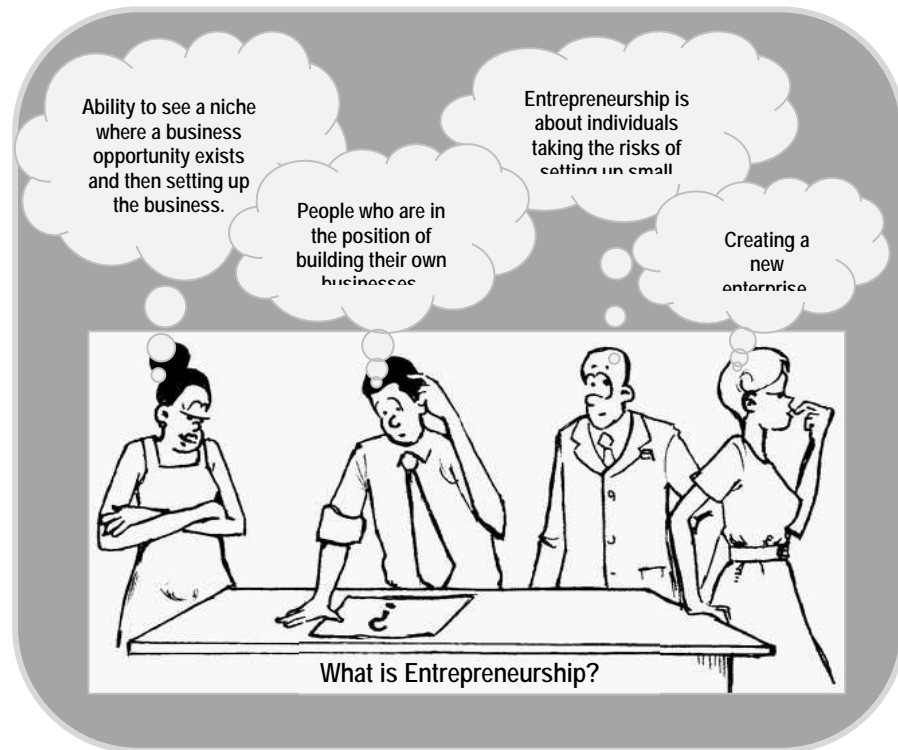
I hope you have carefully studied the outcomes? The outcomes give you an indication of the basic competencies you will gain by working through this unit. The following is a list of key concepts that will be covered in this unit.

 Terminology	Benefits	Refer to positive outcomes and/or advantages
	Creativity	The ability to think of new ideas that will sell and therefore satisfy needs
	Challenges	Any obstacle and/or problem that hampers progress and development.
	Diligence	Belief and trust in yourself and the business / person is hardworking and trustworthy.
	Entrepreneur	Someone who organises a business to create and/or sell a product or provide a service.
	Entrepreneurship	Can be defined as the ability to identify business opportunities, which can be transformed into successful businesses through creative and innovative processes.

Now, its time to work through the following sections, which will help to explain the above-mentioned concepts and enable you to achieve the basic competencies given in the outcomes provided above.

Section 1 What Is Entrepreneurship?

Take a couple of minutes and reflect on what you understand by the term Entrepreneurship?



You might have the same understanding as the people above, which is similar to the understanding of many others in Namibia and other parts of the world. The most general response that you will normally hear is that entrepreneurship is about business and especially about buying and selling of products or providing a service.

How Do We Define Entrepreneurship?

Entrepreneurship can be defined as the ability to identify business opportunities, which can be transformed into successful businesses through creative and innovative processes.

Successful entrepreneurship requires that you put effort into deciding what you would like to do and the accompanying planning of the process. Many success stories are based on brilliant ideas that were original and creative.

When identifying a business opportunity, you have to consider consumer demand as well as the immediate business environment. Services that are not rendered or things that are needed by consumers, but are unavailable create important opportunities to act on and develop creative and innovative solutions.

Let's look at the environment in which small and medium enterprises (SMEs) normally operate.

Entrepreneurship Environment

Entrepreneurship is not only about business. It involves other role players that also have an influence on the way we do business. Entrepreneurship focuses on management tasks and functions (which we will discuss in Unit 8), but adds the dimension of a person and the environment to make a complete picture.



Discussion 1

Do businesses exist alone or do they interact with people or institutions in a community? What is your opinion? Spend about 20-30 minutes and discuss this with people around you.

You might want to discuss the responses you've received and comment on the ones that you thought were the most logical and practical, using social web sites such as Facebook and Twitter.



Tip

Look at the small and medium sized businesses around you or in your community.

If you have identified other parties, and not only the business, you are perfectly correct. Just as an individual cannot survive on his or her own, in the same way, a business cannot survive on its own.

Who are these other parties (stakeholders) that will interact with a business or play a role in its activities?

1. **The owner:** For our purposes, we will call the owner the entrepreneur and deal with him or her in more detail in the next unit. The person who manages the business is of vital importance and we have to look at various issues regarding him or her.
2. **The external environment:** The community, customers, other businesses and various other stakeholders form the external environment of the business. No business can survive without taking the environment into consideration.



A business needs the support of the community who will become customers and buy goods and/or services. The business relies on banks for credit and on suppliers for stock or materials.

Because the environment plays a very important role in the success of the business, it should be carefully scanned for opportunities continually, always keeping an eye on competitors and new developments.

In reviewing the above-mentioned points, it is clear that we should have a person with entrepreneurial abilities working in an environment conducive to business in order to achieve success.

A prospective entrepreneur needs to come up with a good idea, which will then serve as the foundation of a new venture. Let's now take a look at some aspects regarding the development of ideas.

Development of Ideas

Remember, entrepreneurial success is more than just having a good idea. Experience has shown that a good business idea is not necessarily a good entrepreneurial opportunity. A prospective entrepreneur has the difficult task of turning a business idea into a business opportunity, either by starting a new business or by injecting new life into an existing one.

To help him along each step of the journey — from finding the idea in the first place through its planning and implementation — the entrepreneur must consider different aspects, such as the needs of the community and creativity.

Needs of the Community

Businesses depend on the community to become consumers of their products. The needs of the community are important when we form our ideas of a product or service. We can distinguish between two types of needs:

Basic Needs:

These are needs for things that we need to survive. For example, we need a house to live in to protect us against weather problems like extreme heat or cold.

Other needs (wants):

These are called the non-essential needs. We can survive without them but want it to make our lives more comfortable, such as luxury cars, Plasma screen TV's, etc.

Can you think of more examples of basic and other needs?

Looking at the needs of people will help a potential entrepreneur to identify possible entrepreneurial opportunities. We will discuss identifying customers' needs in more detail in Unit 6 when we discuss market research. What is important is that the entrepreneur needs to be original, innovative and creative to be able to develop a product or a service that people really need but is not available.

Take time and answer [questions 1 to 3](#) of the assignment to test your understanding of the work done so far. I hope you did well. Now compare your answers to mine at the end of the unit.

Considering the needs of the community is not the only way to come up with a good business idea. You also need to be creative in developing your business idea. What is meant by creativity?

Creativity

Who are the people in our communities who are creative? I bet you're immediately thinking about 'artists'. One does not have to be an artist to come up with innovative ideas — all you have to do is look around and determine what products are not available or come up with ideas to improve the quality of existing products.

Creativity can happen at any time. Entrepreneurs need to dream, to see opportunities where others see only failure. They need to think of innovative ways to use or provide products and services that people want.

The following is an example of a problem experienced by community members that offers a business opportunity for a prospective entrepreneur.



For example:

People from Groot-Aub have a problem to come to work in Windhoek on a daily basis. What is the problem?

Need: Some people don't have their own cars and there is no public transport.

Opportunity: This can be an opportunity for an entrepreneur to start a taxi business in that area.

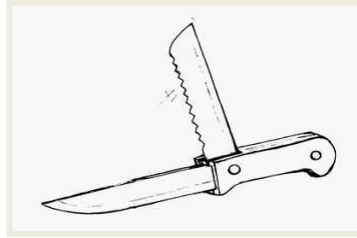
Test your creative ability by doing the next activity. Spend about 10-15 minutes to answer the questions in your notebook.



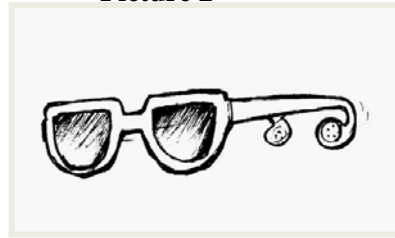
Practical Activity 1

- Let's look at examples of innovative and creative ideas that were transformed into successful opportunities and write down what you think of them. What are the advantages?

Picture 1



Picture 2



- Look at a wooden spoon that you have at home that you use for normal everyday things, like to stir porridge. Use your creative mind and write down how you will add value to the spoon in such a way that we are able to perform other tasks as well.



Tip

Don't be afraid to think out of the box. Feel free to talk this through with a friend or anyone at home.

- Very handy tool with lots of uses.
Seeing and hearing at the same time.*
- A solution might be to use the other end as a knife or as a thermometer to take our temperature when we feel sick.*

Take time and answer [questions 4 and 5](#) of the assignment before you continue with the rest of the section.

I hope we have triggered you to start thinking about your own business ideas. Let's do the next activity. You can spend around 10 minutes on this activity:



Practical Activity 2



Tip

1. Think about and look around where you live. List five business opportunities in your neighbourhood and the need that each would satisfy:

Business Opportunity	Need(s) satisfied
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

Remember that a good source of business opportunity is always presented in the challenges faced in your community.

So far, we have looked at the entrepreneurial environment and at how you can let your creative and innovative minds help you come up with business ideas.

Let's now look at the difference between the two concepts entrepreneur and entrepreneurship?

How do we define an entrepreneur?

So far, we have introduced entrepreneurship as a subject area that has to do with:

- business management tasks;
- the environment in which businesses operate; and
- the person who operates the business in this environment, applying the necessary business management skills and other related skills.

Entrepreneurship refers to a process that causes changes in an economy through innovation by individuals who respond to opportunities in the market.

If you remove a person who is in charge of a business, what do you think will happen? In most cases, the people who work there will work less or the business will suffer with a decrease in production. This means that the person who is in charge or who owns a business is very important.

An entrepreneur is the person who sees an opportunity in the market, gathers his or her resources and creates and grows a business venture to meet the identified needs. This person will bear the risk and will be rewarded with profit if it is successful.

The owner of any business is normally called an entrepreneur. The process of identifying a need, developing a product or service to satisfy that need together with

all the other related activities is called entrepreneurship. We will discuss the entrepreneur in more detail in Unit 4.



Take time to answer [questions 6 and 7](#) under the assignment section to see if you can differentiate between the concepts, entrepreneurship and entrepreneur. Write your answers in your notebook.

Now we've seen that a business needs a person with the relevant entrepreneurial skills who will be able to operate a business successfully. However, no matter how skilful we are, there will always be challenges. Please note that we call them challenges and not problems. We will deal with some possible challenges in the next section.

Section 2 Challenges and Benefits of Entrepreneurship

Entrepreneurship is fast becoming a major force in world economy. Entrepreneurship, therefore, needs to change as the world continues to change. Entrepreneurship proves to be very good for any economy, but it does not mean that it is always a smooth-sailing process.

Do the following activity before we look at different challenges and benefits involved in entrepreneurship. Don't spend more than 30 minutes on this activity.

 <p>Practical Activity 3</p>  <p>Tip</p>	<p>Look at letters from people that were published in a local newspaper in which they complain about business services:</p> <p>Give your opinion and motivation and/or justification regarding the following:</p> <ol style="list-style-type: none"> 1. What was the topic of the letter or letters you read? 2. Do these letters deserve a place in the newspaper? 3. What do you observe about the mindset of the writers of these letters? <p><i>You also can use the information, which you gathered when doing practical activities 2 and 3 in Unit 1 when you do this activity.</i></p> <p><i>Could you answer the questions? You might have gathered and observed that the majority of people wrote to complain about various issues like poor customer care, fraud, etc. This proves to you that customers always have some issues regarding the quality of goods and/or services, no matter how hard entrepreneurs try to provide quality goods and/or services.</i></p>
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What are the Challenges for Entrepreneurship?

Setting up a business is not an easy or smooth process. The process involves different decisions to be made with accompanying planning and implementation thereafter.

Challenges can involve:

- finding the right idea and opportunity to break into the market;
- difficulties acquiring the resources (including land or raw materials, financial resources, labour and entrepreneurial ability) necessary for production and distribution of goods and services;
- the high costs of creating internal roles, relationships and operating routines in new organisations;
- the time and investment required to establish external relationships that are conditioned on experience, reputation, and trust; and
- competition, often with very limited resources, with mature organisations that already have goods or services in the marketplace and that enjoy established customer relationships.

Many entrepreneurs have been successful despite these challenges. But entrepreneurship does not only have challenges. It also has benefits.

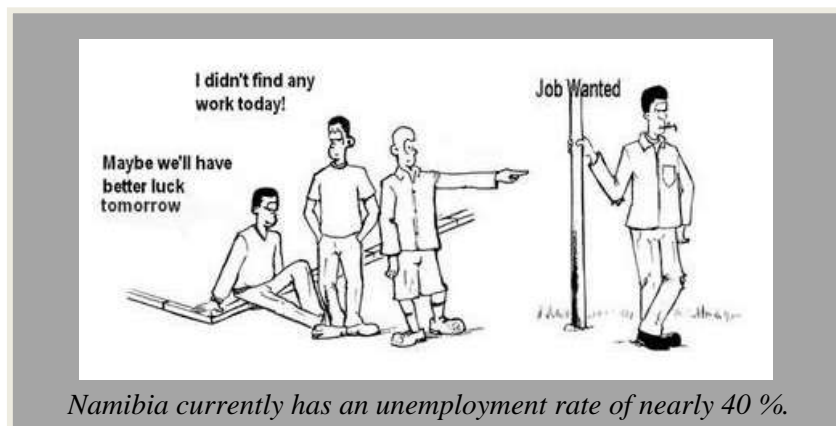


Reflection



What are the benefits of entrepreneurship? Can you name a few?

Benefits of Entrepreneurship

Look at the picture below and decide whether you would like to end up in the same position.



Do the following activity before you look at benefits of entrepreneurship. You can share your findings with friends or family. You can spend around 30 minutes or longer if needed on this activity.

 <p>Practical Activity 4</p>	<ul style="list-style-type: none"> ▪ Interview two unemployed persons in your community and ask the following questions: <p>Questions</p> <ol style="list-style-type: none"> 1. Why did you become unemployed? 2. Why do you want to work? 3. What type of work do you want to do? 4. Do you have any skill or interest that will help you find the right job? 5. What is your educational background? 6. What suggestions do you have to address the problem of unemployment? <ul style="list-style-type: none"> • What do you think these people can do to improve their situation? <p><i>Problems that these people experience may include lack of job opportunities, lack of money and lack of education and you may have chosen entrepreneurship as a solution to the problem of unemployment.</i></p>
 <p>Tip</p>	

Many others see entrepreneurship as a solution to various problems, which means that entrepreneurship does not only pose challenges.

Benefits that can be derived from entrepreneurial activities include the following:

- **Increase in employment opportunities**

Entrepreneurship not only offers self-employment opportunities, it also creates employment for others, often better jobs. Self-employment offers more job satisfaction and flexibility in the workforce. This kind of job creation utilises the human resources of the country and helps natural talent in the populace materialise. Many people with disabilities, particularly those in rural areas where jobs are often scarce, have created opportunities for themselves through entrepreneurship.

- **Creation of more industries**

Entrepreneurship leads to the development of more industries, especially in rural areas or regions where there are very few economic activities. This does

not only mean more goods and services, it also means higher quality products, because of healthy competition between different businesses.

- **Income generation and fewer social problems**

Successful entrepreneurship activities increase the income level of the average person and also the standard of living in the community. If more people are employed, more people pay taxes, which means more income for the government. It also means that the crime rate goes down and the country becomes a safer location with more tourists willing to visit the country. If tourism increases, more job opportunities become available and more people become employed. Successful entrepreneurship can also attract more foreign investment into the country, which in return creates more job opportunities.

- **Higher productivity and economic growth**

More industries mean higher production at lower prices. Entrepreneurship encourages the use of local materials to produce finished goods for domestic consumption as well as for export. Entrepreneurship enables a country to produce more and more goods locally and thereby build up its capacity and resources. If we change our raw materials into consumable goods, we add value to our products, which means that we can now receive a much higher price and at the same time create more jobs. There is a movement in Namibia: *Team Namibia* — whose goal it is to promote the buying and selling of local products. With new inventions and developments in technology, a nation can use its resources more effectively.

- **Increase in exports and less dependence on imports**

Entrepreneurship leads to the development of new markets. If we produce more, we can export products that are not sold locally. This means that Namibian products can also enter foreign markets. From time to time, the president, cabinet ministers or high-ranking officials sign agreements with other countries to promote trade. These are opportunities that should be taken into account by those who are involved in the production. Currently, Namibia relies heavily on imports, especially from South Africa. This means that we have to pay in Namibian currency for imports and allow money to flow out of the country. What is important is that exports must exceed imports in order for Namibia to be able to have an advantage. If Namibia produces more and exports more, Namibia can receive valuable foreign payments that will inevitably stimulate the economy.



Reflection

Do you know that Namibia used to export copper to Japan in its raw form and import the copper cables afterwards?



From the discussions above, it is clear that one benefit will have an influence on the other benefits or advantages. This means that these benefits are interwoven and contain a multiplier effect (when one benefit influences another). It also means that if people become more creative, we can develop new and unique products. As we succeed, we become proud of our achievements, which in turn will motivate us to increase our production. As we produce more goods, we have excess goods for export and this lowers our dependency on imports while simultaneously creating jobs. This is an advantageous situation to be in but, something that will only come about with hard work and sacrifices. If one takes all these factors into consideration, it is clear that the economy can be boosted, living conditions can improve and people can become less dependent on the government.

Take some time to answer [Question 8](#) in the assignment section to test your understanding. Write your answers in your notebook.

Becoming a business person is not about making easy money. Any business at one time or the other experiences challenges. Entrepreneurs need to be ready to face these challenges. To successfully change these challenges into opportunities, requires certain entrepreneurial characteristics which will be discussed in the next section.

Section 3 Entrepreneurial Characteristics and Skills Needed To Overcome Entrepreneurial Challenges

In the next unit, we will deal specifically with the entrepreneur and the characteristics of a successful entrepreneur. It is therefore important that we first have some understanding of skills and characteristics as they relate to careers in a general way. There are many skills and characteristics that are required for success in different types of careers. In this section, we will review some of the most common ones.

Education and Knowledge

Some people are very fortunate to have been born, as we say, as “natural business persons”. As the demands on workers in the world ever increasing due to constant changes brought about by new technologies, having an education has become very vital. In the olden days, it was widely accepted that some occupations like farming did not require much education. However today, farming has become so scientific that people go to college and university to study agriculture. Farming is now in large part based on business principles.

Natural Ability and Skills

Some people are born with natural talents and skills. If you are creative and use your talents and skills to develop solutions for challenges in your community, they can evolve into successful entrepreneurial activities, for example, carpenters, singers, designers, etc. People who don't have the required skills but do have an interest in a particular field, such as woodcarving, can employ people to do the work for them. In such cases the entrepreneur should have the entrepreneurial skills to manage the business successfully.

People with creative and artistic skills create products that consumers want to buy, because these fulfil their needs. Big companies and other businesses were founded by creative and resourceful persons. Why can Namibians not do the same?

Creativity

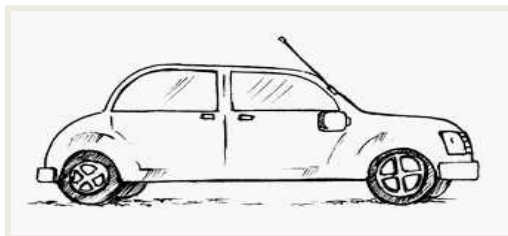
A nation with a creative mindset is a nation in which the economy can prosper. We should be willing and open to change and entertain new ideas. Get rid of old ideas and ways of doing things and stay at the cutting edge of development. Not all people are born with creativity, but can develop it as a skill over a period of time.

Spend about one hour working through the following activity to test your understanding of the work discussed so far.



Practical Activity 5

1. Look at the car below. Have you seen a car like this in Namibia? People are creative and always design cars that are better than models from competitors, which are in demand.



Make a study of how many different makes of cars are in your village or suburb e.g., Toyota, Ford, etc.

2. Now organise some friends and family and do the following activity to test your creativity.
Divide into different groups and give each group an egg. Each group will have a time limit of say 30 minutes to come up with a solution to find a way to drop this egg from the first floor of a building or a high tree without the egg breaking.



Tip

The fun lies in different types of ideas, the secrecy of plans and the results when the wrapping is opened to determine the successful group. Spend at least 20 minutes to listen to the feedback of the groups.

A new and interesting idea will give you the necessary energy and inspiration to do more and provide interesting results. If we change our attitudes, our country can have a very energetic workforce and an energetic population.

Recognition of Opportunities

The ability to recognize opportunities is a skill that you can develop by looking at a situation in detail and with a positive mindset. We are often very negative and look for mistakes and challenges (problems) instead of being positive. However, if we have studied the situation in detail and found that the challenges weigh more than the opportunities we can let the situation pass. In this case, we will at least have the peace of mind that we were well informed that a particular opportunity was not a very good opportunity; or rather not an opportunity at all.

People with an entrepreneurial outlook, turn negatives into opportunities and do not shy away and let other people take advantage of opportunities. They become job creators instead of job takers. What is the difference? Job takers are people who work for someone else or for the government. The person who owns a business is called a job creator.

Since we belong to the global village and will interact with other countries, many opportunities are created which are worthwhile to explore.

Here are some ways in which we can improve the skills of our people:

Travelling	Making new friends
Learning a new language	Taking up new hobbies
Reading outside your main field of interest	Listening to others
Watching out for new developments and information about them	Taking note that there are a wide variety of newspapers, magazines and newsletters
Asking people's opinions regarding subjects that are of interest to you	When you look for employment, take interest in businesses with an entrepreneurial culture and way of doing things

Experience

Practice makes perfect is a well-known saying. We will never be able to do anything the correct way if we do not experience the activity ourselves. To gain experience, you'll need to attempt (try out) new undertakings and learn from those experiences. Experience comes through trial and error and we should allow ourselves to make mistakes. However, if we do careful and effective planning well in advance, we can minimize mistakes and save time and money in the process.

Strong Personal Characteristics

A strong personal character is important to take a stand in life and business but also to exercise positive ethical behaviour. The following are examples of attitudes that we should possess to be successful in life, whether as employees or as entrepreneurs:

- Diligence
- Punctuality
- Willingness to make sacrifices
- Taking chances in life
- Going the extra mile for customers

When we succeed, we feel good about ourselves and can take pride in our achievements. However, if our achievements involve fraudulent activities, we cannot be proud of what we have achieved. Why do we have to have an Anti-corruption Commission? We have to root out fraud and other illegal activities, because they can ruin our good name and that of our country. Fraudulent activities are illegal activities for which we can be taken to court and punished.



Reflection

Do you know of fraud that has happened such as:

- getting question papers illegally;
- being promoted because I know the person who has to approve such a promotion;
- buying stolen goods, etc?

What have you done about it? Have you spoken out against it or reported such cases?

Financial Resources

Finances are crucial and the amount of money needed to start and run a business will depend on the type of product or service, size of the business and many other factors which we will deal with in more detail in later units.

We have come to the end of this section. Take approximately 30 minutes to read the following short story and answer the questions that follow.



Case Study 1

Mr Ashipala after working in Windhoek for ten years, decided to go into business because he wanted to be his own boss and make more money than he made while still employed. His hometown is Oshakati. He looked at the businesses most people were in, and found out that they were in bottle-stores and cuca-shop businesses. He decided to open a bottle store in Oshakati. After being in business for several years, he did not make a lot of money. At times, he had no customers because there were so many bottle stores. At this moment, he is thinking of closing down the bottle-store.

Adapted from: Cohrssen C. 2008 New Entrepreneurial Education Grade 9)

Questions:

1. Why did Mr Ashipala decide to start up his own business (enterprise)?
2. What type of business did he decide to start?
3. According to the case study, what were the disadvantages of opening a bottle store?
4. Name two challenges that Mr Ashipala faced when running this bottle store.
5. Do you think Mr Ashipala has good qualities as an entrepreneur? Provide reasons for your answer.
6. What advice will you give to Mr Ashipala on the idea of closing his bottle store? Provide reasons for your answer.
7. Do you know a person in your community whom you believe is successful in his or her business or work? Write down five reasons why you think this person is successful.

This is the end of Unit 3. I hope you found it interesting. PLEASE work through the unit again if you feel you have not understood everything. Let's now summarise what we have discussed in this unit.



Unit summary



Summary

In this unit you learned the following:

- Entrepreneurship is not only about management, but also about the persons who involved in the business, the community and the environment.
- Creativity is vital to develop new and unique business ideas.
- Entrepreneurship is the skill of managing a business successfully while the entrepreneur is the person who possesses this skill and manages the business.
- Some of the challenges of entrepreneurship include finding the right idea and opportunity to break into the market, acquiring resources necessary for production and distribution, high costs, time and money required and competition.
- Entrepreneurship has many advantages for any nation. These advantages include higher productivity, increased creativity, lower unemployment, less dependence on imports, increased ability to identify opportunities, etc.
- We need skills and characteristics such as education, a strong character and experience to be able to overcome challenges.

I hope that you have found this unit interesting and will be able to decide on which career path you want to pursue once you have finished with school. Take some time and answer the questions in the assignment.

Assignment

The following questions are based on the content discussed in this unit. Try to answer the assignment questions within 30 minutes.



Assignment

1. What type of needs do you have as individual to survive in life?
2. What type of needs do you have to make your life more comfortable?
3. Look at the pictures below and distinguish between essential (basic) needs and non-essential needs (wants).

Example:

Essential goods/services	Non essential goods/services
Warm clothing	Books
	Service of lawyers



[Return to Course](#)



	<p>4. Can you suggest solutions for the following problems?</p> <ol style="list-style-type: none"> i. Next to your house is a vacant plot where people dump their garden and other refuse. ii. Your church or school wants to raise money to buy a public address system. iii. Your mother and father are both working from 8:00 till 17:00 daily from Monday to Friday. Your parents cannot afford to pay a domestic worker while they can also not assist your small brother who is in Grade 5 with his schoolwork. <p>5. Explain how a creative mind can help you to develop a new product or service. Return to Course</p> <p>6. How does the term Entrepreneurship differ from Entrepreneur.</p> <p>7. Look at the following words and classify them either as entrepreneurship or under entrepreneur. Give a reason for each of your choices.</p> <ol style="list-style-type: none"> (i) hardworking (ii) customers (iii) do repairs to vehicles (iv) lazy (v) inventing a new machine (vi) good relationship with workers (vii) a person who takes chances in life (viii) banks (ix) designing a new range of dresses (x) working long hours <p style="text-align: right;">Return to Course</p> <p>8. Entrepreneurship is not a smooth sailing process — it involves both challenges and benefits for the different stakeholders involved.</p> <ol style="list-style-type: none"> 8.1 Name and explain the advantages entrepreneurship can have for a nation. 8.2 Explain the challenges entrepreneurship can have for an entrepreneur. 8.3 Name and explain the entrepreneurial characteristics you need to overcome challenges. <p style="text-align: right;">Return to Course</p>
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I hope you've done well in all the activities. Since you now have a good understanding of this unit, you can compare your responses with the feedback provided below. If your responses are far off track, you should revise this unit where necessary.

The following is feedback for the case studies and the assignment.

Feedback



Assignment

1. To survive we need clothes, food and shelter. We call these basic needs because we cannot survive without them.

2. To make our life more comfortable, we buy things such as radios, freezers, cars or go to a hair salon to get our hair done. These products or services are not essential to survive and we can do without them.

3.

Essential goods/services	Non-essential goods/services
Warm clothing	Books
	Service of lawyers
A	C
B	D
E	F
H	G

4

i. You can make an appointment with the municipality or town council to clean the place and put up boards prohibiting people to use it as a dumping place. This can be combined with education for the people about the fact that it can become a health threat. You can also make suggestions to organise the inhabitants of the area to join hands to clean the area with the support of the municipality or town council. You can also combine this action with a presentation about the advantages of a clean environment.

ii. A suggestion can be to organise a few learners and/or members who are interested and launch a fund-raising effort. This should be well planned with regular feedback to the authorities and learners and/or members to promote the initiative and raise funds. Carry out careful planning to ensure success.

iii. You can suggest that your other brothers and sisters help you. If you are a big family, to take turns to assist your brother or sister with his or her school work. The same goes regarding assisting your parents with work at home. Sometimes the words of thanks from your parents will make you feel good. We need to think about other rewards than just money, like feeling good about yourself, making yourself an asset, etc. You can use this opportunity to explain to your brothers and sisters the sacrifices your parents make, how hard they work, that they love their children very much and the fact that they have the interest of their children at heart. This is an opportunity to give back to them by supporting them and making their responsibilities lighter.

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Assignment
(feedback continue)

5. We do not have to be artists to be creative. Being creative can also mean the ability to think and identify a product or service that is not available in the community and definitely a product or service people want. We need to think about products and services that the people want and not what we want. What we want might not be what the next person wants. In fact, we need to discover what most people want.

6. Entrepreneurship is the process of managing a business successfully while the entrepreneur is the person who possesses the skills and abilities to manage the business.

7.

No.	Entrepreneurship	Entrepreneur	Reason
(i)		X	Refer to the fact that the person works hard
(ii)	X		Part of the business environment
(iii)	X		Type of service rendered by a person with skills
(iv)	X		Creative ideas
(v)		X	How a person acts towards his or her workers
(vi)		X	Characteristics of a person
(vii)	X		Part of the business environment
(viii)		X	Creativity
(ix)		X	A person willing to make sacrifices

The concepts are very close to each other. The shortest route to take to understand the difference is that the entrepreneur represents a person while entrepreneurship represents a process to set up and run a business.

**8.1
Increase of employment opportunities**

Entrepreneurship not only offers self-employment opportunities, but also creates employment for others. Many people with disabilities, particularly those in rural areas where jobs are often scarce, have already created opportunities for themselves through entrepreneurship.

Creation of more industries

Entrepreneurship leads to the development of more industries, especially in rural areas or regions where there are very few economic activities. This not only means more goods and services, but also higher quality products because of

healthy competition between the different businesses.



Assignment
(feedback continue)

Income generation and fewer social problems

Successful entrepreneurship activities not only increase the income level of the average person but also the standard of living in the community. Successful entrepreneurship also increases income for the government because more people pay taxes. This also means that less crime is committed because more people earn a living and do not have to steal to survive.

Higher productivity and economic growth

More industries mean higher production at lower prices. Entrepreneurship encourages the use of local materials to produce more locally finished goods for domestic consumption as well as for export. With new inventions and developments in new technologies, a nation can use its resources more effectively.

Increase in exports and less dependence on imports

Entrepreneurship leads to the development of new markets. If we produce more, we can export products not sold locally. This means that Namibian products can also enter foreign markets. If we produce more and export more, we can receive valuable foreign payments that will inevitably stimulate the economy.

8.2 Challenges can include:

- o finding the right idea and opportunity to break into the market;
- o encountering difficulties acquiring the resources (including land or raw materials, financial resources, labour and entrepreneurial ability) necessary for production and distribution of goods and services;
- o the high costs of creating internal roles, relationships and operating routines in new organisations;
- o the time and investment required to establish external relationships that are conditioned on experience, reputation and trust; and
- o competition, often with very limited resources, with mature organisations that already have goods or services in the marketplace and that enjoy established customer relationships.

8.3


Education and knowledge


With the demands on workers in the world that are continually increasing and the constant changes happening due to technology, education has become vital. As an example, we can take farming that has become so scientific that people now go to college and university to study agriculture. Education is also important because successful farming is now largely based on business principles which must be learned.

Natural ability and skilfulness

Some people are born with natural talents and skills. People with creative and artistic skills create products that consumers want to buy because these fulfil their

	needs.
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 <p>Assignment (feedback continue)</p>	<p>Creativity Creativity can develop as a skill over a period of time. We should be willing and open to change, entertain new ideas and stay at the cutting edge of development. A new and interesting idea will give us the necessary energy and inspiration to do more and deliver the best.</p> <p>Recognition of opportunities This is a skill that you can develop by looking at a situation in detail and with a positive mindset to identify opportunities. People with entrepreneurial outlooks turn negatives into opportunities. They do not shy away and let other people take advantage of the opportunities. They become job creators instead of job takers.</p>
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 <p>Case Studies</p>	<ol style="list-style-type: none"> 1. He did not want to work for someone else anymore — he wanted to be his own boss. 2. He opened a bottle store. 3. There were so many bottle stores that he did not make money. The competition was too strong. 4. Competition, often with very limited resources, with mature organisations that already had goods or services in the marketplace and that enjoyed established customer relationships. Lack of customers — he had no customers at times. Financial resources: Mr Ashipala only had his personal savings that he used to open the business. He did not make enough money to support him and to plough back into the business for expansion. 5. NO. He just copied what other entrepreneurs were doing without doing proper market research. He lacked creativity, not only in identifying a business opportunity but also in creative ways of attracting customers to his business. 6. Mr Ashipala has two options: <ol style="list-style-type: none"> (i) Cut his losses, close down the bottle store and save whatever money he still has available. Before he thinks about investing this money in another type of business, he must first do market research to find out whether the customers will buy his product, or (ii) He can keep the business and try to attract more customers — this means he must come up with creative and innovative marketing to promote his business and enable him to lure customers away from his competitors. 7. Here you can refer to any person who has the entrepreneurial characteristics
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and who has proved to be successful. If you came up with reasons such as
8. hardworking, friendly, punctual, skilful and creative, I believe you are correct.

This brings us to the end of Unit 3. I hope you have enjoyed this unit and have acquired the necessary skills to be able to answer any questions about it. As we mentioned earlier in this unit, we will discuss the entrepreneur and the advantages and disadvantages of being an entrepreneur in the following unit.

Resources

Below are additional resources, which you can use for enrichment.

Internet-based resources

[What is Entrepreneurship](#)

[A definition of entrepreneurship](#)

[What is Entrepreneurship Lesson?](#)

[Benefits of Entrepreneurship and Entrepreneur Risks](#)

Other documents found on CD

You can open and print the following resources for your convenience.

[Practical Activities](#)

[Case Studies](#) and [feedback](#)

[Assignment](#) and [feedback](#)





Unit 4

The Entrepreneur


Introduction

This unit is a continuation of what we have been discussing in the previous unit on the entrepreneurship concept. We have distinguished between entrepreneurship as the business process and the entrepreneur as the person involved in the entrepreneurial process.

In this unit, we will discuss the entrepreneur as a person with abilities to be successful in entrepreneurship undertakings in more detail. We will also give you the opportunity to test your own entrepreneurial competencies, recognise and familiarise yourself with the characteristics of a successful entrepreneur and finally compare the advantages and disadvantages of being an entrepreneur.


 Time	<p>You can spend approximately 12 hours working through this unit. Don't worry if you spend less time on this unit because the number of hours per unit is flexible. You might spend less time on shorter units and more time on the longer units.</p>
 Note it	<p>Throughout the unit you find links to the assignment. Click on the highlighted word (question) to access the links.</p>

Before we move on, please take some time to study the objectives for this unit. On successful completion of this unit, you will be able to:

 Outcomes	<ul style="list-style-type: none"> ▪ <i>define</i> the term entrepreneur in terms of the ability to organize, take risks and innovate; ▪ examples of entrepreneurs in your community that run small, medium-sized and large businesses; ▪ <i>identify, state and describe</i> the characteristics of a successful entrepreneur and assess your own entrepreneur qualities, in these terms; ▪ <i>compare</i> the advantages and disadvantages of being an entrepreneur and make an informed decision whether or not to become an entrepreneur; ▪ <i>explain</i> how entrepreneurs contribute to the economy of your country;
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- *identify* and assess in a case study of a SME scale business activity entrepreneurial characteristics or qualities needed to overcome entrepreneurial challenges identified in your community.

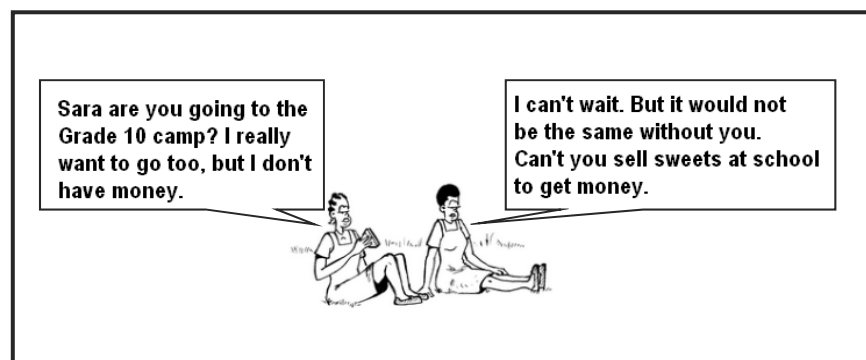
I hope you have carefully studied the outcomes? The outcomes give you an indication of the basic competencies you will gain by working through this unit. Below is a list of key concepts that will be covered in this unit content.

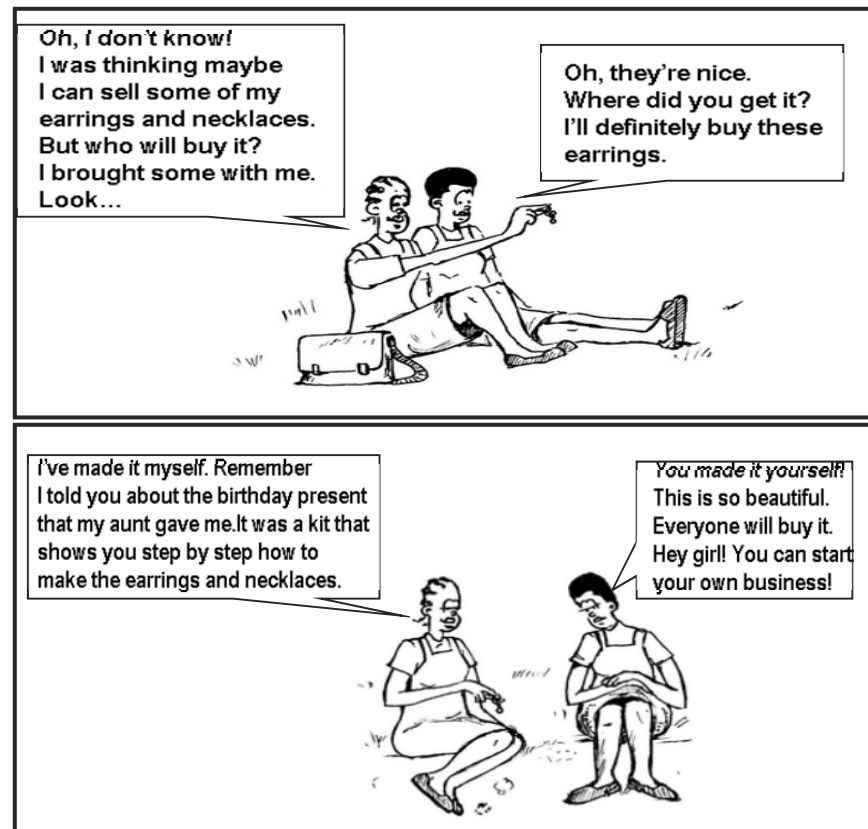
 Terminology	Entrepreneur	Someone with the ability to identify business opportunities, who has the courage to utilise these opportunities and manage them for a profit
	Goal directed	Strongly motivated and highly organised in achieving tasks that are specified in advance
	Initiative	The ability of an individual to start a project on his or her own (without being asked)
	Innovative	Introducing new ideas or ways of doing things
	Perseverance	The quality of continuing to try to achieve particular aims despite difficulties
	Risk taking	Being exposed to a chance of loss

Now, work through the following sections. These will help to explain the above-mentioned terminologies and enable you to achieve the basic competencies given in the outcomes above.

Section 1 How Do We Define an Entrepreneur?

Entrepreneurs and business people come from all walks of life and have different backgrounds and life experiences. Look at the comic interpretation of Entrepreneurial ideas to help to define the term entrepreneur.





Can anyone start up their own business and in doing so become an entrepreneur?

Definition

An entrepreneur is someone (Person) who in pursuit of profits and at a risk makes the most of opportunities in the environment by combining the expertise and resources of the community in different ways to produce products and services for the market.

(Source: Cronje et al 2001:5)

It is really important for us to know the four basic abilities that enable entrepreneurs to develop successful business ventures.



Entrepreneurial abilities include four basic components:

- A person who takes the **initiative** to combine land, capital and labour to produce goods and services.
- A person who has the ability to **organise** multiple people and tasks and make business policy decisions to set the course of the business enterprise.

- An **innovator** — a person who attempts to introduce new products, new production techniques or new forms of business organisations.
- A **risk taker** — a person who risks not only time, effort and business reputation, but his or her invested funds and those of other stakeholders/role players/investors.

(Source: <http://www.smallbusinessnotes.com/choosing/issues.html>)

To answer our earlier question: **Can anybody can start up his or her own business.** You can spend 10 minutes working through the following activity before you continue with the rest of the section.

 <p>Practical Activity 1</p>  <p>Tip</p>	<p>Write down the names of five entrepreneurs that you know in your area or ask your friends about such entrepreneurs.</p> <p><i>If you came up with names such as Frans Indongo, Harold Pupkewitz, Rhiana Potgieter, Twapewa or any other entrepreneur that is successful in his or her business, you are on the right track. These are some of the big names in the Namibian business environment.</i></p>
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We should, however, not forget about the small and medium enterprises (SMEs) that equally contribute to the Namibian Economy. Look at the following two examples of business.

 <p>Reading</p>	<p style="text-align: center;">Multimillionaire farmer and entrepreneur</p> <div style="display: flex; align-items: flex-start;">  <div style="flex: 1;"> <p>Sydney Martin is a multimillionaire farmer and entrepreneur. As farmer he is a renowned Simmentaler and Simbra breeder. He is involved in multiple business ventures in Namibia. He is the owner and Managing Director of Witvlei Meat. He is also involved in the fishing industry — he founded Beluga Investments (Pty) Ltd in 2006, and has recently bought 14% shares in Tunacor — the country's second largest fishing company. This enables the partners to catch, process and market their respective quotas under Beluga Fishing.</p> <p style="text-align: right;">(Source: Namibian Economist)</p> </div> </div>
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From dishwasher to Arandis's popular restaurateur



Magriet Mutrifa started her career as dishwasher in the staff canteen at Rössing Uranium and progressed to running the kitchen at the canteen. When she was retrenched in 1999, she saw it as an opportunity to venture into business. She started preparing food at home and then selling it on the streets in Arandis.

Today, she has her own restaurant at the Arandis Community Development Centre, serving customers including Arandis Town Council, Rössing Foundation and a new mine, Trek Kopje. Today, Mummy's Restaurant is known as the best eatery in Arandis for "lekker kos". "Healthy and fresh food, that's my motto," says Mutrifa.

(Source: Namibian Economist)

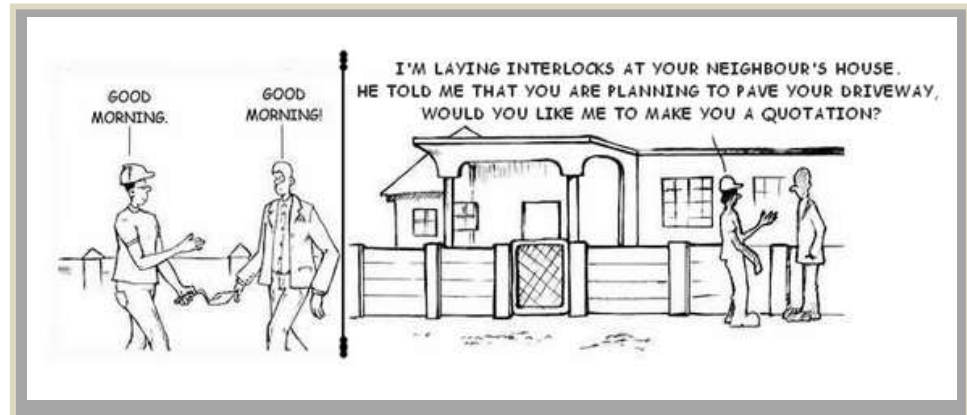
How did these people become successful entrepreneurs? The answer is that they have certain characteristics that distinguish them from other people.

Characteristics of a Successful Entrepreneur

A successful entrepreneur needs to have certain qualities. It is obvious that the entrepreneurs named in our examples possess these qualities. Let's take a look at the qualities individually:

- **Seeking opportunity**

The key to coming up with a successful business idea for new products is to identify a market need that is not being met. Many entrepreneurs have an eye for opportunity. They start by finding a need and then set out to provide goods and/or services to satisfy the need. What most of us see as problems can sometimes become a good business opportunity. All you have to do is look around and ask yourself, "How can this situation be improved?"



From the conversation, it is clear that the gentleman who lays interlocks saw an opportunity and he went after it.

- **Seeking information**

Before you start up a business, you have to seek information about customers, suppliers and competitors to enable you to make informed decisions. A lack of information about various role players in the market might result in the business not being successful.



There are various sources of information. These include advertisements (television, radio, the Internet, magazines and newspapers), questionnaires, libraries, courses and existing business people.

We often pick up opportunities by just looking around us, travelling to other places, listening to the complaints of people or even by just thinking of things in life that annoy us.

- **Determination and persistence**

People learn through their mistakes. Do you remember what happened when you learned to ride a bicycle? You fell, but kept getting on again until you learned to ride it. An entrepreneur is someone who does not give up, but tries over and over again until they can solve a challenge. Entrepreneurs will even make personal sacrifices like neglecting their families to be able to succeed. Entrepreneurs have the persistence and the ability to bounce back after rough times.

- **Persuasiveness**

When you are persuasive, you have the ability to keep trying to convince people to buy your products or services to become customers and always support and follow you.

- **Commitment**

To be successful, an entrepreneur needs to be committed and determined to do everything possible to make a success of his or her business. Family and friends sometimes take second place until the entrepreneur has finished what he or she has set to do. Are you sure you're willing to make this commitment?

A successful entrepreneur will not only be committed to his or her goals and objectives, but also to the customers, employees and the general public.



Reflection

What would you do if the following happened to you?



You are in a hurry and running late for an appointment. You are at the post office where you have to collect a parcel, which you need to use at your meeting. However, the lady at the counter is chatting on her cell phone, not helping the customers.

**A committed entrepreneur always puts his or her customers first and will not allow employees to treat customers in such a way.*

- **Perseverance**

Persistence and perseverance go hand in hand since when we persevere we refuse to give up until we have found a solution for any challenge. An entrepreneur, who has perseverance, keeps his or her goals in sight and tries to reach such goals even if he or she experiences obstacles along the way. Being a true entrepreneur means not giving up and learning from previous mistakes and failures.

- **Creativity/ Originality**

Entrepreneurs are always thinking of new ideas and new ways of making money or increasing the size of their businesses. They are not afraid to put these ideas to use. Creativity drives the development of new products, services or ways of doing business. We have to use our creative minds to develop solutions that other people have not developed. Let's look around us. What are people doing?

We can do the same businesses as other people, but we have to do them differently, because it is only then that we are creative.



Reflection

At sports events, we often see people selling hot dogs and just serving them in a piece of paper or in a serviette. We can add value by serving the hot dog in a plastic bag with a serviette. That will be more hygienic and look more attractive.

Now, do the Discussion 1 exercise to test your understanding of the work covered so far in the section. Spend around about 10 to 15 minutes on the following discussion.



Discussion 1

One thing that annoys almost all of us is when you want to buy something, but it's not available in your local shop or poor services. That make you angry. Discuss this with friends to find out what their opinion on this issue is.



Tip

You can make a list of the ones that you thought were the most logical and practical and share them on facebook or twitter.

Let's continue with more characteristics of the entrepreneur:

- **Innovativeness**

Entrepreneurs are highly innovative and creative individuals with vision. An entrepreneur can spot opportunities and act upon them. To be innovative means you are able to come up with new ideas and inventions to solve problems and not give up until you have find an effective solution.

- **Initiative**



We find people in life who act like natural leaders. When we are in groups or participating in group work, there is always someone to whom all the others look up to. We also have to initiate opportunities by developing them.

You can now see that entrepreneurs must take the initiative to start businesses and not wait for people to do it for them.



Reflection

Sometimes communities are not used to buying specific products like fresh fruit. We can take the initiative to create awareness by informing the inhabitants of the advantages of fresh fruit and provide the fruit. Have you seen people in supermarkets preparing food and serving it in small portions to customers?

- **Independence**

The need to be one's own boss is one of the biggest reasons why people become entrepreneurs. They are tired of working for somebody else and therefore establish their own venture. Entrepreneurs need to make decisions on their own that are in the best interest of themselves and their business enterprises.

You can request people who are knowledgeable and informed about entrepreneurship to assist you with guidance and advice, but at the end the decision to become an entrepreneur rests entirely with you.

We however would like to caution that freedom goes with taking responsibility.

- **Problem-solving skills**

We always tend to see problems and raise such problems without thinking about or developing solutions to solve such problems. It is rather a new trend to call problems challenges and so change our mindset to think of challenges (problems) as issues that can be solved. These issues represent possible opportunities.

- **Taking risks**

Entrepreneurs are risk-takers. People are too afraid to take risks. This simply means that we are afraid that if the business fails, we will lose all our investments.

This implies that we do not have the courage to leave our comfort zones and become independent entrepreneurs. If we work for the government or for

someone else, we are sure we will receive a salary at the end of the month. However, although this is a secure position and is work with benefits, we have to ask ourselves some of the following questions:

1. Can I take decisions on my own?
2. Can I do what I think is the best way to do a specific task?
3. Can I be creative and try to do tasks my own way?

It is true that we should not just start any business or jump into an opportunity, just because we would like to be independent or work for ourselves. We have to make a good study of the possible risks and compare these with the advantages. If there are too many risks, we might decide to rather not go into such a business. As we get more experienced, we will be able to identify risks well in advance and take steps to minimise or avoid them. What stands to reason is that from time to time we have to take calculated risks.

- **Setting goals**

- ✓ Goals should be **S**imple
- ✓ Goals should be **M**easurable
- ✓ Goals should be **A**ttainable
- ✓ Goals should be **R**elevant, and
- ✓ Goals should be **T**ime-bound

Setting goals are very important in any business or even in our own lives. We have to decide what our destiny and achievements will be. If we do not have goals, we are like a ship on a big ocean without a compass. Do you know what the purpose of a compass is? Yes, to give us direction.

In a business, your compass will be your goals. When you set goals for your business you have to be creative but also very realistic. We have to set **smart** goals for ourselves and for our business.

- **S**imple goals are easy to understand and achieve with the minimum effort for the maximum output.
- **M**easurable goals are measurable regarding output. For example, how many shoes we would like to sell in a day.
- **A**ttainable goals are not complicated to achieve or above our own abilities. For example, if I am a slow worker, I will possibly make fewer shoes in a day than my colleague.
- **R**elevant goals are directly related to what I want to achieve.

- Time-bound goals are achievable within a specific time frame.

Entrepreneurs have these qualities in different degrees. The question that arises is: “What if the person lacks one or more of these qualities?” Don’t worry, because many of these skills can be learned or the entrepreneur can employ someone who has the skills, which he or she lacks.

Let’s look at another success story from our Namibian business community. I’m sure you have heard of or seen the famous Street House shops in Windhoek.

Read the following case study to find out more about this young entrepreneur in Namibia:



Reading

Roland Jacobs just does it

At twenty-five years of age, Roland Jacobs can draw on a life of experience in business. Since the age of ten, Roland sold ice cream, popcorn, whatever he could. Whilst his parents had never run their own business, enterprise was in Roland’s blood. It was while studying mechanical engineering in Cape Town that Roland got the idea of selling American sporting goods.

When he returned to his home in Windhoek, he leased a shop in Sanlam Centre and started selling whatever he could. It was a disaster. “The money I lost through that shop was my school fees,” says Roland. “That’s how I learnt about business.”

After a year, Roland moved his Street House Clothing and Accessories shop to smaller, cheaper premises in Peter Muller Street. That was in June 1994. He has never looked back since. He has opened two other shops, one in Wernhill Park and the other, through a joint venture with another twenty seven-year-old entrepreneur, in Oshakati. He now employs eight full-time staff members and two casuals.

A turning point for Roland was attending the Atlanta Trade Fare in the USA in 1995. There he was able to source newer and better products. In the same year, he negotiated trade finance through suppliers in South Africa who took a risk and gave good credit terms. “That allowed me to work with other people’s money,” says Roland, who has not borrowed any funds for his business.

As a young businessman, life has not been easy. Roland has come up against people who do not take him seriously and had to learn from his own mistakes. But his desire to “really achieve something” continues to drive him. He plans to open more shops and employ more people. His administration office may still be in his bedroom, but Street House is, as Roland says, “the best shop for youngsters in town”, and with Street House being the largest retailer of Nike and Converse in Namibia, who could argue with that?

Watch out Namibia, Roland is doing it.

Adapted from: Cohrsen C. 2008 New Entrepreneurial Education Grade 9

Take time and answer [questions 1 to 4](#) of the assignment to test your understanding of the work done so far.

Do you have the qualities to be an entrepreneur? Let's work through the content on self-assessment to find out:

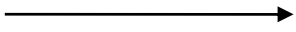
Self Assessment

Now that you have studied the characteristics of a successful entrepreneur, please take time and assess your own qualities by using the questionnaire below. The example will guide you on how to analyse and read information about the own evaluation of your own personal entrepreneurial qualities.

Self- Assessment Questionnaire

We have to be aware of and know what entrepreneurial characteristics we have, in which areas we are strong and in which areas we are not so strong. This information will help us to improve our weak points and make our strong points stronger. Remember, not one of us is perfect, but we have to strive to be perfect in life.

For this purpose, we have developed a questionnaire that should be completed. After completion, and if we are honest, we can analyse our answers and take informed decisions about our own characteristics, skills and competencies. Well, let us give it a go and see what your results are:

Instructions							
Read each of the entrepreneurial characteristics or qualities listed below and the explanations provided for each one. Then rate the degree to which you believe you possess that characteristics or quality from 1 to 5. Rate 1 as the lowest and 5 as the highest.							
You may repeat this tool every term to see how you've changed.							
Quality / Characteristics of an entrepreneur		Explanation	Range of score (How you earnestly rate yourself)				
							
			Low				High
1	Seeking opportunity	Willing and able to see opportunities or chances by whatever situation you are confronted with	1	2	3	4	5
2	Seeking information	Always on the lookout for more information on opportunities	1	2	3	4	5
3	Persistence/ determination	Not giving up easily when faced with challenges	1	2	3	4	5
4	Commitment	Prepared to put in what it takes to succeed or dedicated to performing well	1	2	3	4	5

Quality/ Characteristics of an entrepreneur		Explanation	Range of score (How you earnestly rate yourself)				
			<div style="text-align: center;"> → </div> Low High				
5	Perseverance	Not prepared to give up on one's aim, even when disappointed or challenged	1	2	3	4	5
6	Creative originality	Ability to think and come up with new or imaginative ways and ideas	1	2	3	4	5
7	Innovativeness	Ability to come up with new solutions to problems and overcoming challenges	1	2	3	4	5
8	Initiative	Taking a lead in doing the needful or solving problems and doing things	1	2	3	4	5
9	Independent	Ability to make decisions on one's own or not depending on others for ideas, solutions and opinions	1	2	3	4	5
10	Problem-solving skills	Ability to tackle challenges and solving problems	1	2	3	4	5
11	Task oriented	Prepared to finish work or assignment as agreed	1	2	3	4	5
12	Taking risks	Willing to take chances with a hope of succeeding and getting bigger rewards	1	2	3	4	5
13	Concern for efficiency and quality	Not letting things take their own course and sticking to agreed standards	1	2	3	4	5
14	Setting goals	Driven by desire to achieve	1	2	3	4	5
15	Systematic planning and monitoring	Able to follow a logical process and order in getting things done	1	2	3	4	5
16	Competitiveness	Eager to win	1	2	3	4	5
17	Flexibility	Able to listen and take other people's views and advice	1	2	3	4	5
18	Time-consciousness	Keeping to time and meeting agreed deadlines	1	2	3	4	5
19	Energy and mobility (high energy level)	Willing to work with one's brains, body and energy	1	2	3	4	5
20	Self-confidence and self-determination	Sure of oneself	1	2	3	4	5
21	Persuasiveness	Able to convince others to see and agree with your ideas	1	2	3	4	5
22	Network ability	Able to get others to work with you in pursuit of your aims	1	2	3	4	5
Date of self-assessment.....			Total score.....				

(Arthur: Unknown)

Click on the following link to see an example of a completed questionnaire to give you an idea of how to do your self-assessment.

[Self-assessment questionnaire](#)

Take your time to work through the discussion on the completed questionnaire.

Being your own boss! This is much more exciting than working for someone else. I agree, but being an entrepreneur also has its challenges as we have briefly discussed in Unit 1. Working through Section 2 will enlighten you on the advantages and challenges of being an entrepreneur.

Section 2 Advantages and Challenges of Being an Entrepreneur

Before we continue the discussion on the advantages and challenges of being an entrepreneur, take a few minutes and read about history of Frans Aupa Indongo, one of the most successful business persons in Namibia.

Then spend at most 20 to 30 minutes to answer the questions that follows.



Case study 1



Mr Frans Indongo's life story reads like a fairy tale. He was born on 5 January 1936 in very poor conditions in the area of Ongwediva. He was the son of Mr Indongo Ekono and Ms Kandjengo.

"My parents were not rich people, but I never went to bed hungry. My parents worked hard so that there was always mahangu for all of us.

Both my parents have passed away, but they taught me very well. I always listened to what they taught me. I was never afraid of hard work and now that I am old, I am still a hard worker, not even age will bring me down. As a child, I always looked after my father's livestock. I was always at home, never did I walk around, playing with friends," says Mr Indongo.

Later, he attended the Anutongo Primary School and Omege Primary School where he learned how to read, write and do mathematics. He was a teacher at a Roman Catholic School between 1952 and 1955. In 1956, at the age of twenty years, he became a contract worker in Walvis Bay and worked as a maintenance clerk in the electrical department. He was a dashing needle worker and always repaired his friends' torn clothes. So, he started to design clothes for men and women and sold them among his friends. In his free time, he also worked as a builder and saved as much as possible.



Case study

When he had saved enough, he bought himself a sewing machine and his sewing business started to expand. He later sent his clothes to Oranjemund where they were also sold. With the profits, he bought two sewing machines and appointed two employees to help him design more clothes. “My needlework talent was a gift from God. I’m very proud of my achievements and the clothes I designed were beautiful. Today needlework is still one of my biggest hobbies,” says Mr Indongo.

In 1959, he started working at a fish factory in Walvis Bay. In 1962, he went back to Omusimboti where he was born. He built a cottage near his home where he started to sell daily needs. In that time, there were very few shops in the north and a year later he opened two more shops near the Roman Catholic Church in Okatana. By that time, there were a lot of laws regarding shops operating from home and so Mr Indongo went from door to door in the small villages that had no shops nearby. In the early 1960s, Oshakati started to expand and a shopping mall opened, so he rented a shop in the shopping mall before he built his own shop. In 1965, he bought his first pickup for R3000. His shop grew and became a bottle store, a general store and a big consumer store and he named it Continental No. 1. His business expanded after the first small shop in Okatana, and was followed by shops in Oshakati, Ongwediva, Ombalantu, Eenhana and Oshikango.

BELIEFS

Mr Indongo is a very religious man and is not shy to say that God has blessed him with good health that gives him strength to work every day. “I work from 1 January to 31 December every year and the Lord blessed each year for me. It’s a shame to see that young people these days are not religious, but prefer to go to clubs and want money which they don’t earn.”

POLITICS

Asked if he was interested in a political career, he shook his head. “I don’t have time to work and still be involved in the political sector. There were many times that I helped in the political sector, but I myself am not interested. I already have enough work to keep me busy, and I like what I am doing.” In another interview, Mr Indongo said, “Namibia must keep the peace and enjoy it.”

AFRIKAANS

Mr Indongo speaks Oshivambo, Otjiherero and Afrikaans, but admits that he isn’t such a good English speaker. “In the early years, we were only taught how to speak Afrikaans. When we were in South Africa, Durban, where there were a lot of Indians, it was very difficult for us, but so far I have experienced no problem with Afrikaans, even in the business sector where there are people who speak Afrikaans that do business with me.”

BRIGHT IN MATHS

Mr Indongo said most of the subjects were presented in Oshivambo and he enjoyed mathematics most. “Nowadays’, young people use calculators to work out their calculations; I still do it in my head.” Looking back at the seventy years of his life, it is hard for him to highlight his greatest achievements, but he is exceptionally thankful for his great health and the experience that he has today. He says that highly qualified people can still learn from him.



Case study 1
continues

Over the years, his business grew and then he started to buy other businesses like West Air, Nissan Namibia and he became a major shareholder of NamFish. At the same time, he sold West Air and Nissan Namibia and then bought a Toyota Dealer in Keetmanshoop and Walvis Bay.

Other businesses that he also had were Melmar property in Tsumeb, the Continental Property company where Edgars and the Hotel Atlanta was situated, Pelican Properties in Walvis Bay where Protea Hotel was situated, Spar in Oshakati and Ongwediva and the luxury offices in the centre of Windhoek, Frans Indongo Gardens, where his firm's Head Office is.

He also owns shares in Consolidated Sugar Industries, Etosha Fishing Company, Namibian Fishing Industries and Cato Fishing Enterprises. He is the owner of a luxury guest farm outside Otjiwarongo which carries his name "Frans Indongo Lodge". Now in his old age, he loves to be on his farm "Gelukwaters" which is situated next to his guest farm. He is also the owner of two farms, Hoases and Otjenga. His total investments in the Namibian Economy is more than N\$100 million and he provides employment to more than 1 350 Namibians. On 2 April 2001, he received an honorary degree in business administration from the University of Namibia (UNAM) for his achievements.

COMMUNITY SERVICES

Mr Indongo is a man who believes that he should give back to the community, and over the years he divided his shop in Okatana into three classrooms for the pre-primary schools in Okatana. He also built three clinics in the northern part of the country, Enkono clinic near Oshakati, the Oshaala clinic in the Outapi district and Okando clinic near Oshikulu. He also donated money to different churches in the north and gave support to sports by means of sponsoring trophies, tops and cash prizes to different soccer teams.

FARMING

Nowadays he is very interested in farming. He bought a farm in September 1993. At that time, he did not know anything about farming. The only experience he had was looking after his father's livestock. "In time, I learned a lot. I started to clean the ground and afterwards you could see a big improvement in the soil. Today, I can keep 500 head of cattle on 5000 hectare, when in the past I could only keep 300. The grass grew more and there is enough food now for all the animals."

Now that he has sorted out his animals, he also grows mahangu and other vegetables. On his farm, authorised people also go and hunt in the hunting season. There is a big refrigerator ready for the meat to be stored in and freezing facilities are available on his guest farm. "When I was younger, the guest farm was my first priority and I wanted nothing to do with farming. Today, I have to say, I love farming."

RETIREMENT

Now that he has turned seventy, does he consider retirement? Mr Indongo laughs. "My good old friend, Mr Harold Pupkewitz, is ninety and still working. I don't even consider retirement as long as I still have my health and desire to work like now, I will continue to work".



Case study 1 continues

MESSAGE TO THE YOUTH

His advice for young people who want to become successful entrepreneurs is simple, hard work. “We talk about an Independent Namibia, but Namibia can’t develop on its own, only Namibians can do something to develop our country. I see the young people of today don’t want to work. They don’t listen to their parents and that is a big mistake. The youth must be good for Namibia because independence means nothing if we don’t develop our country. The proverb says, Rome wasn’t built in one day. We must work hard every day to build Namibia. Many of the young people today drink too much and do wrong things. They kill each other; some of them don’t work and start to steal”. In an interview earlier he said, “To become successful is to set yourself goals and work hard for them. Leadership, planning and knowledge are also important.”

Questions:

1. Name and explain three positive characteristics of Frans Aupa Indongo that you have identified in the case study. Give quotes from the case study to show why you have identified these characteristics.
2. In your opinion, would you like to be like Frans Aupa Indongo? Give two reasons why.
3. Name one decision that you would have taken differently, and give reasons for your answer.

I hope the content covered so far is clear. Now, let’s practice these new skills we have gained by doing Practical Activity 2. You can spend around one hour doing this activity.



Practical Activity 2

Look in magazines and newspapers for the life stories of successful small and medium-sized business people. You can also speak to successful people and make contact with teachers teaching entrepreneurship.

- Analyse their stories and determine the characteristics that made them successful.
- Also determine whether they could have done some things differently and decide what advice you can offer them.



Tip

Use the two cases given earlier to guide you in the type of story you should look for. They can be shorter stories.

Let’s continue with our discussion:

If you decide to start your own business, you should always be aware that there are benefits (advantages), but also challenges (disadvantages) to be taken into consideration. The benefits and challenges should be weighed against each other before a decision is taken. Please note that this is general advice. Some businesses might have only some or none of the benefits or challenges listed below. Let us take a look at some of the possible benefits and challenges.

Benefits of Being an Entrepreneur

- The owner decides what should be done and how the business should operate rather than follow the instructions of other people.
- You can be creative and decide how activities should be done.
- Potential income is unlimited if you are prepared to work hard and grab opportunities when they surface.
- You can work independently and do not have to report to anyone — you are your own boss.
- You can take the initiative because you do not have to ask permission from anyone.
- You control the work environment and in this way promote productivity. Sometimes, we work in an environment which is suitable for other persons who take the decisions and we are not happy. This can decrease productivity.
- You give orders and decide what should be done, how it should be done and when.

This sounds very exciting, don't you think? But, as we have said earlier in this unit, everything is not always so rosy. In gaining these benefits, the entrepreneur also has to face a lot of challenges along the way.

Challenges of Being an Entrepreneur

- From time to time, you have to work long, irregular hours to be successful, especially in the beginning.
- Your responsibilities are broad because you as the owner sometimes have to take all decisions or give guidance.
- In many cases, income is not stable or guaranteed, and this can cause stress and hamper productivity, creativity, etc.
- There are no fringe benefits as in the case of a paid job like a car allowance, pension fund, or a medical aid scheme. You have to pay these yourself.
- You are always involved in business finance. Especially when it comes to big spending, you have to give authorisation or guidance.
- You have no time to do personal work, especially when you work long hours to ensure success.
- You have an uncertain future because the economy can easily go down and affect the business negatively.

- Learning never ends, because technology and consumer demands are changing almost daily.

We have come to the end of this section. Keep in mind that anyone can be an entrepreneur as long as he or she is creative, innovative, motivated and willing to work hard. Let's summarise what we have discussed in this unit.

Unit summary



Summary


In this unit you learned the following:

- An entrepreneur, quite simply, is an individual who owns and operates his or her business, assuming the responsibility, taking risks and receiving rewards thereafter.
- You have to determine your own entrepreneurial abilities before you decide to become one.
- Identification of opportunities, seeking information, being determined, persistent, persuasive, creative and innovative, prepared to take risks, motivated, etc., are all skills which are important and need to be developed if the entrepreneur wishes to make a success of his or her business.
- Being an entrepreneur comes with benefits and challenges.
- The life of an entrepreneur is one of hard work, long hours and constant devotion to a dream. Though it comes with a price that must be paid, many find it worth the sacrifice and find many joys in owning their own business.

I hope that you have found the unit interesting and have been inspired by the idea of becoming an entrepreneur as the career path you want to pursue once you have finished school. Please put in some time and effort to answer the questions in the following assignment.

Assignment

The following questions are based on the content discussed in this unit. You should take about 20 minutes to answer the following questions.

 <p>Assignment</p>	<ol style="list-style-type: none">1. Define the term Entrepreneur.2. Name and explain at least four characteristics of an Entrepreneur.3. State four benefits and challenges of being an entrepreneur.4. How does an entrepreneur contribute to the economy of a country? <p>Return to course</p>
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We have come to the end of this unit. Please revise content in all the units done so far and do the following assessment before you move on to the next unit. We will discuss the theme, scanning the environment for business opportunities in units 5 to 7.

Assessment

An assessment should be completed at the end of a theme before you move on to the next unit.



Assessments

Entrepreneurship Assessment 1

Is based on work discussed in Unit 1 – 4

Question 1

Beliefs and values about business

Every individual has the right to practice any profession, or carry out any occupation, trade or business. John, Michael and Maria are Grade 12 learners at Augustinuem Secondary School. During their career guidance class, they were asked to explain what professions they would like to pursue.

John said that he would like to become a Chartered Accountant (CA) and plans on going to the University of Stellenbosch to receive his training. John's father and his brother are also Accountants and they motivate him to work hard.

Michael, on the other hand said that he would love to be a fashion designer. However his dad and his friends at school feel that, it's not a job for a male and that he should rather go in for Mechanical engineering instead. Michael's dad is furious about Michael's future plans and said that if Michael does not change his mind he will not support him financially.

Maria is a born business woman. She was always interested in seeking ways to make money even as a little girl. Maria used to sell home-made sweets and "vetkoek" in the streets. She likes interacting with her customers and finding out what they need to help them to satisfy their needs. When she finishes school, she wants to go to university and study for a B.Com degree. Maria is currently helping out as the school's tuck shop assistant manager and is also involved in the Junior Achievement company at the school. She says that being involved in all these activities gives her the first-hand practical experience she needs to become a successful entrepreneur.

1. a) Describe what you understand by:
 - (i) Myths? Give one example from the case study.
 - (ii) Dignity of work.
- b) Identify and explain at least two positive beliefs and values expressed by Maria.
- c) List the three career opportunities mentioned in the case.
- d) Suggest the skills required to become a Chartered Accountant like John?
- e) Use the different types of work mentioned in the case to explain the difference between skilled and semi-skilled work?



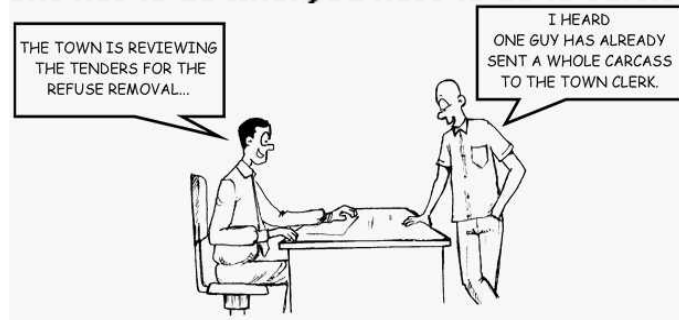
Assessment 1
continues

Question 2

Read some of the business ethics entrepreneurs have with regard to their business and answer the questions that follow:

Ethics: 1

One has to do what you have to do to survive



Ethics: 2

The owner of a shop selling dress-making materials adjusts the measuring tape along the sides of the measuring table to ensure that the customers receive less fabric than they pay for.

Ethics: 3

Nangula is operating an illegal money exchange business. He knows that his clients got foreign currency through illegal means and that they are desperate to exchange them into Namibian dollars. He cheats by charging 15% to Namibians and 20% to Angolans on exchange and does not pay tax to the government.

- a) Define the term “business ethics.”
- b) Identify unethical business practices from each of the cases given above.
- c) Comment on ways in which these entrepreneurs can practice desirable business ethics towards their:
 - i) customers
 - ii) employees
 - iii) government



Assessment 1
continue

Question 3

Entrepreneurship/Entrepreneur and Ethics

Read the case study below and answer the questions.

'Creativity and entrepreneurial thinking instead of complaints to fight unemployment in Oshana'. This is the motto of the Namibian Youth Enterprise for the Fighting Unemployment (NYEFU) and they do not only talk, they implement activities of job creation.

At the end of 2002, the British VSO (Voluntary Service Overseas) donated two bicycles to NYEFU in Oshakati. Although the leaders of the youth group had to walk kilometres every day to get to their small office, they decided not to use the bicycles for themselves, but to think of ways and means the group could earn money using the bicycles. After days of handwork, positive thinking, creativity and having a strong sense of urgency, they finally came up with the idea of bicycle courier services in Oshakati.

They carefully investigated the idea and found that if a normal employee has to post a letter, it cost a company an average of N\$15.00. The *Speed Bike Courier Services* offers this service only for N\$9.00; this means the companies can save a lot of money. With such arguments, they convinced a lot of companies in Oshakati to use their services and started their business. Today, they are self employed, young people working flexible shifts and are respected in society. "Young people like the members of NYEFU, who developed their own ideas, investigated the viability and implemented good projects are an example to every Namibian who is battling with unemployment" said the Minister of Higher Education, Training and Employment Creation, Hon. Nahas Angula, at the official launch of the "Speed bike Courier Services" in Oshakati on 19 July 2003.

The minister was right. The business was successful and grew steadily. The staff can be identified by their bicycles and uniforms and wear special identification tags.

- a) Identify and explain some characteristics of an entrepreneur demonstrated in this case by the NYEFU members.
- b) List and explain the benefits of being an entrepreneur as outlined in the article.
- c) What are some of the challenges these young people experienced when they started off?
- d) Explain any two business ethics issues these entrepreneurs need to be careful about when delivering the letters.
- e) Give three desirable ethics these entrepreneurs need for life.
- f) Comment on how NYEFU contributed to the economy of Oshakati and that of the Namibian Government.

I hope you've done well in all the activities. Since you have a good understanding of this unit, you can compare your responses with the feedback below. If your responses are far off track you should do revise the relevant parts of this unit. The following is feedback to the case studies and assignment.

Feedback



Case Study 1

In questions like these there are, in most cases, not really wrong or right answers. Your opinion also plays an important role. The following are possible answers to these questions.

1.
 - a. He is hard working “I was never afraid of hard work and now that I’m old I’m still a hard worker.”
 - b. He is a responsible person/task oriented “took care of livestock, responsibility given by parents”.
 - c. Seeking opportunity “in 1960, he rented a shop in Oshakati shopping mall and later built his own shop”.
2. Yes,
 - a. He is hard working and a rich entrepreneur in Namibia.
 - b. He is a good role model for the Namibian citizens.
 - c. He is a person with high ethics and morals.
3. Since most international business transactions are conducted in English, I would have advised Mr Frans Indongo to broaden his language skills in English.



Assignment

1. An entrepreneur is a person who sees an opportunity in the market, gathers his or her resources and takes the risk to create and grow a business venture to meet the needs of the community.
2. A successful entrepreneur needs to have the following qualities:
 - Seeking opportunity — having an eye for identifying the needs of the market and setting up to provide them.
 - Determination and persistence — Having the ability to continue despite challenges until they are successful.
 - Persuasiveness — The ability to convince potential customers to buy their products or services.
 - Creativity/Originality — They always think ahead with regard to new ideas of developing products/services.

Other characteristics include seeking information, commitment, perseverance, innovativeness, initiative, independence, taking risks, problem-solving skills.

(Students can mention any four of the characteristics with an explanation)



Assignment

Benefits	Challenges
Take initiative, because there is no need to ask for permission	You have to work long and irregular hours to be successful
Can work independently	Your responsibilities are broad, because you as the owner have to make all the decisions
Potential income is unlimited, if the entrepreneur is willing to work hard and grab opportunities	There are no fringe benefits as in the case of a paid job
You give orders and decide what should be done, how it should be done and when	You have no time to do personal work or take care of your family

(Learners can use any of the other relevant benefits and challenges which are not mentioned here)

4. An entrepreneur contributes to the economy of the country in the following ways:
- They create job opportunities for themselves and for other citizens.
 - They pay tax to the government, which in turn provides merit goods (education and health).
 - They alleviate poverty.
 - They provide much needed goods and services.

This brings us to the end of Unit 4. I hope you have enjoyed it and have acquired the necessary skills to be able to answer any questions about it.

Resources

Below are additional resources, which you can use for further exploration and study.

Internet-based resources

- [Europe wallows in tasty Gobabis beef](#)
- [Entrepreneur Characteristics: Personal Qualities of an Entrepreneur](#)
- [Entrepreneurship Book: Wikipedia](#)
- [What is an entrepreneur?](#)
- [Characteristics of an entrepreneur](#)

Other documents found on CD

You can open and print the following resources for your convenience.

- [Practical Activities](#)
- [Case Studies](#) and [feedback](#)

[Assignment](#) and [feedback](#)
[Assessment 1](#)

Unit 5

Businesses in Namibia

Introduction

Welcome to Unit 5, where we will learn about how businesses operate in Namibia. To begin with, a business is not as easy and simple as it looks. In Unit 1, we said that being a good cook doesn't necessarily mean you will make a success of your own restaurant. We have to do our homework regarding the type of business we would like to start, how big or small we would like our business to be, where we should register our businesses, what bodies are available to assist us and where we can get advice. Now, you realise that there are many things to do. We have to plan carefully and learn how to deal with issues discussed in this and the next unit.

This unit is very important, because it gives you the necessary information to decide what type of business you will set up.



Time


You should spend approximately 12 hours working through this unit. If you require more time to complete a unit, you should not worry, since we do not all work at the same pace.




Note it

Throughout the unit, you find links to the assignment. Click on the highlighted word (question) to access the links.

Before we move on, please take some time to study the objectives for this unit. On successful completion of this unit, you will be able to:

 Outcomes	<ul style="list-style-type: none"> ▪ <i>identify and distinguish</i> between different types of businesses in Namibia; ▪ <i>explain</i> the characteristics of different forms of ownership, which are normally used for small and medium enterprises, as well as the advantages and disadvantages of each; ▪ <i>compare</i> the characteristics of sole traders and partnerships; ▪ <i>identify and list</i> factors that determine the size of a business; ▪ <i>explain</i> the importance of businesses for a family, a community and a country; ▪ <i>discuss</i> the following business associations in Namibia and the services they offer: Namibia Chamber of Commerce and Industry (NCCI), Joint Consultative Committee (JCC) and Ministry of Trade and Industry (SME branch); ▪ <i>explain</i> how the registration of a business is done in Namibia, why it should be done and what bodies have been established in this regard; ▪ <i>complete</i> registration forms of a local authority, the Social Security Commission and the Ministry of Trade and Industry.
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I hope you have carefully studied the outcomes? The outcomes give you an indication of the basic competencies you will gain by working through this unit. Below is a list of key concepts that will be covered in this unit content.

 Terminology	Agribusiness	A business that produces or sells agricultural products. Think about sheep, goat, ostrich and fish farming
	Close Corporation	This is a form of business ownership where the minimum is one member and the maximum ten members
	Co-operative	A form of business set up by a number of persons who desire to achieve a common objective
	Manufacturing business	To manufacture means to make something from raw materials or transform one product into another product
	Partnership	A partnership can have between two and twenty persons as owners
	Registration	By law, all businesses must apply at a body such as the Ministry of Trade and Industry for registration and be registered before they can do business
	Service business	A business that renders services to customers like hair salons, plumbers that do repairs on plumbing problems, lawyers and doctors

	Sole trader	The business is started by only one person and he or she usually runs the business him or herself
	Trading business	A business that buys goods and sells it to customers at a higher price to make a profit

Now work through the following sections, which will help to explain the above-mentioned concepts and enable you to achieve the basic competencies given in the outcomes provided above. Let us first of all look at the basic types of businesses in Namibia.

Section 1 Types of Businesses in Namibia

We have different types of businesses in Namibia. When you think about businesses you probably think of Spar, Pick 'n Pay, Edgars, Continental and Secret Palace, as well as all the small businesses in your area. These businesses, however, differ from each other. For example, businesses like Spar and Edgars that buy and sell goods are called trading businesses. Then, we also have businesses that do hair care and repair cars, which are examples of service businesses. These are two types of businesses with which you should be familiar. We also find types of businesses that you might not know of, because they are not situated in your area, such as businesses that manufacture goods and farming enterprises. We will discuss these different types (groups) of businesses in this section.

Trading Businesses

Trading means to buy goods and sell them to customers at a higher price to make a profit.

All of you will be familiar with a trading business. The shop where you buy goods (groceries, clothes, etc.) is called a trading business. I believe your mom or dad has sent you to a shop to buy bread or any other type of groceries. A trading business normally buys its goods from a wholesaler or another business and then sells them to you (the customer) at a higher price.



Practical Activity 1

Spend 10 minutes and make a list of at least ten different trading businesses in your area. (You might be surprised to find out that there are many more than you thought.)

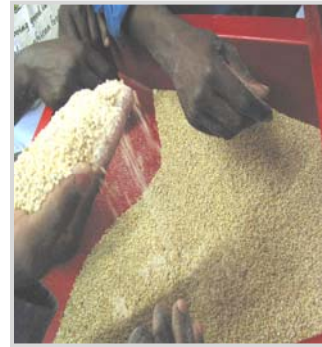
As mentioned earlier, you may also have other types of businesses in your area, such as agribusinesses. Have you heard about agribusinesses before?

Agribusinesses (Agriculture Businesses)

Agri is the shortened form for Agriculture. Namibia has many natural products and is highly dependent on its agricultural sector. Although Namibia is an arid country, we have parts in our country where agriculture is booming. Think about the northern areas where people grow mahangu, sugar, vegetables, maize and other products. Think about the northern and central parts where people farm with cattle and game. Think about sheep, goat, ostrich and fish farming. These are all agribusinesses. An Agribusiness is a business that produces or sells agricultural products. We can divide Agribusinesses into on-farm and off-farm businesses. The on-farm agribusinesses refer to businesses whose activities take place on a farm, while off-farm agribusinesses work with farming produce and add value to it. For example, Namibian mills that produce maize meal from maize, a tannery that turns raw hides into leather, etc.



Women putting mahangu in bags for storing



Mahango being milled and sorted



Reflection

Do you have agri- (agricultural) businesses in your area? Try to identify at least two.



Reading

If you are interested in the agricultural activities in Namibia, you can read about it on the following websites:

<http://www.mbendi.com/indy/agff/af/na/p0005.htm>

http://www.op.gov.na/Decade_peace/agri.htm

<http://www.mawf.gov.na/>

Please note that these are just optional readings to broaden your knowledge with regard to agriculture in Namibia.

Now, do the following case study in your notebook. You can compare your answers with the feedback provided at the end of the unit.



Case Study 1

Read through the newspaper article below and answer the questions that follow. This should take you about half an hour.

Mariental Super Dairy Farm takes shape

by Staff Reporter

NAMIBIA Dairies started with the structural development of its super dairy farm in Mariental on Friday.

The N\$80 million investment will create fifty new jobs and produce thirty to forty percent of Namibia's total milk production, reducing the country's dependency on imports.

"When completed, this super farm will be one of the most modern dairy facilities in the world, using state-of-the-art technology to provide Namibian consumers with quality, healthy and affordable products, Hugh Froggatt, Managing Director of Namibia Dairies, said at the groundbreaking ceremony on Friday.

The farm will house 4000 cows. The farm will integrate the company's existing dairy farms at Goheganas near Windhoek and the farm Pardah.

Thanking Government for making the project a reality, Sven Thieme, executive chairman of the Ohlthaver & List Group of which Namibia Dairies is a subsidiary, said, "This project would not have materialised without Government's support and the decision to approve our request to lease a portion of this farm."

Despite the super farm, Namibia Dairies will still procure raw milk from small and mid-scale dairy producers. "Namibia Dairies will still require the milk they can produce to satisfy growing demand for the company's products," Froggatt said.

Refuting claims that milk prices in Namibia are too high because of infant industry protection, Thieme said the dairy industry has over a long period of time "absorbed inflationary increases in the price of fodder and transport".

Extracted from THE NAMIBIAN 8 July 2009

Questions:

1. What type of business is the Namibia super dairy farm?
2. Describe the type of business that you mentioned in Question 1.
3. Identify three benefits of the dairy farm for the Namibian economy from the article.

I hope you did well in answering the questions. Let's look at a second type of business.

Manufacturing Businesses

To manufacture means to make something from raw materials or transform a product into another product.

While a trading business buys finished goods and sells it to customers, other businesses make goods to sell. These businesses are called manufacturing businesses.

Namibia does not have many big manufacturing businesses and we import most of our goods from South Africa or other countries. Examples of products manufactured in Namibia include aluminium, food processing, textiles and garments, tanning of hides and skins, cement, tomato paste/puree, cotton ginnery, Karakul products, mosquito nets, ceramic and mica products and ostrich products.

We do, however, find some small-scale manufacturing and craft businesses in Namibia. Small-scale manufacturing includes bread making, tailoring, food catering, candle making, and crafts (including: woodwork, pottery, and handicraft, basketry, and jewellery-making, leatherworking, weaving, sewing, and furniture-making).



Reading

You can read about these manufacturing activities at <http://www.mti.gov.na/subpage.php?linkNo=69>

You can read more on special incentives for manufacturers exporting their goods at <http://www.mti.gov.na/subpage.php?linkNo=22>

Please note that these are just optional readings to broaden your knowledge with regard to manufacturing in Namibia.

Now take about ten minutes and discuss the following questions with your friends.



Discussion 1



Tip

1. Where are the cars that we buy in Namibia manufactured?
2. Where do the Vienna sausages that we buy in shops come from?
3. Where do the shoes that we wear come from?

You must think about different types of cars to be able to identify a manufacturer's address. Also consider different types of Vienna's and shoes that you find in shops.

Did you grasp the difference between an agri-business and a manufacturing business? Let's look at another type of business.

Service Businesses

Not all businesses buy and sell or manufacture goods. We also have businesses that render services to customers like hair salons, plumbers that do repairs on plumbing installations, lawyers, doctors, etc.



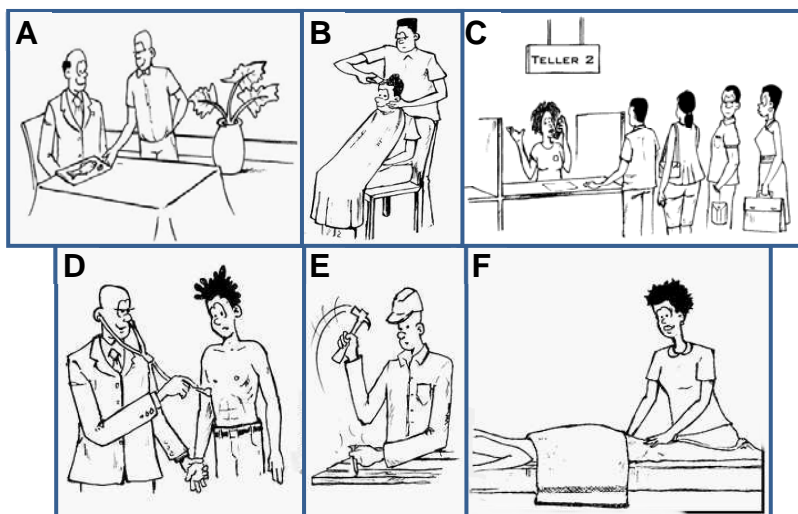
A local hair salon

Let's do another activity. You can spend about 10 minutes on the following practical activity.



Practical Activity 2

1. Identify the different service businesses in the pictures below.



2. Look in your neighbourhood and see if you can find (or think of) five more service businesses.

You can name any service business such as: car wash, plumber, lawyer, accountant, welder, taxi services, mechanic, engineer, architect, etc.



Tip

Take time and answer [questions 1 to 2](#) of the assignment to test your understanding of the work done so far.

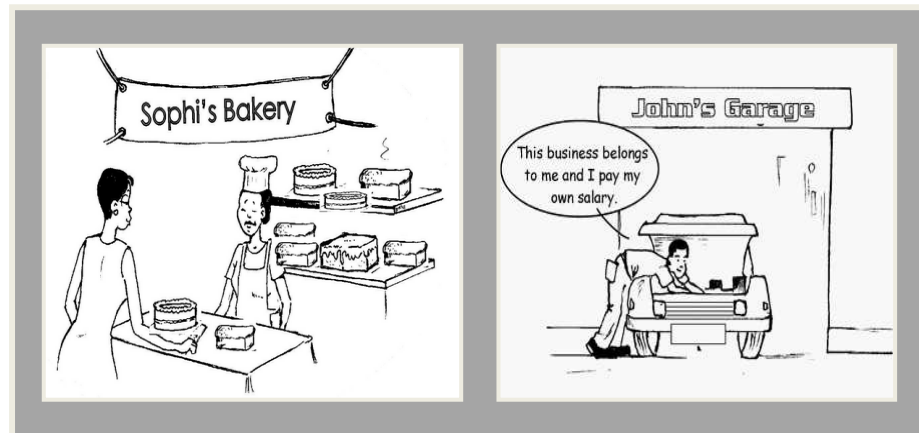
The types of businesses discussed above (trading, agri, manufacturing and service businesses), can be owned by different people or groups of people. There can be only one owner or more than one owner. Let's now look at the most popular forms of ownership allowed by the law in Namibia.

Forms of Ownership

There are different forms of ownership. The decision on the type of ownership of a business depends on the person who has identified the business opportunity. His or her decision on the form of ownership will be based on different factors which will be uncovered as we discuss each form in detail. Every form of ownership has advantages and disadvantages. At the end, you will weigh these against each other before you make a final decision on which form to use.

Sole Traders

Sole means only one. In other words, we have only one person who owns this type of business. The business is started by only one person and he or she usually runs the business him or herself. The owner will in most cases use his or her own money to start the business or borrow the money from friends, family or the bank. The owner will take all profits. However, in case the business goes bankrupt and is not successful, the owner has to pay or carry all the losses and will be responsible for paying all the outstanding debts of the business.



Advantages

- The owner has all the control over the business, makes decisions on his or her own and can make fast decisions without consulting others.
- Profits belong to the owner alone and are not shared with anyone else.
- Good relationships are established with customers, because the owner is involved directly in the business and comes in contact with the customers. In most cases, the customers become loyal to the business because of such relationships.
- Because the business belongs to the owner alone, he or she will work very hard and make personal sacrifices to make the business a success.
- The owner becomes multi-skilled because he or she has to learn to be knowledgeable and do all types of activities in the business, e.g., buying, selling, administrative work and keeping books.
- It is easy to establish a sole trader, because there are no major legal requirements.
- The owner can keep business secrets to himself and do not have to share it with others unless he wants to.



Disadvantages

- He or she must find the start-up capital him- or herself and this can sometimes be hard.
- The business is dependent on one person to continue and can close down or suffer losses if the owner dies or becomes very ill.
- Because there is no difference according to law between the owner and the business, the owner can lose even his or her personal belongings if the business fails. He or she thus carries all the risks and responsibilities.
- The owner must take all decisions him- or herself; there is no one to consult and assist him or her.
- It is difficult for the owner to take time off when he or she is ill or for a holiday.

Partnerships

The form of ownership that we will look at next has more than one owner.

A sole trader has only one owner, while a partnership can have between two and twenty people as owners. A partnership means to come together with someone else for a specific purpose, in this case, to start a business.

Partners come together and agree what each one will contribute, whether it is money, assets or skills. All partners of a partnership are responsible for the losses of the business and can lose everything as in the case of a sole trader. When profits are made, the members will divide the profits amongst them according to a proportion on which they should agree in advance. If one or more of the partners decide to leave the partnership or die, the present agreement comes to an end and a new agreement must be made.

Advantages

- Because there is more than one partner, the responsibilities such as buying, selling and administrative work are divided among them.
- The more partners there are, the more start-up capital can be available.
- Partners share risks of the business.
- When partners have different skills, everyone can do what he or she is best skilled at. For example, one can do the sales, another one the books and another one the purchasing (buying).
- More people can help to manage the business when it starts growing.

Disadvantages

- The wrong actions of one partner can influence the business and the other partners negatively because the business and the other partners are bound to such wrong actions.

- The danger exists that the partners can even lose their personal belongings if the business fails and goes bankrupt. Partners do not have limited liability.
- If one of the partners leaves the business or dies, the business must close down until a new agreement is made. During this period, the business can lose valuable business deals.
- The partners share the profits, so the more partners, the less the profit.
- It might be time consuming to consult all partners when business decisions must be taken.

Close Corporations (CC)

This is a new type of ownership that is winning ground very fast and is becoming very popular. The letters “CC” must appear in the name of a close corporation. This is a form of business ownership where the minimum is one member and the maximum is ten. Owners enter into an agreement by means of a founding statement which contains each member’s particulars and their percentage interest in the business. The members are not liable for the losses of the business because a CC is a legal entity. This means that the CC can enter into agreements and contracts in the name of the CC.

Advantages

- This type of business is easy to establish by means of application for registration with the Ministry of Trade and Industry.
- A close corporation is considered a legal entity. Members are not liable for the losses of the business and cannot lose personal property when the business goes bankrupt. Members therefore have limited liability.
- More capital can be collected since there can be up to ten members.
- The business does not have to cease existing when one of the members resigns or dies.
- Members agree in advance on the proportion according to which profits will be distributed.
- The financial statements of a CC do not need to be audited by law.
- It is cheaper to start a CC than a company, which makes it very suitable for a small or medium enterprise.
- The owners (members) manage the business themselves.

Disadvantages

- The amount of capital can be limited since the number of members is limited to a maximum of ten.
- There are more rules and regulations than for a sole trader or a partnership.
- There is the possibility of conflict between members if they have different ideas on the running of the business.
- Reaching decisions can take longer because many people want to give their opinions. This can make the business slow to react when a sense of urgency is important.



- All members need to be equally committed and work equally hard for the corporation to be successful.
- A lot of record-keeping is necessary to make sure that everything is done fairly and transparently. (Each member has the right to know what the corporation is doing.)
- Sometimes, members are less willing to put profit back into the business, preferring to use it for their own needs. This is reasonable, but it means that the corporation will not grow as quickly as other forms of business.
- The limit of ten members can hamper the growth of the business.
- Banks might not want to lend money to a CC if the financial statements are not audited.
- A bookkeeper must be appointed for the CC by law. This might bring a lot of extra cost.

Co-operatives

The word co-operative is derived from the word “to co-operate”, which means that a cooperative is a form of business set up by a number of persons who desire to achieve a common objective. People with similar needs for a service or for creating employment will come together and form a cooperative. We get service cooperatives that provide various services to its members like lower prices or workers’ cooperatives that provide work to its members. The cooperative is owned by its members and each member has one vote, while the common interest is the binding factor. The aim of a cooperative is not to make a profit but to render a service to members. Income generated must only cover the expenses or it must be distributed amongst the members.

Advantages

- Each member has only one vote, which makes it impossible for one person to run the business according to his or her will, and democracy will prevail.
- The co-operative is owned and controlled by its members.
- It is not based on profit-making principles but rather on service-rendering principles to its members, and as such, members are sure of the highest quality of service at the lowest possible prices.
- The members work together because they have the same needs and goals. They are united around these goals and needs and management comes from the members.
- Free business advisory services are available from the office of the Registrar of Cooperatives.
- If the co-operative does more than 70% of its business with its members, the tax is lower than that of other businesses.
- The co-operative is a voluntary organisation and thus easy to form or end.

Disadvantages

- Cooperatives have a longer decision-making process — decisions to be made can take very long because of the principle that all members have voting power.
- People do not work very hard, because the incentive to earn profits is not present.
- Unfortunately, people (including members of close co-operatives) have a negative attitude because we have to be motivated by profits and money instead of by the fact that we can render a better service or conditions or even have a job. This is a bad habit and attitude that should change.
- There is a possibility of conflict between members.
- Participation of members is required for success.
- Extensive record-keeping is necessary.
- There is less incentive to invest additional capital.
- Meeting both cooperative aims and business needs require complex management.
- They can limit your choice of external financing.
- Employment benefits often can't match those offered by other business types.
- Workers' cooperatives can enjoy tax incentives, such as employee share schemes, but most small co-operatives find these too costly to run.

Comparison between Sole Traders and Partnership

To give you an even clearer understanding, we will now make a comparison between different forms of ownership.

Sole traders and partnerships are the most commonly known types of ownership in Namibia while Close Corporations are gaining in popularity. We will make a comparison between a sole trader and a partnership. You can take this exercise further and even compare these two forms of ownership with others. When you make a comparison, the characteristics should be corresponding and of the same type. For example, in point number one below, we look at the number of owners.

	Sole traders		Partnerships
1.	Owned by only one owner	1	Owners can be a minimum of two and a maximum of twenty members
2	The owner is liable for all the losses of the business	2	The partners are liable for all the losses of the partnership
3	The owner is responsible for all the activities in the business	3	The partners can share the responsibilities
4	Start-up capital is hard to get together	4	Start-up capital can easily be gathered because up to twenty partners can contribute
5	The owner should know a little bit of every activity being done in the business	5	Each partner can concentrate on a different activity



Comparison between Co-operatives and Other Forms of Ownership (for enrichment – not prescribed by the syllabus)

	Cooperatives		Sole traders, Partnerships, Close Corporations
1.	Aim is to provide goods and services to members	1	Aim is to make a profit for the owner(s)
2	The owners are members with a common interest	2	The owner(s) is/are one person/partners/members
3	The members are responsible to manage the business based on one member one vote	3	The one with the most shares or contributions will be in the position to dictate decisions
4	Profits are invested in the business to improve services while the balance is equally distributed amongst members	4	The profit is distributed amongst the owners according to their interest (shares)

Now Take time and answer [Question 3](#) of the assignment to test your understanding of the work done so far.

I hope you have understood what the different forms of ownership are and that you'll be able to make informed decisions on the specific form of ownership that will suit your specific type of business. In the next section, we will discuss the size of a business and factors that have a direct influence on the size of the business.

Section 2 Size and Importance of Businesses

Businesses have different sizes. Some are large like Foschini and Spar, while some are smaller, like the general dealers in your area. Others are very small, like small businesses in your area or like street vendors.

The size of a business is determined by factors such as:

- size of capital
- number of employees
- volume of sales
- level of technology, and
- legal form of ownership.

We must understand that one factor will influence the others.

For example, if you have little capital, you will not be able to buy a lot of goods to sell while the opposite is also true. If you have a lot of capital you can buy and sell many goods.

To determine the size of a business, you have to take various factors into consideration and make a balanced decision.

In this section, we will take a closer look at these factors, but we will also see why businesses are important to us. Are you ready to start? Before we start, I want you to do the following activity:



Practical Activity 3



Tip

Take 15 – 20 minutes to do the following practical activity:

Think about the last school you attended and compare it with a school nearby. Is your old school bigger than the other school or is the nearby school bigger than your old school? Write down as many reasons as you can why you think that your old school is bigger or smaller than the other school.

I believe that you have listed reasons such as the number of teachers, number of learners and number of classrooms. The size of the school in square metres, the number of parents and the number of cleaners, secretaries and gardeners (support staff) can also play a role.

To be able to evaluate and compare the size of businesses you should consider certain factors.

Factors that Determine the Size of a Business

The following factors should be taken into consideration to decide on the size of a business:

- **Size of capital**

If a business can manage to raise a huge amount of capital, they are able to open a large business. They can buy or rent a big outlet, buy many goods, render many services and employ many employees. The size of capital is very important because it determines how much or how little you will be able to do.

If you have little capital, you are limited in terms of the volume of sales, services to be rendered, number of employees to be appointed and legal form of ownership to start.

- **Number of employees**

The size of a business can also be determined by looking at the number of employees. In the case of a small sole trader, the owner will do all the work him or herself and possibly appoint a receptionist who will do the administrative duties. In a large sole trader with different sections, the owner will need more personnel to be responsible for different tasks.

- **Volume of sales**

If a business sells many products or renders services to many clients, the volume of sales is high. The opposite is also true: if the business does not have many clients the volume of sales is low.

If the sales volume is high, the business is usually regarded as a big business. It is also assumed that the capital contribution will be high, the buildings will be bigger and more staff members will be appointed than in a small business. The sales volume can be calculated on a weekly, monthly or an annual basis.

- **Level of technology**

The technology used can also give an indication of the size of a business. Is production done manually or by means of machinery? Does the business have a sophisticated computerised cash register system or just an ordinary cash register or a money box? If we have a small business with only a few customers and little capital, it is not necessary to have state-of-the-art equipment.

- **Legal form of ownership**

This is the form in which the business is registered. At the beginning of this unit, we referred to these forms of ownership. Most probably, a sole trader business will be the smallest business, unless the owner has lots of capital and employs many people. A partnership with a maximum of twenty partners or a Close Corporation will be much bigger.



Reflection

We believe that you will be able to determine the size of a business with the information and knowledge provided in this part. By now you should have realised the importance of businesses in a country. Can you think of reasons why businesses are regarded as important?

Now, take time to do the following activity. Don't spend more than 20 minutes on this.



Practical Activity 4

Small and medium-scale enterprises (SMEs) are important to any community for numerous reasons. Ask a few people why businesses (small and medium) are so important to a community. List the answers and evaluate if they cover the reasons mentioned below.



Importance of Businesses

Businesses are important to individuals, communities and a country as a whole for the following reasons:

- **They reduce unemployment**

In any country, it is a fact that if there are not many businesses, the unemployment rate is very high. If we open a business, we often start off alone, but later on as the business grows, we have to take in employees (workers). For every business that is opened, the potential exists to employ at least one person.

- **They generate income**

Where more businesses are opened more people are employed. This means that people have more money to spend. More taxes in the form of VAT and income tax are paid to government. More money is available to government to, for example, build new roads, create new jobs and generate more income. We must note that one economic development can lead to many other developments.

- **They increase the living standard**

When more businesses are opened, it means more employment is created and therefore more income is generated. When you have more income to spend, you can buy goods or services to make your life easier and at the same time your living standard is increased. For example, if you earn more you can pay for a better home, for better education or even buy a better car.

- **They reduce poverty**

All these advantages are intertwined. When more businesses open, more jobs are created, more income is generated, the unemployment rate comes down and poverty in general is reduced.

- **They promote SMEs**

In countries such as Malaysia, the success of the economy is based on the role of Small and Medium Enterprises (SMEs). Most of us can have a small business since big businesses are out of our reach.

If the majority of citizens of a country are able to operate small or medium-sized businesses, poverty will come down, the GDP (Gross Domestic Product) will go up and unemployment will be lowered or even eradicated. Nowadays, big businesses are not the answer any more. Rather the answer lies in having an even distribution of wealth, which is only possible with the establishment and promotion of SMEs.

It is also a fact that government and large businesses often provide contracts to SMEs.

Take some time to answer [questions 4 to 5](#) of the assignment to test your understanding of the work done so far.

Now that you know about the forms of business ownership and the importance of businesses for society, let us see how to legalise a business by registering it.

Section 3: Registration of Businesses in Namibia

What is Registration?

Why should we register our business? Yes, of course, for good order, and to have a regulated business society. The government especially, should have information about all the businesses in the country to ensure that there is order, that people do not open businesses that are against the law, that they stay open according to prescribed hours, that taxes are paid to government, etc.

Registration means that by law all businesses must apply at a body such as the Ministry of Trade and Industry for registration and be registered. We will now take a look at the various bodies for registration.

Bodies of Registration



Reflection

What are local authorities? What type of local authority do you have in your town or city? Is it perhaps a city council, a town council, a village council or a settlement?

Local Authorities

Local authorities are the lowest type of government after the central (National Assembly and National Council) and regional governments (Regional Councils).

There are certain requirements when it comes to structures, health issues and procedures. When it has to do with selling food (butcheries, bakeries), the



requirements are stricter than for a business selling cars. The local authority has to come and inspect the business premises and issue a **licence** to do business, which is actually a fitness certificate. This licence is renewable every year and should be displayed in the business where it is possible for everyone to see it.

Social Security Commission (SSC)

The Social Security Commission was established through an act of parliament to professionally administer funds for the provision of social security to the Namibian workforce and their dependants. This is a compulsory registration for employees who work more than two (2) days per week. The responsibility rests with the employer to register employees and deduct and pay over contributions. Forms for registration of employers, employees and businesses are available from the Social Security Commission or can be downloaded from their website (see below under “Reading”).

The funds to be administered by the SSC are as follows:

- **Maternity leave, Sick leave, Death benefit fund (MSD fund)**

The MSD fund covers all persons who work and receive a basic wage for their services in Namibia. This includes domestic employees, as well as employees of Small and Medium Enterprises (SMEs). Self-employed persons may choose to register themselves with the MSD Fund voluntarily. The minimum monthly contribution by members is N\$2,70 and the maximum is N\$54,00.

These amounts and the amounts payable where applicable are adjusted from time to time. The figures included here are applicable as from 1 March 2008.

- **Employees’ Compensation Fund (ECF)**

This fund covers all employees earning up to a maximum of N\$ 72,000,00 per annum (year) for disablement caused by accidents or industrial diseases contracted by employees in the course of their employment or for death resulting from such accidents and diseases.


Employees earning more than N\$72,000,00 per annum can be registered with the Accident Fund, subject to prior approval from the Commission.

- **Social Security Development Fund (SSDF)**



The Social Security Development Fund (SSDF) has been set up to help generate skills required by the labour market, through interventions such as providing training to socio-economically disadvantaged persons who are unemployed; and the

granting of bursaries, loans and other forms of financial aid to students enrolled at any technical or academic institution of education.

(Source: <http://www.ssc.org.na>)

 Reading	<p>You can read more about these three funds, the contributions made to them and the benefits they give to you on the SSC's website: http://www.ssc.org.na/</p> <p><i>Please note that these are just optional readings to broaden your knowledge with regard to SSC.</i></p>
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Take time and do the following activity in your notebook.

 Practical Activity 5	<p>Below is a link to the application forms of the SSC that an employer has to complete to register. Take half an hour to see if you can master this practical activity:</p> <p>Imagine that you have your own business and see if you are able to complete the form. http://www.ssc.org.na/docs/reg_1.pdf (See resources)</p> <p>The next form is to register as self-employed person. http://www.ssc.org.na/docs/reg_4.pdf (See resources)</p> <p>There are also other forms. If you are on the home page, http://www.ssc.org.na click on "downloads" at the top to view them.</p> <p><i>You'll also find the form in the resource folder of this course CD. The secret to filling in forms correctly is to read the questions.</i></p>
 Tip	

Ministry of Trade and Industry

Any business must apply on prescribed forms to be registered. The first form will be completed and a list of names for the business submitted to the Ministry of Trade and Industry. The ministry will compare these suggested names with names of existing businesses and inform an applicant whether the names clash with existing names or give the go-ahead to proceed with registration.

Once the name has been approved, the business can go ahead and complete a separate form for the registration of the new name. This new name now becomes the official name of the business and a levy is payable annually to the Ministry of Trade and Industry. Failure to pay this annual levy can result in penalties.

Forms for registration can be bought from Walton's Stationery shops and consist of a blue and a yellow form.



Reading

You can read more about The Ministry of Trade and Industry's SME support on <http://www.mti.gov.na/subpage.php?linkNo=23> and more on internal trade on <http://www.mti.gov.na/subpage.php?linkNo=27>

Contact details for more information and registration, can be obtained at <http://www.mti.gov.na/subpage.php?linkNo=60>

Please note that these are just optional readings to broaden your knowledge.

Ministry of Finance

Depending on certain criteria, businesses have to register for various tax purposes with the Ministry of Finance.

- **Value Added Tax (VAT)**

All businesses that want to claim VAT on transactions to generate income and have sales of above N\$200,000 per year can register for VAT. VAT received from customers must be paid over to the Ministry of Finance and VAT paid can be claimed at prescribed intervals.

- **Tax on Imports**

Businesses that import goods and services from outside the borders of the country have to pay import taxes but can claim them back after two months. Businesses have to register for import tax purposes with the Ministry of Finance. They must submit returns on indicated dates and claim according to indicated dates.

- **Income Tax**

When an employee earns more than N\$36,000 per year, he or she is liable to pay tax on income. Employees as well as employers must be registered with the Ministry of Finance. The employer must deduct the tax on a monthly basis and pay that over to the Ministry of Finance. At the end of the financial year, which is usually at the end of February every year, each employee will receive proof of what was deducted for tax during the financial period. This is called **Pay As You Earn (PAYE)** and should be attached to the tax return form to be submitted to the Ministry of Finance by every citizen earning more than N\$36,000 per year. *(Please note that this figure can vary from year to year.)*

Do the following activity before we continue with the section.



Practical Activity 6



Tip

Take 30 minutes to visit your local authority and try to get the following information:

- What type of local authority is it?
- What are the requirements to start a business?
- What forms should be completed to apply for establishing a business?
- What fees are payable before and after application?
- What other requirements are applicable, like health requirements?

It should be clear that the requirements are the same when it comes to structures, health issues and procedures.

Business Associations

For business people, there are various associations of which they can become members. By becoming members of these associations they can benefit from the services they render. In addition business people can benefit from other advantages of belonging to such associations.

- **Namibian Chamber of Commerce and Industry**

This is a business body of which most businesses are members. It aims to establish a network between businesses and to promote the interests of members. Not only does it operate in Namibia and promote local businesses, it also creates opportunities and links to do business outside the borders of the country. The NCCI has its head office in Windhoek and is currently establishing branches in different towns across Namibia.



Reading

You can read more about The Namibian Chamber of Commerce and Industry <http://www.ncci.org.na/>

Please note that these are just optional readings to broaden your knowledge.

- **Joint Consultative Committee (JCC)**
“Empowering the Future”



This is a non-profit association with its head office in Katutura at the Soweto Market. Their focus is on SMEs (Small and Medium Enterprises) that receive services and assistance free of charge or at a minimal fee.



They render the following services:

- Creating networks between financial and non-financial service providers
- Creating networks across countries belonging to SADC (Southern African Development Community)
- Providing support to SMEs, e.g., advice on business plans, advice on loan applications and tender procedures, to mention but a few
- Organising short training courses for members and SMEs, and
- Doing research that can benefit SMEs in providing better quality services and products.



Reading

You can read more about The Joint Consultative Committee (JCC) and their function at

<http://www.jcc.com.na/?q=about>

Please note that these are just optional readings to broaden your knowledge.

- **Namibia Small Traders Association (NAMSTA)** (*for enrichment — not prescribed by the syllabus*)

This is an umbrella organisation for various smaller associations with the aim of promoting and taking care of the businesses operating in the non-formal sector. Associations that belong to NAMSTA are the Namibia Shebeen Association, Okutumbatumba Hawkers' Association, Namibia Bus and Taxi Association (NABTA) and the Small Panel Beaters and Motor Mechanics Association. A study showed that the informal sector in Namibia can provide income for more than 130,000 people on a self-employment basis. The figure represents more than 50% women.

(Source: LaRRI – Namibian, October 2006).

- **Ministry of Trade and Industry (MTI)**

The Ministry of Trade and Industry and its specific support to SMEs was already discussed earlier in the section under “Bodies of Registration”.

So, it is clear that joining a business association will definitely benefit a business. Now, spend about 30 minutes and do the following case study activity to test your understanding.



Case Study 2

NCCI launches, investment climate survey

WRITTEN BY TOIVO NDJEBELA

INVESTORS, both local and international, wishing to invest in Namibia will soon have a comprehensive business and investment climate (BIC) database to tap from, starting this year, it was announced this week.

A group of five local business organisations and research bodies officially launched the new annual BIC Survey, an initiative tailor-made to help gather comprehensive data to help business people to make those important investment decisions.

The project is a joint effort of the Namibia Chamber of Commerce and Industry (NCCI), the Namibia Manufacturers Association (NMA), the Namibian Economic Policy Research Unit (NEPRU), the Institute for Public Policy Research (IPPR) and the German Technical Cooperation (GTZ).

The organisations said the Business and Investment Climate Surveys was a crucial instrument in creating and improving an enabling environment for businesses, especially for Small and Medium Enterprises (SMEs), as such surveys are able to identify the actual business growth bottlenecks in a country.

Whereas the IPPR and NEPRU will be responsible for preparing and analysing the questionnaire for the survey, the NCCI and NMA are responsible for steering, marketing and advocacy work with funding coming from GTZ that has already pumped in N\$200,000 for this year's activities.

"The main benefit for businesses will be the fact that results of the survey will be used by private sector organisations such as NCCI and NMA as a key input to well-informed and results-oriented public-private dialogue with the Government," the NCC said in a statement. Government interventions, the NCCI says, can therefore be much better targeted to the real needs of businesses. "As the survey will be conducted on an annual basis, it will also be possible to monitor the effectiveness of public reform programmes. The first BIC Survey will be carried out during spring/summer of 2009 and published later in 2009," said the NCCI.

At the launch of the project on Monday, NCCI Chief Executive Officer Tarah Shaanika lambasted the pace at which the country was gearing towards the ambitious Vision 2030 goal, which in principle aims at making Namibia an industrialised nation by 2030.



"Development in the country is moving at a slow pace and with that, we may not achieve the Vision 2030 goals," Shaanika said, adding that the launch of the BIC Survey could be a crucial tool towards achieving the country's development goals.

A total of 800 businesses from all parts of the country would be interviewed as a sample for the survey.

(Adapted from Informante, 04 June 2009)

	<p>Questions</p> <ol style="list-style-type: none"> 1. Which business association that you learnt about in this unit joined hands with others on a project? 2. What is the aim of this joint project? 3. What is the specific function of this association?
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It's now time for you to do some research. Do the following activity in your notebook. This activity can take 1 to 2 hours.

 <p>Practical Activity 7</p>	<p>Do research in newspapers, on the Internet and elsewhere to find out what ways, (list at least five ways) the following give assistance to SMEs in Namibia:</p> <ul style="list-style-type: none"> • Ministry of Gender Equality and Child Welfare • Ministry of Agriculture, Water and Forestry • Ministry of Mines and Energy • African Development Foundation • Namibia Community Based Tourism Association (NACOBTA) • Namibia National Association of Women in Business (NNAWIB) • Namibia Development Trust (NDT) • National Youth Council (NYC) • Polytechnic of Namibia • Institute for Management and Leadership Training (IMLT) • Namibian Institute of Mining and Technology (NIMT) • !Nara Training Centre • Development Bank of Namibia • Agribank • Bank Windhoek • First National Bank of Namibia • Nedbank • Standard Bank • Rössing Foundation • Oshipe (Namdeb) • Bank Windhoek Social Investment Fund <p><i>You will find that financing in the form of loans and grants are not the only assistance provided, but that assistance could also be in the form of: training, mentoring, assistance with marketing, business preparation, preparation of business plans and various others.</i></p>
 <p>Tip</p>	

I hope you have found a lot of interesting and valuable information while working through this unit. Remember, we looked at types of businesses, forms of ownership, factors that determine the size of a business, why businesses are important and last but not least the registration of businesses. Let's now summarise what we have discussed.

Unit summary



Summary

In this unit you learned that:

- different types of businesses in Namibia include trading, agri-, manufacturing and service businesses;
- businesses have different forms of ownership, each with its own characteristics that distinguish it from other forms of ownership. The examples of ownership covered in this unit were sole traders, partnerships, close corporations and cooperatives;
- the size of a business is determined by the size of capital, number of employees, volume of sales, level of technology and legal form of ownership;
- businesses are important to reduce unemployment, generate income, increase living standards and reduce poverty; and
- there are several bodies of registration and association in Namibia: the Ministry of Trade and Industry, Local Authorities, the Social Security Commission and the Joint Consultative Committee.

Please make sure that you answer all the questions in the assignment before you continue with the next unit.

Assignment

It is time to test your understanding. Take an hour and do the following activity by answering the questions in your notebook.



- Identify two local businesses each in your area representing the following types of businesses:
 - Service business
 - Manufacturing business
 - Trading business
 - Agribusiness
- Give two reasons why you have classified the business as a service, manufacturing, trading or agribusiness.

Use the following table to answer questions 1 and 2:

Type of business	Name of a local business	Reasons
1. Service business	1	1
	2	2
2. Manufacturing business	1	1
		2
3. Trading business	1	1
	2	2
3. Agribusiness	1	1
	2	2

[Return to course](#)

- Briefly explain the characteristics of sole traders, partnerships, close corporations and co-operatives to make the differences clear.

[Return to course](#)


- Discuss the different factors that are used to measure the size of a business.


- Why are businesses important in Namibia? Name four reasons.

[Return to course](#)

I hope you've done well in all the activities. The following is the feedback on the case studies and assignment.

Feedback

 <p>Case Studies</p>	<p>Case Study 1</p> <ol style="list-style-type: none"> 1. Agribusiness 2. An Agribusiness is a business that produces or sells agricultural products. 3. Benefits: <ul style="list-style-type: none"> - Job creation - Reduce Namibia's dependency on imports - Quality, healthy and affordable products for consumers - Possible market for small and medium milk producers <p>Case Study 2</p> <ol style="list-style-type: none"> 1. NCCI (Namibia Chamber of Commerce and Industry) 2. To draw up a comprehensive business and investment climate (BIC) database for investors to tap from 3. Steering, marketing and advocacy work
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 <p>Assignment</p>	<ol style="list-style-type: none"> 1. Two businesses should be service businesses, two manufacturing businesses and two trading businesses. 2. To decide under which type to place a business, you have to look at the characteristics of different types and compare them with the businesses you have identified. 3. A sole trader has only one owner, a partnership can have between two and twenty owners (partners), a close corporation can have between one and ten owners (members) and a co-operative can have an unlimited number of owners (members). Other differences can be about legal entity or how to establish such a type of ownership. 4. Give a brief explanation of each of the factors here: <ul style="list-style-type: none"> ▪ size of capital ▪ number of employees ▪ volume of sales ▪ level of technology, and ▪ legal form of ownership 5. To reduce unemployment, generate income, increase the living standard and reduce poverty.
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This brings us to the end of Unit 5. I hope you have enjoyed it and that you have acquired the necessary skills to be able to answer any other questions about it. We



will continue our theme discussion on ‘scanning the business environment’ in Unit 6. We will look at the importance of scanning the business environment by doing market research.

Resources

Below are additional resources, which you can use for enrichment.

Internet-based resources

[Agriculture, Forestry and Fishing in Namibia](#)
[Incentives for manufacturers and exporters](#)
[Joint Consultative Committee \(JCC\)](#)
[NCCI Business Community](#)
[Ministry of Agriculture, Water and Forestry](#)
[Manufacturing in Namibia](#)
[Ministry of Trade and Industry](#)
[Small and Medium Enterprises](#)
[Social security](#)

Other documents found on CD

You can open and print the following resources for your convenience.

[Practical Activities](#)
[Case Studies](#) and [feedback](#)
[Assignment](#) and [feedback](#)

Unit 6

Business Environment and Market Research

Introduction

It is said that “a thousand-mile journey begins with but a single step”.

We have learned that a business begins as an entrepreneurial idea. We have discussed business ideas and business opportunities in Unit 3. After coming up with a business idea, a prospective entrepreneur needs to scan the business environment to find out whether there will be a market for his or her products.

Scanning the business environment basically means that the prospective entrepreneur needs to do some research. If research proves the business idea to be a viable business opportunity, the person can now start with the drawing up of a business plan, which we will discuss in the next unit.

Are you ready to gather the information, which will prepare you to identify business opportunities and draw up a business plan?



Time



Note it


You can spend approximately 12.4 hours to work through this unit. Don't worry if you spend less time on this unit because the number of hours per unit is flexible. You might spend less time on shorter units and more time on the longer units.

Take note: Throughout the unit you will find links to the assignment. Click on the highlighted word (question) to access the links.


Before we move on, please take some time to study the objectives for this unit.



On successful completion of this unit, you will be able to:

 Outcomes	<ul style="list-style-type: none"> ▪ <i>define</i> the term business environment and <i>describe</i> its components; ▪ <i>identify</i> business opportunities in the business environment in your community; ▪ <i>evaluate</i> and <i>report on</i> the impact of SMEs on the environment; ▪ <i>define</i> the term market research and explain why it is necessary to conduct one before starting a business; ▪ <i>describe</i> the different methods of market research; ▪ <i>develop</i> a questionnaire for interviewing potential customers prior to conducting market research; ▪ <i>conduct</i> market research on a need in your community and based on your findings, <i>compile</i> a report.
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I hope you have carefully studied the outcomes? The outcomes give you an indication of the basic competencies you will gain by working through this unit. Below is a list of key concepts that will be covered in this unit content.

 Terminology	Competitors	Businesses which are selling the same product as your business or which provide the same service
	Competition	Rivalry amongst similar businesses to obtain the largest share of the consumer market
	Customers/Consumers	People who have needs that they want satisfied and who have the financial means to satisfy them. A person who purchases or uses a product
	Idea	A mental impression, concept or plan or an intention, purpose or feature
	Market research	The gathering of data about the market size, consumer buying habits and competitors
	Market share	The percentage of total market held by a business
	Opportunity	An idea which can be developed into a business
	Questionnaire	Document containing questions to be put to respondents with the aim of gathering data that will be useful to the business
	Sample	Representation of a group of people or the target market
	SME:	Small to Medium-sized Enterprises
	Stakeholders	A person or group with a direct interest or involvement in something
Survey	A study through which research is done in order to determine consumer demand	

	Target market	A specific group of consumers at which the business aims its products or services
	Trend	A general tendency, movement or direction

Now, work through the following sections, which will help to explain the above-mentioned terminologies and enable you to achieve the basic competencies given in the outcomes specified above.

Section 1 The Business Environment

What is a business environment and why is it important to understand it? Well a business environment affects the decisions, processes and performance of a business. This makes it very important for the prospective entrepreneur to scan the environment to identify possible opportunities and challenges before setting up a business.

Are you ready to learn about the business environment and factors that influence it? In this unit, you will learn how to recognise ideas in your environment and how to identify viable business opportunities.

What Is Meant By Business Environment?

The business environment refers to anything that surrounds a business organisation such as customers or other organisations which affect the business in one way or another. In other words, all the factors that may affect an entrepreneur's business decisions, business operations and customers' consumption habits.

To recognise factors in the environment that might influence a new idea or venture, we have to classify them realistically.

The business environment is made up of different components.

Components of the Business Environment

The business environment consists of an **internal** and **external** environment.

The **internal environment** consists of different types of stakeholders — customers, employees, suppliers and creditors.

Customers

People who will buy the products (goods or services) offered by a business. Because your business is about customers and their needs, it is important to know what they want and how these needs could change.



Suppliers

Other business organisations where the entrepreneur will get his goods (to sell or render services) or raw materials needed to make the goods. When suppliers offer credit to an entrepreneur they become his or her creditors. The success of a small business partly depends on a supplier's ability to provide:

- reasonable prices;
- good quality raw materials or products; and
- reliable services.

Employees

The workers employed in the business. As the owner of your business, you have to motivate your employees so that they will produce quality products and/or services. You have to ensure that the workers are paid according to market standards and that they are happy in the work environment.

Competitors

Business organisations that provide the same product as your business. Customers buy from your business because they have specific needs. Your competitors are businesses who can meet the same needs. You have to draw customers in some way to your business, e.g., better prices or better service.

Government

The government is one of the biggest consumers in the country. The government spends a lot of money on tender contracts; a way to invite businesses to put in offers to do a job. The government also has certain rules and regulations that must be followed. For example, taxes must be paid and safety and health regulations must be obeyed.

The *external environment* consists of factors, which are beyond the control of the business. These include:

Social and cultural factors

These factors will determine which customers to target, e.g., women, children or men, or taboos against consumption of specific products (e.g., vegetarians). Social forces deal with the size of a family and more specifically, the person who does the buying and their education levels. Your customers' cultural backgrounds should be a guide for your business. If you want to succeed in business, you need to respect it.

Technological factors

These factors are trends, innovations and availability of technically qualified labour. All these will affect the business's opportunities. Businesses use technology to produce what the customer needs. Technology consists of machines, knowledge, and methods (techniques).

Economical factors

These factors include demand and supply forces in the target market, consumer trends, economic preferences of the community and competitors. Other factors like interest rates and inflation can also affect your business. Inflation occurs when prices increase, which in turn leads to a drop in the value of money or a reduction in the purchasing power of money.

Political factors

These factors determine the stability and security of the community or a country, thereby making it possible or impossible for businesses to operate or a specific business to be set up.

Legal factors

These are the laws that are used to regulate businesses, legal restrictions that are placed on some types of businesses, the forms of enterprise that you can start, contract laws and restrictions on business operations. All these factors will affect your choice of business.

Seasons or climate

Different types of seasons, e.g., festive seasons, Christmas, back-to-school days and wedding seasons can have a big impact on business operations or on those that are about to start. Selling a product in a relevant season will increase sales of that particular product.



Financial factor

Sources of business funds like commercial banks and microfinance institutions, the amount they are willing to lend, the loan period and the interest rate are all factors that will play a role in the size of your business and determine whether you will be able to start one at all.

Since environmental factors are constantly changing, it is important that you keep a close watch over them. As the environmental factors change, so do the chances of the business being successful or not.

Use the following question to start a discussion with your family and friends in your community to broaden your understanding even further.

Spend round about 10 – 15 minutes on the following discussion:

 <p>Discussion 1</p>  <p>Tip</p>	<p>Choose any business in your community (bakery, supermarket, butchery, etc.). Select one of the factors of the external environment and discuss how it will affect the chosen business.</p> <p><i>For example: Your chosen business can be a cellular shop like MTC/CellOne. An external factor, which can have an influence on such a business is the technological factor. New developments in technology happen daily and if these businesses do not take action quickly to stay on par with developments, they can be destroyed or driven out of the market. These businesses should therefore always be aware of technological developments.</i></p>
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I hope you have gathered enough information from your discussions with your family and friends. If you have not done so yet, please do so, because it will enhance your understanding of the content. You may even have discovered that some of the changes caused by these factors have led to new businesses being set up.

There are many potentially profitable business opportunities in the business environment and any individual can enter into business.

How to Identify Business Opportunities

A business opportunity starts with a business idea. A prospective entrepreneur must look for a creative idea that can be transformed into a business opportunity by scanning the business environment. Do you remember our discussion on business ideas in Unit 3? Working through the next part will help you to understand how to identify business opportunities and generate business ideas much better.

How to Generate Business Ideas

Scanning the business environment will help the entrepreneur to identify business ideas.

A business idea is the starting point of the journey to setting up a business. Remember, we said in Unit 3 that an entrepreneur must constantly try to find out the needs and problems of his or her community and ‘dream’ about ways and means to solve these needs. Business ideas are based on given situations and will differ from place to place and also from entrepreneur to entrepreneur.

The diagram below summarises how entrepreneurs can generate business ideas:

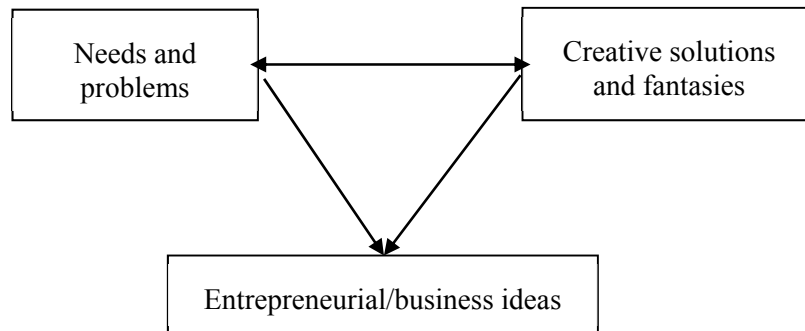




Fig. 6.1

We can therefore see business ideas as:

- dreams about creative ways of meeting the communities' needs/ wants;
- dreams of creative solutions to the communities' problems;
- creative ways of improving on what is already being done; and
- creative ways of meeting the fantasies and dreams of community members for luxury and a better life.

(Source: Entrepreneurship Education for Secondary Schools, Teachers' Instructional Manual – MOE - Democratic Republic of Timor Leste)

The following activity is about identifying business opportunities. It will take you 10 minutes to complete the next activity.

 Practical Activity 1	<p>Take a moment and think about a few needs and problems that exist in your community, as well as how the lives of community members can be made more enjoyable.</p>
 Tip	<p><i>Your list might include things like a lack of transport facilities, a hairdresser, a shoe repair service, an attractive takeaway shop, and providing entertainment to community members over weekends to make life more enjoyable.</i></p>

The things you have just thought of, as well as the ways that you came up with are known as business ideas.

But what if you want to start a business, but do not have a business idea?

There is no need to worry. Business ideas can be generated from any one of the following sources within the business environment:

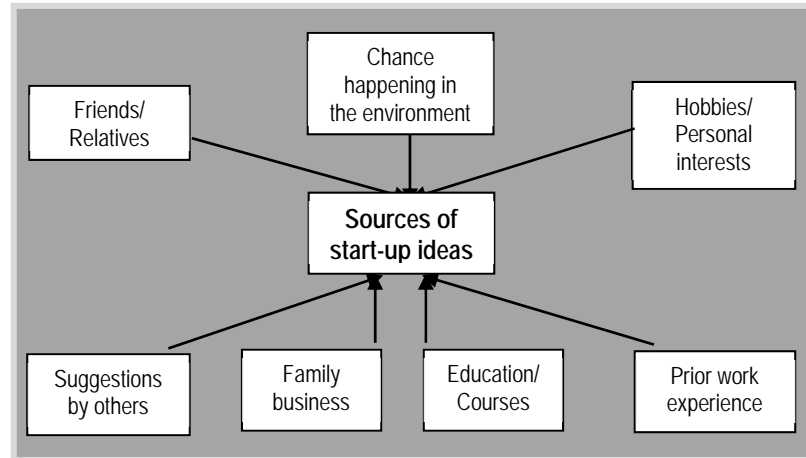


Fig. 6.2

Business ideas may come from problem situations, needs and wants, our interests and hobbies, as well as the natural resources around us. Coming up with a good business idea or even just changing old ideas into new ones, however, requires some creativity from the prospective entrepreneur.

When last did you come up with your own idea of a product or way of solving a problem? It must have felt good to find a genuine solution that actually solves a problem. But how do we develop creative thinking? Any ideas? Well, let's read further....

What is Creative Thinking and how can it be enhanced?

Creativity is a way of thinking, coming up with new and innovative ways of solving problems. It is the mental attitude of always trying to improve on existing products and services. Remember that we said earlier that creativity is something that can be developed. Look at the following insert to see how you can become creative

Let's put your mind into a way of thinking that will help you to come up with new

♣ Think actively

Whatever you do – watching television or reading the newspaper - try to think actively by considering if there are any new ideas that you can use.

♣ Record all your ideas

Get a book to write down all your ideas and look through the book regularly to improve, change and compare your ideas with others.

♣ Why should it be this way?

Whenever you find yourself in a situation that seems normal, ask yourself why it should be this way. This helps you to ask questions about the world around you and can lead you to getting new ideas.

♣ Something different

- Read about a subject you know nothing about;
- Use a different way to get your destination;
- Do something new and different;
- Change your daily routine.

♣ Adopt a creative attitude

Believe that you have the ability to be creative. Think about what could go right, rather than what could go wrong. Focus on opportunities!



(Author: Unknown)

Remember that generating ideas or identifying opportunities can be improved by using the creativity methods.


Creativity Methods	Explanation
<i>Brainstorming</i>	Decide what the problem is and give ideas on ways to solve it. Just let the ideas flow and write down all of it. Do not comment on whether they are good or bad.
<i>Attribute analysis</i>	Make a list of a few existing products and services and create a list of attributes (characteristics) for each of them. By combining various attributes, you may be able to come up with an entirely new product or service.
<i>Problem redefinition</i>	Define a problem that you or others experience and write it down. Think of ways in which the problem could be solved by introducing a new product or service.
<i>Manipulation</i>	Make a list of some new products and services and think of ways in which you can change them, e.g.,

	make it smaller, change the colour, shape or package.
<i>Forced connections</i>	Take two ideas or products that have little or nothing in common and try to make a connection between the two, e.g., bed + food = bed and breakfast.
<i>Mind mapping</i>	Mind mapping is a way to help you think creatively and gives you a picture of groups of ideas that you can examine without losing your main idea. For example: Choose a word or group of words and write them down in the centre of a page. Think of anything that has some link with the word. Write it down and draw a line connecting it to the central word(s). <p style="text-align: right;">(Author: Unknown)</p>

This activity will take you no less than 10 to 15 minutes to complete.

	<p>Take a common object in your environment such as a pen, a book, an empty cool drink can, etc. and think about its uses.</p> <ol style="list-style-type: none"> 1. What is it normally used for? 2. Write down five other uses of the object you have chosen.
<p>Practical Activity 2</p>  <p>Tip</p>	<p><i>By focusing on the shape, size, material and usefulness of an object, you can quickly come up with further applications or uses of an object. For example, an empty tomato box is normally used for packing in tomatoes. It can be used for firewood; a bookcase to pack books in; to make a wooden spoon; as cricket wickets; upside down as a small table; and standing on its side for shelves.</i></p>

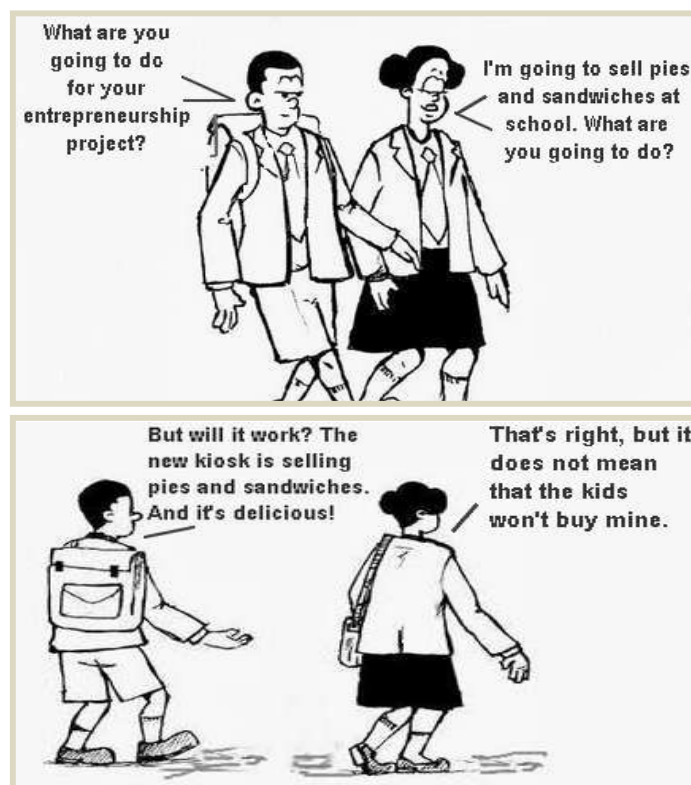
The process that you have just gone through is called the ‘creative process’. Thinking out of the box will help you to come up with new and different applications for products.

 <p>Tip</p>	<p>Good viable business ideas:</p> <ul style="list-style-type: none"> ✓ focus on the needs and wants of consumers; ✓ must be able to provide consumers with the necessary goods and services; and ✓ improve on the existing product and make it more attractive for consumers.
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Turning Ideas into Business Opportunities

By now, you should have at least one idea for a new business venture. Maybe, you are wondering when an idea becomes an opportunity. Considering the wants and needs of people in your community is only the first step towards identifying a business opportunity. There are many other issues that you need to take in to account as well. Remember that we said earlier in the unit that good ideas are not necessarily good opportunities. Opportunities are ideas that work and that can be turned into successful businesses.

Look at the following example:



Do you think Saima's idea presents a good business opportunity?

There are many potentially profitable business opportunities in the business environment and any individual can enter into business.

What about you? Do you also possess the quality of being creative and turning a business idea into an opportunity? Let's find out.

The following activity will enhance your understanding of the business environment. This activity will take you 10 minutes to complete.



Practical Activity 3



Tip

Explore the business environment in your town or village and identify problems that are experienced which might be solved through some business venture. Make a list of at least five to ten needs or problems. Can you think of a new business that you need and that will do well in your community?

A business opportunity is a desirable and timely innovation that will create value for interested buyers and sellers — it should fill a gap in the market. The business idea should be realistic and able to work in real life, and it should be possible to turn it into a successful business.

How will you know that the business opportunity, which you have identified, is a good one or will ensure a return on your investment?

The following are indicators/characteristics of a good business opportunity:

- ✓ **There should be an actual market or a demand for the product and/or service.**
- ✓ **The business should have the capacity to generate profits.**
- ✓ **The business should be able to get the factor inputs it requires for operation.**
- ✓ **The business should be acceptable in the community.**


Potential entrepreneurs should therefore look at factors that will have an impact on the business, such as government regulations, how much tax they need to pay, the current interest rates, social and cultural trends which might influence consumer demand, new innovations, available infrastructure, potential competitors, available resources needed, potential suppliers and potential customers.

When all these factors prove to be positive and in favour of the entrepreneur, it means that his or her business idea can be a viable business opportunity. Keep in mind that changes in the business environment can present good business opportunities.

As soon as the idea has been assessed and you have come up with the most promising business opportunities, you must proceed to evaluate them and identify the one that meets your business expectations and abilities.

It's your turn now. Let's see whether you have grasped all the information regarding the business environment.

Read through the following case study and answer the questions, which follow. You may spend 15 minutes on the case study.

 Case study 1	<p>New invention</p> <p>In South Africa, a man saw an opportunity/vacuum in the swimming pool market for a pool cleaning system. More and more people built swimming pools and experienced difficulties in keeping them clean. They needed an easier but efficient, preferably an automatic, way of keeping their pools clean. He then developed the ‘Kreepy Krauly’ pool cleaning system.</p> <ol style="list-style-type: none"> 1) Why was the ‘Kreepy Krauly’ pool cleaning system a good business opportunity? 2) What is meant by: ‘a vacuum existed in the pool-cleaning businesses’? 3) Did this innovation fulfil the need, which existed in the market?
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Now compare your answer with those at the end of the unit. I hope you did well.

When you have identified a potentially successful opportunity, you should assess whether it is indeed an attractive opportunity. Turning an opportunity into a successful business makes specific demands on the entrepreneur. You will now be introduced to **sources of information** that could be of value to you in evaluating your opportunity.

SWOT Analysis

Do you know what is meant by a SWOT analysis and why the entrepreneur should do it?

The SWOT Analysis Tool will guide you in identifying the best opportunity. It is a step-by-step analysis that enables the entrepreneur to check the chances of success that a business will have in the market. This will enable him or her to reach a decision as to whether to start a particular business in a given market or not. By making use of the SWOT analysis, you will be able to check on your strengths and weaknesses on the one hand. On the other hand, you will be able to check your business’ opportunities and threats as compared to those of your competitors.

<p>STRENGTHS (S)</p> <p>These are the things, features and qualities that put the entrepreneur’s products at an advantage when compared to those of competitors.</p> <ul style="list-style-type: none"> ✓ Quality of your product ✓ Price ✓ Ability of the product to meet the customers tastes ✓ Ability to attract customers 	<p>WEAKNESSES (W)</p> <p>These are the limitations/constraints that the business products face in the market.</p> <ul style="list-style-type: none"> ✓ Being new in the market ✓ The product being new and unfamiliar to customers ✓ Location not easily accessible to customers
<p>OPPORTUNITY(O)</p> <p>These are external possibilities or chances that may happen and benefit the business.</p> <ul style="list-style-type: none"> ✓ How many similar firms exist (competitors)? ✓ What attracts customers to them? ✓ What strengths do they have? 	<p>THREATS (T)</p> <p>These are also external factors over which the business has no control but which will have a definite influence on your business operations.</p> <ul style="list-style-type: none"> ✓ Population shifts ✓ Legal factors ✓ Changes in economic situation – unemployment rate, inflation rate ✓ Lifestyle changes ✓ Disposable income

 Reflection	<p>Think about Saima’s example again. Do you think she scanned the environment before she decided to sell pies and sandwiches?</p>
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Now do the following activity to test your understanding. You can discuss your ideas with your friends to help you decide on the best idea.

This activity below will take you 10 to 15 minutes to complete.

 Group Activity 1	<p>Analyse your business idea</p> <p>Look at your list of business ideas and choose the best one. Apply the SWOT analysis tool to the business opportunity. Draw the table in your book. Complete it by filling in what the strengths and weaknesses of this idea are if you want to start your business, as well as the opportunities and the threats, which are awaiting you.</p>
 Tip	<p><i>SWOT analysis will confirm to the entrepreneur which opportunity will suit his or her technical skills and investment capabilities best, the chances you can take advantage of, to successfully implement your business and the challenges you must contend with in order to succeed. All this will help you make a final decision on which business opportunity you should choose as your business.</i></p>

An entrepreneur who is alert and active will probably spot an opportunity quicker than others. Few new enterprises are established as a result of luck — that an enterprise can originate as a result of luck is just one of the popular but incorrect myths about entrepreneurial success.

Read the following case study and answer the questions. Please answer the questions before you look at the answers at the end of the unit. You must spend 20 to 25 minutes on this case study.



Case Study 2



Susan and Mary are two housewives who discovered that they had the same dream. Two years ago, they met at a restaurant while waiting to be served and started talking about service delivery and being a business owner. They soon realised that they had a common talent and interest, namely that of baking cakes and biscuits. They decided to meet again and discuss

the possibility of going into business.

They started their business, Garvey's Kitchen & Cookie Shop, in the garage of Susan's house, which they transformed into a small bakery. A friend of theirs helped them draft a business plan in order to get their first loan. "It took hard work and dedication," Susan remembers those early days. They now have five people working for them and they supply their products to various coffee shops and home industry shops.

1. Business ideas can be generated from various sources. How did Susan and Mary's business idea start?
2. Why was it possible for them to turn their business idea into a successful business?
3. Describe the importance of this business to their families.
4. Describe the importance of this business to the community.
5. Describe at least two strengths and two weaknesses of Garvey's Kitchen and Cookie Shop.

I hope you did well in all the questions. Don't despair if you did not have the answers correct the first time, just work through the section again and then try to answer them.

In this section, we looked at how the business environment can influence business activities. "Perhaps you have also come up with a great business idea, triggered by the challenges in your environment!!! In the next section, we will look at the impact of SMEs on the business environment.



Section 2 The Impact of SMEs on the Environment

‘Success in business requires training and discipline and hard work. But if you’re not frightened by these things, the opportunities are just as great today as they ever were.’
David Rockefeller

Businesses play an important role in our lives as individuals, entrepreneurs, families, employees, communities and the country as a whole. The goods and services we use, the cars and transport services we have, the houses we live in and many other things are all produced or provided by businesses. Do you think you can survive without businesses providing for your needs and wants? Not at all. Our lives revolve around the existence of businesses.

Importance of Businesses

1 Owners

Individuals/owners enter into business mainly because of three reasons:

- ✓ To make money — if the business is successful they make a profit;
- ✓ To be your own boss — this offers the owner the benefit of independence; and
- ✓ Personal fulfilment — the owner takes pleasure and enjoys what he or she does on a daily basis.

2 Employees

Employees work for an income, which enables them to provide for their daily needs and also grants them opportunities to improve their standards of living.

3 Community

SMEs bring positive changes to communities where they are located. These changes include:

- ✓ lowering unemployment;
- ✓ providing infrastructural development;
- ✓ reducing social problems.

SMEs offer employment opportunities to people in the community or to the owners who become self-employed, which reduces the level of unemployment in the community.

4 Reducing poverty

More people are employed and receive an income, which reduces poverty in the community because more people can fulfil their daily needs.

5 Increasing the standard of living

Earning an income enables people to increase their standards of living. Businesses fulfil identified needs or solve the problems of people in a community and are important and beneficial to different categories of people and institutions.

SMEs all over Namibia create wealth and jobs, and in the process, make significant contributions towards the development of local economies and economic prosperity. The Namibian SME sector has finally reached a stage of maturity where it is 'recognised as a driver of economic growth' with over 500 genuine SMEs across Namibia.

(Source: Namibian Top Companies, page 17)

But what you must remember is that innovation and entrepreneurship go hand in hand, which is proved by the following success story:



Reading 1

In the dry region of Omaheke, south of Windhoek and close to the Botswana border, a fascinating community project has been developing over the past few years. What started out simply as a danger to the lives of livestock in the area has developed into something that not only benefits nature, but also provides employment to a growing number of people.

In the late 1990s, farmers in the Leonardville area complained that serious livestock losses occurred because the animals swallow the empty cocoons of the *Gonometa postica* moth. After an ecologist recognised the potential for silk production, Kalahari Wild Silk Manufacturers, a community empowerment project in the arid Omaheke Region, was established in 2003. The project, which now offers employment to 37 previously unemployed women, uses the empty cocoons to produce a range of beautiful products, including shawls, scarves and throws.

(Author: Unknown)

Don't you think it is a rare and beautiful thing when an empowerment project can benefit both people and the environment? One should. Therefore, appreciate the many possibilities that tend to come with an empowerment project. When an impoverished community is given the opportunity to fend for itself through work creation, if everything works out well, it prospers.



Remember that in order to be successful, your business must always focus on the needs of customers. This is where market research is important. Through market research the potential entrepreneur will find out if there are enough customers who need his or her products or services.

Take time and answer [Question 1](#) of the assignment to test your understanding of the work done so far.

The next section deals with the importance of market research.

Section 3 Market Research

Before the prospective entrepreneur can start to set up a business he or she needs to do some market research. Do you know the meaning of the term and why it is important to carry out market research?



Reflection

Let's say that you sell pancakes in town every Saturday. Your customers might say that your pancakes are delicious or that they want it with a filling. They might also tell you that your prices are too high or that your pancakes are too small. These remarks are valuable information to you, since it can help you with making important decisions.

What is Market Research?

To identify viable business opportunities in the market that you aim to serve, you need to do market research.

Market research is the process of collecting and analysing data relating to the demand for a good or a service in a specific market. It is a broad and far reaching process.

Market research is concerned not just with finding out, as accurately as possible, whether consumers will buy a particular product or not, but also with attempting to analyse their reactions to:

- different price levels;
- alternative forms of promotion/ advertising;
- types of packaging; and
- preferred means of distribution.

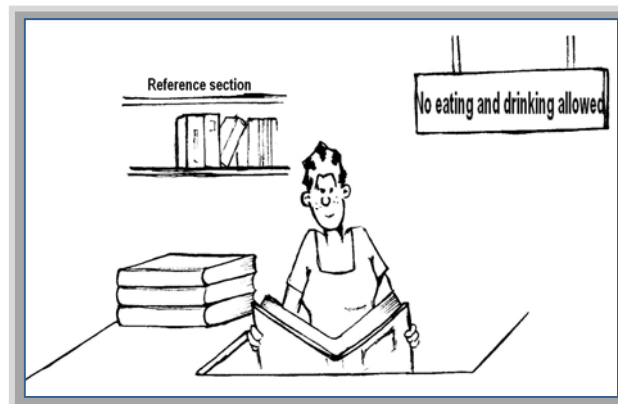
It is of utmost importance that you find out whether consumers will have a need and the available resources to buy a particular product.

Market research can either be:

1. **Primary research**, through which original (first-hand) raw data is gathered from people in your target market. This can be through the distribution of questionnaires, interviews, surveys, etc. to get the views of people.



2. **Secondary research**, through which data that is already available is used and analysed, also called second-hand information. For example, government reports and/or statistics which are available on specific issues and/or topics or making use of the Internet to obtain data.



Market research provides you with information about your customers and competitors. Now, work through the next part to find out how to do market research.



How to Conduct Market Research

The following statements tell you a few truths about the business world that all entrepreneurs must pay attention to:

Without a market there is no business!

Customers are the central and most important part of any business.

You need information about your customers.

Market research is a precondition for planning a new business, because it determines demand, consumer requirements and prices.

In carrying out market research, the following should be considered:

Customers

Customers are people who will buy from your business. The sales of your business will depend on acceptance of your products by the customers.

Potential customers: The prospective entrepreneur will have to determine the number of customers who might buy a product and in what quantities. The number will be influenced by the needs of the customers and their ability to pay the price.

Needs of customers: Whether you will be successful depends on your understanding of the demands, desires and needs of potential customers. It is important to determine the characteristics and the needs of your customers. You need to know if they have any special requirements and what they expect of your product or service.

Competitors

In order to be successful, you must provide greater customer value and satisfaction than your competitors do. Your products should have a competitive advantage. You have to provide an equally good or better quality product than your competitors. An important aspect in carrying out market research is to determine the market size, i.e., the number of products or services that could be sold by the business. The qualities required by customers should also be considered. To investigate these aspects of market research requires a thorough analysis of competitors' products.

Appropriate Price

This must be considered very carefully. Prices should not only be fair, customers should also perceive your prices as fair, or else they won't buy. When pricing a new product, three objectives need to be satisfied. These are as follows:

- Getting the product accepted by customers
- Keeping your market share as competition grows
- Making a profit

Price surveys are crucial. Prices can only be determined by interviewing potential customers and looking at the prices of competitors in an area.

Location

The right or wrong location may influence the success or failure of your business. It is important to know where your potential customers are located and how far they are from your business. You need to decide how to get your product or service to your customers. The place where the buyer goes for the product is vital to a marketing plan. Being close to complementary or competitive businesses is a requirement for a good location.

Costs and Regulations

These are the legal requirements (laws and rules) you have to adhere to, such as licensing, tax regulations and the Workmen's Compensation Act.



Reflection

Why are firms prepared to spend so much on market research? To what specific purposes can results of such research be put? Discuss this with a friend.

The results of market research can have a great impact on decisions made in all areas of the marketing process and in operating a business. Initial planning requires an investigation of the market, consumer needs and competitors. Such an investigation or research will allow you to assess how your product or service will fit into the larger market and how the product will compete with similar products.



How to do Market Research for SMEs

Market research does not have to be complicated and expensive. There are some cheap ways to collect information that is easily accessible to small business owners.

Let's look at some of these methods:

× **Employees**

Employees are one of the best sources of information about customers' likes and dislikes and can give a good profile of customers and their requests.

× **Customers:**

You should know who will be your target market before you start your business. Market research enables the entrepreneur to determine the most promising and profitable market segments.

The following questions will be answered as a result of market research:

- What products and services will be offered?
- What customers will be served?
- What is your expected market share?
- What are the requirements of the market regarding quantities, qualities and prices?

Talking to your customers and collecting their comments and suggestions is an effective form of research that creates customer confidence.

× **Competition**

Monitoring competition can be a valuable source of information as it can provide important facts about customer demand.

As an entrepreneur, you need to identify and analyse your competition. Market research that does not consider competition is useless. The competition analysis should focus on the following:

- The quality of their goods and services
- Prices compared to yours
- Service to customers — is it prompt and excellent?

× **Company records and files**

Looking at company records and files can be very informative. For example, sales and procurement records will give you an idea of what goods customers normally buy, where customers live, etc. Previous research done by other

businesses and records of customer complaints can also contain valuable information.

How to Gather Market Information

Sampling

When you conduct market research, you need to get an idea of what your customers think of your product or service. Because it is impossible to get everyone's opinion, you need to select a sample from your customers whom you will ask questions.

A sample is a representation of a group of people about whom you wish to gather information.

How will you go about collecting information from your sample? This can be done either through primary or through secondary research.

If you decide to make use of primary information , it can be in the form of:	Secondary information can be obtained from:
<ul style="list-style-type: none"> • questionnaires • interviews • trade fairs 	<ul style="list-style-type: none"> • the Internet • trade associations • government agencies e.g., census statistics

How to Draw Up a Questionnaire

When you design a questionnaire, give careful attention to the type of questions you want to ask, the words that you will use and the order in which you will ask the questions. The questions must be simple and easy to understand and be relevant to the study.

When you structure your questionnaire, you must do it in such a way that the first question is interesting and encourages respondents to answer. The difficult ones should be asked towards the end of the questionnaire. Carefully consider the order of your questions and select the words in each question so that the meaning is simple and clear. The questionnaire is the basic instrument, which will guide you, and should be developed carefully.

The following are possible questions that can be used in your questionnaire or interview:

Target market

- Are my customers male or female?
- In what age bracket will they be?



- Roughly, how much income would they earn?
- What are their interests or hobbies?
- Other than schools, will there be other businesses too that will buy the product I offer?
- Where are they located?
- How much or how often do they buy?
- Who will be in charge of purchasing my product?

Matching Products and Services to Customer Wants

- What special features do customers look for in my product (sizes, colours, etc.)?
- How often will they buy the product I intend to offer?
- Why do they want to buy from me rather than from my competitors?

Competition

- How many businesses manufacture the same product as me?
- Are they able to sell to all customers?
- What attracts customers to them?
- What strengths do these firms have?

Choosing the Right Price

- Can my target customers afford to buy my product?
- How high are the prices of the product I intend to provide?


Choosing the Right Promotion Strategies

- What kind of promotion will I use?
- What kind of promotion do my competitors use?
- What will I emphasise in order to encourage my customers to buy from me?

Trends in the Market Place

- Does my product fit into the current lifestyle of my target market?

Let's look at the following example of a questionnaire.



J&R PHOTO STUDIO

Photographing & Printing Centre

Market Research Questionnaire

J&R Studio is a Photo and Printing enterprise and is a recently established SME business in Karibib. The business has opened a one-stop instant Photographing and Printing Centre.

Our main aim is to be a mobile instant Photographing and Printing Centre. We would like to extend a helping hand to our schools by offering an affordable service to them. Kindly complete the questionnaire by answering the questions below.

1. How many learners are there at your school? _____
2. How many learners are there in:

Grades 1 _____	2 _____	3 _____	4 _____
Grades 5 _____	6 _____	7 _____	8 _____
Grades 9 _____	10 _____	11 _____	12 _____
3. Does your school use other photographers to take photos every year?
 Yes ___ No ___
4. More or less how many learners buy school photos each year? _____
5. Does your school use cumulative record cards for all grades?
 Yes ___ No ___
6. Do all the cumulative record cards have passport photos?
 Yes ___ No ___
7. How many have _____ do not have _____?
8. Are there any annual school fundraising activities at your school, like beauty contests, soccer tournaments, music festival, and when?

a) Beauty contests	_____
b) Sports days	_____
c) Music / Choir festivals	_____
d) Entrepreneurship days	_____
e) Other	_____



Importance of Market Research

As was mentioned already, the aim of market research is to find out who the customers are, what the customers want and where and when they want it. This research can also expose problems in the current product or service, and find areas for expansion of current services or products to fill customer demand.

The market research must be carefully structured and planned in order to obtain the required information within the given time and budget limits.

Market research will enable you to estimate the identified products or services.

- Do the customers want the new product and/or service?
What needs are satisfied by this product and/or service?
- In what quantities will the customers buy?
- What quality goods are required by the customers?
- How much are they willing to pay for the goods?
- Who are your competitors?

Read the following case study and answer the questions, which follow. You might spend 10 minutes to complete this case study.



Case study 3

Peter and his friend, Henry, want to open a small café in Gobabis. They noticed that people are often looking for a peaceful, quiet place where they can enjoy a light meal and just relax. In order to find out whether there is a need for their business they must carry out market research.

1. What type of research can they use to estimate demand for their café?
2. If Peter and Henry decide to use a questionnaire, formulate at least five questions that they can include in the questionnaire.

Remember, the market investigation must be carefully planned in order to get the required information.

Take time some time to answer [Question 2](#) of the assignment to test your understanding of the work done so far.

Data gathered through market research serves no purpose unless you analyse and interpret it. The information in Section 4 will show you how to analyse all the information about customers' wants and needs.

Section 4 Market Research Report

Typical steps in the marketing process are as follows:

- Identifying the informational need
- Searching for secondary data
- Collecting primary data
- Interpreting the data gathered

Once you have conducted the research and gathered enough information through interviews or questionnaires, you must compare the results and make decisions regarding the customers' wants and needs. The data gathered must be transformed into usable information. Without interpretation, large quantities of data are only facts. The methods which can be used to summarise and simplify information for users include tables and charts.

The information gathered should now be used to compile a market research report. The purpose of a market research report is to explain why you have conducted the market research and what important decisions you are now able to make. Your report should address important questions such as the following:

- What was the aim of the research?
- Why is it important to find answers to your questionnaire?
- How did you conduct your survey/research?
- What are your findings?
- What do these findings tell you about your prospective business?

The following report is based on responses made by a few customers and shows you how to approach writing a market research report.

MARKET RESEARCH REPORT: J&R PHOTO STUDIO

John, the owner of the Photo Studio, visited ten schools in Karibib and Usakos as well as the surrounding areas. He interviewed the principals and the Life Skills teachers at the different schools and distributed a few questionnaires to learners at each school.

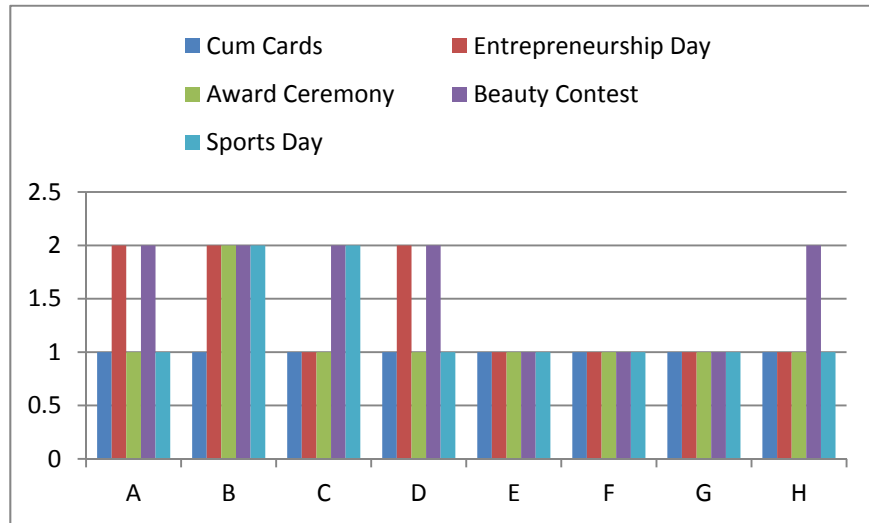


The table below shows the results from the schools.

Schools interested	Cum Cards	Entrepreneurship Day	Award Ceremony	Beauty Contest	Sports Day
A	Y	N	Y	N	Y
B	Y	N	N	N	N
C	Y	Y	Y	N	N
D	Y	N	Y	N	Y
E	Y	Y	Y	Y	Y
F	Y	Y	Y	Y	Y
G	Y	Y	Y	Y	Y
H	Y	Y	Y	N	Y
I	-	-	-	-	-
J	-	-	-	-	-

Interpretation of scores:
(Y=1; N=2)

John drew up a bar chart to summarise the information in order to get a better idea of the schools that were interested. A bar chart is a useful tool for the entrepreneur.



(Y=1; N=2)

Eight of the ten schools indicated that they take school photos every year and that they used the services of photographers coming from Windhoek. It was quite expensive since the photographers included their transport costs in the price of the photos. Some of the photographers provided poor quality photos for which the

schools had to pay. Four of the schools are secondary schools and the other six are primary schools. In total, these schools have approximately 4500 learners.

All the schools have cumulative cards, but only three indicated that they have passport photos of the learners. The majority of the schools also indicated that they host a number of events every year. However, due to the high cost of photographers, they cannot afford to hire them and thus do not have records of these events or of other special moments and/or highlights on the school calendar.

The data gathered through the personal interviews and questionnaires clearly indicate that there is a need for a photographer in Karibib. It is also possible to determine the price per photo/group photo/event. J&R Photo Studio will be able to meet the needs of the schools by providing high quality photos and excellent service at an affordable price.

The market research report will be used when you draw up your business plan. The next step will be to analyse the findings of your survey and writing your market research report in order to turn the facts into reality.

The next activity will require you to make pre-planning before you approach the five different institutions. You should spend:

- 20 minutes to write your interview guidelines (make copies etc);
- 45 minutes for each organisation; and
- 45 minutes to analyse and compare the data collected.

So in total, you will spend 3 hours on the next activity.



Practical Activity 4

Conduct a survey with at least five institutions (schools, churches, etc.) in your area. After you have conducted your survey, analyse and compare the results of your findings and write a short report on it.

We have come to the end of Section 4 and of the unit. I hope you've enjoyed conducting the surveys. I also hope that you have gained valuable knowledge and experience that will enable you to become an expert in conducting market research.

Take some time and answer [Question 3](#) of the assignment to test your understanding of the work done so far.

You should now have a clear understanding of market research and why it is important to do market research. Let's summarise what we have discussed in the unit.



Unit summary



Summary


In this unit you learned the following:

- You cannot start a business without an idea. Ideas are embedded in our experiential environment and as we become aware of their existence, we identify ideas suitable for business opportunities.
- It is important to draw a distinction between an idea and a viable business opportunity. We pointed out that experience, awareness, observation and recognition all contribute to identifying ideas.
- An environment is classified under three categories, namely the immediate, market and macro-environments. In each of the environments, a variety of sources for ideas can be found.
- Ideas develop into opportunities through the creativity of the entrepreneur.
- The small business sector plays an important role in the Namibian economy and will play an even bigger role in future.
- Market research is very important in setting up a business.
- The information in a market research report will be used when compiling a business plan.

I hope that you have found the unit interesting and that you will be able to decide on which career path you want to pursue once you have finished school. Make sure that you answer the questions in the assignment to test your understanding of market research.

Assignment

This assignment should take you one hour to complete.

 Assignment	<ol style="list-style-type: none"> 1. Think of a missing but necessary service in your community that you can provide. Give reasons for your choice and state the challenges that you can expect to meet and how you will overcome them. Return to course 2. Complete the questionnaire to determine your level of creativity. You can access the questionnaire by clicking on the link under your resources. 3. <i>Development of a questionnaire for primary market research</i> One of the local schools in your area plans to celebrate its 21st birthday. You have identified a business idea to manufacture T-shirts with a logo and badge on it and to sell it to the school. This can be an on-going business as there are lots of other schools, as well as churches in that area. However, despite this information, you need to know whether this idea will be viable and in which direction you will be taking your business. So, what is needed to get answers to these questions? Market research, of course! <p>Required</p> <ol style="list-style-type: none"> a) Define the term market research. b) Why do you think it will be necessary to conduct market research before starting with your business? c) Describe the methods of market research. d) Develop a questionnaire that you will use to interview potential customers in order to conduct market research. <p style="text-align: right;">Return to course</p>
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I hope you've done well in all the activities. The following is feedback to the case studies and assignment. If your responses are far off track you should revise the relevant parts of this unit.



Feedback



Case Study feedback

Case Study 1

1. The 'Kreepy Krauly' pool-cleaning system was a good opportunity. The idea was anchored in a product that created value for the consumers because it was something that was needed by consumers.
2. It means that there was a gap in the market for the cleaning system.
3. Yes, it satisfied or fulfilled the need that existed for a pool-cleaning system.

Case Study 2

1. They were sitting in a restaurant, waiting to be served and were thinking about service delivery when they realised they had a common interest and talent.
2. Because they enjoyed it, they were committed and dedicated and worked very hard in order to succeed.
3. It provided employment to family members.
It generated an income in order to satisfy their needs and wants.
It increased the standard of living.
They gained social recognition.
They became self-reliant and independent.
They gained skills and knowledge on how to run a business.
4. This business met the needs of neighbours and the community for freshly baked goods.
It reduced unemployment.
It contributed to the GDP of the country.
5. **Strengths:**
These are the things, features and qualities that put the entrepreneur's products at an advantage when compared to those of competitors.
 - Good quality product
 - Affordable price
 - Ability of the product to meet the customers' tastes
 - Ability to attract customers
 -**Weaknesses**
These are the limitations and/or constraints that the business products face in the market.
 - Being new in the market
 - The product being new and unfamiliar to customers
 - Location not easily accessible to customers



Case Study
feedback
continues

Case Study 3

1. Peter and Henry can make use of primary research to determine if there is a demand for their product. They can distribute a questionnaire to the people, because it will give them feedback on whether customers will be interested.
2. They can include the following questions in the questionnaire:
 - (i) How often do you visit restaurants?
 - (ii) What is your favourite restaurant in Gobabis?
 - (iii) What is the most important factor for you in choosing a restaurant?
 - (iv) Would a small, neat café with traditional food appeal to you?
 - If no, why not?
 - If yes, when would you visit it?
 - How much are you willing to pay for
 - Lunch or
 - Dinner?



Assignment
feedback

1. A required or needed service in your community might be the removal of refuse or a reliable transport service.
Challenges that you will face might include: access to start-up capital, the availability of financial institutions, access to markets, whether a lot of customers will be interested in your service, access to human resources (skilled labour) and access to technology.

Ways of overcoming these challenges include: effective training and coaching that will be important in order to make a success of your business, the availability of information on financial sources, effective training and coaching in conducting market research and the writing of business plans and provision of financial guidance by financial institutions.
2. The completed questionnaire should give you an idea of your level of creativity.
3.
 - (a) Market research may be defined as the gathering, processing, reporting and interpreting of marketing information.
 - (b) To find out whether there is a market or need for his T-shirts.
 - (c) Primary research, also known as field research, where first-hand information is gathered from people in your target market.
Secondary research, also known as desk research, where you will use data, which is already available.



Assignment
feedback continues

(d) First of all, what is important is to find out whether there will be a market for your T-shirts. For example you will need to find out whether the school will be interested in your T-shirts and do some research on your competition, if any. You will also need to determine how much you will charge for your specially designed T-shirts. If there is competition, you'll have to do some comparison pricing to see how theirs are priced. That doesn't mean you have to price yours the same. You must continue to do research on your competitors. Who are they? What kind of designs do they have? What can I do to make my T-shirts stand out? The keyword here is 'unique'. You must find ways to make your T-shirts unique. You will also determine how much stock you will start off with. You plan to interview at least one hundred people (teachers and learners) to get a better idea of the market and its requirements for your planned business idea. You need to develop a survey questionnaire to conduct the interviews, which will guide you when approaching potential customers.

All these questions can be answered by conducting interviews with potential customers (teachers and learners). The research conducted should answer questions such as the following:

Customers:

Identify their:

- × Age
- × Income
- × Occupation
- × Family size
- × Interests and hobbies

Customer wants:

- × Is the product needed for a limited time?
- × How often will the products be required?
- × Do customers want guarantees with the product?
- × Are customers looking for wider distribution or more convenient locations?

Competition:

- × What are the competitors' market shares?
- × How many similar firms exist?
- × What attracts customers to them?
- × What strengths do they advertise?
- × How do their costs compare to yours?
- × What are customers' opinions about your top competitor?

This brings us to the end of Unit 6. I hope you have enjoyed it and that you have acquired the necessary skills to be able to answer any other questions on market research in future. Now that you have done market research and the results indicated that there really is a business opportunity for you to pursue, the next step will be to draw up your business plan. Working through Unit 7 will help you to draw up a business plan.

Resources

Below are additional resources ,which you can use for enrichment.

Internet-based resources

[Context Analysis](#)
[Market Research](#)
[Difference between an idea and an opportunity](#)
[The role of market research](#)
[Swot Analysis](#)
[Creativity techniques](#)

Other files/documents found on CD

You can open and print the following resources for your convenience.

[Questionnaire](#)
[Practical Activities](#)
[Case Studies](#) and [feedback](#)
[Assignment](#) and [feedback](#)
[Target market and market research](#)
[Questionnaire audio file](#)



Unit 7

The Business Plan

Introduction

In Unit 6, we discussed the planning process starting with the prospective entrepreneur doing market research to find out whether his or her business ideas offer a viable business opportunity. In this unit, we will continue with the drawing up of the business plan. You may be wondering why a business plan is such an important document and where the business plan fits into the whole context of planning a business. A *good business plan* ensures that entrepreneurs can establish the business with confidence because the required research and planning have been done.

Are you ready to gather information on how to draw up a business plan?



Time

You can spend approximately 12 hours working through this unit. Don't worry if you spend less time on this unit because the number of hours per unit is flexible. You might spend less time on shorter units and more time on the longer units.



Note it


Take note: Throughout the unit, you will find links to the assignment. Click on the highlighted word (question) to access the links.

Before we move on, please take some time to study the objectives for this unit. On successful completion of this unit, you will be able to:


Outcomes

- *state* the definition of a business plan and list its benefits;
- *explain* the purposes of a business plan and explain why many entrepreneurs do not draw one up;
- *prepare* a business plan that includes all aspects of a business including information on its vision and goals, how it will be started, marketed, financed, and run;
- *develop* guidelines on how to present a business plan to stakeholders such as the management, employees, customers, suppliers investors and financial institutions;
- *explain* the uses of a business plan to the entrepreneur, employees and financiers.

Have you carefully studied the outcomes, and do you have a clear understanding of what will be covered in this unit? Study the following terminologies, which will be used in this unit before you continue this unit.

 Terminology	Business plan	A written document covering all the aspects of a business and explaining in detail how the business will be run
	Logical	To develop things in order
	Venture	A business enterprise involving some risk in expectation of gain
	Execute	To perform or carry out what is required by management
	Conversant	Familiar / Able to converse knowledgeably
	Cash Flow Statement	A statement that shows how cash flows in and out of a business
	Income statement	Compiled to calculate the net income or net loss of a business for a specific financial period
	Mission statement	A concise written description of a firm's philosophy
	Vision	Your future aims, something that you plan to achieve

After studying the objectives and terminology, let's now look at the question we want to answer in this unit which is: What is a business plan and how do you develop one?



Section 1 What Is a Business Plan?

It has been said:

“If you don’t know where you are going, any less will take you there.”



Reflection

Were you ever involved or did you see people planning a wedding?
Was the plan put on paper on what needs to be done?
Have you realised that when the plan is on paper, you tend to forget less?

This statement applies not only to an individual who lacks direction or an objective, but to a business as well.

We often like to skip this part of setting up a business and that is exactly where we make a mistake.

As an entrepreneur, it is important for you to understand the concept of a business plan.

The first formal step in starting a business is the preparation of a business plan. **If we look around us, we will see that many businesses fail just because they failed to plan.** Let’s define the concept first.

Definition

A business plan is a written document covering all aspects of a business, beginning with the objectives of the business and explaining in detail how the business will be run.

The business plan is a road map outlining every aspect of the proposed venture. It describes the what, how, where and why with regard to the new venture and is thus a structured guideline for achieving your objectives.

Where Does The Business Plan Fit Into The Whole Context Of Planning A Business?

The business plan is the first formal planning instrument, because:

- it organises all the information gathered by the entrepreneur with the market research done earlier;
- it helps the entrepreneur to set realistic goals and make logical decisions;
- simply put, it is the business’s pathway to success if an entrepreneur uses it to help him or her manage the business.

A business plan has four basic objectives:

- It identifies the nature and context of the business opportunity. (Why does the opportunity exist?)
- It explains how the entrepreneur will develop this opportunity.
- It identifies the factors that will most likely determine whether the venture will be successful.
- It serves as a tool for raising financial capital

If you are considering starting your own business, the business plan will guide you on what areas you have to address in setting up your enterprise. It further guides you to decide whether you should go ahead with your business idea or not. The question that all of you will ask now is how to draw up a business plan. Let's look at the basic structure of the business plan starting with a brief explanation of its different components.

Basic Components of a Business Plan

It is essential for any entrepreneur to know what basic elements should be included in a business plan, as well as what a good business plan should look like. Fig. 7.1 gives you a schematic illustration of the basic elements that are normally included in a business plan.

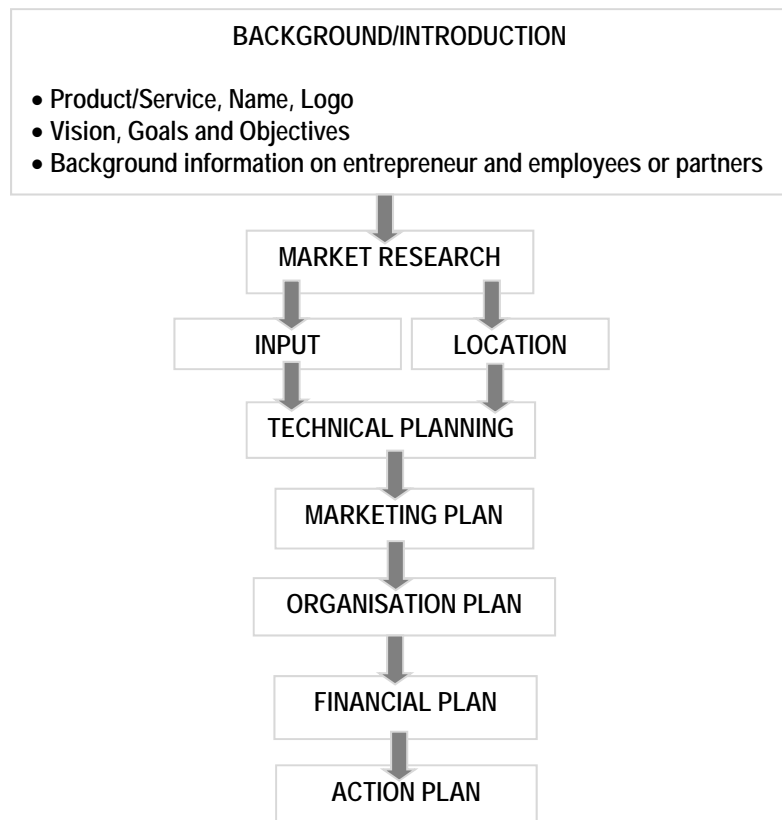




Figure 7.1 Basic elements of a business plan

The exact points that you include in a business plan can vary depending on your needs and specific situation. However, there are a few main sections or components that should always be included. Let's briefly look at the different components of a business plan.

Background/Introduction

This section of your plan involves giving a full description of your business such as the name, type of ownership and detailed description of the qualities and/or skills that the entrepreneur possesses. This section also includes your vision statement, mission, goals and objectives.

Market

Market research is the process of finding out if there is a market for a specific product or service.

Input materials

After conducting the market research, you will know what your customers want. You then have to find out what input materials you need for the business, where to get them and what they cost.

Location

There are a number of factors that will influence your choice of a location for a business. To find a location is not easy and you have to consider the following:

- Is it close to the market?
- Are the input materials close by?
- Are there skilled workers in that vicinity?
- Are there services like electricity available?

Technical Planning

This part of a business plan must determine the business' requirements with regard to equipment, land and buildings and infrastructure. That means the owner must put down in writing what is needed for the specific business, e.g., a saw, a sewing machine, etc. A detailed list of all equipment with their specifications as well as offers from suppliers must accompany the business plan.

Is there a building available? Does it have running water and electricity? Are there facilities for waste disposal? These are also questions that need to be tackled in this part of the business plan.

Marketing

Your marketing plan provides a description of your target market and your marketing mix. In this part of the business plan, you have to explain how you are going to use the (four) 4 P's (product, price, place and promotion) to let people know about your product.

Production

This section includes methods that will be followed in manufacturing the product or service. Remember to give thought to quality control standards and methods. Suppliers are important to the success of your business and your relationship with them should be discussed.

Organisation/Management

An organisational plan shows the number of people that will be employed and their responsibilities. Experience has shown that entrepreneurs often need a good management team to manage and grow the business and therefore they need to appoint people who have the necessary skills.

Finances

A financial plan of your business is very important and needs time and attention. You must be realistic in your financial planning and plan to make a profit. Statistics have shown that many new businesses experience serious financial difficulties in the beginning and fail because no financial planning was done.

Action Plan

This involves strategies that will be used to achieve goals and targets. This plan will indicate specific actions to be taken at specific times.

We'll discuss how to draw up a business plan in detail in Section 2. But before we come to actually drawing up the business plan, let's quickly look at factors involved that you should consider.

Factors to Remember When Compiling a Business Plan

A business plan can be in any format that the entrepreneur decides on. It can differ from business to business and from person to person. Whatever the format, the following factors should be considered when presenting a business plan to its users:



- The business plan must look good. Remember, first impressions are lasting impressions!
- It must be concise and comprehensive.
- It must be simple and easy to read and understand, and must be based as far as possible on proven facts.
- It should have all the necessary information.
- The information should be clear, well organised and logically presented

Drawing up a business plan is not a quick and easy process — it takes a lot of time, research and planning. But with a good business plan, you have a much better chance of getting a loan and succeeding in your business.

The business plan should give a thorough and objective analysis of both your personal abilities and the requirements of the business for a particular product or service.

The business plan must be suited to your individual needs and the type of venture you have in mind.



Tip

Questions that should be answered by a business plan:

- What do I want and what am I capable of doing?
- What are the most workable ways of achieving my goals?
- What can I expect and work towards in the future?

Next, let's test your knowledge on the theory done so far. Spend at least an hour to answer [questions 1 – 5](#) of the assignment on your own. Feedback to these questions is given at the end of the unit.

I hope you did well in the activity.

I hope you have gained a general understanding of a business plan including what information should be included in one. Now, work through Section 2 which will further help you learn how to draw up your own business plan.

Section 2 How to Draw Up a Business Plan

Planning is the key to getting things done and making things happen. It is an effective way to bring out the best in yourself, your best thinking, your best interests and your best aims. To have an enjoyable holiday, you start thinking and planning months in advance. Similarly, it is essential to have a well-defined business plan if you are serious about having any chance of success in your business venture.

Two issues are of primary concern in preparing a business plan:

- A. The basic format and effectiveness of the written presentation
- B. The content of the plan

Work through the following example of a business plan before you start creating your own business plan:



<p><i>ADVENTURE TRAVEL STUDIO</i></p> <p>M. John Reeth PO Box 124 KARIBIB Tel: 064-550128 Fax: 064-550478 Cell: 081 134 7860 E-mail: jr@yahoo.com</p> <p>October 2008</p>	<p>Table of Contents: Page</p> <p>1. Introduction:</p> <p> 1.1 Product and/or service plan</p> <p> 1.2 Logo</p> <p> 1.3 Business vision</p> <p> 1.4 Goals and Objectives</p> <p>2. Market research</p> <p>3. Competition</p> <p>4. Marketing plan</p> <p>5. Production Plan</p> <p>6. Organisational plan</p> <p>7. Financial plan</p> <p>8. Action Plan</p> <p style="text-align: center;">i</p>
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<p>Background</p> <p>Product and/or service plan Adventure Travel Agency is a service business that specialises in adventure tourism and travel.</p> <p>Logo Design a logo for your business.</p> <p>Vision Adventure Travel Agency strives to be a business that provides excellent and affordable services to customers.</p> <p>Goals and objectives My goal is to be a profitable business and to grow and survive.</p> <p>Market research My prospective customers are individuals and married couples with children who love adventure and travelling. They are interested in adventure activities such as skiing; mountain biking and 4-wheel drives.</p> <p>My competition Adventure Travel Agency has no competition in Karibib, but at least four immediate competitors in the surrounding area.</p> <p>The difference between my product and the products provided by competitors is that they do not provide the adventure activities. They only provide transport to places where these activities are offered and leave their customers there.</p> <p>Marketing plan My business will focus its efforts on the adventure travel market, especially the leisure travel category. Adventure Travel Agency will offer people the ability to get away and remember how much they loved the challenge and excitement of having fun outdoors. My price will be determined by market standards and will depend on the distance of the place and the type of activities customers are interested in.</p> <p style="text-align: center;">1</p>	<p>In order to advertise my business, I will have a grand opening and will organise several events e.g., a road race, a 5 km fun run and a mountain bike race.</p> <p>Production plan Adventure Travel Agency will sell the benefits of the services it offers and the activities it promotes. It can provide customers with all the arrangements they can think of and many they possibly would not have thought of. One potential location has been identified for office space, which will be in town in the main street, so it will be easily accessible for customers.</p> <p>Organisational plan I will be the chief executive officer and I will be responsible for managing the business. I will have five employees who will be responsible for the following duties: One of them will act as the receptionist who will be responsible for all the bookings and other details. Two will act as drivers of the mini-buses and the other two will be tour guides.</p> <p>Financial plan I need to buy at least two computers and update them with the latest software, as well as two mini-buses. The business will experience slow growth during the first year or two, due to the fact that it is a start-up business and therefore will have new and unknown to customers. The total start-up capital requirement is approximately N\$150,000 and it will be financed through personal investment/savings and a long-term loan secured from First National Bank.</p> <p>Expenses: These will be for rent of the office, office supplies, insurance and telephone.</p> <p>Assets: Primarily cash and computers.</p> <p>Loan: A loan of N\$100,000 has been secured from First National Bank.</p> <p style="text-align: center;">2</p>
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Remember that we said earlier that a business plan could be in any format that the entrepreneur decides on.


You have spent some time doing your homework, gathering information you need to create a business plan. It's now time to roll up your sleeves and get everything down on paper starting with Practical Activity 1. This activity might take you more than an hour depending on whether you are in a group or on your own.

 <p>Practical Activity 1</p>  <p>Tip</p>	<p>In Unit 6, Practical Activity 6.1, you did some market research and then you should have come up with an idea of a business opportunity in Practical Activity 6.2.</p> <p>Now, you are going to use this business opportunity that you have identified to work through this section where we will continue with the actual drawing up of the plan. You can do this on your own or you can do it in a group working together, coming up with only one business plan.</p> <p><i>Make use of the following components as discussed in the next part to draw up your business plan.</i></p>
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Introduction: Although this is the first section in the business plan you will draw it up last.

Here you provide:

- a full description of your business;
- a brief description of the product or service you want to sell or produce;
- a brief description of the type of business you want run;
- the reasons why your business will be successful; and
- anything that makes your business special and different from other businesses, as well as your goals and objectives.

 <p>Tip</p>	<p>Remember, the introduction serves as a selling tool, because if you have captured your audience in the introduction they will read on. Otherwise, they will close the document and add your business plan to the pile of other rejected ideas.</p>
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Market research report: This is the function that links customers, clients and the public with the market by way of information. This is information about the size, nature, structure and other characteristics of markets. We did the market research report in Unit 6, Section 3. Here, we have seen that the entrepreneur should always

consider the customers, competitors, appropriate pricing, location of business, as well as the cost and regulations that he or she may incur. Go over it again if you are not sure about how to compile it.


Marketing plan: This section is a crucial part of the business plan and financial institutions look at it very carefully. Your marketing plan should include a description of your target market and the percentage of the target market you will succeed in getting. A marketing plan tells you what to sell and how to market your products to customers.

In the marketing plan, you have to describe how you will convince your customers to buy from you and not from your competitors. The marketing plan is an analysis of the possible position and opportunities of the business that is planned in the present market situation.

Here you must describe:


Product and service: Give a brief description of the product or service that you want to sell to your target market.

Price: Give a brief description on what price you will charge and how you will calculate the price for your products.

 Tip	<p>Keep in mind that the price must be right if you want customers to buy your products. Also remember to keep the prices of your competitors in mind when you set your price. Low prices are not a good marketing tool. Many customers believe that lower prices mean that the quality is lower.</p>
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Place: Where will your business be located? It includes the entire process of moving the product from the factory to the end user. Consider how you will get to your customers. You may choose to take your goods or services to them or you can choose that your customers come to you.

Promotion: This means to inform and persuade customers to buy your products or services. Promotion may be done in two ways: advertising and sales promotion. These activities help you to inform prospective customers and make them aware of and interested in your goods and services.

 Reflection	<p>Think about the most common advertising media that we have. What will you do to convince customers to buy more of your goods and services? Remember, there are different ways in which you can do this, such as displaying the goods in an attractive way, distributing pamphlets, having a clean shop, etc.</p>
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Marketing plan summary: Based on the findings from the market research, the entrepreneur should now make a summary for the marketing plan.

		Period (e.g., week or month)		No. of periods in a year	Annually	
		Units	N\$		Units	N\$
1	Based on the market survey findings, what will I be able to sell in a period?					
2	What will my selling price be?					
3	How much will my sales promotion cost?					
4	How will I sell my products?					
5	Where will my business be located?					

Production plan

This section includes the methods that will be used in manufacturing the product or creating the service. A production plan may also be referred to as a work plan.

Here you need to give information on:

- × the operating facilities, i.e., the equipment and the layout of the factory should be described;
- × the production methods;
- × the quality control standards, methods and purchasing procedures; and
- × on your supplier(s) — suppliers can be of utmost importance to the success of your business, especially if there are few sources of supply.

The production plan must be based on the marketing plan. You will need to indicate clearly what your business wants to achieve within a given period. There should be specific targets in the short term that will help the business meet its long-term goals.

The following should be included in the production plan:

- The production goals of the business — clearly indicate what you want to achieve within a given period of time, e.g., you want to produce 10,000 bricks per month.
- Labour costs, e.g., number of workers, how many hours they will work per day, rate of payment.
- Material requirements, e.g., everything that you will need to produce the product like sand, cement.
- Other production requirements, e.g., rent of building.


Tip

Remember, you will only include a production plan if you produce goods.

Organisational plan: How will you organise your activities? Who will be responsible for what? Here you must explain the roles of various individuals in your business and who will be responsible for the different tasks.

Even if you will operate as a sole trader, you need to look at all the activities that go into a business, explain how they will be done and who will be responsible for doing them. The users of the business plan should get an idea of how the business will be run. If no employees are needed, the business plan must show how you will manage all the tasks alone. If some personnel are to be employed, the business plan has to define and justify them by number, tasks, required skills and salary.

Summary of an organisational plan: This includes all the items that your business will require for the purpose of being well organised and managed, in order to be able to produce and market the goods and/or services required by the customers.

ITEM	BASIS	RATE	NO. OF PERIODS IN A YEAR	ANNUAL TOTAL
E.g., Salaries/Wages	Monthly	N\$3 000	12	N\$36 000
Administrative expenses				
Pre-operating expenses, e.g., registration fees, training fees (where you have to acquire technical expertise)				
Office furniture and equipment, e.g., stamps, calculators, tables and chairs.				
Total organisation and management				

Financial plan: At this stage, you need to work out the total financial implications of all the business plan components so that you can arrange for the necessary funds. You must be realistic in your financial planning and plan to make a profit.

The following information should be included in your financial plan:

- Indicate the financing that will be required, what it will be used for, how you intend to get it and what your own contribution will be.
- Indicate the start-up costs.
- Provide a calculation of your break-even point.
- State what will the business expenses be like.
- Provide a detailed income statement for your first year. This should show the monthly income and expenses you expect to have.

- Provide a cash-flow statement that shows how much cash you expect to have available every month.
- List the securities that you can offer to finance lending operations.

Basically, this section of the business plan consists of three financial statements: the Income Statement, the Cash Flow Projection and the Balance Sheet.

INCOME STATEMENT

This will give you an indication of whether your business will be profitable or not. A business makes profit when income exceeds expenses.

Income statement for the year ended on

Current income		12, 000
Less expenses:		7500
Materials		
Water and electricity	5000	
Salaries	500	
Net income	<u>2000</u>	4500

CASH FLOW STATEMENT

This statement will show how cash will flow into and out of the business and will give you an idea whether the identified sources of funds, as well as the sales income will enable your business to be well funded.

	JANUARY	FEBRUARY	MARCH
Bank balance beginning of month	2000	2750	4450
Credit sales	450	450	300
Cash sales	4050	2700	4500
Other income		2750	
TOTAL CASH AVAILABLE	6500	8650	9250
Monthly expenses	750	750	750
Cash purchases	2500	3250	3000
Other payments	500	200	2200
TOTAL CASH PAYMENTS	3750	4200	5950
Bank balance end of month	2750	4450	3300

Action plan: Putting the plans into action is the most important step, because the actions deliver the results you wanted when you started this process.



The main purpose of the action plan is to guide and help you to remain focused on the implementation of the planned business. It is good for yourself and other users of the business plan to include an action plan to show how you want to implement your business. The emphasis is on getting things done following a logical and systematic approach. It often uses specific, measurable and time-phased objectives.

Below is an example of the format of an action plan:

Location	Month 1
Obtain Funding	Month 2
Registration, Purchasing	Month 3

We do not set specific dates when drawing up the action plan, since some activities will only be done, once the previous activity is completed.

As mentioned earlier in the section, the financial plan needs time and attention.

So to make sure that you are following our discussion, take some time and answer [Question 6](#) under assignments. It will take you about 1 hour to complete it. You can compare it with the feedback given at the end of the unit.

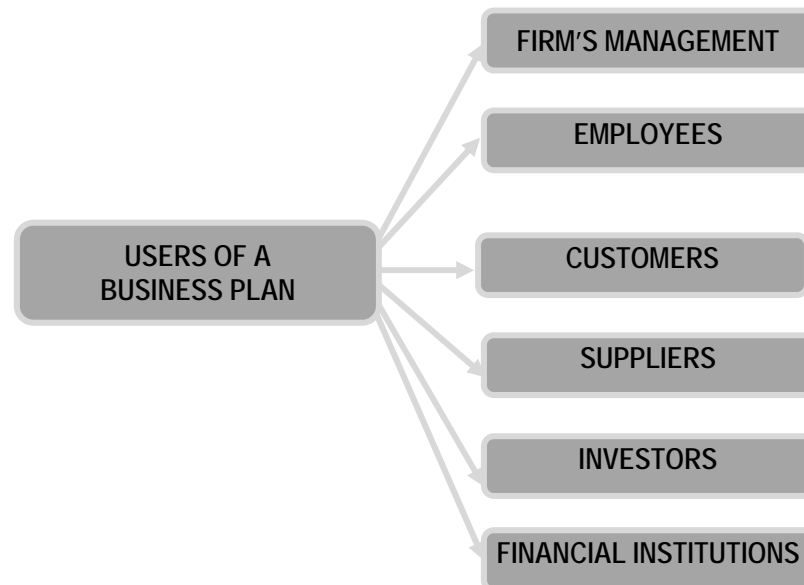
You should have completed your business plan now. How did it go? Don't despair if you did not get it right the first time around. You can work through the information again to help you to complete your plan.

Now that you realise the importance of a business plan and know how to draw up a business plan, let's move on to the next section where we will look at how to present the business plan to different parties.

Section 3 How to Present a Business Plan

Before we give you guidelines on how to present the business plan to interested parties, let's first look at who might be interested in your plan.

The figure below provides an overview on who might be interested in your business plan. There are two groups of users, and both will pay attention to specific matters in the business plan. When drawing up a business plan, you should bear in mind who the readers will be.



In addition to knowing for whom you are preparing a business plan and taking their interests into consideration, you would have to decide how much planning to do before you start preparing the business plan. The planning involves the following:

- You should study and be thoroughly conversant with your business plan.
- You should have a solid knowledge about your market.
- You should know how much is required for financing your business, the source of the required finance, the implication of such financing and how you will meet the commitment.
- You should know your abilities and challenges, and how you plan to use or manage them in the course of implementing your plans.

Preparing a formal, written business plan imposes discipline on the entrepreneur. In order to prepare the marketing plan, financial plan and the operating plan, you should have conducted some research. You are thus forced to exercise self-



discipline, which is a characteristic of all good managers. The business plan can be used internally as well as externally.

Using the Business Plan Internally

A good business plan should be effective in selling ideas to people. In this way, the business plan will provide a structure for communicating your mission to current and prospective employees and can therefore be used as a tool for recruiting key personnel. A business plan helps to motivate and focus the management team when the enterprise grows and becomes more complex. The business plan is your guiding tool in the business, giving you an exact idea of how to operate and conduct your business activities.

The Business Plan and Outsiders

A business plan is an effective selling tool as it can enhance the credibility of the enterprise with customers, suppliers, business partners, lenders and investors.

Business Partners

A business plan is of significant value to your business when you want to obtain certain contracts. Big businesses will insist on information about who you are and what you can offer them in terms of products and services. A well-prepared business plan might clinch the deal for you.

Suppliers

Part of the financing for your business will come from trade credit that is extended by suppliers. A well-drafted business plan may be helpful in gaining a supplier's trust and thus securing favourable credit terms.

Customers



A business plan can improve sales prospects by convincing a potential customer that the new enterprise will provide a quality product or service.

Financial Institutions


Lenders and investors use business plans to gain an idea of the business, of the type of product or service, the nature of the market, the qualifications of the entrepreneur, and the future potential of the business. They require a step-by-step plan of how you intend to make your venture a success and they want to be convinced that you are capable of doing it.

If you are going to use your business plan to raise capital, you should understand the lenders' and investors' perspectives. You should see the world as they see it, that is, you should think as they think. Therefore, you should consider the business plan features that will attract or repel them.

Now take about 30 minutes and answer the following questions to test your understanding of the work.

 <p>Practical Activity 2</p>  <p>Tip</p>	<p>Place yourself in the position of each of the following people and then answer the questions that follow:</p> <ol style="list-style-type: none"> 1. As the credit manager at a commercial bank, who has to read through hundreds of business plans every month, what would you look for in a business plan to the extent that you would want to read through it carefully and consider it for a loan approval? 2. As an investor who would like to invest in a new business venture that would give a good return on your money, what would you expect of the entrepreneur and what would you look for in his or her business plan? 3. As an insider who works for a company and wants to know more about the company's business plan, what would you expect it to look like? <p><i>The credit manager, investor and insider would want to know about the business, that is, the type of business, history of the business, who its owners are and their capabilities and whether it will be profitable. The information should be well structured, the business plan must be easy to read and understand and it must be professional.</i></p>
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After completing this activity, you should realise the importance of the structure of a business plan. This is especially important if you intend to use the business plan to raise funds for your new venture. It should be neat and appealing to anyone who reads it.

 <p>Case study 1</p>	<p><i>Read the case study below and answer the questions that follow. This activity might take you about 1h 30 minutes to complete.</i></p> <p>Why do we need to have a business plan?</p> <p>Elago Nakayale, owner of Safari Tours in Oshakati, believes in the value of a business plan. Before buying his small travel agency in 2007, he wrote a detailed business plan that analysed the strengths, weaknesses, target markets and growth potential of the business.</p> <p>With his years of experience working for other travel agents, Elago could easily have decided that he did not need to write a business plan, but he realised the</p>
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importance of it and chose to write one. He said, “I needed to determine if the objectives of my business plan justified the need for another travel agency in Oshakati. To help me decide if I was doing the right thing, I also examined the list of equipment that the business needed and considered where I wanted to have the agency”.

Elago runs a successful business with ten employees and an office that has expanded into two hundred square metres. Elago says, “A business plan allows you to be proactive and gives you a greater chance of success.” Unfortunately, not many entrepreneurs take the time to draw up a business plan, even though it is such an important document.

1. Identify two main purposes of a business plan.
2. Why do so many entrepreneurs not draw up a business plan?
3. Imagine you were Elago and you are considering opening a travel agency in your town.
 - (i) What are the most important parts that you should include in your complete business plan?
 - (ii) Prepare a business plan for your business.
4. Explain the uses of the business plan to Elago the entrepreneur, his employees and financiers.

I hope you did well in answering the questions. You can compare your answers with mine at the end of the unit.

Let's summarise what we have discussed in the unit.

Unit summary



Summary

In this unit you learned the following:

- The first formal step in starting a business is the preparation of a business plan.
- The business plan is a written presentation that carefully explains the business, its management team, its products and services, its goals, together with strategies for reaching these goals.
- A good business plan ensures that entrepreneurs can establish the business with confidence because the required research and planning have been done.
- There are primarily three reasons why business plans are drawn up: to obtain funding, to serve an inside purpose and to be used as a tool for reducing risks.
- The exact points that you include in a business plan can vary depending on your needs and your specific situation, however, there are a few main sections or components that should always be included. We discussed the key components of the business plan as well as how to present them to interested parties.

I hope you now have a clear understanding of how to draw up your business plan and also of the importance of drawing up the business plan.

Not only is the business plan a very important document, the whole planning process is also of utmost importance to the business. We will discuss this topic in Unit 8.

Make sure you answer the questions in the assignment to test your understanding of the work discussed in this unit.

Assignment

This assignment will take you about two hours to complete.



1. Define a business plan.
2. Name and briefly describe the components to be included when compiling a business plan.
3. Explain two ways a business benefits by preparing a business plan.
4. Describe three types of information contained in a business plan. Explain why a bank manager would regard this information as important.
5. Suggest guidelines on how to present a business plan to its users.

[Return to course](#)

6. Kiki's hairdressing salon is known as TOUCH OF CLASS.
Required: Use the following information to draw up her estimated cash flow statement for the three months April to June. At the end of March, she had a favourable bank balance of N\$800.

Months	Estimated Income from services rendered	Estimated Purchases
March	N\$8000	N\$3000
April	N\$3000	N\$5000
May	N\$5000	N\$2000
June	N\$6500	N\$4000

Other information:

1. Kiki bought a new tumble dryer in March. She paid N\$700 deposit and her monthly payments are N\$250 for the next six months.
2. Her average expenses per month are:

Wages	N\$1000	Rental	N\$1200
Telephone	N\$180	Electricity	N\$250
Water	N\$120		
3. 25% of Kiki's services are on credit. These customers pay 30 days later.
4. In April, she will sell her old hair dryer for N\$800 cash.
5. In May, she will buy a new hair dryer. The deposit will be N\$450 and the monthly payments thereafter will be N\$120 for the next six months.

[Return to course](#)

We have come to the end of this unit. Please do revisions of the work discussed in units 5 to 7 and work through the following assessment activity before you go on to the next unit, which will be about scanning the environment for business opportunities.



Assessment

The assessment should be completed at the end of a theme before you move on to the next unit.



Assessment 2

Entrepreneurship Assessment 2

Is based on work discussed in Unit 5 – 7

Section A

1. List any three factors that can be used to determine the size of a business.
2. List and explain any three components of a business plan.
3. State one other user of a business plan, except for the entrepreneur.
4. State three characteristics of a co-operative.
5. Define the concept: “Business Environment”.

Section B**Question 1**

Read through the following case study and answer the questions that follow:

Mr Asser, after working in Windhoek for a few years, decided to go into business, because he wanted to be his own boss and make more money from the savings he made while still employed. His home town is Ondangwa. He conducted market research in order to find out what most business people were involved in, and found out that they were in bottle-store and cuca-shop businesses. He decided to open a bottle store in Ondangwa. After being in business for several years, he did not make a lot of money as he expected. At times, he had no customers, because there were so many bottle stores in the area.

His sales income is low and his expenses are ever increasing. Mr Asser is getting disappointed with business. All the time, he is thinking about how other people have succeeded in making a lot of money in a business. He is a careful man who does not waste his money, yet the capital he invested in the business is slowly but surely getting depleted. He does not know where the money is going, because he buys less stock than in the past. The shelves in the shop are half empty.

Mr Asser conducted a cost benefit analysis to determine whether he should continue with the business or not. Seeing that things are not going well for him, he is now thinking about closing down the business.



Assessment 2

- (a) Name and describe the type of business that Mr Asser is running.
- (b) Mr Asser is running his business alone. Explain any four (4) disadvantages of running a business as a sole trader.
- (c) If Mr Asser would change his business into a close corporation, what would be the advantages of doing this?
- (d) Outline and briefly explain what Mr Asser should have done as part of his business start-up process.
- (e) Advise Mr Asser on what he should do to turn the business into a success.

Question 2

Use the case study below to answer the questions that follow:

Fresh and Funky.

In early 2004, Mercia (twenty-four years) and Yvonne Samson (twenty-three years) had an idea of starting a fashion boutique for young people. After completing all the business start up processes, they applied for business finance but were unsuccessful on all occasions. Both had jobs, but were committed to making their business dreams a reality. The prospect of being their own bosses and making their own money was too strong. After some months of nail biting sacrifice, they had saved a reasonable amount of money to open their shop in the Maerua Mall shopping complex.

Their business, Fresh and Funky, supplies high fashion clothing and accessories to people aged fifteen to thirty years. “The sort of clothes your mother wouldn’t buy you,” says Mercia, who loves and knows fashion. Most of Fresh and Funky’s stock comes straight from a fashion house in London.

Yvonne, who has a head for business and a Diploma in Business Management, runs the organizational side of things which included registering the business’ name, completing taxation forms, applying for an import license and the shop layout. On her side, Mercia has taste for fashion and you cannot beat her on that. She takes care of that side of their business.



Assessment 2

As young women in business, Yvonne and Mercia sometimes meet some challenges, but this is forgotten when their customers come and are excited by the clothes on offer.

Mercia and Yvonne's business is slowly but steadily growing. They are expanding their range of stock and have started promoting their business wider. In the long run, they wish to expand their shop and maybe open a new outlet in Swakopmund, as well as producing their own garments.

- (a) Yvonne registered their business.
 - (i) Name any two bodies of registration in your country.
 - (ii) Explain two reasons why a business should be registered.
- (b) Explain the importance of a business like Fresh and Funky to the country as a whole, in at least four (4) ways.
- (c) Fresh and Funky is a partnership consisting of Yvonne and Mercia. Explain four disadvantages of running a business as a partnership.
- (d) "Fresh and Funky applied for financial Aid (Bank Loan) but were unsuccessful."
Advise the two ladies on guidelines on how to present a business plan to financiers, in order to be successful the next time.
- (e) Mercia and Yvonne applied for finance by giving the bank a business plan. Write up the following sections of a business plan for them:
 - Introduction
 - Organisational Plan
- (f) Identify two challenges that these two entrepreneurs might face in the business world.

I hope you have done well in all the activities. Following this assessment is feedback to the case studies and assignment. Compare your answers with the feedback. If your responses are far off track, revise the relevant parts of this unit.

Feedback



Assignment

1. A business plan is a document completed by the owner of a business, often when it is formed, to give details of aims, expected activities and income and expenditure forecasts.

2.

Background/Introduction: Gives a full description of your business such as the name and the type of ownership and a detailed description of the qualities and/or skills of the entrepreneur, as well as the vision statement, mission, goals and objectives.

Market Research and Marketing Plan: The market research is a process of finding out if there is a market for a specific product or service. This section will include a market as well as the competitive analysis. Your marketing plan gives a description of your target market and your marketing mix.

Production plan: Describes the methods that will be followed in manufacturing the product or service.

Organisational/Operational plan: This operational plan will give a description of the business's physical location, facilities and equipment, kinds of employees needed, inventory requirements and suppliers.

Financial Plan: Consists of three financial statements; the income statement, the cash flow projection and the balance sheet.

Action Plan: Indicate specific actions to be taken at specific times.


3. It gives managers a direction to follow; helps managers to assess whether the business is on track once it is operating; compares operations with the business plan; and is used by lenders to test the viability of the business opportunity.


4. Any relevant details such as qualifications and experience of owners and/or managers to see if they are well-equipped to run the business; marketing plan to see if the business has planned which market it is aiming for and how it intends to sell the product and/or service; cash flow forecast to see if the owner has thought about the financial needs of the business; location of the business to establish the equipment needed.

5.

- The business plan must look good. Remember, first impressions are lasting impressions!
- It must be concise and comprehensive.
- It must be simple and easy to read and understand, and must be based as

	<p>far as possible on proven facts.</p> <ul style="list-style-type: none"> • It should have all the necessary information. • The information should be clear, well organised and logically presented.
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 Assignment Feedback continues	<p>6</p> <p>Cash flow statement</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%;">April</th> <th style="width: 15%;">May</th> <th style="width: 10%;">June</th> </tr> </thead> <tbody> <tr> <td>Bank balance at beginning of month</td> <td style="text-align: right;">800</td> <td style="text-align: right;">- 1250</td> <td style="text-align: right;">- 3100</td> </tr> <tr> <td>Credit sales</td> <td style="text-align: right;">2000</td> <td style="text-align: right;">750</td> <td style="text-align: right;">1250</td> </tr> <tr> <td>Cash sales</td> <td style="text-align: right;">2250</td> <td style="text-align: right;">3750</td> <td style="text-align: right;">4875</td> </tr> <tr> <td>Other income (hairdryer sold)</td> <td style="text-align: right;">800</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> </tr> <tr> <td>TOTAL CASH AVAILABLE</td> <td style="text-align: right;">5850</td> <td style="text-align: right;">2350</td> <td style="text-align: right;">3025</td> </tr> <tr> <td>Monthly expenses</td> <td style="text-align: right;">3000</td> <td style="text-align: right;">3000</td> <td style="text-align: right;">3000</td> </tr> <tr> <td>Cash purchases</td> <td style="text-align: right;">5000</td> <td style="text-align: right;">2000</td> <td style="text-align: right;">4000</td> </tr> <tr> <td>Other payments (hairdryer bought)</td> <td style="text-align: right;">0</td> <td style="text-align: right;">450</td> <td style="text-align: right;">120</td> </tr> <tr> <td>TOTAL CASH PAYMENTS</td> <td style="text-align: right;">8000</td> <td style="text-align: right;">5450</td> <td style="text-align: right;">7120</td> </tr> <tr> <td>Bank balance end of month</td> <td style="text-align: right;">- 2150</td> <td style="text-align: right;">- 3100</td> <td style="text-align: right;">- 4095</td> </tr> </tbody> </table>		April	May	June	Bank balance at beginning of month	800	- 1250	- 3100	Credit sales	2000	750	1250	Cash sales	2250	3750	4875	Other income (hairdryer sold)	800	0	0	TOTAL CASH AVAILABLE	5850	2350	3025	Monthly expenses	3000	3000	3000	Cash purchases	5000	2000	4000	Other payments (hairdryer bought)	0	450	120	TOTAL CASH PAYMENTS	8000	5450	7120	Bank balance end of month	- 2150	- 3100	- 4095
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 Case Study Feedback	<ol style="list-style-type: none"> 1. A business plan is the vision of a business that identifies the nature and context of the business opportunity. It will help the entrepreneur to rationalise his or her aims and objectives, as well as helping to secure the finance necessary to start up or expand a business. 2. A business plan is sometimes seen as a daunting exercise, because it needs planning and research and takes time to prepare. 3. (i) The market research, to find out whether there was a market for my product and/or service, marketing plan — the four P's, financial, production and action plans, which show how I will put the planning into reality. (ii) Look at the example in the notes to draw up the business plan. 4. Your vision and mission can be communicated to employees and can also be used to recruit employees. It can also be used to obtain financing and to make sure whether the business idea will be viable.
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Resources

Below are additional resources, which you can use for enrichment.

Internet-based resources

[Business Plan](#)

[The basics of a business plan](#)

[Content of a business plan](#)

[Marketing Plan](#)

[Business Plan Samples](#)

Other files and/or documents found on CD

You can open and print the following resources for your convenience.

[Practical Activities](#)

[Case Studies](#) and [feedback](#)

[Assignment](#) and [feedback](#)

[Assessment 2](#)



Unit 8

Management Tasks

Introduction

Labour can do nothing without capital, capital nothing without labour and neither labour nor capital can do anything without the guiding genius of management.

W.L. Mackenzie King

You manage things; you lead people.

Grace Hopper

Now that you are familiar with the overall environment of business, it's time to see how a business is managed and organised inside its walls. While management basically involves getting things done through people, it's also much more. Managers make decisions and allocate scarce resources so that the firm will achieve its objectives efficiently and effectively. Four basic tasks — planning, organising, leading and controlling — are performed by all managers. When they are performed well, the business succeeds; when they are performed poorly, the business will fail. The four management tasks will be discussed in this unit.



Time



Note it

You can spend approximately 12 hours working through this unit. Don't worry if you spend less time on this unit because the number of hours per unit is flexible. You might spend less time on shorter units and more time on the longer units.

Throughout the unit you will find links to the assignment. Click on the highlighted word (question) to access the links.

Before we move on, please take some time to study the objectives for this unit.

On successful completion of this unit, you will be able to:




Outcomes

- *explain* the term business management and *list* the management tasks in a business;
- *define* the concept manager and identify the different qualities and key role of a manager;
- *explain* the importance of planning within the context of its relevance to managers;
- *develop* guidelines for planning in a business taking into consideration the goals of the business, tasks that need to be executed, employees carrying out tasks, deadlines, and review of the plan;
- *create* an action plan for a practical business activity within the context of a given case study/practical activity exercise;
- *develop* a budget as part of the planning process within the context of a given business case study;
- design a checklist for organising a given business activity taking into consideration what tasks need to be done, who will do them, and the deadlines for finishing them;
- *explain* the importance of leadership;
- *identify* and list characteristics of a good leader within the context of well-known persons in your community;
- *explain* the meaning of control and list different methods of control in business;
- *list* steps in the control process and *explain* remedial measures that can be taken to correct problems that occur;
- *develop* and *implement* set standards;
- *explain* the importance of standards as a method of control in a business; and
- *develop* corrective measures to improve set standards.

Hope you have carefully studied the outcomes? The outcomes give you an indication of the basic competencies you need to gain by working through this unit.

Below is a list of key concepts that will be covered in this unit content.

 Terminology	Advertising	Any paid form of non-personal sales or promotion
	Budget	A financial plan for the future, containing numerical or financial targets — how money will be received and spent over a period of time
	Controlling	The management function that involves following up on planned performance by measuring and correcting it when necessary
	Expenses	The cost of doing business
	Income	The money earned from selling goods and services
	Leading	Directing, guiding, supervising and motivating subordinates to perform their duties and responsibilities
	Organising	The management function of dividing tasks among work groups and assigning each group to a manager who has the necessary authority and responsibility
	Planning	The management function that involves selecting and deciding how to achieve future courses of action for the firm as a whole and for each of its subunits
	Quality control	Standards or methods used to ensure that goods conform to a certain quality

Now, work through the following sections, which will help to explain the above concepts and enable you to achieve the basic competencies given in the outcomes specified above.

Section 1 Management

The starting point for this unit is to answer the following standard questions:

What is management?

Who are managers and what do managers do in a business?

What Is Management?


Management is the way of controlling a business to make it grow and achieve a profit. The process of management controls everything that belongs to a business, including buildings, money, equipment, products and everybody who works for the business.

We can define management as the *process of getting things done effectively and efficiently through other people.*

Effectiveness and efficiency deal with what we are doing and how we are doing it.

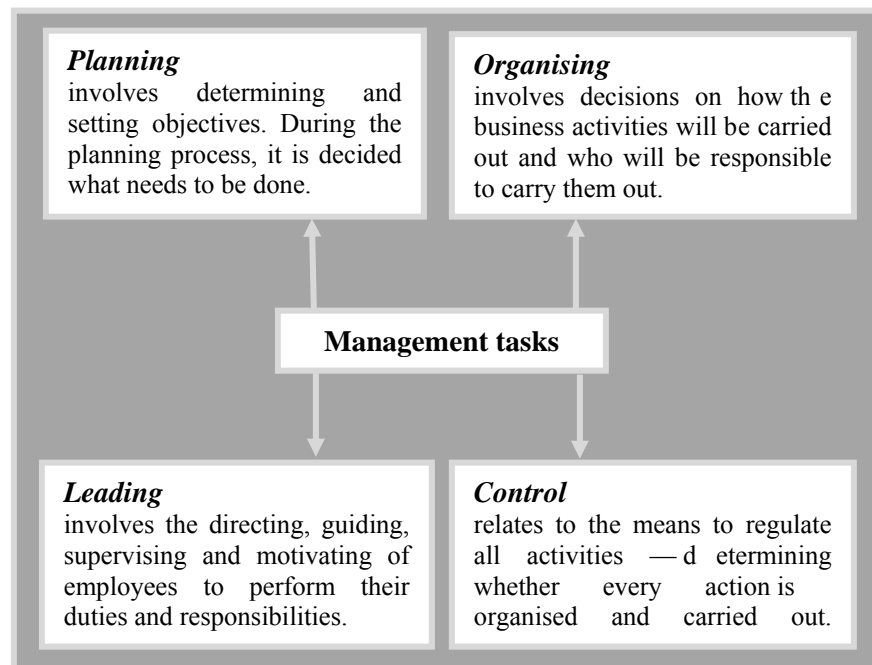
Efficiency means doing a task correctly so that there are minimally wasted resources and refers to the relationship between inputs and outputs.

Effectiveness means doing the right task at the right time. In an organisation, that translates into goal attainment.

 Reflection	<p>Let's take the case of a candle making business. The business is experiencing a problem delivering orders on time. The workers cannot make enough candles to meet the demand for the candles on time. There are three workers, each making ten candles per day. To be able to meet the demand, the workers need to at least double their production per day. The owner decides to appoint a manager to oversee the production.</p> <p>After appointing a manager to manage these workers and the production process, they not only increase their production to twenty candles per day per worker, but also use less material to produce a candle. We can say that by appointing a manager, the owner made the group of individuals, as well as the production process more effective.</p>
--	---

The main goal of a business is to make enough money (maximum profit) to survive and grow. In order to make profit, a business has to set goals, for example to sell a certain number of products per month. Business managers are responsible to achieve these objectives. They do this by carrying out four tasks, which help them in the management of the business.

These tasks are *planning, organising, leading* and *controlling*.





The management process consists of planning, organising, leading and controlling. Managers must be able to perform all four activities simultaneously and realise that each one has an effect on the others. That is, these processes are interrelated and interdependent. We will discuss each of these management tasks in more detail in the following sections of this unit.

Without management, a lot of effort can be wasted. Organisations could not exist without managers carrying out tasks in order to perform certain functions. The job of a manager is to carry out all the organising tasks to ensure that the business grows. Managing is about getting things done.

What Are Managers?

Managers are individuals in an organisation who direct the activities of others.

Managers come from all walks of life. They work to produce a profit or to achieve some social goals. Yet managers do not accomplish these goals by themselves. Goals are achieved through and with the efforts of others.

What Are The Key Roles Of A Manager?

Here are a few general duties that you, as the manager should carry out in your business:

- Carry out the vision of your business.
- Maintain a productive environment. In other words, make sure that work is done. There will be no time for procrastination. If you have people working for you, you must make sure that they are given plenty of opportunity to grow and achieve their own goals.
- Plan and organise activities.
- Clarify goals and objectives to your employees.

To be a successful manager, you have to be able to work in a team, to be a leader, to be able to cope in any situation and also to have the right personality and ability to motivate people.

What makes someone a good manager? There are many theories about what makes a good manager. Although things like: being able to manage a business's finances, problem-solving and negotiation skills are important, it is how you manage people within a team that determines whether you are a good manager or not. Making people feel that you care about them and their careers, takes commitment and hard work.

Well, let's take a look at the qualities of a good manager and then you can decide whether you possess these qualities or not.

Qualities of a Good Manager



- **Listening**

Always listen to what people say and do not take their opinions for granted.

- **Coaching**

People want to know that they are learning something and have grown since they joined the business. Let your employees deal with challenges themselves and do not solve their problems for them.

- **Honesty**

If you are unhappy about something or someone, let your team know how you feel instead of hiding your true feelings.

- **Delivery**

Don't ever make promises you can't keep. Always deliver on your promises.

- **Style**

We are all different and we have different ways of doing things. Respect other people's methods and skills. Do not try to change people so that they can fit into your style of work. This will only make them miserable and unhappy. This will affect their work negatively and will not benefit your business.



Reflection

Do you think you have the qualities to become a good manager to whom employees can look up to and respect?

Remember: Good managers can turn straw into gold. Poor managers can do the opposite. “*If you don’t care much where you want to get to, then it doesn’t matter which way you go*”, the Cheshire cat said in *Alice in Wonderland*.

Take about 30 minutes to Answer [Question 1](#) of the assignment on your own. Feedback to these questions is given at the end of the unit. I hope you did well in the activity.

Since businesses exist to achieve some purpose, someone has to define that purpose and the means for its achievement. A manager is that someone, and as the owner of your business you are responsible for your business.

I hope you have gained a basic understanding of what management in the business entails and what is expected from a good manager. Let’s work now through Section 2 where we will discuss the first two management tasks.

Section 2 Planning and Organising

What Is Meant By Planning?

Planning includes defining an organisation’s goals, establishing an overall strategy for achieving those goals and developing plans to co-ordinate activities.

(Source: <http://www.greensprings.org/sup/restricted/lesson3.htm>)

It is concerned with the ends (what is to be done), as well as with means (how it is to be done). Planning is the main task, because organising, leading and controlling all carry out the decisions made at the planning stage and would have nowhere to go without it. Proper planning, for that matter, is of utmost importance to the success of your business.

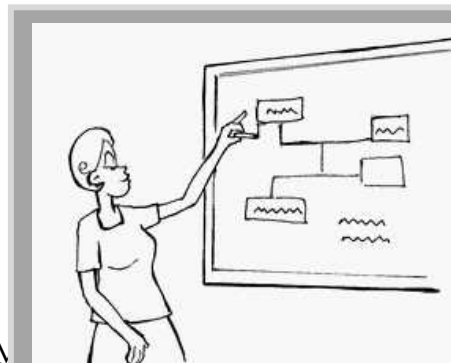
Importance of Planning

Why is it important for managers to plan?

I think you are well aware of the saying, “If you fail to plan, then you plan to fail.” This means that if you don’t want your business to fail, you must plan.

Planning is important at all levels of management. The organising, leading and controlling tasks stem from the planning task and if you are in business, most of your time is spent carrying out these tasks. As a manager you can only start to organise when plans to achieve the goals are in place. Likewise, the leading task, influencing the behaviour of people in an organisation, depends on the goals to be achieved. Finally, in the controlling task, the determination of whether or not goals are being accomplished and standards met is based on the planning task.

- Planning will assist you as the manager of your business to answer questions such as:



- What has to be done?
- Who will do it?
- When and how will it be done?
- How will you know it has been done?

- More popular reasons are that planning.

- ✓ provides direction;
- ✓ reduces the impact of change;
- ✓ minimises waste and redundancy; and
- ✓ sets standards to facilitate control.

- Planning establishes co-ordinated effort and gives direction to managers. If all of the organisation's members understand where the organisation is going and what they must contribute to reach the objectives, they can begin to co-ordinate their activities and co-operation and teamwork are fostered. Planning involves setting aims or targets. There will be a common feeling in the business of having something to work towards.
- On the other hand, a lack of planning can cause various organisational members/employees or units to work against each other. Consequently, the organisation may be prevented from moving efficiently towards its objectives. By forcing managers to look ahead, anticipate change, consider the impact of change and develop appropriate responses, planning reduces uncertainty. It also clarifies the consequences of the actions managers might take in response to change. Planning, then, is precisely what managers need in a chaotic environment.



Planning will enable you to make decisions about what should be done, as well as who will be responsible to carry out certain tasks. A useful planning tool serves as an action plan and will also assist you in meeting deadlines.

Guidelines on How to Draw Up an Action Plan

- Draw up a list of all the tasks that need to be executed.
- Break down the tasks into goals, i.e., short-term, medium-term and long-term goals.
- Choose and appoint people who will be responsible for carrying out different tasks.
- Write down due dates/deadlines for the completion of these tasks.
- Constantly check and consult with the responsible people to ensure that tasks will be completed on time.

Work through the following example, which will give you a clear idea of the planning process.



Reading

Example 1



Two friends, Jim and Mona, come together and after they've done some market research, decide to set up a business called "Jimo's Ice-cream Parlour". They have their first meeting (1st week in September) to decide on what needs to be done, who will be responsible to do which tasks, when to open their business and compile an action plan.

<i>What needs to be done?</i>	<i>Who will do it?</i>	<i>When should it be done?</i>
Finding suitable premises Connecting water and electricity	John	Finalised: 3 rd week in September
Getting quotations from suppliers (ice-cream ingredients)	Mona	2 nd week in September
Acquiring equipment (ice-cream machine, tables, chairs, tablecloths, etc.)	John — provides equipment (ice-cream machine, tables, chairs, cash register, tablecloths, etc.) Gets quotations for a new ice-cream machine	End of month September 2 nd week in September
Recruiting a worker	Mona	End of the month
Transport	Use personal vehicles for transport	During the month
Advertising Designing flyers Making arrangements to distribute flyers to schools and within the neighbourhood Advertisement for local newspaper	Mona	End of the week After two weeks After two weeks
Setting up arrangements	John and Mona	Within a month

2nd meeting

They scheduled a second meeting for the first week in the next month to check and consult with each other to ensure tasks will be completed on time.

Now it's your turn to do some planning by doing the following activity. You can spend about 1 hour on this activity.

 Practical Activity 1	<p>You have been selected as a member of the fundraising committee in your town. In order to raise funds, you are thinking of planning a sports/fun day to which you will invite all the secondary schools, as well as private businesses in your town.</p> <p>Use the planning guidelines to create an action plan a successful sports/fun day.</p> <p><i>Possible tasks can include choosing a suitable date and venue, looking for sponsors, drafting a programme — which sport codes to include, sending out invitations, final arrangements, such as referees, programmes, refreshments, etc.</i></p>
 Tip	

Planning provides goals and standards that drive the controlling task. Planning includes budgeting, because budgets are real plans about the money that the business will receive and the money that the business will have to pay.

Budgeting

Drawing up a budget is part of planning. An annual budget can be described as the master plan for business finances. A budget is implemented over a specific period of time and it sets targets for activities such as overhead expenses (rent, insurance, licences, etc.), stock, production and sales and current income. When you work out your budget, you commit the business to follow a certain course of action, but it also helps you to determine the amount of resources needed to do business.

Operating Budget

This is part of your business plan. In this budget, you will project the expected income and expenses of your business for the next period (month, year). This projection can be based on the income and expense figures of the previous period or, if it is a new business, it will be based on figures calculated in the sales and production budget.

The operating budget is divided into five parts:

- The *sales budget* is used to make a projection on the expected sales based on the potential demand as identified through the market research done.
- The *production budget* is used to make a projection on the expected expenses that you will incur to produce the projected amount of goods for sales. Here you will estimate the cost of raw material, labour, equipment and overhead costs. Remember, the size of your production will also be based on the potential demand as identified through your market research.

- The *operating expense budget* is used to plan the regular business expenses, such as rent, wages, insurance and other expenses that are not directly related to the production of goods or the rendering of services. Some expenses may already be budgeted in the production budget.
- The *budgeted income statement* is a combination of the three above-mentioned budgets. It is drawn up to calculate the estimated profit or loss that the business will make for the financial period (master budget).
- The *cash budget* is used to project the cash you may require for unexpected needs.

Each of these budgets needs to be developed as part of the planning process. [Source: http://www.esight.org/view.cfm?x=1036#section_1]

How Do You Draw Up Your Budget?

- **Set goals**

List your goals and what you want to achieve. Differentiate between short-term goals, medium-term goals and long-term goals. Make sure your goals are realistic, because you need to be able to achieve them.

Work out how much each goal would cost and set an *achieve-by* date for each goal. You will then be able to work out how much you need to save each month to reach these goals. Savings must form a part of your budget.

- **Work out what your income will be**

It is important to work out what your income per month will be. Your income can be generated from selling goods and/or rendering services. You need to know how much money you have available to spend. Your budget may change from month to month. Remember that during some months, unexpected emergencies could cost you more money. That is why savings is so important.

- **Control your monthly expenses**

You must record all your monthly expenses to ensure that you stick to your budget in order to achieve your goals. Once you have planned how much you will spend on something, you have to take care not to exceed the particular amount.

- **Record your daily expenses**

This applies to the money that you spend each day. This money forms part of your monthly expenses. You need to write down absolutely everything that you spend. Keep a record of your day-to-day spending.

- **Don't spend more than your income**



People overspend because they don't budget properly, don't stick to a budget, or don't budget at all. As a result, businesses fail.

Remember: The budget should include all the **income** that your business expects to earn and all the **expenses** that must be paid. This should be planned for at least one year and will give you an idea of how well your business is likely to do. As time passes, the expectations can be compared with how the business actually does. This comparison will show you how your business is performing and whether or not the goals are being met. It will also help you to budget more accurately in future.

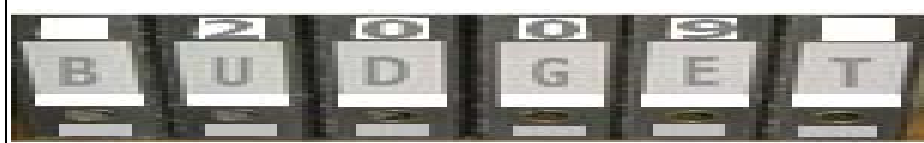
Work through the second example of John and Mona.



Reading 2

Example 2

Jim and Mona had their second meeting and compiled the following budget to guide them through the process of setting up the business.



Category	Amount
RECEIPTS	
Sales	
October (1 400 ice-creams @ N\$7.50 per ice-cream)	10,500
November (2 000 ice-creams @ N\$7.50 per ice-cream)	15,000
December (4 000 ice-creams @ N\$7.50 per ice-cream)	30,000
Total Sales	55,500
Other income	-
Total Income	55,500
PAYMENTS	
Material costs	
October (ingredients to make 1 400 ice-creams)	1500
November (ingredients to make 2 000 ice-creams)	3000
December (ingredients to make 4 000 ice-creams)	6000
Total material costs	10,500
Rent (N\$2 200 per month)	6600
Wages (N\$500 per month)	1500
Equipment (ice-cream machine – N\$1000 per month)	10,000
Water and electricity (N\$1 000 per month)	3000
Total payments	31,600
Projected Profit	23,900

Explanation:

The difference between the total income and expenses shows that the business is projected to make a profit of N\$23,900.

Remember: Creating a budget will not be an overnight task, because it takes time and careful thinking.

Take thirty (30) minutes to answer [Question 2](#) of the assignment in your notebook. I hope you did well in answering the question.

Now answer the case study question below. This activity will take you about 20 minutes to complete.



Case study 1

Develop a business budget for the Fabric Shop

Tangeni is the owner of Fabric Shop, a business selling pillows and duvets to her customers. She started the business with a sewing machine of N\$4000. She expects to sell 540 pillows and 300 duvets for the year. The selling price for pillows is N\$50 and for duvets N\$100 and it will remain unchanged for the year. The cost price per pillow is N\$35 and per duvet N\$80.

Tangeni started the business at the beginning of the year. She got a loan of N\$10,000 from the bank and her monthly instalment is N\$550 for 24 months.

Required:

Draw up the Budget for the Fabric Shop

Once planning has been done on how to achieve the organisation's objectives, the next step is to figure out how to get them done. This step is organising.

What Is Meant By Organising?

Reflection




What do you think of the above situation? I bet your first impression is that these people are unorganised.

Organising refers to the process of identifying and organising the resources required to carry out the planned activities, to enable the business to reach its goals.

The aim of organising is to put the plans into practice, i.e., to achieve what has been planned.

During the organising process, management has to decide how the activities are to be done and who will carry them out. This normally involves the division of tasks among workers. It also involves the structuring of all parts of a business into an efficient system, to ensure that the business is running successfully.



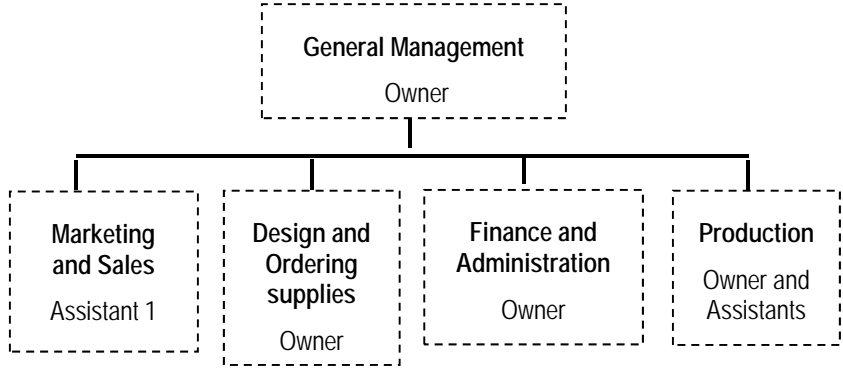
Reading 3

Let's take an example of a small business making greeting cards.

The owner as the manager will be responsible for the overall fluent operation of business activities. She has two assistants helping her in the business.

Designing products and ordering raw materials — *Assistant 1*
 Marketing products and handling sales — *Assistant 2*
 Finance and Administration — *The owner*
 Production: *Both the owner and the assistants*

The organisational structure is as follows



```


            graph TD
            GM[General Management  
Owner] --- MS[Marketing and Sales  
Assistant 1]
            GM --- DOS[Design and Ordering supplies  
Owner]
            GM --- FA[Finance and Administration  
Owner]
            GM --- P[Production  
Owner and Assistants]
            
```

In order to ensure efficiency in organising activities it is necessary to make use of a checklist. A checklist is a schedule of all the things you and others must do or need to remember, in order to achieve what is planned. Checklists can be used most effectively if you include a fixed deadline for a task to be completed and if you update and check it on a daily basis, to ensure that tasks are being carried out.

THE CHECKLIST

Deadline	Tasks/Duties	Person responsible	Complete/ Not Complete	Comments

Studying also requires organising your time. Spend 60 minutes on the following activity.

 Group Activity 1	<p>Let's say you are a wedding planner and have been hired by three couples to plan and organise their wedding days. Your task (together with your workers) is to organise these wedding days.</p> <p>Use the example of the checklist above to design a checklist and decide how you will go about organising these days, in order to ensure a smooth and unforgettable wedding day for these couples.</p> <p>Indicate different responsibilities or tasks to be carried out, who will be responsible for each task and the due date for each task.</p>
--	--

I hope you did well in the activity. Let's continue with the last two management tasks.

Section 3 Leading and Control

All great leaders possess two things: They know where they are going, and they are able to persuade others to follow. - **Robert Greenleaf**

A leader is one who sees more than others see, who sees further than others see, and who sees before others do. - **Leroy Eims**

What Is Meant By Leading?

How would you define the word leading? Do you think you are a leader? What makes you one?



Leading involves the issuing of instructions and guiding the employees about procedures and methods.



Reflection

As the manager of your business, how will you ensure that plans are being implemented without directing your employees?

Leadership is an important part of being a successful manager. Employees will want to follow a good leader and will respond positively to his or her directions. A poor leader will fail to win over staff and will have problems with organising and communicating effectively.

Leading includes directing, guiding, supervising and motivating employees to perform their duties and responsibilities in a way that will achieve the business' objectives.

What Is A Leader?

A leader is someone who guides others to reach a common goal. It is a person who is dedicated and committed to work together with a group of people towards the same mission.

Examples of great leaders are our former president, Dr Sam Nujoma, and the former president of South Africa, Mr. Nelson Mandela. These two men are excellent examples of political leaders succeeding in bringing peace and stability to Namibia and South Africa.



Can you think of people whom you regard as leaders? Give reasons for your answer.



The success of any organisation depends on the quality of its leaders. The effectiveness of your work will never rise above your ability to lead and influence others. So your leadership skills determine the level of your success and the success of those who work for and/or with you. The performance of any business is in directly proportionate to the quality of its leadership. It is not the only ingredient of success, but is certainly an important one.

Characteristics of Leaders

What makes a good leader?

There are different views with regard to this. Some people argue that leaders are born with natural qualities to influence people. Others say that leaders can be trained to adopt key attributes of good leadership. The characteristics of leaders can be summarised as follows:

Leaders:

- have the desire to succeed — and have natural self-confidence that they will succeed;
- are able to think beyond the obvious — to be creative and to encourage others to do the same;
- are multi-talented — in order to understand discussions about a wide range of issues affecting their business;
- have incisive minds — to enable the key point of issues to be identified, rather than unnecessary details;
- are assertive — so that people do as they ask, that means they are confident and persuasive;
- are able to do the job themselves — so that they can demonstrate and help where necessary;
- regularly check that the work is being done — according to the standard they require;
- praise or guide the members of their team;
- know what their team must do;
- are focused and have a vision; and
- set a good example to the rest of the team members.

Good leadership qualities can assist you with teamwork, as well as with human relationships. It will also teach you more about yourself and will equip you for a better life.

Spend about 30 minutes on the following activity before you continue with the rest of the section.



Group Activity 2

Work in groups of two. Identify at least two people whom you regard as good leaders within your community. Motivate your answer using the different characteristics you think make of these people good leaders.

I hope you did well in the activity. Let's continue with the importance of leadership within an organisation.

Importance of Leadership

An organisation consists of humans, resources, and goals to be pursued. Organisations do not attain their goals or objectives by themselves. In order to be successful and to ensure that these goals and objectives are achieved, there must be a leader who needs to create an atmosphere of co-operation and teamwork among all employees. The face-to-face contact with your employees facilitates their understanding of your stand on integrity, customer service and other important issues. By creating an environment that encourages personal interaction, the leader of a business can get the best from his or her employees.



Reading 4

Read through the following scenario and determine whether you regard this manager as a leader.

During a sales meeting the sales manager is very upset with the sales figures of his team. "I've had enough of poor performances and excuses. If you can't do the job, there are other sales people who would be willing to sell our excellent products that each of you has the privilege to sell." Then pointing to a new member of the sales team who happens to be a retired professional soccer player:

"If a soccer team is not performing, what happens? The players are replaced, right?"

The ex-soccer player replies, "Actually sir, if the whole team is having trouble, they usually fire the coach!" (From: Reader's Digest)

The question that management might ask is whether it is only one or two people in a team who do not perform or whether they experience problems with the whole workforce.



Take thirty (10) minutes to answer [Question 3](#) of the assignment in your notebook. I hope you did well in answering the question.

Now, spend about 20 minutes doing the following practical activity before you continue with the rest of this section.



Practical Activity 2

1. Are you ready to take the lead? Complete the checklist and see whether you are a leader or not.

STATEMENTS	1 No this statement does not describe me	2 This statement does not really describe me	3 This statement describes me sometimes , sometimes not	4 Yes, this statement describes me	5 Yes this statement describes me 100 percent
I like it when people in a group rely on me to come up with new ideas					
When we are working in groups, I pose questions to my group members to find out what they know					
I like to compliment my group members as our group work progresses					
It is easy for me to encourage the members, even if the group struggles with something					
It is more important for me to ensure that the group achieves its goals than to achieve my own goals					
My suggestions and ideas are always used in the group					
It is important for me to work together in unity and harmony					
I like to get excited with the rest of the group when one of them achieves something					
I like to solve conflict between group members					
I like to convince others of my opinions and views					



Practical Activity 2 (continues)



Tip

Total for the Checklist:

10 – 20: You are not motivated to lead a group

21 – 35: You are unsure

36 – 50: You are highly motivated to lead a group

2. Answer the following questions by yourselves

- (a) Think of well-known persons and decide whom of them you regard as a good leader. State why.
 - (b) Decide which leaders in your community you can look up to and which characteristics they possess that make them good leaders.
 - (c) Think of how your community benefits from the characteristics of these leaders.
 - (d) Make a list of the characteristics you think a school prefect must have. Do you think school prefects are chosen on the grounds of their leadership characteristics or do other factors play a role?
- (a) – (c) *Think about people like presidents, reverends/pastors, principals, managers of businesses in their communities, because they are usually the ones people look up to.*
- (d) *Use the characteristics of a good leader as basis to answer this question.*

How did you do in this activity? Answer the following questions in your notebook. It should take you minimum 20 minutes to complete the case study.



Case study 2

Crafting newspapers for life

Sarah Mathole is a woman who believes in taking chances in order to be successful in life. The biggest chance she has taken to date is turning her dream of being a businesswoman into reality in 2006. The young girl who grew up in poverty in the north of the country dreamed of being a trendsetter. She focused all her energy on doing well at school and was determined to make a success of her school career. This has paid off, as today Sarah is running her own business, turning old newspapers into beautiful products. This innovative woman makes bags, baskets, bowls and serving mats using recycled newspapers. "When I started thinking and researching my business idea, all I wanted was to see women having skills to enable them to put food on the table for their families".

As a little girl, Sarah saw members of her family weaving and beading and in order to make a living she also started selling newspapers during holidays. At school, she often saw newspapers lying around, gathering dust. Later, she saw their potential as raw material. This is where she thought of combining the two and the idea was born.



**Case study 2
(continues)**

She began to research the market and when she saw potential she decided to go for it. Sarah says that you must remember that in life nothing is easy. Nobody will do anything for you; it's up to you to start. Work hard and do not give up on your dream. "I had to overcome a number of hurdles and challenges, but since I had a vision I decided not to give up but to face the challenges in order to accomplish my goals in life. One of the challenges was funding, since it is a new art medium, many funders like banks did not have faith in the venture."

The fact that she didn't have any formal qualifications also made it difficult because no one believed that she would be able to run a business. She proved everybody wrong and is now running a successful business and provides employment for six women. She has a very good relationship with them, because everybody in the community is looking up to her. She is also a very good leader. She is planning to recruit and train more women, as she has to produce her products in bulk for exporting.

1. Identify the leadership characteristics that Sarah possessed.
2. Why do you think Sarah decided not to give up even though she had to face so many challenges?
3. Will you regard Sarah as a good leader and why?

I hope you did well in answering the questions. You can compare your answers with mine at the end of the unit. Let's now look at the last management task in Section 4.

Section 4 Controlling

Controlling is related to each of the other management tasks. Controlling builds on planning, organising and leading. It is important for everyone who works for the business to understand and be involved in the planning and controlling processes.

What Does It Mean To Control?

Controlling refers to the constant evaluating and monitoring of the business' activities.

Common questions to answer are whether:

- deadlines are met;
- the product (goods and/or services produced or delivered) meets the required quality standards;
- workers are productive enough; and
- the business is operating within the limits of the planned budget.



Controlling is important in planning and running a business, because it helps you to evaluate and monitor the execution of business activities. It also ensures that the business is moving towards its objectives. Effective control enables the business to identify problems and to take action to correct it in time.

Businesses seldom function perfectly despite good planning. As a result, managers must monitor operations to discover deviations from plans and to ensure that the business is functioning as intended. Managerial activities that check on performance and correct it when necessary are part of the managerial control function; they serve to keep the business on course.

The Control Process

The control process begins with the establishment of standards. This is evidence of the connection between planning and control, for it is through planning and goal setting that control standards are established. In an organisation, there are two main business functions that must be controlled:

- The first has to do with budgeting, which is the cornerstone of financial control.
- The second has to do with ensuring that instructions are carried out.

Control enables you to:

- prevent crises/problems;
- standardise outputs;
- appraise workers' performance;
- update plans; and
- protect the assets of the business.

The process of control requires the manager to identify the key performance indicators of the business, which will show if the business is operating well or poorly. It is therefore important that the control system forms part of the business' management process.

The Nature of Control

You might probably ask yourself the question, what can I do to ensure an effective control system? Well, here are the requirements for effective control:

The Nature of Control

- Set standards of production or service
- Develop ways to check standards
- Set sales targets
- Keep good records
- Compare planned results with results actually achieved

Characteristics of Effective Control

The control process is never finished. Controlling leads to identification of new problems that, in turn, need to be addressed through the establishment of performance standards and the measuring of performance.

Employees often view control negatively, because it sometimes leads to management expecting employees' behaviour to change. No matter how positive the changes may be for the business, employees may still view them negatively. It is therefore important that workers be informed that control is needed for effective management.



Reflection

As manager, what can you do to ensure that your products are of the right quality?

In order for control to be successful, there are certain requirements:

- Timeliness — take control of a problem situation quickly before too much money is lost, either to prevent it or to reduce the damage or loss.



- Effective organisational structure — what a business does influences its structure or organisation. When planning an organisational structure, the need for control must be remembered.
- Strategic placement — strategic times should be identified to do checks since this will be more effective and will save time.
- Cost-effective action — with effective control, problems can be detected early or can be prevented.
- Periodic evaluation of trends — an effective control system can show future trends or movements and enable you to take action before the time.

Steps in the Control Process

The first step in the process is to decide what effective performance means to the business. The manager and the workers should have a clear understanding of the quality standards required and what needs to be achieved.

As the owner and manager of your business, think about the goals of your business and how your workers should perform in order to accomplish these goals.



The following are guidelines on how to compare the performance of your business with the set standards.

Steps in the Control Process

1. Measure current performance in relation to established standards.
2. Inform and analyse problems with the workers.
3. Select remedial action.
4. Re-evaluate performance after a period of time.
5. Continuation or discontinuation of the remedial action.

Steps that can be taken to correct the situation

- Improve communication.
- Increase the motivation of the worker.
- Apply corrective measures.


 <p>Practical Activity 3</p>  <p>Tip</p>	<p>You have drawn up a business plan for your business in Unit 7, Practical Activity 1.</p> <p>Now, you are going to develop standards to be implemented to assist in the control of your business activities. You can do this on your own or you can do it in a group working together, coming up with only one business plan.</p> <p><i>Remember there are two aspects that need control: budgeting, which is the cornerstone of financial control and ensuring that instructions are carried out.</i></p>
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What Are The Methods Of Control?

In a business, planning sets the standard for what is required in certain areas, such as the quality and the quantity of the goods or services produced, how much it costs to produce these goods and services and the health and safety measures of the workers.

Quality control

Quality control is exercised to ensure that goods and services conform to a set

 <p>Reflection</p>	<p>Imagine you go to a shop and buy a Play Station 2-game and a music DVD. When you arrive at home you realise that neither the game nor the DVD works. What are you going to do with it? You will surely take it back and want it to be replaced or you will want your money back. You don't want this to happen in your business where customers return faulty goods regularly, do you?</p>
--	---

standard.

Quantity control

This refers to the number of raw materials needed to produce goods or services. It is important that you control the materials to ensure that workers don't waste materials or run short on raw materials. Everything costs money.



Time

The time it takes to produce a product or service also plays a role, because the longer it takes before completion, the more it will cost your business. For example, you want a qualified worker to produce and complete an item within a certain period of time and not to waste time by idling or to wait for raw materials.

Safety and health

The health and safety of your workers are very important, because their productivity determines the number of goods and services to be produced.

Cost

Cost control is essential in a business, because the profit comes from what it costs (cost price) to produce an item and the price that the customer is willing to pay for it (selling price).

Now, take time to answer the questions in Case Study 3.



Case study 3

Read through the following case study and answer the questions that follow. Spend about 20 minutes on this activity.

Sarah is the owner of a dry cleaner, situated in town. She started her business four years ago and has been able to show returns on capital since she started. Sarah obtained a loan from Bank Windhoek, which she used to buy her equipment. She now decided to expand her business, but must borrow additional money for more equipment. Sarah is facing a big productivity problem. She discovered that her workers are taking long lunch breaks. When she asked her supervisors to correct this practice, one of them said to her: "We could correct it more easily if you did not take two-hour lunches yourself."

1. Explain the importance of the control process in business.
2. Apply the steps of the control process.
3. Explain how Sarah can solve her current problem.

Take thirty (10) minutes to answer [Question 4](#) of the assignment in your notebook. I hope you did well in answering the question.

I hope you did well in answering the questions. You should now have a clear understanding of the four management tasks that the manager needs to do in the business. Let's summarise what we've discussed in this unit.

Unit summary



Summary

In this unit you learned the following:

- Managers are individuals in an organisation who direct the activities of others. To be a successful manager, you have to be able to work in a team; to be a leader, to be able to cope in any situation, and also to have the right personality and ability to motivate people.
- The four management tasks include planning, organising, leading and control. It is important that the efforts of everyone in the business should be integrated and that the management tasks must be tied together.
- It is important that managers do thorough planning in their businesses. Drawing up a budget is part of the planning process. In a business, planning sets the standard for what is required in certain areas, such as the quality and the quantity of the goods or services produced, how much it costs to produce these goods and services and the health and safety measures of the workers.
- The aim of organising is to put the plans into practice, i.e., to achieve what has been planned. Without some kind of organisational structure, operations eventually become chaotic and morale suffers. A duty sheet can be developed based on the responsibilities or duties in an organisation.
- Leading includes directing, guiding, supervising and motivating employees to perform their duties and responsibilities in a way that will achieve the business' objectives.
- Controlling refers to the constant evaluating and monitoring of the business' activities. Effective control enables the business to identify problems and to take action to correct it in time.

Please make sure that you have answered the questions in the assignment before you continue with the next unit.



Assignment

The following questions are based on the content discussed in this unit. You should take about 40 minutes to answer these questions.



Assignment

1. Carefully study each scenario below and discuss the task each manager would do:
 - (a) Maggy, the manager of Oppie Koffie is responsible for all the administrative work, including stocktaking, cashing up and supervising the staff.
 - (b) Wesley, the sales manager of Sunshine Tours, manages twelve sales consultants and is responsible for all bookings and other general management tasks.
 - (c) Jerry works in the financial department of Telecom Namibia's head office and is responsible for controlling the expenditure within the set budgets.
 - (d) Elizabeth is a project manager for Protea Sun Hotels. She organises all the conferences and tour bookings and is full of drive and organisational skills. She communicates effectively with all her clients and plans her activities well in advance.

[Return to course](#)

2. As manager of Jimo's Ice-cream Parlour, you were rather keen to find out whether the business is successful in operating within its planned budget. So you decide to compare the actual figures for October with the budget drawn up.

The business budgeted to sell 1400 ice-creams at a price of N\$7,50 during this month, but managed to sell 600 ice-creams more. The following payments were made during the month:

Ice-cream ingredients	-	N\$ 3000-00
Wages	-	N\$ 750-00
Instalment on machine	-	N\$ 3000-00
Rent	-	N\$ 2200-00
Water and electricity	-	N\$ 535-00

Required: Did the business stay within its budget or is there any reason for concern? Compare the actual figures with the budgeted figures provided in Reading 2, *Example 2*.

[Return to course](#)

3. Explain the importance of leadership within an organisation.
- [Return to course](#)
4. List three any three method of control that can be used in a business to ensure good quality products.

[Return to course](#)



I hope you've done well in all the activities. The following are feedback on the case studies and assignment. If your responses are far off track, you should revise the relevant parts of this unit.

Feedback



Assignment

1.
 1. Maggy — responsible for planning and organising
 2. Wesley — must carry out the following functions: planning, budgeting, communication and organising
 3. Jerry — responsible for planning and budgeting
 4. Elizabeth — responsible for carrying out all management tasks

(Learners must give explanations for their answers)

2.

Category	Budgeted	Actual
RECEIPTS		
Sales		
October	10,500	15,000
Total sales	10,500	15,000
Other income	-	
Total Income	10,500	15,000
PAYMENTS		
Material costs		
October	1500	3000
Total material costs	1500	3000
Rent	2200	2200
Wages	500	750
Equipment	1000	3000
Water and electricity	1000	535
Total payments	6200	9485
<i>Projected Profit</i>	4300	5515

Yes, the business did stay within budget. The budgeted profit was only N\$4300 whilst the actual profit was N\$5515. The business did better than was expected even though the total payments were more than projected. The increase in payments is mainly due to the increase in production, higher material costs, more equipment and higher wages.

3. In order to be successful and to ensure that goals and objectives are achieved, there must be a leader who needs to create an atmosphere of co-operation and teamwork among all employees. The face-to-face contact with

your employees facilitates their understanding of your stand on integrity, customer service and other important issues. By creating an environment that encourages personal interaction, the leader of a business can get the best from his or her employees.

4. Quality control, quantity control, safety and health regulations, cost control and time.



Case Studies

Case Study 1


Budget of Fabric Shop

INCOME	N\$	EXPENSES	N\$
Sale of pillows	27,000	Instalment	550
Sale of duvets	30,000	Cost price of pillows	18,900
		Cost price of duvets	24,000
		Savings	13,550
Total	57,000	Total	57,000

Case Study 2

1.
 - She stayed focused and had a vision.
 - She set an example.
 - She had initiative.
 - She was determined to achieve her goals in life.
2. Because she grew up in poverty, she wanted to make life easier for herself and for other women, and because she had a vision and was working towards that. She was also used to difficult circumstances and always made a plan; that's why even though she struggled; she decided not to give up, but to face these challenges, which later turned into opportunities.
3. She focused all her energies on doing well at school and was determined to make a success of her school career, so she was dedicated and committed. She also used initiative to use old news papers and turn them into something useful — a business idea. Even though she had to overcome a number of hurdles and challenges, she decided not to give up but to face the challenges in order to accomplish her goals in life — she had a vision. She also sets a very good example in her community because everybody is looking up to her. The fact that she has a good relationship with her workers shows that she is able to lead them.



 Case Studies	<p>Case Study 3</p> <ul style="list-style-type: none"> • The process of control requires the manager to identify the key performance indicators of the business, which will show if the business is operating well or poorly. • <ul style="list-style-type: none"> – Measure performance in relation to the standards she has set for her business. – Analyse the problems and inform workers about it. – Apply remedial action to correct the problems. – Re-evaluate workers' performance. – If the problems still exist, continue with the remedial action. • She can try to improve communication and to motivate her workforce, but the most important remedy, which she can apply will be for her to set the example, because her supervisor told her that the problem could be corrected easier if she herself does not take long lunch breaks.
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We have come to the end of this unit. To be able to execute the four management tasks successfully in the business requires effective communication between the manager and all other stakeholders in the business. The topic of discussion in Unit 9 is communication in business.

Resources

Below are additional resources, which you can use for enrichment.

Internet-based resources

[Management Planning and Control](#)
[Tasks of a manager](#)
[Management videos](#)

Other documents found on CD

You can open and print the following resources for your convenience.

[Practical Activities](#)
[Case Studies](#) and [feedback](#)
[Assignment](#) and [feedback](#)

Unit 9

Communication and Report Writing

Introduction

Effective communication is of utmost importance in the business environment. It creates an atmosphere of co-operation and teamwork within the business.

Small and Medium Enterprises (SMEs) comprise a big share of the Namibian business environment. Unfortunately many of these businesses are doomed due to poor relationships mostly caused by poor communication among workers. As an entrepreneur, you will, however, not only communicate with employees but also with outside customers and suppliers. In this unit, we will discuss the importance of effective communication in any business enterprise. We will also briefly look at different mediums of communication that are available to an entrepreneur, as well as discussing different communication skills that are important for effective communication.



Time

You can spend approximately 12 hours to work through this unit. Don't worry if you spend less time on this unit because the number of hours per unit is flexible. You might spend less time on shorter units and more time on the longer units.




Note it

Take note: Throughout the unit, you will find links to the assignment. Click on the highlighted word (question) to access the links.


Before we move on, please take some time to study the objectives for this unit.

On successful completion of this unit, you will be able to:

 Outcomes	<ul style="list-style-type: none"> ▪ <i>state</i> the meaning of communication in general terms; ▪ <i>list</i> different forms and techniques of communication; ▪ <i>Identify</i> different mediums of communication from businesses in your community; ▪ <i>explain</i> the importance of effective communication in business; ▪ <i>identify</i> barriers to effective communication and explain how to overcome these barriers; ▪ <i>explain</i> the meaning of negotiation and outline the different steps in negotiating. ▪ <i>describe and apply</i> listening, assertiveness and negotiation techniques and skills. ▪ <i>complete or design</i> (where applicable) different forms of communication for marketing, purchasing, finance and personnel. ▪ <i>prepare</i> a business report based on information in a business plan and using a prescribed layout.
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I hope you have carefully studied the outcomes? The outcomes give you an indication of the basic competencies you need to gain by working through this unit.

Below is a list of key concepts that will be covered in this unit content.

 Terminology	Advertising	Any paid form of non-personal sales or promotion
	Assertiveness	Being assertive means to raise your opinion in a strong and forceful way. To be confident and convincing
	Communication	The transferring of a message from the sender to the receiver, who understands the message
	Corrective measures	Measures used to correct performance which is not up-to-standard
	Invoice	A proof of purchase
	Listening	It means to listen attentively to what another person says
	Negotiation	Is the process of achieving your goals through give and take
	Order Form	A specially designed form used by businesses to order goods
	Tender document	A document which is issued to businesses which opt to do a certain job

Working through the following sections will help to explain the above-mentioned concepts and enable you to achieve the basic competencies given in the unit outcomes.

Section 1 Communication

In Unit 8, you dealt with Management Tasks such as planning, organising and leading. You might have realised that to fulfil all these tasks, you need to communicate effectively.

What do you think about the communication skills of the lady in the [cartoon](#)?



Having available different mediums of communication but lacking in basic communication skills will not make you a good manager or leader. As entrepreneur and manager of your business, you need to have the skills of speaking, listening, and at times negotiating with employees and customers.

To be able to create an atmosphere of co-operation and teamwork in the workplace requires good communication channels between management and the rest of the workers. A good leader needs to communicate with his employees on a regular basis.

What is Communication?

We all communicate with our families, at school or college, when we go shopping, or when chatting with friends.

Communication is a process of sending and receiving information between people. This process is a two-way process where the sender sends information to the receiver and feedback is required from the receiver.

There are different forms of communication, which can be used in the business.



Verbal communication: The key components of verbal communication are spoken and written language. Verbal communication is either carried out in person or via a medium.

Non-verbal communication: This refers to communication through facial expressions, body language, clothing, etc.

Verbal communication is very important in business because you are dealing with a variety of people throughout the day. Let's look at the communication process as illustrated in [figure 9.1](#) below.

The Communication Process

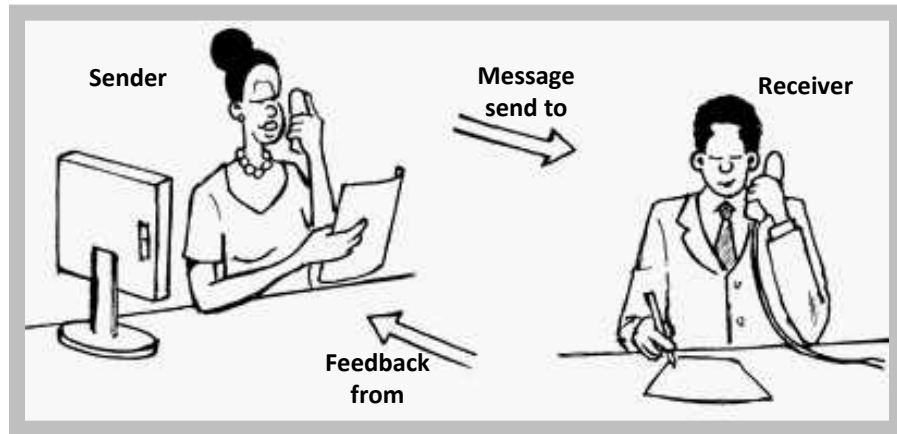
We can describe the communication process as follows:

- **Thinking:** Before you send a message, you will first translate your thoughts or feelings into symbols such as words, sounds, or gestures before they can be shared with another person or group.
- **Encoding** refers to the process of transforming your (the sender's) ideas and/or thoughts into some form of symbol.
- **Transmitting and Receiving:** The symbols are transmitted to an intended receiver through some medium such as speaking, writing or signing.
- **Decoding** refers to the process of retranslating received symbols (message) into an understanding. Even if the correct symbols are received, the message may be retranslated or decoded into different ideas.
- **Feedback** occurs when the receiver responds to the message received (decoded idea) from the sender. Frequently, communication ceases at this point. Yet, for effective communication, the process must be repeated to ensure that the decoded idea corresponds with the one, which has been sent.

Communication can therefore be described as a cycle of events that starts when:

1. a sender has an idea, which
2. is translated, or encoded, into symbols, which are transmitted to someone else, who
3. receives them, and
4. decodes them back into an idea- ideally, the same one that started the cycle. Just to be sure, the process must be completed with
5. feedback.

Fig. 9.1



We've said that communication can be in person or via a medium. Let's look at different mediums of communication that are used in a business.

Mediums of Communication

The entrepreneur and his employees do not only communicate with each other but also with customers as well as business suppliers. We can therefore distinguish between internal and external communications. In the next part, we will look at how a business can make use of different mediums in internal and external communication.

Meetings



This refers to face-to-face contact that can be informal chat amongst colleagues or formal meetings. Meetings are normally scheduled in advance and will take place according to a preset agenda. Minutes will be taken of each meeting, which will be distributed to all the relevant employees afterwards. Meetings are useful for both internal and external communication.



Discussion 1

Discuss for about 10- 15 minutes with neighbours or friends who have jobs, the following statement:



Tip

When do you think an entrepreneur will make use of meetings in external communication?

Telephones



The telephone is one of the most used mediums of communication. It is relatively cheap and easily available to everyone. The telephone can be used for both internal as well as external communication. Changes in technology have led to the availability of not only landline but also mobile telephones. Mobile telephones offer alternative communication options such as texting and email.

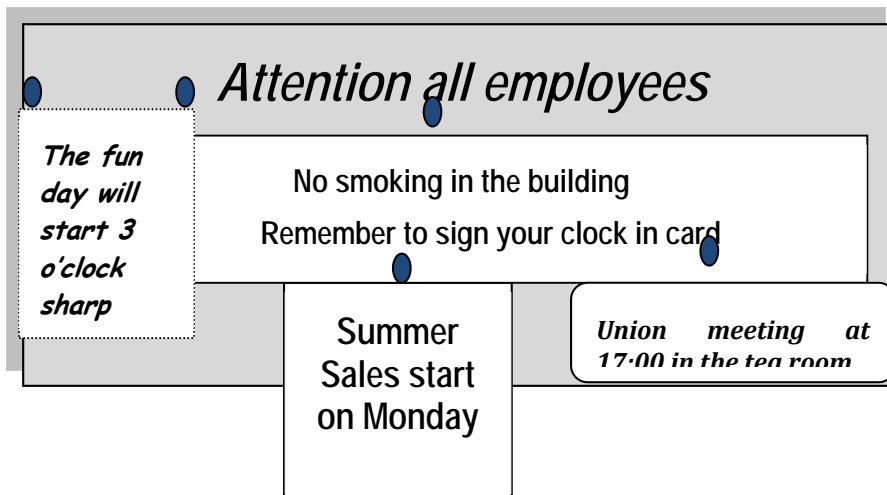
Faxes



Most businesses make use of a fax machine to send documents to and from people. This is a relatively fast and cheap medium. However, it does not guarantee immediate feedback. The fax is normally used in external communication.

Notice boards

Notice boards are used to pin notices to all the employees and sometimes even to place advertisements for customers to see.

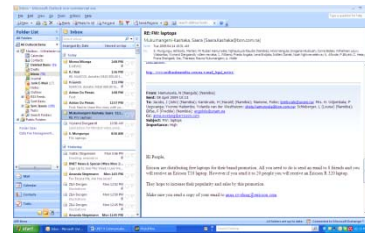


Computers and E-mail



Businesses use computers for a variety of functions such as bookkeeping and preparing written communication mater such as reports, minutes, etc. Many businesses also make use of electronic mail to communicate and transfer information within the business, as well as with outside customers and suppliers.

E-mail is fast and communication can be sent to all staff at the same time. We will discuss the use of ICT in communication in more detail in Unit 12.



Reflection

Can you think of other mediums of communication that are used by businesses?

The following show examples of different written documents that can be used as forms of communication in a business.

Advertisements

Businesses make use of advertisements for several purposes.





Documents

Businesses make use of different types of documents as forms of communication. The following are examples of how documents are used.

The business can ask for a quotation from a supplier.

Quantity	Description	Unit Price N\$	Total Price N\$
600	Millennium paper – brown leaf impression 150 gram	4.00	2400.00
600	Plain white paper 80 gram	1.00	600.00
2	Cartridge – Stylus CX3200 – Black	400.00	800.00
3	Cartridge – Stylus Colour 460	500	1500.00
30	Glue – Selleys Craft glue	45.00	1350.00
25	Special Pens – Lamy Joy Calligraphy Pens	33.00	825.00
25	Special Pens – Pilot Calligraphy pens	33.00	825.00
10	Scissors – Carla Craft Colonial scissors	49.00	490.00
		Subtotal	8790.00
		VAT 17.5%	1538.25
		Total Price	10,328.25

Customer signature
Sales Person

.....

Conditions: Once quotation is accepted and an order is made, no changes in stationery quantity may be made. Please note that when PO is received, we reserve the right to verify the availability quantity of stock. In case the correct quantity of stock is available, delivery can be made within 24 hours. If stock is insufficient, delivery can be made in 72 hours. Cancellation of order will result in 30% penalty on total price, except in cases where required quantity is not available. Quotation must be accepted within 48 hours by signing the quotation and sending it back to us. All accounts must be settled within 30 days.

If the business is satisfied with the goods and the prices quoted, they will place an order by completing a purchases order form.

ABC Events
Passionate about events and their success!
 Reg. 22299001 1

PO Box 11111
 Windhoek
 Namibia
 14 Wanaheda Street

Tel: +26461 444444
 Fax: +26461 444442
 e-mail: abc-events@iway.na

Purchase Order

Order No: 0001110

Order Date: 10 September 2008 Requested Delivery Date: 12 September 2008

Supplier: Exclusive Stationery
PO Box 123
Windhoek
Namibia
Tel: +264 61 2000000
Fax: +264 61 2000001
e-mail: abcco@iway.na

Quantity	Description	Unit Price NS	Total Price NS
600	Millennium paper – brown leaf impression 150 gram	4.00	2,400.00
600	Plain white paper 80 gram	1.00	600.00
2	Cartridge – Stylus CX3200 - Black	400.00	800.00
3	Cartridge – Stylus Colour 460	500	1500.00
30	Glue – Selleys Craft glue	45.00	1350.00
25	Special Pens – Lamy Joy Calligraphy Pens	33.00	825.00
25	Special Pens – Pilot Calligraphy pens	33.00	825.00
10	Scissors – Carla Craft Colonial scissors	49.00	490.00
		Subtotal	8790.00
		VAT 17.5%	1538.25
		Total Price	10,328.25

Customer signature

Delivery Terms: Goods will be examined for order in which they are received before any payment can be done. Should some items not be in good order, replacement will be requested and should be replaced in 2 days before payment can be issued.

When the supplier delivers the goods to the business, they will issue an invoice to the business and at the end of the month, the supplier will send a statement of account to the business.

EXCLUSIVE STATIONERY
 PO Box 123 Windhoek Namibia
 Tel: +264 61 2000000 Fax: +264 61 2000001 e-mail: abcco@iway.na

Company Registration: CO4352211 VAT Number: 987456321 1

INVOICE

Invoice No: 98522

Customer : ABC Events
Purchase Order No: 00011
Date: 12 September 2008
Due date: 13 October 2008 (valid 30 days)

Quantity	Description	Unit Price NS	Total Price NS
600	Millennium paper – brown leaf impression 150 gram	4.00	2400.00
600	Plain white paper 80 gram	1.00	600.00
2	Cartridge – Stylus CX3200 - Black	400.00	800.00
3	Cartridge – Stylus Colour 460	500	1500.00
30	Glue – Selleys Craft glue	45.00	1350.00
25	Special Pens – Lamy Joy Calligraphy Pens	33.00	825.00
25	Special Pens – Pilot Calligraphy pens	33.00	825.00
10	Scissors – Carla Craft Colonial scissors	49.00	490.00
		Subtotal	8790.00
		VAT 17.5%	1538.25
		Total Price	10,328.25

Payment terms
 Payment within 30 days via money transfer only to the following account:
 Exclusive Stationery
 Bank: Standard Bank
 Account No: 222111333
 Code: 4432112
 Branch: Ausspannplatz



Remember these are just some of the documents that are used in business that also serves as a form of communication. Spend at least 30 minutes doing the following activity.



Practical Activity 1

Visit a few small businesses in your neighbourhood and find out from them what mediums of communication they use most and why they choose to use these mediums.

Why is communication then so important in your business?

Importance of Communication

Effective communication is not only the key to being a good manager, it is also the key to a healthy organisation. Almost everything that takes place in a business involves some form of communication. Therefore everyone working in the business needs to communicate effectively so that the goals of the business can be achieved.

- A manager can make good decisions and sound plans and work hard — and still be ineffective. All of these activities will be to no avail, unless the manager communicates effectively.
- To communicate effectively, you must tell your employees where they stand, how the business is doing, and what the business's plans are for the future. As an entrepreneur, you must create an atmosphere of trust and respect as this will greatly contribute to good communication.
- Although effective communication does not guarantee the success of a business, its absence usually assures problems. More specifically, communication influences the day-to-day relations among employees and it also affects the willingness of employees to provide useful and constructive suggestions. Making employees feel part of the business requires effective communication. If you want your workers to give their best or if you want to make successful business deals, you will have to avoid barriers which can cause communication problems.

Barriers to Communication

Look at the [cartoon pictures](#) at the beginning of this unit. Have you ever experienced the following? You are trying to tell someone something, but the person on the receiving end doesn't get the message clearly.

Anything which prevents effective communication is a barrier to communication.

These barriers suggest opportunities for improving communication.

- **Misunderstandings/Unclear Messages** — These can be a barrier to communication because the receiver is left unclear about the intent of the sender. Feedback from the receiver is the best way for a sender to be sure that the message is clear.
- **Stereotyping** — Stereotyping causes us to typify a person, a group, and event on oversimplified conceptions, beliefs, or opinions. Stereotyping can be a barrier to communication when it causes people to act as if they already know the message that comes from the sender. Worse still, they may feel as if no message is necessary because “everybody already knows”.
- **Wrong Channel** — Variations of channels help the receiver understand the nature and importance of a message. In choosing a channel, the sender needs to be sensitive to such things as the complexity of the message, the consequences of a misunderstanding, knowledge, skills and abilities of the receiver.
- **Language** — Words are not reality. Words as the sender understands them are combined with the perceptions of those words by the receiver.
- **Lack of Feedback** — Feedback is the mirror of communication. Feedback mirrors what the sender has sent. Feedback is the process whereby the person receiving the message checks his or her understanding of that message with the sender of the message. Without feedback, communication is one-way.
- **Poor Listening Skills** — Listening is difficult. One important listening skill is to be prepared to listen. Search for meaning in what the person is saying. Providing feedback is the most important active listening skill.
- **Interruptions** — No matter the cause, interruptions are a barrier to communication.
- **Physical distractions** — These are things that get in the way of communication e.g., telephone, noise, etc.?



How to Improve Communication

A communication problem can become a crisis or linger on for years if not dealt with appropriately. It is therefore of utmost importance that you ensure that communication between you and your employees are smooth and without any problems.



Reflection



If you observe problems in your business, what can you do to remove these barriers? Do you think that individual discussions with your workers will improve the situation, or maybe an increase in their wages?

Communication is at the heart of many interpersonal problems in a business. Understanding the communication process and then working at improving it will provide you a recipe for having more effective communication. Knowing the common barriers to communication is the first step to minimizing their impact. When taking stock of how well you are doing as a manager, ask yourself and others how well you are doing as a communicator and how you can improve.

Beyond removal of specific barriers to communication, the following general guidelines may improve communication:

- Have a positive attitude about communication. Defensiveness interferes with communication.
- Work at improving communication skills. It takes knowledge and work.
- Include communication as a skill to be evaluated along with all the other skills in each person's job description.
- Make communication goal-oriented. Relational goals come first and pave the way for other goals. When you and your workers have a good relationship, you are much more likely to accomplish your communication goals.
- Approach communication as a creative process rather than simply part of the chore of working with people.
- Accept the reality of miscommunication. You can work towards effective communication. However, there will be instances where miscommunication will occur. As a manager, you will have to deal with this miscommunication to minimize its negative impacts.

Do you know your communication style? Do the following activity to find out your communication style. It might take approximately 15 - 20 minutes of your time.

 <p>Practical Activity 2</p>  <p>Tip</p>	<p>Complete the attached form to help you evaluate your communication style.</p> <p><u>Evaluate your communication style</u></p> <p><i>Read each statement carefully and only choose one option. Be honest with yourself when choosing the most appropriate option.</i></p>
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Don't despair if your scores are not too good. Here are some guidelines on how you can improve your communication.


Some Practical Guidelines for Improving Communication

- Stress fairness, openness and straight talk.
- Encourage feedback and response from the receiver.
- Listen actively. Listening involves attempting to find and understand the true meaning of the message from the sender's point of view.
- Select words carefully and try to avoid emotionally loaded terms.

A good leader and manager will be able to succeed if applying the following communication techniques.

Communication Skills/Techniques

Effective communication also requires that the entrepreneur as leader and manager possesses and practices the following skills.

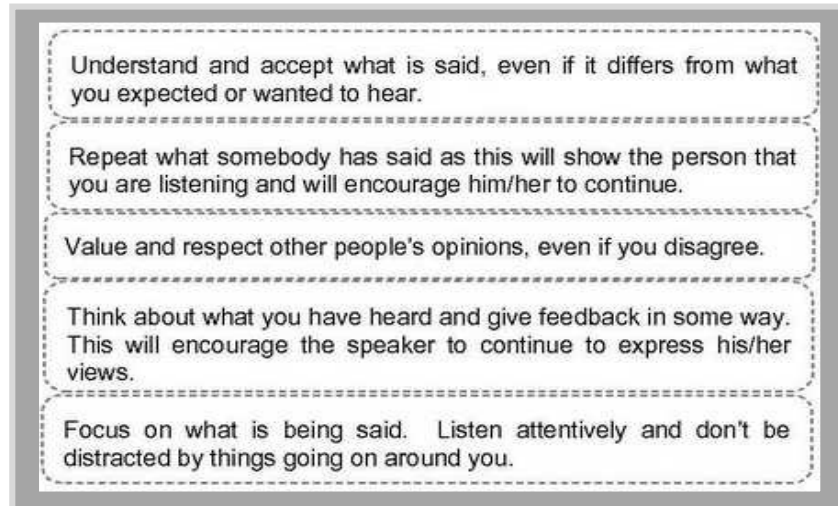
 <p>Reflection</p>	<p>Do you listen carefully when somebody speaks to you or do you only listen to the words being said?</p>
---	---



Listening Skills

It is sometimes difficult to listen to other people because we have preconceived ideas of the person and what he or she is going to say. A manager as leader should always be prepared to listen and search for meaning in what the person is saying.

The following are guidelines on how to become a good listener:



In addition to being a good listener, an entrepreneur should also act assertively.

Reflect on the following.



The teacher said to the class *"If you are not punctual for school, you will stay behind for detention"*.

Do you think that this teacher is firm enough and that the learners will be on time?

Assertiveness

Being assertive means putting forward your ideas in a strong and forceful way. In most situations, which require a decision to be made or an action to be taken, you can either be the persuasive person or you can be persuaded.

- Being assertive does not mean that you must be bossy and tell others what to do. It means knowing what you want and being able to express this clearly without hurting or offending other people.

Nobody should have to submit to another person's domination or aggression. Assertiveness gives a person the freedom to choose how to act.

What you must remember is that entrepreneurs are usually assertive people. You need to persuade people to support your business. You also need to have confidence to recognise when you make mistakes and have the courage to make changes.

Negotiating Skills

One of the skills needed by an entrepreneur is the ability to negotiate. Why? You need this skill to help persuade people to support your business or to overcome objections to your ideas.



Can you remember when last you negotiated something? It may have been negotiating with your parents to sleep over at your friend's place or to go out on Friday evening. Were your negotiations successful? Think about how you approached the discussion.

The process of developing workable solutions through discussions or interactions is termed **negotiation**.

Negotiation is a process through which parties try to reach an agreement through discussion and compromise — a process of achieving your goals through give and take.

As human beings, we will never agree on everything, there will always be disagreements. All of us are negotiators in our daily lives, both inside and outside our family relationships. Conflicting interests, desires and demands require that we reconcile or negotiate the differences in order to reach consensus.

So how are you going to negotiate? Let's look at the following steps:

- Step 1:** Before the negotiation starts, you need to **prepare**.
Decide what you must have and what you're prepared to give up.
- Step 2:** **Listen** to what the other side says and try to find out what they really want.
- Step 3:** When the other side offers to back down a little, you should also **back down on your demands**.
- Step 4:** When you have reached an agreement, **put it in writing** and both parties must sign the agreement so that neither of the parties can



change their minds.

How to become a good negotiator

- Be confident and believe in yourself and the rest will follow.
- Being competent and knowledgeable about your position and the person you are dealing with is the key strategy.
- Start negotiating at the advantage point and then gradually work towards a compromise.
- Be prepared to compromise when negotiating.
- Determine your strategy according to the type of negotiation.
- Always be flexible – it is a sign of strength.
- Try to avoid deadlines because they put you both under pressure.
- If the other person says something which is true, admit it. If you are reasonable and fair it will make it easier for the other person to accept it.

When do you need to use negotiating skills as an entrepreneur?

In business, negotiations will occur on a daily basis. You will negotiate with your supplier about the prices, as well as with your customers, especially when they pay cash. It is important for both parties in the negotiation process to know what they would like to achieve and to feel satisfied with the negotiation process in the end. A foundation for successful negotiating is created by developing strong relationships between the negotiating parties.

Now let's test your understanding of the work discussed so far. Take some time and answer [questions 1 to 4](#) in the assignment.

I hope you did well in the activity.

Section 2

Business Report

A business needs to keep record of all the tasks that take place since you started your business activity to report to other persons or stakeholders. This is another aspect of communication.

In this section we are going to deal with the meaning, importance and uses of reports in business.

What Is Meant By A Report?

It is customary in businesses and organisations that each department must keep records of everything that happens in the department and draw up reports at the end of specified periods or projects.

Business reports are important because:

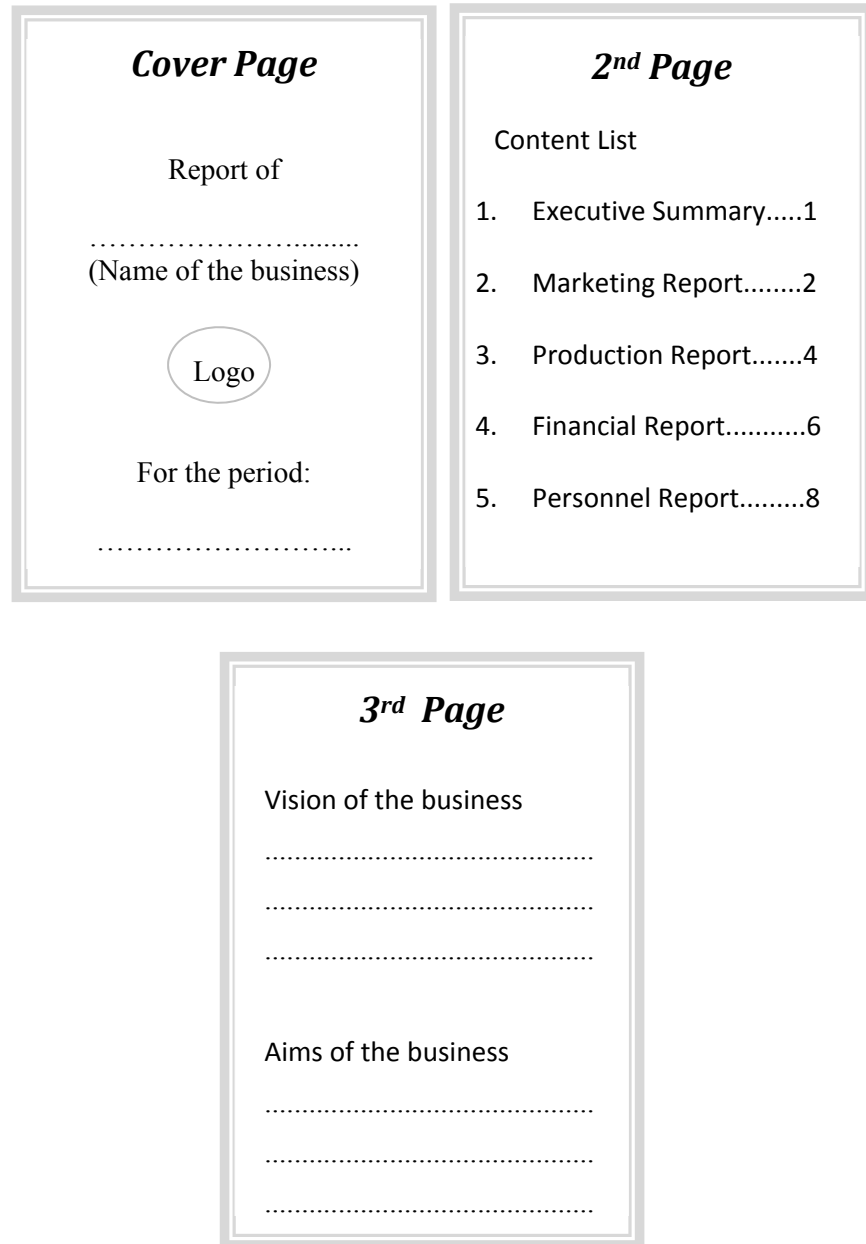
The information contained in the business report can serve as guidelines for future entrepreneurs on how to start and finance a business. They also provide information on what the challenges were, how these were overcome and recommendations on how to avoid mistakes in future.

- All important activities like planning, marketing, production and budgeting are captured during establishment and operations.
- We can read through the reports and identify areas where we have done well and areas where we have done not so well for improvement purposes. We have to be honest when we write these reports to be able to identify where we made mistakes. Remember that we have to make mistakes otherwise we will not be able to learn. Remember when you were small and tried to walk. You fell but tried over and over until you could walk. The same applies for trying to ride a bicycle.
- The information captured in reports about businesses serves as case studies for future entrepreneurs and even learners studying entrepreneurship.
- If you decide to sell your business, the new owner would want to learn from your successes and mistakes.

The report should be simple and straightforward and it is important to do careful planning before writing it. It is a good idea to have each person responsible for a specific function to write a report about that particular function. One person, let us call him or her the Manager or Chief Executive Officer, will then take all reports and summarise the contents in an executive report.



The layout of the report will look as follows with an explanation about every heading:



From here on the pages following will depend on the length of the individual reports. Remember that it is very important to include challenges, recommendations and conclusions in all reports.

Executive summary: This is usually compiled by the managing director or the chief executive officer of the business AFTER reading all the other reports from the different departments.

Write your executive summary once you have written the rest of your business report. It must summarise the activities of the business during the year. It must briefly discuss successes and challenges, and explain how these challenges were overcome or will be avoided in the future. It may include some comments about the overall business environment and external factors that have affected the business.

Marketing report: This explains market surveys that were carried out, how you applied the four Ps and your advertising strategy.

Production report: What did you produce (goods or service rendered)? How did you maintain quality control? How did you manage your prices so that you continued to make a profit?

Financial report: The details in this section will depend a lot on the person or organization for which the report is written. If it is written for your bank manager, you will apply the skills you learnt to draw up a cash book, and income statement and a balance sheet. If it is written for your customers, it will not show all the financial accounting, but it will have a written description of the company's financial position.

Personnel report: The personnel report will describe the employees in the business, what they do, communication channels, how much absenteeism there has been, and anything else that has affected the employees in your business. It will also include information on who were responsible for doing what.

Click on the following links for example reports.

[Photo and printing shop](#)

[Report of cleaning operation](#)

Now it is your turn to compile a report. Work through the following activities to find out whether you understand the material discussed so far.



Case Study 1

Required:

Spend at least an hour or more and write a report based on the following activities undertaken by a Tuck Shop from Omansi JSS Grade 10 learners. They called their business undertaking the Omansi Tuck Shop 08. Your report does not have to include the logo, aims and vision.

There are forty learners in grade 10 and they have decided that their activity will be to operate the Tuck Shop for the year 2008. They approached the school management and school board to operate the Tuck Shop for 2008 but were turned down since they could not convince the school management and board that they had firm plans on the table to ensure success. They even lacked a business plan.

They held a second meeting and drew up a business plan and divided the responsibilities as follows:

Manager:	J. Claassen
Finances:	B. Josephat
Personnel:	K. Hartney
Marketing:	E. Shilongo
Production:	L. Bruwer

A business plan was put together and the following was done according to the business plan:

- The school management and school board were once again approached for approval and this time because of good planning the approval was granted;
- Each member of the class of forty contributed start-up capital of N\$50,00 and the total start-up capital amounted to N\$2000,00;
- A timetable was compiled where every member had the responsibility to work in the Tuck Shop during intervals;
- Market research was done to determine which products are the most popular with the learners and purchases done accordingly;
- During announcement, the prices and goods on offer were revealed while a special notice was put up every day. From time to time, specials on various products were announced to attract customers;

Over a period of five months during the first and second trimester, the Tuck Shop was operated by the Grade 10 learners.

Now compare your report to mine at the end of the unit. Remember that your words don't have to be exactly like mine, but should essentially say the same thing at the end.



Practical Activity 3

As the owner of your business you are asked to write a report on your business activity. Use the prescribed layout above.
This activity may take you at least an hour to complete this activity.

I hope you did well in the activity. We have now come to the end of Section 2 and this brings us to the end of this unit.

Let's summarise what we've discussed in this unit.

Unit summary



Summary


In this unit you learned the following:

- Communication can be verbal or non-verbal. We have explained the communication process.
- There are several barriers that can hamper communication in a business.
- It is important to overcome the barriers to communication and improve the communication process in the business.
- A foundation for successful negotiating is created by developing strong relationships between negotiating parties. We also discussed the importance of listening and assertiveness techniques and explained how to apply negotiating skills and leadership skills.
- It is important that the owner must draw up a business report. We have looked at the different items that should be explained in the report.



Assignment

Please make sure that you have answered all the questions in this assignment before you start with the next unit.

 <p>Assignment</p>	<ol style="list-style-type: none">1 Explain the meaning of communication.2 Internal communication in your business is very poor. Messages are either not being received by your employees or not acted upon.<ol style="list-style-type: none">(i) Identify at least four types of barriers that you might experience in your business.(ii) As the owner and manager of your business, what can you do to remove barriers to communication and ensure effective communication?3 There are different forms that are used for communication: Consult the examples of documents in this unit and design and complete a quotation form, order form and an invoice.4 Define the term negotiation. Imagine you can get trade credit from a well-known supplier. What steps would you take to negotiate a deal? Return to course
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I hope you've done well in all the activities. Compare your responses with the feedback below. If your responses are far off track, you should do revise the relevant parts of this unit.


Feedback



Assignment

1. **Communication** is a process of sending and receiving information between people. This process is a two-way process where the sender sends information to the receiver and feedback is required from the receiver.
2. (i) **Misunderstandings/Unclear Messages**
 - Stereotyping
 - Following a wrong channel
 - Language barrier
 - Lack of feedback
 - Poor listening skills
 - Interruptions
 - Physical distractions
- (ii) Communication between the manager and employees is very important for the success of the business. There are several things that you as a manager can do to improve communication, such as:
 - looking at the effectiveness of the methods of communication that you use — encourage two-way-communication where you always get feedback from the receiver;
 - having an open door policy — employees should be able to communicate with you as manager at all times;
 - creating an atmosphere of trust and respect by stressing fairness, openness and straight talk amongst you and employees;
 - hearing and listening to your employees actively — if the other person says something which is true, admit it. It will make it easier for the other person to accept what you want.
 - making sure that all communications are goal-oriented — employees need to know what they need to do, and why they need to do it — the purpose of the message should be clear.
 - Checking how you use language in your communication. Remember words as the sender understands them are combined with the perceptions of those words by the receiver.
- (b) There are different forms that are used for communication. The completed documents will differ depending on the type of transactions you will have for the specific period. Use the examples of a quotation form, order form and an invoice to help you complete your own documents.
- (c) The process of developing workable solutions through discussions or interactions is termed **negotiation**.

	<p>Step 1: Before the negotiation starts, you need to <u>prepare</u>. Decide what you must have and what you're prepared to give up.</p> <p>Step 2: <u>Listen</u> to what the other side says and try to find out what they really want.</p> <p>Step 3: When the other side offers to back down a little, you should also <u>back down on your demands</u>.</p> <p>Step 4: When you have reached an agreement, <u>put it in writing</u> and both parties must sign on agreement so that neither of party can change their minds.</p>
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 Case Study 1	<p>Report Omansi Tuck Shop 08 by Grade 10 of Omansi JSS 2008</p> <p>Compiled by</p> <p>Manager: J. Claassen Finances: B. Josephat Personnel: K. Hartney Marketing: E. Shilongo Production: L. Bruwer</p> <p>Executive summary:</p> <p>The co-operation went very well and was a resounding success because we could pay our rent, make a donation to the cancer association, establish an entrepreneurship fund, pay back initial capital to members and still pay out a share of profits to each member equal to their contributions in capital. I am glad to report that we made a profit of 50% on sales and 100% return on capital.</p> <p>The support from fellow learners was very good and we want to thank them for that. The marketing was enthusiastically undertaken and from the income received, it is evident that the business was a resound success. The finances were kept with very good control while the purchasing of goods was always on time. The fact that two members received a disciplinary hearing is proof of the tight control over attendance. This disciplinary hearing was very educational as the members had to investigate how to put together such a hearing and conduct it to the satisfaction of all parties involved.</p> <p>What was a good lesson to learn, is to plan carefully and in advance and in this case by compiling a business plan. The importance of the business plan was once again emphasised and the fact that we followed it ensured our success.</p>
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I would like to thank our entrepreneurship teacher for the support as well as our principal for her kind words and words of motivation. Our thanks go to our esteemed customers who really supported us very well. My thanks go to all our members who worked so hard during this period. Business is not easy and relies on teamwork, perseverance, hard work and willingness to take risks.



Case Study 1

Marketing report:

Announcements were made over the intercom and in flyers to advertise the Tuck Shop. Specials were announced over the intercom and in flyers to increase sales well in advance. A notice with prices was also put up in front of the Tuck Shop to save time and customers did not have to enquire about prices before they bought.

Production report:

At the end of every week, a stock taking was done to determine the goods not in stock, as well as goods that were selling very fast. At the beginning, it was not easy to determine the fast selling stock and to stick to the most economic stock levels but this improved over a period of time.

Financial report:

Income:

Capital: 40 members @ N\$50,00 per member = N\$2000,00
 Sales: N\$11,000,00
Total Income: N\$13,000,00

Payments:

Purchases: N\$6000,00
 Donation to cancer association: N\$1000,00
 Rent to school: N\$1000,00
 Establishment of Entrepreneurship Fund: N\$1000,00
 Capital refunds to members: N\$2000,00
 Profits to members: N\$2000,00
Total Payments: N\$13,000.00
Balance: N\$0,00

A detailed Cash Book, Income Statement and Balance Sheet are available for inspection.

**Personnel report:**

Meetings were held once a month and minutes kept, which is available on request. Members kept to the prescribed schedule for duties and only two cases occurred when members did not turn up for duties. They received a disciplinary hearing and received a verbal warning. No incidents of conflict were reported and the motivation and co-operation were always on a high standard because members were always reminded about the common goals to be achieved and the benefits they will gain.

I hope that we were effective in our communication with you throughout this unit. The importance of effective communication in a business will even become clearer through our discussion in the next unit. Within a business there are certain functions that need to be executed in order for the business operations to run smoothly. We will discuss the first two functions in Unit 10: Marketing and Production function.

Resources

Below are additional resources, which you can use to further enhance your learning.

Internet-based resources

[Communication](#)
[Effective communication](#)
[Methods of communication](#)
[Communication and Leadership](#)

Other documents found on CD

You can open and print the following resources for your convenience.

[Practical Activities](#)
[Case Studies](#) and [feedback](#)
[Assignment](#) and [feedback](#)

Unit 10

Marketing and Production Functions

Introduction

We have looked at the four management tasks that an entrepreneur must carry out to ensure success in the business. There are also different management functions involved in a business. We will look at four management functions namely marketing, production, finance and personnel. In this unit, we will discuss two management functions: marketing and production. Please make sure that you study this unit carefully so that you will get a good understanding of the management functions.



Time



Note it

You should spend approximately 12.4 hours working through this unit. The number of hours per unit is however flexible and you might spend less time on shorter units and more time on the longer units.

Take note: Throughout the unit you will find links to the assignment. Click on the highlighted word (question) to access the links.

Before we move on, please take some time to study the objectives for this unit.

On successful completion of this unit, you will be able to:




Outcomes

- *explain* the meaning of marketing as a management function;
- *explain* the meaning of production as a management function;
- *define* value addition within the context of marketing at product;
- *state and explain* the 4ps of marketing (product, price, promotion, place) within the context of the marketing mix;
- *list and explain* standards that products should meet and report on quality standards for SME size business activities;
- *design* a questionnaire to survey and determine the views of customers on quality;
- *explain* the meaning and importance of customer care in marketing;
- *set* selling prices for business products using cost plus pricing;
- *name* the location factors an entrepreneur should consider when starting a business;
- *choose and explain* a suitable production method for a given business;
- *distinguish between direct and indirect costs in terms of expenses incurred by a business*;
- *identify and explain* production inputs and their sources for a given business;
- *identify* capital requirements to acquire capital, acquire assets, buy products, sell products and render a service;
- *explain* the effects that HIV and AIDS can have on the productivity of a business;
- *list* the rights of HIV and aids positive employees in a work place (according to the labour act),
- *explain* why businesses should comply with the labour act provisions for HIV and aids positive workers in a work place

I hope you have carefully studied the outcomes? The outcomes give you an indication of the basic competencies you will gain by working through this unit.

Below is a list of key concepts that will be covered in this unit content.

 <p>Terminology</p>	Advertising	is the non-personal presentation and promotion of ideas, goods and services by an identified sponsor
	Cause-Related Marketing	when a business donates a fixed percentage of its income to charity
	Direct Costs	refer to the costs that change as production changes, e.g., the cost of raw materials
	Indirect Costs	refer to costs that are part of the production cost but which do not change as production changes
	Labour Productivity	refers to the ratio of the number of goods and services produced to the number of employees
	Marketing	refers to the process by which we profitably satisfy customers by providing goods and services which the customer demands
	Place	has to do with the distribution of goods or services so that they are in reach of customers
	Price	refers to the amount of money customers are willing to pay and the business is prepared to accept for goods or services
	Product	refers to the product we are going to make or sell or the service we are going to render
	Production	the process of making goods or rendering services that consumers want to buy. It takes place when the entrepreneur combines the factors of production (raw materials, labour and capital) to produce goods and/or services
	Promotion	has to do with any form of communication to persuade or remind people about products or services and improve the public image of the business
	Publicity	involves creating a demand for a business or product by placing news about it in publications, over the radio, on television or on stage
	Sales Promotion	is the use of marketing devices such as displays, free gifts and contests to stimulate sales
	Value Addition	means to add value to a product

Now work through the following sections, which will help to explain the above-mentioned terminologies and enable you to achieve the basic competencies given in the outcomes specified above.

Section 1 Marketing Function

What Is Marketing?

Sometimes people confuse selling with marketing. When we sell, we bring the product to the consumer. The consumer pays and we deliver. Marketing however is more than just selling. In simple English, it means that the act of selling is part of marketing.

Marketing is a process in which we profitably satisfy customers by providing goods and services, which the customer demanded.

To be successful, a business must find customers and understand the consumers' needs and wants, as explained in Unit 6 (Market Research). The customers must also be informed and know about your product and be persuaded to buy these products. Remember a customer can only buy a product if they know about the product.

Look at the following examples:

Top Score product



Namib Mills sell Top Score and put this product in stores for customers to buy it. If they do not inform the customers about the product or promote the product through marketing, the sales will not be very high. If the customers are informed through radio or newspapers, they will look for this product and buy it. Customers are also informed about the product by its packaging, should they spot it on a shelf.

A Drill

When you want to drill a hole in the wall, you will go to a hardware store and buy a drill. Why? You want to make a hole. The need of the customer is the hole and not the drill. If it was possible to satisfy the need by buying the hole, it is not necessary to buy a drill. This shows a connection between the drill and need (the hole). E.g., tell the customers what good holes this drill can make.



Convincing people to buy your product is one of the elements of marketing, which entails passing on the following information:

- the advantages of the products;
- the good qualities of the product;
- the benefits the customer can enjoy; and
- other relevant information and uses of this product.

Marketing should always be in the mind of every business person. You have to remind customers on a continuous basis about the benefits they will receive by buying the product or service. You have to listen to our customers to be informed of what their needs are and not what you would like to sell.



What would you do in a situation where you sell ice and your neighbour also sells exactly the same product next door?

If you find yourself in such a situation you'll probably ask yourself questions such as:

***Will I be able to bring down my price and still make a profit?
What else can I do to improve my sales over my competitors?***


Some of you may decide to sell your ice at a lower price or you can decide to come up with a better product. Let's work through the next part to see what we talked about when we say you'll come up with a better product.

Marketing involves value addition, which basically means making a product better. However, let's read through the next topic to get a thorough understanding of *Value Addition*.

Value Addition

Value addition means adding value to a product.

Let's take a look at the following examples to explain value addition.

 Reflection	<p>Example 1: When a farmer sells a live goat for N\$300, the buyer gets everything. If the farmer slaughters the same goat and sells the different pieces separately, he or she can earn more than N\$300 and more buyers benefit.</p> <p>Example 2: Instead of selling hotdogs in paper, we can put the hotdog in a small bag and add a serviette. This will be more hygienic and users will be able to clean their hands with the serviette. Can you think about other products where you believe value can be added?</p>
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To improve your product or to make a new product, means, you add value to a product. This is called value addition. There are different ways in which a business can add value to its products, such as cleaning, grading, sorting, packaging and processing.

How to Add Value to Products



Cleaning

Look at the two pictures below and indicate where you will buy your food. Give a good formulated reason for your answer.



Local authorities such as municipalities or city councils have health regulations that businesses should adhere to. When you apply for a certificate of fitness (trading license) from the municipality, city council or any other local authority, you must make sure you are aware about health and other regulations applicable to different types of business. When your business has to do with food and health, the regulations are stricter than when you sell e.g., spare parts.

Work through the following activity. It may take 10 to 15 minutes to complete this activity.

 <p>Practical Activity 1</p>  <p>Tip</p>	<p>Visit your local authority, which can be the municipality, town council or village council. Find out what the health requirements are to start different types of businesses. Write a short report of about one page and paste it in your notebook.</p> <p><i>You must ask about the health requirements, inspections, what happens to businesses that do not adhere to these requirements, etc.</i></p>
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I hope you did well with this activity. You can share your experience with your friends to also enlighten them on the requirements of your local authority with regard to setting up a business.

There are numerous ways of adding value to a product. These are as follows:

Sorting



When we sort our products and display them to customers, this creates a sense of good organization and health awareness. We cannot display soap powder, soap and other poisonous products together with food. The customers will be offended and often opt to go and buy somewhere else.

Grading



Products are also graded according to size and quality. Have you heard about grade A or B grade meat? Eggs are also graded.

Packaging



The packaging of products attracts customers. It does not only attract customers, but also protects the product against damages during handling and transport.



Packaging should “speak” to the customer so that the attention of the customer is caught and he or she decides to buy the product. We should caution that not all products with a fancy and nice eye catching package are good products. Other considerations such as quality also play a role. This leads us to the functions of Packaging.

Packaging has the following functions:

- Promoting and selling the product
- Defining product identity
- Providing information about the product
- Meeting customers needs in various sizes
- Improving safety when it comes to glass products
- Protecting the product
- Keeping products fresh and durable

Processing



A good layout, especially when it comes to manufacturing and service rendering, is a big plus for any business. It shows that good planning was done and that the business is well organised.

Look at the following example of a well-organised service business:

- | | |
|--------------------|---|
| Step one: | Cars are received at reception and payment is made. The time of arrival and details of the car and owner are filled in. |
| Step two: | The car is vacuumed and all mats are removed. |
| Step three: | The car is sprayed to remove all dust and small particles that might damage the paint when washing starts. |
| Step four: | The car is rinsed underneath and the engine is cleaned. |
| Step five: | The car is washed with water and soap. |
| Step six: | The car is again rinsed with water. |
| Step seven: | After the car has been dried, polish is applied. |

This example shows that there are steps to be followed from the time the car arrives until the service is completed. This shows that this business is well organized and customers have an idea when to expect their car to be ready or how far the service is from completion.

Have a discussion lasting 10 minutes and share your answers with friends:

 <p>Discussion 1</p>  <p>Tip</p>	<p>You are planning to make fig jam with three of your friends. Explain the steps that you will follow, as well as how the activities to complete this exercise will follow each other.</p> <p><i>You can even have this discussion on a social network such as facebook or twitter to get the general idea with the ingredients and steps of making jam.</i></p>
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Value addition has **advantages** in the sense that we can have higher quality products, increase our prices, attract more customers who are looking for quality and find it easy to sell our goods. This increased value is also applicable to the service you are rendering to customers.

Before we continue with more information on marketing, take some time and answer the [first question](#) under assignments in your notebook. First answer the questions by yourself and then compare it with the answers given at the end of this unit. I hope you did well.

Let's continue with our discussion. Marketing activities consist of four components, also known as the 4P's of marketing.

4Ps of Marketing/ Marketing Mix

To be able to make sure that we sell our products, we have to do careful marketing. We sometimes do not have control over some factors such as the political and economic situation in the country. However, there are four (4) basic factors over which we have control. We need to carefully consider the type of product we will use.

Product

A product satisfies a need and can be a product that we can see and feel — such as a car or a service that we render — such as cleaning cars. We can decide on what product we are going to sell and how this product will look like.

When we decide on the product, we should:

- *do market research* to determine the needs of the customers, because we have to sell what the customers need;
- *do the product design* to decide what the product will look like that will include the labelling to be put on;
- decide whether the product will be *manufactured* (made) or *bought*;
- decide on the different products to be made available to customers, called the *product range*;
- decide on the *packaging* to be used for our product;
- decide whether *after sale service* should be available or not.

When we look at these considerations, we realize that careful planning and decision making should be made about the product that we plan to offer.

Before we continue with the second P in the 4Ps of marketing, take some time and answer [Question 2](#) under assignment in your notebook. First answer the question by yourself and then compare it with the answer given at the end of this unit.

I hope you did well. Fine!!! Let's proceed to the second P.

The second **P** in the 4P's is **Price**.

Price

Price represents the amount of money the customer will pay for the product or service. The decision on what price to sell at or what price to pay for a product or service is determined by factors such as:

- the quality of the product;
- the cost price or manufacturing costs (production costs) of the product;
- regulations by government — some products' prices are fixed by the government (e.g., bread, maize, cooking oil, pasta, sugar, etc.); and
- products from competitors.



Tip

To be able to sell our product, we have to sell at the lowest possible price, with the highest possible quality without making a loss.

Sometimes, customers are willing to pay high prices for good quality — while low prices can create the perception that the product is of a low quality. The Government will regulate the prices of some products especially staple food such as maize and bread.

Careful planning and calculation of prices are necessary to ensure that we do not sell our products at a loss. However, at the same time, we do not want to out-price ourselves with prices that are too high. The question whether you are the only producer of a product or service, sometimes leads to a monopolistic situation. This can benefit the business — since you are the only business around. Sometimes, businesses know this and make their prices very high. Such acts can harm businesses over a long period, especially when competitors enter the market.

To decide what **price** to ask for the product, you should find answers to the following questions:

- ✓ What are the production costs per product?
- ✓ What are the fixed costs to be covered (e.g., electricity, rent, etc.)?
- ✓ Have the costs of raw materials changed considerably over the last year or two?
- ✓ Is it possible to pass on increases to customers, e.g., to increase the price if the costs increase?

How will you let customers know about your product? Your answers might include informing customers through **advertising** or **promotion**.

Well you are right.

Promotion

Promotion is the third P in the marketing mix. It is any form of communication an organisation/business uses to “inform, persuade or remind people about its products or services and improve its public image”.

From this definition, it is clear that the business must try to persuade customers to buy their products by means of:

- explaining major features and benefits of its products;
- telling them where the products are sold;
- advertising sales on those products;
- answering queries from customers;
- introducing new products;
- creating a favourable image for itself.

We have to promote products or services that we render. However, the best way is to promote the business together with the products it manufactures or sells. The quality of goods will promote the name of a business while the goods and/or services rendered by the business will promote sales of the product.

Promotion is sometimes confused with advertising. Advertising is just a part of promotion. Promotion is a process with the purpose of building a good name, selling good products, rendering good services, having outstanding customer care, etc.

The following are ways of doing promotion:

- **Advertising** is a non-personal presentation and promotion of ideas, goods and services by an identified sponsor. Even though lots of money is spent on advertising, the advertising cost per potential customer is low. Advantages of advertising are that businesses can choose the most appropriate media (newspapers, television, billboards, etc.), content can be controlled, advertising can be repeated to fix it in the minds of customers and adverts can be run even before a product is on the market.



The disadvantages are that advertising does not always focus on the needs of the individual, it can be expensive, wasteful and is in most cases too brief to give all and/or detailed information.

- **Publicity** involves creating a demand for a business or product by placing news about it in publications or over the radio, television or on stage. Publicity can be done when we launch a new product, but is primarily used to build the image of your business.

Examples of business activities that are good image builders include the sponsoring of cultural events, awarding scholarships, donations of equipment for public use, etc. The difference with advertising is that publicity is free.

- **Sales promotion** is the use of marketing devices such as displays, free gifts and contests to stimulate sales. Displays can be in the business or on exhibitions in the windows of the business. Free gifts are often added to products when you buy such products, while contests can be held from time to time where customers can e.g., be entered into a draw when they buy at your business.

Now spend 10 to 15 minutes doing the following activity to test your recollection with regard to Promotion.



 <p>Practical Activity 2</p>  <p>Tip</p>	<p>Make a list of three well-known related products and their advertising slogans. Do the slogans have anything in common? Identify any similarities or differences you see in the approaches the various businesses use.</p> <p><i>Here you can mention any product. When choosing the advertisements, look for examples that give you all the necessary information as discussed in the unit.</i></p>
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I hope you did well in this activity. Now, let's look at how we can combine the other 3 P's to create a venue where buyers and sellers can interact to exchange their products (last of the 4P's: the Place).

Place (distribution)

The place where products are and places where the customers are, play a vital role in determining a placement or distribution policy. Distribution includes transportation, storing, handling of materials, inventory control, processing of orders, etc.

Have a discussion of 10 minutes and share your answers with friends:

 Discussion 2	<p>What will happen if your business is in Karasburg, but your target market is in Oshakati?</p>
 Tip	<p><i>You should think about things that influence the distribution of your product such as transport and the costs to get things from the business (Karasburg) to the customer (Oshakati).</i></p>

We have to plan how our products will flow/go from the business to the customers. This is called the distribution channel along which the goods or services will flow/go. Figure 10.1 is an example of a standard distribution channels:

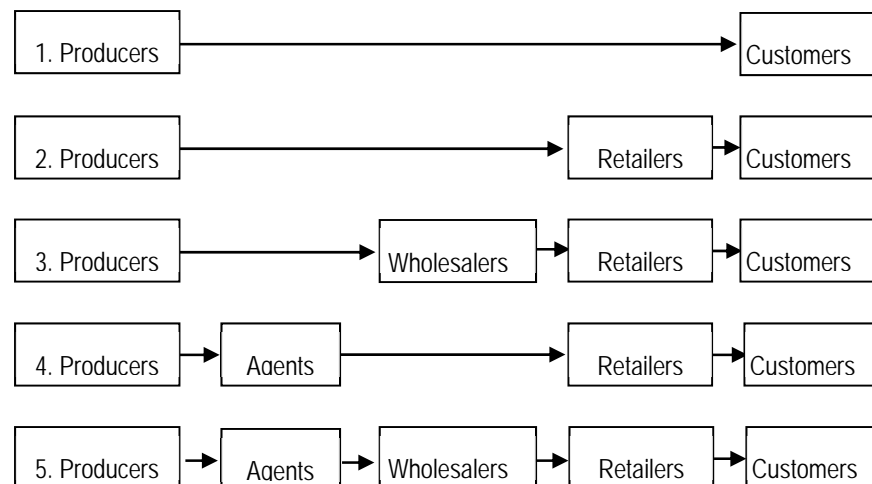



Fig 10.1

The products will move from producers to customers either directly as in number 1 or indirectly through other role players as in numbers 2 to 5. Other role players can be wholesalers, agents or retailers.

It is important to note that the type of product is the most important factor, which determines the distribution channel. Other factors that can determine the distribution channel include infrastructure (railway lines), storage facilities, etc.

The following critical questions can be asked:

- ✗ Why did an owner set up the business at a specific location?
- ✗ What are the advantages and disadvantages of the location?
- ✗ Is the location easily accessible for customers?
- ✗ Can the business be at this location for a long time?

 Reflection	<p>Look at the following examples:</p> <ul style="list-style-type: none"> • Perishables will be close to customers. • Low value products will be close to customers. • High value products will be close to good transport such as airports.
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Do you have an idea why the above is true?

NOW answer [Question 3](#) in the assignment to test your understanding of the work discussed so far. You can compare your answer with the answers given in the feedback at the end of the unit.

What is clear from the information we've discussed so far, is that marketing not only promotes sales, but can also improve the image of the business and this in itself can attract customers. Marketing can also give your business direction. First and foremost you have to decide what benefits your customers in your market will receive from your product. This information will lay the foundation for all your marketing and advertising decisions.

Ensuring that customers are happy with the type of services you deliver is one of the key ingredients that make a business successful. Hence, a business should place great emphasis on customer care. Let's now tackle *customer care in marketing*.

Customer Care in Marketing

Many businesses don't do well, because consumers don't like buying from them.

You can build and maintain the name and reputation of the business through the following:

- Provide a high quality product or service
- Maintain the highest ethical standards
- Define your product or service clearly
- Treat your employees and customers well
- Create positive and informative advertisements
- Associate your business with charity
- Become actively involved in your community

Cause Related Marketing

Cause related marketing means that a business donates a fixed percentage of its income to charity. In your own small business that you are involved in, you can donate a percentage (say 2%) to an organization looking after old age people or dealing with HIV/AIDS. This is a way of doing the right thing and gaining favourable publicity at the same time. Helping to solve the problems of your community is not only the right thing to do, but is great advertising for your business.



Discussion 3

Discuss in your group what you understand under the concept of customer care in marketing. Why do you think Coca Cola and Windhoek Breweries are sponsoring cleaning up operations in communities?



Tip

You can even have this discussion on a social network such as facebook or twitter.

Brands

One of the most important aspects of a business is to develop a good reputation or name. When people hear about your business, they should have positive things to say or be willing to be associated with you and your business. It is good to have a brand, which can be a name, symbol or trade mark that represents and distinguishes your business's products and/or services from those of other businesses. People get used to brands and easily recognize your product or service.

How to Ensure Quality in Products

Customers and the Government have certain requirements for products to ensure quality. These requirements are called standards.

Standards

When we produce goods or render a service, we have to set standards for the business, ourselves, our workers and the customers. The customers will require a specific standard of product or service at a specific price. We as the business should be able to deliver such a product or service. It is always good to set high standards, because this will improve the image of the business and attract customers.

To be able to produce a product or service of good standard, we have to set standards and specifications for the raw materials, equipment to be used, components to be added and the type of labour to be delivered by the workforce. For export purposes and manufacturing, set standards have to be followed.

Let's look at the following examples:

- Standards are set for the size of fish to be caught.
- Standards are set when Meatco wants to export meat to Europe.
- Standards are set when we want to open a take away shop.
- Standards are set when we want to open a butchery.
- Standards are set when we sell meat at an open market.

Namibia previously used the set standards of the South African Bureau of Standards (SABS). Producers have to apply to the SABS to display the logo of the SABS on their products to certify that it is a product of high standard. Approval will only be granted once the product was tested by the SABS and meets certain criteria.



Namibia, however, has also set up its own body to certify standards called the Namibian Standards Institution (NSi).

You can speak to people manufacturing bricks and find out what standards and regulations are in place to ensure that bricks of high quality are produced.



Tip

It is always good practice to do a survey to determine the views of customers on the quality and standards that they require. If we are aware of what the customers want, we can supply accordingly.

From the information, we've discussed so far, it is clear that to satisfy the needs of customers, you have to provide quality products. The business can provide quality products by making sure that the products meet the standards set by relevant bodies, such as the NSi. It is also important that the business continuously conduct surveys to keep track with consumers' demands.

NOW answer [Question 4](#) in the assignment to test your understanding of the work discussed so far. You can compare your answer with the answers given in the feedback provided at the end of the unit.

I hope you now have a clear understanding of the marketing function and the excitement that is associated with the branding of products and publicity.

Let's now move on to Section 2 where we will discuss the production function in detail.



Section 2 Production Function

In this section, we'll discuss the second function of management which is **production**. We will learn about the location of production and the costs and revenue of production.

Production

How do we define production? Production is the process of making goods or rendering services that consumers want to buy. It takes place when the entrepreneur combines the factors of production (raw materials, labour and capital) to produce goods and/or services.



Reflection

Think about the following scenarios:

- You've passed your examinations and achieved good results.
- You've cleaned the garden.
- You've built a wire car out of recycled wire.

When you work hard and achieve good results, we say you are productive. When you clean the garden you are also productive and the same goes for making a toy car. In each of these activities, something was achieved — good results, a clean garden and a toy car. When we produce, there is a result that we can observe. This means that whether a business is making something (manufacturing) or rendering a service, it is producing.

Take 10 minutes and do the following activity in your notebook:



Practical Activity 3

What are the results or products of the following businesses:

- a. A hairdresser
- b. A butcher
- c. A sheep/cattle farmer
- d. A lawyer
- e. A teacher

Make sure that you answer the question before you continue with the next part that deals with the location of a business. One of the key decisions an entrepreneur needs to make is where to locate his or her business.

Where to Locate a Business

Where to locate your business requires careful thinking. We have said earlier that we cannot just put up a business anywhere. Besides the fact that local authorities indicate where businesses can be established, there are other factors to be taken into account.

To determine the factors to be taken into account, we can start by answering the following questions:

- Where do I want to locate my business?
- Why do I want to locate my business there?
- Will the business need land and buildings?
- If land is needed, do I have to buy the land, or is it possible to get it in another way, such as by leasing?
- Will I erect a building or will I just rent an existing building?
- If I erect a building, what will be the building costs?
- How big should the building be that I require?
- Should my business be close to customers?
- Should my business be close to providers of raw materials?
- Should my business be in a town or city?
- Should my business be in a rural area?

This means that there are factors that we have to consider before we start a business.

Factors That Determine Where Production Will Be Located

Costs

If you rent a building, you'll only have to pay the monthly rent. In this case, it is wise to have a proper written rental agreement. Expect to pay a deposit and the rent for the first month in advance. Please agree on who should be responsible for municipal accounts. In most cases, municipalities only allow the water and electricity to be on the name of the owner since people who rent, move out and sometimes leave high amounts of outstanding bills owed to the municipality.

Customers (market)

Customers are crucial. If there are no people to sell your products to, you will not be able to make a profit. If the business is far away from the customers, it will mean extra cost to transport the goods to the customers. In the case of a service business, this means customers will have to pay extra transport costs to get to the business. The increased transport costs will result in an increase in the



price of the products and can put the business in a bad position to compete with similar goods or services.

Labour

If your business needs lots of labour (human resources) or is labour intensive, it is good to be close to a good source of labour. In some places like in Windhoek, the labour costs can be high, because the cost of living in Windhoek is high. In some businesses, we cannot move our business close to a labour source, but rather move the labour to the business (e.g., mining and fishing).

Raw materials

When your business needs a lot of raw materials, the best will be to establish your business close to the source of raw materials. In Namibia, baskets are produced in the north, because the raw material is available there. In Okavango and Caprivi, we will find woodcarving and other wood products, because wood is available in those regions. Fishing companies will be located at the coast and mines where minerals are found.

Infrastructure

Infrastructure refers to services such as electricity, roads, railway lines, water, banks, etc. These are basic needs, not only for the business, but also for the workers and the customers.

Transport

When you have to transport products to the markets or raw materials to the business, you will need reliable transport. Do you know about the railway line that was extended from Tsumeb to the northern parts of the country? Namibia was also linked to neighbouring countries via the Trans Caprivi and Trans Kalahari Highways. This makes import and export for Namibia, as well as other countries possible through the Walvis Bay harbour.

Another important decision that the entrepreneur needs to make, except the location of the business, is what production method to use.

Production method

Different products require different production methods. Production can be *labour-intensive* when we use workers to do most of the work or *capital intensive* when most of the work is done with machinery and only a few workers. The method and equipment go hand in hand.

In a barber shop you need the following basic equipment to enable the barber to render his service:

- A chair
- A mirror
- A hair cutter

The production method used in a barbers hop is more labour intensive, because you still need a person (barber) to do the actual work.

The production method used in the preservation of food is more capital intensive, because most of the work is done by machinery.

Costs involved in production

Let's look at costs in more detail. It is inevitable that we will have to incur costs when we start a business. We may not only incur costs to buy a building and equipment, but also take into account the price of raw materials to be able to calculate our production costs. The production costs will have an effect on the selling price at the end.

The following is an example to explain some of the different costs that you'll have to consider and calculate when you set up a service business.

Example

When you decide to start a car wash with a kiosk that sells soft drinks, chips, cigarettes and sweets you will incur the following costs:


- Rent
- Municipal expenses (water and electricity)
- Labour (wages - kiosk)
- Labour (wages – car wash)
- Labour (Salary: Manager)
- Soap
- Polish
- Cloths
- Purchases (sweets, soft drinks, cigarettes, chips)

We can distinguish between two different costs here: *Direct and Indirect costs*.

The purchases (sweets, soft drinks, cigarettes, chips) will be the **direct costs** for the kiosk. Soap, polish and cloths will be **direct costs** for the car wash.

The rent, labour of manager and municipal expenses cannot directly be allocated to the kiosk only. These costs are called **indirect costs**.


To test your understanding of the work discussed so far, take 15 minutes to do the following activity:



Practical Activity 4

Indicate which of the following costs are direct or indirect costs for a brick manufacturer:

- Wages of workers producing bricks
- Salary of the secretary
- Wages of cleaners
- Water and Electricity
- Telephone Expenses
- Fuel
- Stationery
- Rent



Tip

Remember direct costs change as production changes, whilst indirect costs are not directly related to production and have to be paid whether there is production or not.

I hope you did well in the activity. Next, we will look at how you calculate the total costs of production.

How to calculate the total costs

The total costs consist of direct and indirect costs. Let's work on the following example:

Example

A lady who makes dresses has the following costs on a monthly basis:

Direct costs		Indirect costs	
Material (fabric only)	N\$3000	Rent	N\$1000
Wages for labourers who do the sewing	2000	Salary (sales person)	2000
Zippers, buttons, thread and other accessories	300	Municipal expenses	500
		Telephone	200
Totals	5300		3700

$$\begin{aligned}
 \text{Total costs} &= \text{Direct costs} + \text{Indirect costs} \\
 &= \text{N\$5300} + \text{N\$3700} \\
 &= \text{N\$9000}
 \end{aligned}$$

She manufactures 45 dresses per month, which means that the total costs to manufacture 45 dresses amount to N\$9000.

Next we have to calculate the cost to make one dress (**unit cost**). That will make it easy for us to calculate the price at which we can sell one dress without incurring a loss.

Calculation of the unit costs

$$\begin{aligned}
 &= \text{Total cost (input)} \div \text{number of dresses produced (output)} \\
 &= \frac{\text{N\$9000}}{45 \text{ dresses}} \\
 &= \text{N\$200 per dress}
 \end{aligned}$$

The total cost of production represents the production input. In other words, the total costs are all the costs that we had to put into the business to produce the dresses.



Tip

When we add a percentage for profit to our actual cost to determine the price, this is called cost plus pricing.

Let's look at two sources of production inputs.

Sources of Production Inputs

- **Suppliers** are the providers of raw materials and other products as well as services that we use in our business to generate production.
- **Raw materials** are the materials to be used to make the product. In the example about the dresses, this will be the fabrics.



Capital requirements

For any business, we need capital. A business needs capital to buy assets, but also to have working capital for day-to-day operations of the business like buying stock, cleaning material, material to render a service or raw materials to make products.

The following factors need to be considered when determining capital requirements:

- Fixed Assets needed
- Rent or buy building, vehicles and equipment
- Furniture needed
- Salaries and Wages
- Operational expenses such as trading license, municipal expenses, stationery, telephone, etc.
- Raw materials
- Stock to sell

How to acquire capital

You can acquire capital through savings or borrowing. Money can be borrowed from financial institutions such as banks or from friends and family. In Namibia, SMEs (Small and Medium Enterprises) can apply at the Guarantee Trust for loans of up to N\$250,000, 00 without security.

Acquire assets

The entrepreneur has to pay for the building if he or she buys it or builds on the premises. If he or she rents a building, the capital requirements will come down. Other assets can include vehicles, furniture and equipment.

Buy products

Whether the business is producing, buying and selling goods, or rendering a service, products should be bought to make other products, to sell or to render a service. In order to buy products, capital is needed.

The table below shows what type of products are needed for different businesses:

Business	Type of business	Products to buy	Products to sell
Grocery store	Trading business	Groceries	Groceries
Hair salon	Service business	Dye, conditioner, etc.	Hair done
Brick making business	Manufacturing	Cement, sand	Bricks

Sell products



Trading businesses buy products and sell these products to customers at a profit. They need capital to buy their stock.

Stock in a trading business

Render a service



To render a service means the business sells labour. Hair is done in a hair salon; a lawyer renders legal services, while a mechanic repairs your car to mention a few examples.

Hair done in a hair salon

Work through the following activity, which tests your ability to calculate costs associated with production. You should spend at least 15 minutes on this activity.



Practical Activity 5

Make an appointment with a local entrepreneur and ask him/her what he/she had to buy over a period of time, to use in the business or sell to customers. Make a list and an estimation of the total costs. It will be good if the entrepreneur can give you an indication of the costs.

The success of the business depends on the productivity of the workers. One of the things that can hamper production is HIV and AIDS. The entrepreneur therefore cannot ignore HIV and AIDS as factors that can affect the success of his or her business.



HIV and AIDS in the Workplace

HIV and AIDS is a worldwide pandemic and has serious implications on labour productivity.

AIDS (Acquired Immune Deficiency Syndrome) is a human disease, which is caused by the HIV (human immunodeficiency virus), which causes progressive destruction of the body's immune system.

Labour productivity refers to the ratio of the number of goods and services produced to the number of employees.

The Effects of HIV and AIDS on the Productivity of a Business

HIV and AIDS decreases the levels of productivity and could not only lead to declining profits, but also increase organisational disruption within the workforce.

The effects can be summarised as follows:

- Decrease in output because workers may be unable to perform their daily duties effectively due to illness
- Absenteeism which leads to delayed and decreased production of goods
- Increase in costs because businesses must constantly train new workers and replace workers as a result of death and permanent illness due to HIV and AIDS
- Disruption in the business because other workers might feel unsafe to work with HIV-positive workers or victimise them
- Decline in workplace morale

The Labour Act 2007 of Namibia states that a person must not be discriminated against in any employment decision on the grounds of his or her HIV status. It is important that businesses comply with labour regulations not only to protect HIV and AIDS positive workers, but also to prevent unnecessary costs and a decrease in production of the business.

Businesses normally adhere to this regulation by implementing an HIV and AIDS policy.

Through the implementation of an HIV and AIDS policy, the entrepreneur will be able to:

- eliminate unfair discrimination in the workplace based on HIV status;

- promote a non-discriminatory workplace in which people living with HIV and AIDS are able to be open about their HIV status, without fear for victimization;
- educate employees about HIV and AIDS in the workplace in the most effective way;
- help HIV- positive workers and those with AIDS to maintain a healthy lifestyle and thereby keep workers as productive as possible; and
- create a safe working environment for all employers and employees.

We have now come to the end of this unit in which we have discussed the Marketing and Production functions. PLEASE work through the unit again if you experience some uncertainty in your understanding. Let's now summarise what we have discussed in this unit.



Unit summary



Summary

In this unit you learned the following:

- Value addition means to add value to a product — when we make a new product or improve on the quality or uses of a product.
- We can add value to products or services by having a clean place, sort goods, apply grading requirements, do good packaging or apply processing.
- The 4Ps of marketing include product, price, promotion and place.
- Production is the selling of goods, making of goods or rendering of a service.
- It is important to set standards in production to maintain high quality goods or services.
- Location is important in ensuring the success of a business. Location factors can include costs, customers (market), labour, raw materials, infrastructure, transport, etc.
- Production methods used to produce goods or services can be labour intensive or capital intensive.
- Total production costs consist of indirect and direct costs, which must be calculated before the selling price is calculated.
- It is important that businesses comply with Labour Act regulations not only to protect the HIV and AIDS positive workers, but also to prevent unnecessary costs and decrease in productivity of the business.

Take some time and answer [questions 5 to 9](#) in the assignment before you move on to the next unit on Finance and Personnel functions.

I hope that you have found the unit interesting. Take some time and answer the questions in the assignment to test your understanding of work discussed.

Assignment



Assignment

1. Consult newspapers, the news, business people and resource centres about the statement below and complete the worksheet.

“Namibia is a country that is rich in natural products such as diamonds, fish, uranium, livestock and agricultural products. However, Namibia exports raw diamonds, fresh fish, raw uranium, live animals and fresh products to countries outside Namibia.”

Product	Form in which it is exported	Is value added to this product?	What products can we get from this product?	From where are these products imported?
Diamonds				
Uranium				
Onions				
Fish				
Sheep				
Cattle				

[Return to course](#)

2. Make a list of three products (services included) in which you are interested in with regard to starting a venture. Evaluate each of these by answering the following important questions:

- What are the basic activities that will be involved in the production process?
- Which features will the customers like most?
- Who will be the major competitors and what are their strengths and weaknesses?
- What strength will your products have over those of your competitors?

[Return to course](#)

3. Indicate which type of distribution channel you will use for the following products and why:

- Milk
- Flowers
- Diamonds
- Coal
- Wood

[Return to course](#)



Assignment continues

4. You are now doing Entrepreneurship through NAMCOL. What requirements do you have to meet to pass Entrepreneurship at the end of Grade 10? Write down these requirements in your workbook and work hard to meet them (standards). What will happen if you do not meet the standards?
[Return to course](#)
5. What is meant by value addition? Explain how you will add value to an ordinary spoon. In other words, for what other uses do you think a spoon can be used? Name two.
6. Define marketing and briefly explain the 4Ps of marketing.
7. Explain the meaning of production as a management function.
8. Why do we need capital?
9. Name four possible location factors when deciding where to locate a business.
[Return to course](#)

I hope you've done well in all the activities. Compare your responses with the feedback below to see if you have acquired a good understanding of the material in this unit. If your responses are far off track you revise the relevant parts of this unit.

Feedback



Assignment feedback

1.

Product	Form in which it is exported	Is value added to this product?	What products can we get from this product?	From where are these products imported?
Diamonds	Polished	Yes	Jewellery	South Africa
Uranium	Raw	No	Power supply	Made from coal and hydro while also imported from South Africa
Onions	Fresh	No	Pickles	South Africa
Fish	Preserved	Yes	Canned fish	Locally produced but some imported
Sheep	Live	No	Wool	South Africa
Cattle	Live	No	Canned beef	Locally produced



Assignment
feedback continues

2.
 - a) If it is a service, there will be mostly physical work to be done, while in manufacturing (making/producing), skills play a major role with a combination of other possibilities such as labour, technology, etc.
 - b) This will differ from product to product and from place to place.
 - c) We will have to do a survey to determine who they are, but carefully assess their products or services.
 - d) Once we have made a study of our competitors, we can make a comparison.
3.
 - A. The shortest possible channel producer — customer **or** producer — retailer — customer. Milk is a perishable product and if transported over long distances, it can easily become spoiled. Therefore, it should be close to the customers and long distance travelling should be avoided. However, technology has increased to make long distances possible (cooler trucks).
 - B. The same as number A.
 - C. This does not really matter, but the danger of theft will sometimes push us to make the channel as short as possible, while opportunities will attract more people to this product and this can increase the distribution channel.
 - D. Coal is a low level product and the lowest and shortest distribution channel should be used. No processes are necessary to change it to new products, which make the distribution channel fairly short.
 - E. The same as number D.
4. You have to complete three assignments and do other activities for a continuous assessment mark. At the end of the year, you have to sit for the external examination and together with your continuous assessment mark obtain a percentage of $3\frac{1}{3}$ to be graded. If not, you will have to repeat Entrepreneurship next year.



Assignment feedback

5. Value addition means to add value to a product — when we make a new product or improve on the quality or uses of a product. You can sharpen the handle and use it as a knife or insert a thermometer to measure your temperature.
6. Marketing refers to the process by which we profitably satisfy customers by providing goods and services which the customer demands.
4 P's of marketing
 - a. *Product* refers to the product we are going to make or sell, or the service we are going to render.
 - b. *Price* refers to the amount of money customers are willing to pay and the business is prepared to accept for goods or services.
 - c. *Promotion* has to do with any form of communication to persuade or remind people of products or services and improve the public image of the business. Promotion includes advertising, publicity and sales promotion.
 - d. *Place* has to do with the distribution of the goods or services so that they are in reach of customers.
7. Production is the selling of goods, making of goods or rendering of a service.
8. Capital is required to buy assets, raw materials, stock and materials and to pay for operational expenses.
9. Location factors can be costs, customers (market), labour, raw materials, infrastructure and transport.

Now that you have a clear understanding of the first two management functions let's move on to Unit 11 where we will discuss the personnel and finance function.

Resources

Shown below are additional resources, which you can use to further enrich your learning.

Internet-based resources

- [Marketing Mix](#)
- [The Marketing Mix and the 4P's](#)
- [Marketing Plan](#)

[Where to locate your business](#)

Other documents found on CD

You can open and print the following resources for your convenience.

[Practical Activities](#)

[Assignment](#) and [feedback](#)

Unit 11

Finance and Personnel Functions

Introduction

Welcome to the second unit about management functions. In this unit, we will deal with the financial and personnel functions. The financial function has to do with all the money matters of the business. Its purpose is to make the establishment and operations of a business possible. The personnel function has to do with labour-related issues concerning the workers, appointments, leave, salary and others.



Time



Note it

You should spend approximately 12.4 hours working through this unit. The number of hours per unit is however flexible and you might spend less time on shorter units and more time on the longer units.

Take note: Throughout the unit you will find links to the assignment. Click on the highlighted word (question) to access the links.

Before we move on, please take some time to study the objectives for this unit.

On successful completion of this unit, you will be able to:




Outcomes

- *distinguish* between different types of capital;
- *identify* and *explain* different sources of capital and the implications of the different sources;
- *estimate* the capital requirements of a given business;
- *distinguish* between income and expenses and profits and losses;
- *explain* the importance of bookkeeping and documentation;
- *record* given transactions for a business in a two-column Cash Book;
- *calculate* profit and losses of a business by *compiling* a simple Income Statement;
- *prepare* a Balance Sheet using information provided from the account books of a business;
- *explain* the meaning of tax and the importance of paying taxes;
- *explain* the importance of registration for VAT for Namibian SMEs;
- *explain* the meaning of conflict and *name* different conflict situations in a business;
- *list* the steps an entrepreneur can take to resolve conflict situations in a business;
- *assess* and *explain* the possible causes of conflict in a given case study of a business;
- *explain* methods of recruitment and remuneration in a given case study of a business;
- *calculate* remuneration of workers in an SME business; and
- *identify* the needs of employees in a business and explain how they can be motivated.

With these objectives in mind, you should have a good understanding of what you should be able to do when you have completed studying the material in this unit.

Study the following terminologies, which will be used in this unit before you continue.



 Terminology	Capital	The amount of funds/money used to start up and operate a business
	Conflict	Conflict arises when parties involved, disagree with one another with regard to particular issues in business
	Expenses	Costs of a business — money spent to enable the business to make an income
	Fixed Capital	Fixed capital refers to money invested in fixed assets/property
	Income	What business receives either by trading or rendering services (cash and cheques)
	Job Specification	A description of information such as the qualifications necessary for a job, special skills or experience required and the characteristics of the person
	Loss	Income less expenses when expenses are higher than income
	Profit	Income less expenses when income is higher than expenses
	Remuneration	Workers' wages and or salaries
	Working Capital	Money used to pay for the running costs of a business such as wages or telephone and to buy stock

Now work through the following sections, which will help to explain the above-mentioned concepts and enable you to achieve the basic competencies given in the outcomes specified above.

Section 1 Financial Function

In the previous unit, we have discussed the need for capital to buy stock, raw materials or to pay for materials to render a service. In this section, we will cover expenses and financial needs of an entire business, from the planning stage to the operations stage.

Before we continue with the discussion on the financial function, take a few minutes and do the following activity in your notebook.

 <p>Practical Activity 1</p>  <p>Tip</p>	<p>Think about the things that one normally finds within a business. Make a list of assets, which you think were bought. Also, make a list of things you cannot see, but that businesses have to pay for.</p> <p><i>You might have thought about and listed assets such as buildings, furniture and stock, as things that were bought. You may also have listed expenses such as salaries/wages, water and electricity, telephone and stationery as things that businesses need to pay for even though you may not see them in a business. If you have thought along these lines you are absolutely correct.</i></p>
---	--

Fixed assets such as buildings and vehicles are expensive. Although businesses will most probably only buy a building once in a lifetime, it might buy a vehicle every five years. Businesses also have expenses that have to be paid regularly, mostly on a monthly basis.

From the discussion mentioned above, it is evident that there is a regular flow of money into and out of a business. The financial function deals with this flow of capital (money).

To buy assets and pay expenses we need money.

Capital

Types of Capital

Capital is funds/money needed/used to start and operate a business. We distinguish between two types of capital: fixed and working capital.

- **Fixed capital**

The money invested in fixed assets/property is called *fixed capital*.

Fixed assets are expensive and are used in the business for a long period of time. They are not normally meant for resale.

Examples of fixed assets are buildings, vehicles and equipment. We do not buy a building every year; not even every ten years. We do not buy a vehicle every year either.



Cash registers



Photocopiers

- **Working capital**

The money used to pay for expenses such as wages or telephone and to buy stock is called *working capital*. Businesses have to incur these expenses to be able to operate on a daily basis. These expenses change on a continuous basis and the costs can easily be just as high as the cost of assets bought with fixed capital.



Workers are paid wages for work done



Businesses buy stock to sell it to customers

The difference between fixed capital and working capital is that fixed capital stays the same for quite a long period while working capital changes frequently.

The money that a business needs should come from somewhere.



Sources of Capital

The following are sources where we can obtain capital:

Own capital	Borrowed capital	Pooled capital
This is capital that you (the entrepreneur) has saved from your own personal income. This proves to be the best source of capital for a new business because it is available and easy to use.	This is capital borrowed from someone else or from a financial institution like a bank. Examples are bank loans or bank overdrafts. This money has to be paid back with interest.	Another option to get money is to ask someone to join you (become your partner) in setting up the business. When two or more people put their money together, they pool it to be used as start up capital.

It is easy to obtain money from some of these sources whilst from others it might not be so easy, e.g., bank loans. When the entrepreneur plans to set up a business he or she has to determine how much money will be needed in the process.

Capital Requirements

There are several factors which the entrepreneur needs to consider in determining how much capital he or she will need.

<p>Size of the business A small general dealer like the ones we find in and around some communities will need less money to buy equipment, other assets and stock than a large supermarket.</p>	<p>Nature of the business A hair salon will need less money than a garage repairing cars, because the building needed for operating is smaller, the equipment needed is cheaper and the money needed to pay a hairdresser is less than the money paid for a qualified mechanic.</p>
<p>Type of product that the business sells Some products such as jerseys have a seasonal demand. Such a business will only do good during the cold season, but will still have to pay for running expenses to keep the business open for the rest of the year. This business will need more working capital than a business that sells products that have a demand throughout the year.</p>	<p>Length of the cash cycle Some products take a long time to produce before they can be sold. This means that a business will need extra money to pay for any operating expenses that occur during the production process. An entrepreneur making small souvenirs from wood takes less time and needs less working capital than an entrepreneur making furniture.</p>

Production methods used

The production of some products needs special equipment, which can be very expensive, e.g., a restaurant catering for any type of function makes use of more equipment in the preparation of food than a small takeaway business.

A business earns income from normal business operations, but at the same time also incurs several costs such as buying of stock to sell and paying for water and electricity.

Difference between Income and Expenses, and Profits and Losses

People are not always clear on the difference between income and profits, or expenses and losses. Do you know the difference?

- **Income**

When you cut hair in a salon and a client pays for it, this is money earned for services rendered and is called **current income**.

When you sell groceries, the money the business receives when selling the groceries, is income earned by the business and is called **sales**.

We can thus say that **current income** is the money a business receives for services rendered, while **sales** is the money received for selling goods/stock.

The business not only receives money from rendering services or selling goods. An example of other sources of business income is **rent received**.



When the business buys a building, which is too big for the business alone and space is available, they can rent it out to other businesses. The business will receive rent and this is an income.

- **Expenses**

Expenses refer to all the money the business has to pay so that it is possible for the business to carry on doing business with customers and generate an income.



- If we render services, we need equipment to be able to do it, e.g., a hairdresser needs shampoo, conditioner, etc. Buying equipment is called **Material Costs**.
- When you buy goods/stock in order to sell it in a trading business, this is called **Purchases**.
- Other examples are paying **wages** to workers, paying the **water and electricity account, paying telephone and rent, buying stationery, etc.** These are of a recurrent nature and in many cases differ from month to month.

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Page 1 of 1

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Municipal bill

Practical Activity 2

Tip

Write down more examples of assets you can think of. Just make sure that you are clear on the difference between paying expenses and paying when we buy assets. Thinking of the different sources of capital how do you think these assets were paid for?

You might have thought about some of the following: Bank charges, Carriage Inwards (transport cost on purchases), Carriage outwards (when the business delivers sales at no charge like some furniture companies), Donations paid, Insurance, Interest on loan, Trading licence, Fuel, Postage, Repairs and

Maintenance, Salaries — the type and number of expenses will depend on the size and type of business.

Now take a few minutes and do [Question 1](#) of the assignment to test your understanding. You can compare your answer with the feedback given at the end of the unit.

Businesses have expenses (deductions) that need to be deducted from the income before they can determine whether the business has made a profit or a loss.

- **Profits and losses**

The difference between the income and expenses is profit or loss. Profit is normally only worked out at the end of a financial period.

The formula to calculate profit for a service business:

$$\textit{Profit} = \textit{Income} - \textit{expenses}$$



Tip

income > expenses = profit
income < expenses = loss

In the case of a trading business:

The difference between the purchasing price (the price we pay when we buy goods) and the selling price (the price we receive when we sell goods) is the profit or loss.

Take a look at the following examples:

Example 1A	Example 1B
Selling price: N\$120,00 Purchasing price: N\$80,00	Selling price: N\$100,00 Purchasing price: N\$110,00
Selling price – Purchasing price = N\$120,00 – N\$80,00 = N\$40,00 (profit)	Purchasing price – Selling price = N\$110,00 – N\$100,00 = N\$10,00 (loss)



Example 2A	Example 2 B
Selling price: N\$120,00	Selling price: N\$100,00
Purchasing price: N\$ 80,00	Purchasing price: N\$110,00
Expense (telephone): N\$ 20,00	Expenses: N\$20,00
Selling price – (Purchasing price + expenses)	(Purchasing price + expenses) – Selling price
= N\$120,00 – (N\$80,00 + N\$20,00)	= N\$110,00 + N\$20,00 – N\$100,00
= N\$20,00 (profit)	= N\$130,00 – N\$100,00
	= N\$30,00 (loss)

Do you see the difference in the profit between example 1 and 2? You will note that it is not only the selling and purchase price that plays a role.

We call the difference between the selling and purchase price the *gross profit*.

We, however, have to take other income and expenses of the business into account when calculating the final profit or loss, called the *net profit* or *net loss*.

Now take a few minutes and do [Question 2](#) of the assignment to test your understanding of the work discussed above. First do the questions by yourself before comparing your answers to mine at the end of the unit.

This is a very simple and straightforward calculation. We will spend more time on the calculation of the profit or loss of a business later on in the unit. To calculate the profit, the entrepreneur needs to keep a record of all his transactions by means of bookkeeping.

Recording of Different Types of Transactions

Keeping record of all business transactions is part of the finance function. The *first* place where transactions are normally entered is on source documents.

Source documents are proof of a transaction between two or more parties.

In your business, you will find source documents received from another business/supplier, as well as documents issued to the customers by the business.

You should be familiar with source documents, as you receive one each time you buy an item.

For example:

- When you pay your school fees, the school issues a *receipt* as proof of payment.
- When you buy bread and milk at a shop and pay cash, you get a *cash register slip (cash slip)* as proof of payment.
- When you buy goods on credit, you get an *invoice* as proof of the transaction and later in the month, a *monthly statement/statement of account* to show the amount of money you owe the business.
- When you pay by *cheque*, you complete the *cheque counterfoil*.
- When you return goods, you receive a *credit note*.

As you can see, source documents differ from transaction to transaction. The source document is used to complete the books of first entry or the journals of the business.

For our purpose, the most basic activity will be to keep a Cash Book. The Cash Book is used to record **only** cash transactions.

The following source documents will be used in writing up the Cash Book:

Debit side of Cash Book:

- Receipt (For all money received except for Sales and Current Income)
- Deposit slip (D/S) (For amounts deposited in the bank — Contra entries)
- Cash Register Roll (CRR) (For Sales and Current Income)

Credit side of Cash Book:

- Cheque Counterfoil



Recordings in a Two-Column Cash Book

All money received (cash receipts) and money paid out (cash payments) are recorded in the Cash Book.

The Cash Book has a debit and a credit side. We use the debit side (left-hand side) for receipts (when the business receives money) and the credit side (right-hand side) for payments (when the business pays money). The difference between the two sides is our balance. The balance will indicate the amount of money that the business has at hand (cash) or in the bank (bank).

Let us take a look at a basic layout for a two-column Cash Book.

Cash Book of Hunter Tuck Shop - June 2009 CB1											
Dr						Cr					
Doc	Day	Details	Fol	Cash	Bank	Doc	Day	Details	Fol	Cash	Bank
1	2	3	4	5	6	7	8	9	10	11	12

Number one (1) to six (6) is the debit or receipts side while numbers seven (7) to twelve (12) is the credit or payments side.

- Column 1: Document number and in this case the receipt number or cash register roll number.
- Column 2: The day on which the transaction took place.
- Column 3: The name of the account for which the money was received, e.g., sales, service rendered, rent received, capital, etc.
- Column 4: The folio number of the account for which the money was received.
- Column 5: If we receive cash or cheques, we enter the amount in the cash column because we have the money and cheques in our business before it is deposited into the bank account.
- Column 6: When we deposit or transfer the money and cheques from the cash that we have at hand into the bank account of the business or when someone deposits money directly into our bank account, we make an entry in the bank column.
- Column 7: Document number and in this case the cheque number, if payment was made by cheque.
- Column 8: The day on which the transaction took place.
- Column 9: The name of the account for which the money was paid, e.g., purchases, fuel, wages, salaries, telephone, rent paid, equipment, vehicle.
- Column 10: The folio number of the account for which the money was paid.

Column 11: If we pay cash, we enter the amount in the cash column. If we make a deposit into the bank account from our cash, the amount is entered in this column.

Column 12: When we pay with a cheque, we enter the amount in this column.

Let's work through the following example to show you how entries are made in the Cash Book.

Example of entries in a Cash Book:

The Grade 10 class at Su ngwana Secondary School operates a tuck shop called Happy Learners Enterprise. The following transactions took place during October 2008. Enter the transactions in the two-column Cash Book for October 2008.

2008

- October
1. The finance manager deposited N\$5000,00 into the business's bank as opening capital contributed by the members of the class. Issued receipt number 01.
 2. Bought stock for resale, N\$2000,00 by cheque number C1.
 3. Issued a cheque to the school for N\$10 0,00 for a trading licence to do business on the school grounds.
Paid by cheque for the rent of the tuck shop to the School Board, N\$100,00 for the month. Rent is paid in advance.
 7. Drew a cash cheque for cash float., N\$500,00.
Bought stationery and paid cash, N\$55,00.
 8. Total sales for the week, N\$3000,00.
 9. Deposited N\$2500,00 into the bank account.
 - 17 Bought goods and paid by cheque, N\$4000,00.
 21. Total cash sales, N\$6 200,00.
 22. Deposited all cash except N\$500,00 into the bank account.
 23. Bought a microwave oven for use in the tuck shop and paid by cheque, N\$900,00.
 28. Total sales for the week, N\$3 600,00.
 29. Deposited N\$3800,00 into the bank account.
 30. Paid the finance manager's salary by cheque, N\$500,00.

Solution:

dr		Cash Book of <i>Happy Learners Enterprise</i> – October 2008						CBI		cr	
Doc	Day	Details	Fol	Cash	Bank	Doc	Day	Details	Fol	Cash	Bank
01	1	Capital			5000 00	C1	2	Purchases			2000 00
	7	Bank	C	500 00		C2	3	Trading licence			100 00
CRR	8	Sales		3000 00		C3	3	Rent paid			100 00
S	9	Cash	C		2500 00	C4	7	Cash	C		500 00
CRR	21	Sales		6200 00				Stationery		55 00	
D/S	22	Cash			6645 00	9	9	Bank	C	2500 00	
CRR	28	Sales		3600 00		C5	17	Purchases			4000 00
D/S	29	Cash	C		3800 00	22	22	Bank	C	6645 00	
						C6	23	Equipment			900 00
						29	29	Bank	C	3800 00	
						C7	31	Salary			500 00



Hint: Calculation of the amount to be deposited on 22 October:

$$\begin{aligned}
 &= (N\$500 + N\$3000 + N\$6200) - (N\$55 + N\$2500) - N\$500 \\
 &= N\$9700 - N\$2555 - N\$500 \\
 &= N\$6645
 \end{aligned}$$



Tip

Contra Entries

- For money drawn as cash float
Debit in Cash and Credit in Bank
- For cash deposited into the Bank
Debit Bank and Credit Cash

At the end of each month, we will balance the Cash Book. The balances in the cash and bank columns will indicate the amount of money that the business has at hand (cash) or in the bank (bank).

Balancing the Cash Book

The balance is the difference between the debit and the credit side.

We balance the Cash and Bank separately.

- If the debit side is the largest, the difference will be entered on the credit side as Balance c/d on the last day of the month.
- If the credit side is the largest, the difference will be entered on the debit side as Balance c/d on the last day of the month.
- Totals (all on the same line) are then added up below the lowest entry.
- The heading for the new month is written in the next line and the balances are b/d on the opposite side on the first day of the next month.
- If we balance the Cash Book in the example at the end of October, it will look like this:

Example of balancing of a Cash Book:

Cash Book of <i>Happy Learners Enterprise</i> – October 2008											
dr						cr					
Doc	Day	Details	Fol	Cash	Bank	Doc	Day	Details	Fol	Cash	Bank
01	1	Capital			5000 00	C1	2	Purchases			2000 00
	7	Bank	C	500 00		C2	3	Trading licence			100 00
CRR	8	Sales		3000 00		C3	3	Rent paid			100 00
S	9	Cash	C		2500 00	C4	7	Cash	C		500 00
CRR	21	Sales		6200 00				Stationery		55 00	
D/S	22	Cash			6645 00		9	Bank	C	2500 00	
CRR	28	Sales		3600 00		C5	17	Purchases			4000 00
D/S	29	Cash	C		3800 00		22	Bank	C	6645 00	
						C6	23	Equipment			900 00
							29	Bank	C	3800 00	
						C7	31	Salary			500 00
							31	Balances	bal	300 00	9645 00
				13,300 00	17,945 00					13,300 00	17,945 00
November 2008 CB2											
	1	Balances	old	300 00	9645 00						

Now answer [questions 3 to 5](#) of the assignment to give you practice in drawing up and balancing a Cash Book.

I hope you did well in answering the questions. Compare your answers with feedback given at the end of the unit.

To find out whether the business has made a profit or a loss, we need to draw up an Income Statement.

Calculation of Gross Profit and Net Profit

We did some simple calculations of profit and loss earlier on in the unit. The calculation of the profit is, however, a bit more complex.

For a service business, we use the following formula to calculate profit:

$$\text{Income} - \text{expenses} = \text{net profit/net income}$$

In the case of a trading business, there is a difference:

You first must calculate gross profit before you can calculate the net profit.

$$\text{Gross profit} = \text{Sales} - \text{Cost of sales}$$

This means the money you received from selling goods (sales) less the money spent to get the goods into your business (Purchases and maybe transport costs = cost of sales).



It is important to remember that you first have to calculate the cost of sales/cost of goods sold before you can calculate the gross profit.

Calculation of Cost of Sales

Purchases and sales transactions take place during the year. At certain times (normally at the end of the financial year), the trading business counts the stock that is left (still unsold) in the business. This is called **stocktaking**.

The value of the goods unsold that are not sold is called **final/closing stock**.

The *final/closing stock* counted at the end of the financial year will be the *initial/opening stock* for the next financial year.

Formula to calculate cost of sales/cost of goods sold:

$$\text{Opening stock} + \text{Purchases} + \text{Carriage inwards} - \text{Closing stock}$$

For example

Calculate gross profit using the following information

Mimo Stores started business on 1 July 2007. During the year they bought stock worth N\$150,000 and paid transport cost worth N\$5200 to get the goods to the business. The goods sold totalled N\$145,000 for the year (sales). Stocktaking took place at the end of the financial year and the value of the stock on 30 June 2008 was N\$45,500.

Answer

$$\text{Gross profit} = \text{Sales} - \text{Cost of sales}$$

First we calculate cost of sales

Opening stock + Purchases + Carriage inwards – Closing stock

$$\begin{aligned} \text{Cost of sales} &= (\text{N}\$0 + \text{N}\$150,000 + \text{N}\$5200) - \text{N}\$45,500 \\ &= \text{N}\$155,200 - \text{N}\$45,500 \\ &= \text{N}\$109,700 \end{aligned}$$

$$\begin{aligned} \text{Gross profit} &= \text{N}\$145,000 - \text{N}\$109,700 \\ &= \text{N}\$35,300 \end{aligned}$$

If we take all the other income and expenses into account, the gross profit plus other income less other expenses is *net profit*, also called net income.

$$\text{Net profit} = \text{Gross profit} + \text{Other income} - \text{Expenses}$$

Income Statements

An Income Statement is normally drawn up to see whether the business has made a profit or a loss at the end of a specific financial period.

This means that we need to have information about all the income and expenses that the business had for the financial period. These accounts are part of the nominal account section in your Trial Balance.

Layout of the Income Statement (Service Business)

The Income Statement for a service business will be drawn up to calculate the gross income and net income at the end of the financial period. Examples of service businesses are hair salons, lawyers and mechanics.

The following information was taken from the books of Happy Welders for the financial period that ended on 31 December 2008.



Example: Income Statement of a service business

Trial Balance of Happy Welders on 31 December 2008

	Fol	Debit		Credit	
Balance Sheet Accounts Section:					
Capital				192,500	00
Drawings		4000	00		
Land and Buildings		160,000	00		
Vehicles		100,000	00		
Equipment		27,500	00		
Loan: Namib Bank (10%)				20,000	00
Debtors		2500	00		
Bank		15,000	00		
Cash		2000	00		
Creditors				4000	00
Nominal Accounts Section					
Current Income				190,400	00
Material cost		92,000	00		
Salaries		4400	00		
Telephone		1200	00		
Stationery		600	00		
Water		1800	00		
Rent received				6500	00
Interest on loan		2400	00		
		413,400	00	413,400	00

What will the Income Statement look like?

Income Statement of Happy Welders on 31 December 2008

	N\$		N\$	
Current income			190,400	00
Plus: Other Income			6500	00
Rent received	6500	00		
Gross income			196,900	00
Less: Expenses			102,400	00
Material cost	92,000	00		
Salaries	4400	00		
Telephone	1200	00		
Stationery	600	00		
Water	1800	00		
Interest on loan	2400	00		
Net income			94,500	00

Let's see whether you can draw up an Income Statement. Take some time and answer [questions 6 and 7](#) in the assignment.
I hope you will do well in the activity.

Hint: You will find that one business made a profit and the other a loss.

Let's move on to the Income Statement for a trading business.

Layout of the Income Statement (Trading Business)

The layout is different from the Income Statement of a service business.

Example: Income Statement of a trading business

The following information was taken from the books of Jonty Traders for the financial period that ended on 31 December 2008.

Trial Balance of Jonty Traders on 31 December 2008

	Fol	Debit		Credit	
Balance Sheet Section:					
Capital				192,500	00
Drawings		4000	00		
Land and Buildings		120,000	00		
Vehicles		100,000	00		
Equipment		27,500	00		
Loan: Namib Bank (10%)				20,000	00
Stock (01.01.2008)		40,000	00		
Debtors		2500	00		
Bank		15,000	00		
Cash		2000	00		
Creditors				4000	00
Nominal Accounts Section					
Sales				190,450	00
Purchases		92,000	00		
Salaries		4400	00		
Telephone		1200	00		
Stationery		600	00		
Bad debts		50	00		
Electricity		1800	00		
Rent received				6500	00
Interest on loan		2400	00		
		413,450	00	413,450	00



Extra information: Stock on 31 December 2008, N\$50 000,00.

Solution:

**Income Statement of Jonty Traders for the year ended
31 December 2008**

Sales			190,450	00
Less: Cost of sales			82,000	00
Opening Stock	40,000	00		
Add Purchases	92,000	00		
	132,000	00		
Less Closing Stock	50,000	00		
<i>Gross Profit</i>			108,450	00
Add: Other income			6500	00
Rent received	6500	00		
<i>Gross income</i>			114,950	00
Less: Expenses			10,450	00
Salaries	4400	00		
Stationery	600	00		
Telephone	1200	00		
Bad debts	50	00		
Electricity	1800	00		
Interest on loan	2400	00		
<i>Net Income</i>			104,500	00

Now answer [questions 8 and 9](#) in the assignment. I hope you will do well in the activity.



Tip

Remember, to calculate the profit of a trading business, you must first calculate the gross profit and then the net profit.

- In the first part it starts off with the gross profit (or the profit from trading) without taking any income and expenses into account.
- In the second part, the income during operations (excluding sales) is added and the expenses are subtracted to calculate the net income.
- The net income is the final figure that will be added to capital.

Remember, the Income Statement is drawn up to see the financial performance (result) of the business over a financial period, whether the business has made a profit or a loss.

Balance Sheet

A Balance Sheet shows the financial position of a business on a specific date, usually at the end of the financial period (this period may be a few months, six months or a year — it varies).

A balance sheet shows the total value of the business's assets and liabilities and the owner's equity accounts. (Equity accounts show the interest that the owner has in his own business.)

The Balance Sheet is set out in a specific way:

The first part shows the **capital employed**. This is the capital we can use to operate the business (to buy assets and to pay for operating expenses, for example).

The second part shows the **employment of capital** — that is, how we used the money at our disposal to run the company (to buy assets, for example).

Layout of a Balance Sheet

The Balance Sheet is the same for both a service business and a trading business. The only difference is that a trading business will have a stock figure under current assets and a service business will not.

Example: After completing the Income Statement, the following accounts are left to compile the balance sheet:

Trial Balance of ABC Traders on 31 December 2008

	Fol	Debit	Credit
<u>Balance Sheet Section:</u>			
Capital			175,000 00
Drawings		4000 00	
Land and Buildings		120,000 00	
Vehicles		100,000 00	
Equipment		27,500 00	
Loan: Namib Bank (10%)			56,000 00
Stock (31.12.2008)		50,000 00	
Debtors		2470 00	
Bank		15,000 00	
Cash		2400 00	
Creditors			4900 00
<u>Final Accounts Section</u>			
Net Income			85,470 00
		<u>321,370 00</u>	<u>321,370 00</u>



Balance Sheet of ABC Traders on 31 December 2008

Capital Employed:						
<u>Owner's Equity</u>					256,470	-
Capital	175,000	-				
Plus: Net Income	85,470	-	260,470	-		
Less: Drawings			4000	-		
<u>Long-term liability:</u>					56,000	-
Loan: Namib Bank (10%)			56,000	-		
					312,470	-
Employment of Capital						
<u>Fixed Assets</u>						Book value
Land and Buildings					120,000	-
Vehicles					100,000	-
Equipment					27,500	-
					247,500	-
Working capital					64,970	-
<u>Current Assets</u>			69,870	-		
Stock (31.12.2008)	50,000	-				
Debtors	2470	-				
Bank	15,000	-				
Cash	2400	-				
Less: Current liabilities			4900	-		
Creditors	4900	-				
					312,470	-

Now that you have mastered the skill of drawing up an Income Statement and a Balance Sheet, answer [questions 10 to 12](#) of the assignment in your notebook.

I hope you did well in the questions. The questions would have shown you how to handle both profits and losses in the Balance Sheet. Please review the content on this topic again if you experienced difficulties doing the activities.

The financial function is responsible for everything that has to do with finances and money that flow into and out of the business. Tax is a very important responsibility to handle and you will be introduced to it in the next part of this unit.

Taxes

What is meant by taxes?

Taxes are payments that are made to the government. We all pay taxes to the government in the form of VAT, whilst income tax is only paid by people who work and earn more than certain level of income per year.

What is the difference between VAT and INCOME TAX?

- **Value-added tax (VAT)**

This type of tax is charged on most products and services. The tax is collected by businesses from customers and paid over to the Ministry of Finance. There are goods and services that are exempted from tax. Businesses have to register for VAT purposes with the Ministry of Finance. The businesses must complete VAT return forms on a regular basis. The exact timing for completion of these VAT returns differs from business to business, but it is usually every second month. Currently, the rate of VAT stands at 15% on most goods and services.

- **Income tax**

All citizens who work have to pay tax on the income they earn. There are various tax brackets. The higher your salary, the more the tax you are going to pay (amount and percentage). People earning less than N\$36, 000 (2008 figure)) per year are exempted from paying tax. The tax tables vary from year to year.

Why Do We Need To Pay Taxes?



Practical Activity 3





Tip

Write down at least five things for which government charges taxes.

There are numerous uses. E.g., Road network, schools, etc

The government needs funds to operate and render services to the general public. One way for the government to generate income to pay for government operations and pay civil servants is to collect taxes paid by the citizens of a country.

We have now completed finances and I hope you now have a good understanding of what it entails. Do the following discussion activity before you continue with the rest of the unit.

 Discussion 1	<p>Discuss in your group:</p> <ul style="list-style-type: none"> • the importance of keeping record of all transactions that takes place in a business. • Why should businesses register for VAT in Namibia.
 Tip	<p><i>You should refer to positive and negative impact of not keeping record of transactions as well as the importance of paying tax in your discussions.</i></p>

In many small businesses, a staff member or owner responsible for finances also deals with appointing people and with staff issues. In our next section, we will look at the personnel function, which has a direct influence on the finances of a business.

Section 2 Personnel Function

The personnel function deals with all issues regarding personnel, such as recruiting and appointing new staff, calculating benefits and dealing with leave issues. The personnel function covers all these needs such as remuneration, medical aid, pension fund and training. Remember, the quality of its staff will contribute significantly to an organisation's profitability and capacity to grow and prosper.

Recruitment

Although the owners of SMEs and their family normally work in the business, they sometimes employ other people to assist them. The right people and the most competent workers should be identified and recruited. The owner needs to be clear about the job that the person will do and the type of person wanted for the job. That means the owner needs to develop a job specification.

*A **job specification** document includes information such as qualifications necessary for a job, special skills or experience required and the characteristics of the person.*

The owner uses the job specification to recruit a worker.

When appointing the successful candidate, the owner or owners should provide the worker with his or her *job description* — informing the worker of his or her duties and responsibilities.

Methods of Recruitment

There are different ways to recruit people, such as advertising and interviewing, internal promotion and headhunting.

Internal recruitment: When an existing employee takes up a vacancy in the business either through a transfer to a new position on the same level or into a higher position (promotion).

External recruitment: Recruiting a person who has not worked in the business previously. In this case, the business has different methods of recruitment to choose from. The most common method used by businesses is advertising in daily newspapers, on the Internet and on the radio. Sometimes, the business can respond to advertisements placed through one of these mediums by job seekers. Many businesses also make use of headhunting to recruit the most suitable workers.

Use the knowledge that you have gained so far from your entrepreneurship guide and do the following activity in your notebook.



Practical Activity 4

Decide on a position in your business. Develop a job description and a job specification and then develop an advertisement to advertise this position in one of the daily newspapers.

Using the knowledge that you have gained, decide on the following:

- ◆ The organisation
- ◆ The position
- ◆ Contents of the advertisement

People work to earn an income. The owner of the business needs to be clear on the amount of money the worker will receive for his or her work.



How Do You Calculate The Workers' Remuneration?

Remuneration refers to the workers' wages and/or salaries. Wages or salaries can be calculated in the following ways:

People work for a **basic salary** or wage. Salaries are paid monthly, but wages can be paid weekly or in some cases daily. This is regarded as their **basic wage/income**. Sometimes, the person also receives rent allowance, transport allowance, or works overtime and gets paid extra for it.

$$\text{Basic wage} + \text{overtime} + \text{allowances} = \text{gross wages/income}$$

The person also has to pay for things like medical aid, pension fund, income tax and social security. These payments are called **deductions/expenses**.

$$\text{Gross wage/income} - \text{deductions/expenses} = \text{net wage/income}$$

Take a few minutes and do the following activity in your notebook before we continue with our discussion.



Practical Activity 5



Tip

Speak to one of your family members such as your father, mother, brother or sister who is employed and receives a salary. Ask him or her to show you his or her pay slip and to explain the following to you.

- Basic wage/salary
- Allowances
- Gross wage/salary
- Deductions
- Net salary

The purpose of the activity is to explain to you that when a person works, he or she is paid a basic salary. He or she is paid the net salary/net income after certain deductions are made from the basic salary.

I hope you were successful in persuading someone to help you. Let's have a more formal discussion on the calculation of wages.

- **Wages and basic salary scale:** Wages are normally paid on a weekly basis according to hours worked, while salaries are paid as a fixed amount, usually at the end of the month.
- **Gross and net wages:** The total normal time plus total overtime payable are called gross wage. In most cases, deductions are made from the gross wage to determine the net wage that the employee will receive.

- **Normal and overtime:** Wages are usually paid at a flat rate per hour up to a maximum number of hours stipulated in the labour act. In Namibia, the maximum number of hours per day are eight. This is called normal time. Hours worked above eight hours a day are taken as overtime and a different rate per hour applies, which will be higher than the rate for normal time. Hours worked on holidays and over weekends also count as overtime and in the case of Namibia, a one and a half or double rate applies. Another option is to calculate wages at a fixed rate for every article completed or every part of a job completed. The wages are calculated by multiplying the number of articles produced by the rate agreed upon.
- **Deductions: Pension fund, medical aid, PAYE, Social Security Fund, Union subscriptions**
 - **Pension fund:** Businesses usually have a pension fund to which the employer as well as the employee contribute. This is in most cases compulsory, and the employee will receive a lump sum at retirement plus a monthly pension.
 - **Medical Aid:** Deductions for contributions to a medical aid scheme can also be made from the wages of the employee. This enables the employee to claim medical expenses from such a fund.
 - **Income Tax (PAYE):** Employees receiving wages above a certain amount per year are liable to pay income tax. The employer is responsible to make such deductions and pay it over to the Receiver of Revenue. Deductions for taxes appear on the pay slip under PAYE, which stands for Pay As You Earn.
 - **Social Security Fund:** This fund makes provision for maternity leave benefits, sick leave benefits, medical aid benefits, a pension fund, medical aid fund and a development fund. Employers are compelled by law to register all employees and to make deductions from wages of employees on behalf of the Social Security Fund and pay it over to the fund.
 - **Union subscriptions:** In a case where employees belong to trade unions, deductions for membership fees can be made from the wages of employees and paid over to the union.

In businesses with a number of employees, we keep record of payments made to staff members in a Wages Journal that shows the remuneration, as well as the deductions made from individual staff members' wages. Let's take a look at the format of a wages journal. **It is not expected from you to be able to draw up a wages journal for examination purposes in this subject.**

Wages Journal

A Wages Journal is kept to record all information regarding the wages and deductions of employees. We will explain the entries in the wages journal using the following example:

Example

Use the information taken from the books of JC Repairs given below to do the Wages Journal for the week ended 19 November 2008

Information

Hours worked and tariffs applicable:

Employee	Normal time		Overtime	
	Hours	Tariff	Hours	Tariff
1. J. Kasper	40	N\$20 per hour	10	N\$30 per hour
2. S. Kamwi	40	N\$30 per hour	10	N\$45 per hour

Deductions:

1. Pension fund: 10% of normal wage of each employer
2. Social Security Fund: 5% of gross wages
3. Medial Aid: N\$100,00 for J. Kasper and N\$50,00 for S. Kamwi
4. PAYE: 20% of gross wage
5. Trade Union: N\$10,00 per employee
6. JC Repairs contributes 5% of normal wages to the pension fund of each employee and an equal amount to the Medical Aid and Social Security Fund of each employee;

The Wages Journal will look as follows.

Employee	Normal time		Overtime		Gross wages		Deductions						Net wages
	Hours	Amount	Hours	Amount	Pension fund	Social Security Fund	Medical Aid	Trade Union	PAYE	Total deductions			
1. J. Kasper	40	800 00	10	300 00	1100 00	80 00	55 10	100 10	10 00	220 00	465 00	635 00	
2. S Kamwi	40	1200 00	10	450 00	1650 00	120 50	82 50	50 10	10 00	330 00	592 50	1057 50	
		200 00		750 00	2750 00	200 00	137 50	150 00	20 00	550 00	1057 50	1 092 50	
Employer's contribution					387 50	100 00	137 50	150 00					
					3137 50	300 00	275 00	300 20	20 00	550 00	1057 50	1 092 50	

The employer must then pay all the members' contributions to the different organisations and these transactions are recorded in the Cash Book. The entries are done on the payments side of the Cash Book since payments are made to parties by cheque.

For a business with only a few employees, the business can also just make a simple calculation for each worker's wage. Let us take the example of J. Kasper above.

	N\$	N\$
Normal time (40 hours X N\$20)		800
Overtime (10 Hours X N\$30)		<u>300</u>
		1100
Less Deductions:		465
Pension fund (10% X N\$800)	80	
Social Security Fund (5% X N\$1 100)	55	
Medical Aid 100		
Trade Union	10	
PAYE (20% X N\$1 100)	<u>220</u>	
Paid to J. Kasper:		<u>635</u>
Employer's contribution for J. Kasper:		
Pension fund (5% X N\$800)		40
Social Security (equal)		55
Medical Aid (equal)		<u>100</u>
		<u>195</u>

This will mean that although the business pays N\$635 as wage to J. Kasper, the actual expense for wages for the business for J. Kasper will be N\$1295 (N\$1100 + N\$195).

Now that you have mastered the skill to calculate wages, answer [Question 13](#) of the assignment in your notebook.

Keeping workers happy is very important for the success of any business. A worker who is not motivated is not productive and the attitude of such a worker can hamper progress in the business. It is therefore important that the manager or owner identify the needs of his or her employees.



Guidelines to Motivate Workers

There are many ways to motivate your employees. The following are examples of factors that can be used for this purpose.

Remuneration and Financial Incentives

Money is an important source of motivation. Dissatisfaction with employee salary/wages causes unhappiness amongst workers. Rewarding outstanding performance and including benefits such as bonuses will truly motivate and inspire the employees to be more productive and more efficient in what they do.

Other Incentives and Rewards

Money is not everything. Rewards can also include things like a day off, small gifts, occasional treats to lunch or dinner, or a better office environment. Employees appreciate it when their good performance is recognised and praised. This inspires them to work even harder next time.

Safe and healthy workplace

A safe and healthy workplace makes workers feel that the management or owners care about their health and safety and it makes them loyal to the business. The employee has a right to expect a work environment that is free from unnecessary hazards, and the employer has the right to expect the employee to maintain a safe working area.

Personal development

It is important that the owner or manager looks at employees' current skills levels and identify gaps. The provision of training for additional knowledge and skills is a great motivator for many employees. This is a good way to motivate employees, but it also improves performance and productivity.

Team building

It is always good to organise team-building activities. Examples are a structured team-building activity during which the business is closed for a day or more and the staff members go out to a venue outside the workplace and participate in activities to build a good spirit of coherence.

Know the employee

It is important for the small business owner to do an employee needs assessment to find out what employees want with regard to their work and working conditions. This will enable the owner to take proactive steps towards making sure that his or her employees are satisfied and motivated.



Tip

Don't employ any motivational strategy in the list above before you have considered the needs and wants of your employees with regard to their work.

Dissatisfaction and unhappiness in the workplace can lead to conflict between workers and the owner or among workers.

Conflict in a Business

Conflict is something that will always be part of any society but more so in the workplace. Conflict arises when parties involved disagree with one another with regard to a particular issue in the business. Various situations and actions of workers or managers can cause conflict in the business.

Let us take a look at some examples:

- Coming late for work regularly
- Workers who don't pull their weight but always rely on others to complete tasks, especially when it comes to group work
- Personal conflicts caused by discussion of sensitive issues at work, e.g., political and religious issues and views on controversial issues that can divide people
- Acting against office policy like drinking during office hours or smoking in offices where they are not allowed to
- Poor communication — A top-down approach where the managers keep information needed by workers away from them
- Mistakes in the calculation of salaries
- Lack of leadership and management, and
- Unsafe working conditions

These are only a few causes. Can you think of more, even in your personal life?

Read the following case study and answer the question in your workbook.



Case Study 1

Sara works as a waiter/cashier in a restaurant. She was an employee on whom you could count and could delegate to. In the past, she was the first to arrive at work and always willing to work extra hours if needed. Sara's way of doing things totally changed after the owner changed the shift timetable. Waiters now had to work shifts of seven hours per day for the same wages as when they worked shifts of five hours per day.

Lately, Sara is the last one to arrive and the first one to leave and sometimes she doesn't show up at work at all. The headwaiter always covers for her. The other waitresses have to work much harder to cover the day. Sara is the only one who has received a bonus at the end of the year for 'good' performance.

Would you say that this situation would lead to conflict in the business? Provide reasons for your answer.

Now compare your answer with those provided at the end of the unit. I hope you did well in answering the question. So how do we solve or try to solve conflict situations?

Conflict Resolutions

How do you as manager address conflict effectively? There is no single remedy or solution for conflicts, because every situation demands a unique response, taking into account the big picture of what caused the conflict and how it could have been avoided. Such situations are good experience and case studies to be able to handle similar conflict situations in future.

When a conflict situation occurs, the entrepreneur should take the following steps:

1. *Define the problem.* Remember, you cannot solve a problem before you have defined it.
2. *Gather all the necessary data.* Collect the facts on what caused the conflict and do not go on hearsay.
3. *Analyse the data.* This involves the separation of management and employee causes of the problem.
4. *Choose the best solution* for all involved in the conflict situation.
5. *Implement the solution and provide feedback* to all involved.

During the process of conflict resolution the entrepreneur should —

- only consult those people who are directly involved in the conflict situation in the problem-solving process
- be prepared to listen — give each worker/person a chance to tell his or her side of the story without interruption
- be impartial, calm and objective at all times
- keep the parties calm and try to control emotions throughout the process of negotiation

- ask the employees in conflict to give their view on how the problem can be resolved
- enlist the help of a third party when he or she is unsuccessful in solving the problem
- never compromise the principles of the organisation. If you believe that some things must stay the way they are, explain your reasons and then stick to them.



Tip

Read in newspapers about activities of unions that look after the interests of workers to give you a better understanding of the work discussed.

Now answer [questions 14 to 15](#) of the assignment in your notebook.

You should now have a better understanding of the financial function and personnel functions needed to successfully operate a business. Let's summarise what we have discussed in the unit.

Unit summary



Summary

In this unit you learned the following:

- There are different types and sources of capital that an entrepreneur can use to finance the business operations.
- It is important that the entrepreneur should estimate the capital requirements of his or her business before he or she actually goes into setting up the business.
- It is important that the entrepreneur keeps record of transactions that take place in the business by drawing up a two-column Cash Book.
- The business makes a profit when the income is more than the expenses, but if the expenses are more than the income the business makes a loss.
- We draw up an Income Statement to calculate the net profit or net loss whilst the Balance Sheet shows the financial position on a specific date.
- The personnel function deals with employees' issues like recruitment, remunerations, handling of conflict and how to keep workers motivated.
- The owner uses a job specification to recruit workers and provides a job description, which is used to inform the worker of his or her duties and responsibilities.
- There are guidelines that managers can follow to keep employees motivated and regarding what a manager should do to address conflict effectively.

Make sure that you have answered all the questions in the assignment to test your understanding of the work discussed in this unit. You must first answer the questions on your own and then compare your answers with the feedback given at the end of the unit.

Assignment



Assignment

1. Copy this table in your workbook and identify whether the following is an expense, an income or an asset by ticking the right box.

Item	Income	Expense	Asset
Building			
Stock			
Water and electricity			
Telephone			
Computer			
Tools			
Trading licence			
Rent received			
Vehicles			
Cheque received for services rendered			

[Return to course](#)

2. Calculate the profit or loss by completing the following:

No.	Purchasing price	Selling price	Expenses	Profit	Loss
1.	N\$230,00	N\$295,00	N\$0,00		
2.	N\$130,00	N\$100,00	N\$0,00		
3.	N\$425,00	N\$420,00	N\$45,00		
4.	N\$560,00	N\$960,00	N\$120,00		
5.	N\$772,00	N\$669,00	N\$89,00		

[Return to course](#)

3. John and Boas Shimanja, two brothers, own a car wash called Shimanja Brothers. The following transactions appeared in their books for November 2008.

2008

- Nov
- 1 The owners deposited N\$500 0,00 in the bank account of the business. Issued receipt CR1.
 2. Pay rent of N\$200,00 by cheque (cheque number C1) to the owner of the business from whom they are renting a part of the business.
 3. Bought materials (polish, cloths, soap) and paid by cheque, N\$2000,00.
 7. Current income for the week from cars washed, N\$1200,00.



Assignment
(continues)

12. Paid N\$250,00 in cash to the *Namibian* for an advertisement.
14. Current income for the week, N\$1900,00.
15. Deposited into bank account, N\$2500,00.
17. Bought materials by cheque, N\$900,00.
21. Current income, N\$2200,00.
27. Paid wages by cheque, N\$1000,00.
28. Current income, N\$2800,00.
29. Deposited N\$4500,00 into the bank account.

Required:

You are requested to enter these transactions in their Cash Book for November 2008. Balance the Cash Book at the end of November 2008.

4. The following transactions appear in the books of Nice and Easy Store for December 2008. Enter the transactions in the Cash Book for December 2008. The Cash Book must be balanced at the end of December 2008.

2008

- Dec
1. Deposited N\$10,000,00 as capital in the business bank account. Issued receipt number R1.
 2. Paid N\$1000,00 to the owner of the building for the rent of the premises by cheque number C01.
 3. Bought stock for the business for resale and paid by cheque, N\$2000,00.
 7. Total sales for the week according to cash register roll CRR1, N\$2500,00.
 8. Deposited N\$2000,00 into the bank account.
 10. Paid N\$200,00 cash for wages.
 12. Received goods for resale and paid by cheque, N\$4000,00.
 21. Cash sales, N\$7800,00.
 22. Cash deposited into bank account, N\$6500,00.
 25. Paid electricity by cheque, N\$900,00.
 27. Paid salaries by cheque, N\$1500,00.
 29. Cash sales, N\$4400,00.
 30. Deposited N\$4000,00 into the bank account.

5. Record the following transactions in the Cash Book of Hallo Enterprises for March 2009.- Balance the Cash Book at the end of the month:

2009

- March
- 1 Balances in the cash book were as follows:
Cash: N\$250; Bank N\$23,456 (cr).
 - 2 The Owner, B Redman increased her capital contribution from N\$150,000 to N\$200,000.- The amount was deposited in the business' bank account.- Issued Receipt 443.



 Assignment
 (continues)

- 2 Drew a cheque for Cash float, N\$750. Cheque no 678.
- 3 Bought stationery and paid cash, N\$450.
- 9 Services rendered for cash, N\$6453.
- 12 Paid the following with one cheque:
Telephone account for the business N\$865
Telephone account for the owner N\$553
- 15 Wages paid cash, N\$900
- 16 Received a cheque from C. Murangi for rent of a part of the building, N\$3500.
- 17 Sold goods cash, N\$1 800.
- 18 B. Redman withdrew a cheque for private use, N\$14,000.
- 19 Deposited all cash except N\$1 000 in the bank account
- 20 Bought Equipment and paid by cheque, N\$14,300
- 27 Bought stock from Metro and paid by cheque N\$15,340
- 29 Goods sold for cash N\$1480.
- 29 Received a cheque from C. Maritshane for services rendered to her and paid it directly into the bank account, N\$5567.
- 31 Paid the manager's salary by cheque, N\$8000.
- 31 Bought a second hand delivery vehicle from SF Motors and paid by cheque, N\$60,000. [Return to course](#)

6. The following balances and totals were taken from the books of Village Electric Repairs on 30 June 2009.

Required: Draw up the Income Statement of Village Electric Repairs for the year ended 30 June 2009

Balances and totals:

Current Income	N\$22,00	0,00
Land and Buildings		80,000,00
Vehicles		40,000,00
Electricity		400,00
Rent Income		700,00
Capital		135,600,00
Stationery		300,00
Bank (dr)		9000,00
Equipment		16,000,00
Material costs		10,000,00
Fuel		300,00
Advertisements		600,00
Cash		800,00
Telephone		500,00
Trading licence		400,00



Assignment
(continues)

7. Use the given information in the Trial Balance of Okahandja Services.

Required:

Draw up an Income Statement for the year ended 31 March 2009.

Trial Balance of Okahandja Services as at 31 March 2009

	Debit	Credit
Balance Sheet Account Section		
Capital		110,800
Drawings	5800	
Land and Buildings	60,200	
Vehicles	32,300	
Equipment	20,100	
Bank	8730	
Cash	400	
Loan: Agri Bank		21,000
Nominal Accounts Section		
Current Income		55,000
Material Cost	40,400	
Advertising	3600	
Wages	8880	
Salaries	11,000	
Stationery	780	
Water	3360	
Interest on Loan	890	
Rent Income		10,280
Telephone	640	
	197,080	197,080

[Return to course](#)


 Assignment
 (continues)

8. The information below was taken from the books of Highway Traders.

Trial Balance of Highway Traders on 30 June 2008

	Fol	Debit		Credit	
Balance Sheet Accounts Section:					
Capital				180,000	00
Land and Buildings		100,000	00		
Vehicles		50,000	00		
Equipment		20,000	00		
Stock (01.07.07)		20,000	00		
Bank		15,000	00		
Cash		4000	00		
Nominal Accounts Section:					
Sales				62,000	00
Purchases		3,000	00		
Salaries		8000	00		
Telephone		2000	00		
Stationery		1000	00		
Water		4000	00		
Rent received				12,000	00
		254,000	00	254,000	00

Extra information:

- Stock (30.06.08), N\$22,000,00

Required:

Draw up an Income Statement for the year ended 30 June 2008.



Assignment
(continues)

9. Use the given information in the Trial balance and additional— information of Izaks Stores.

Required:

Draw up an Income Statement for the year ended 28 February 2009.

Trial Balance of Izaks Stores as at 28 February 2009

	Debit	Credit
Balance Sheet Account Section		
Capital		200,000
Drawings	18,000	
Land and Buildings	105,000	
Vehicles	45,000	
Equipment	35,000	
Stock (1 March 2008)	18,000	
Bank	9,500	
Cash	385	
Loan: Bank Windhoek		25,000
Nominal Accounts Section		
Sales		81,370
Purchases	55,800	
Insurance	3580	
Wages	3520	
Salaries	11,920	
Stationery	1860	
Electricity	3780	
Interest on Loan	2500	
Rent Income		9500
Carriage Inwards	550	
Telephone	1475	
	315,870	315,870

Additional information:

According to a stock taking on 28 February, there was stock to the value of N\$8240 in the business.

[Return to course](#)



Assignment

10. Use the information in questions 6 to 9 as well as the Income Statements you have drawn up and prepare the Balance Sheets for:

- (a) Village Electric Repairs on 30 June 2009
- (b) Okahandja Services as at 31 March 2009
- (c) Highway Traders on 30 June 2008
- (d) Izaks Stores as at 28 February 2009

11. The information below was taken from the books of Kavango Brothers on 31 December 2008.

Required:

You are requested to draw up an Income Statement and a Balance Sheet for the financial period ended 31 December 2008.

Trial Balance of Kavango Brothers on 31 December 2008

	Fol	Debit		Credit	
<u>Balance Sheet Accounts</u>					
<u>Section:</u>					
Capital				150,000	00
Land and Buildings		80,000	00		
Vehicles		40,000	00		
Equipment		12,000	00		
Stock (1.1.2008)		15,000	00		
Bank		8000	00		
Cash		2000	00		
<u>Nominal Accounts Section:</u>					
Sales				49,000	00
Purchases		24,000	00		
Salaries		8000	00		
Electricity		4000	00		
Repairs		600	00		
Donations		400	00		
Telephone		3000	00		
Rent received				6000	00
Insurance		5000	00		
Stationery		1000	00		
Advertisements		2000	00		
		205,000	00	205,000	00

Extra information:

- The stocktaking exercise reveals stock of N\$10,000,00 at the end of December 2008.



Assignment
(continues)

12. Use the given information in the Trial Balance and additional information of Gertze Stores.

Required:

- (a) Draw up an Income Statement for the year ended 30 April 2009
- (b) Draw up a Balance Sheet as at 30 April 2009.

Trial Balance of Gertze Stores as at 30 April 2009

	Debit	Credit
Balance Sheet Account Section		
Capital		200,000
Drawings	18,000	
Land and Buildings	100,000	
Vehicles	60,000	
Equipment	4,000	
Fixed deposit: First National Bank	10,000	
Stock (1 May 2008)	18,000	
Bank		8500
Cash	385	
Loan: Bank Windhoek		25,000
Nominal Accounts Section		
Sales		86,370
Purchases	55,800	
Insurance	4580	
Wages	3520	
Salaries	12,920	
Stationery	1860	
Water	4780	
Interest on Loan	2500	
Rent Income		18,500
Interest on Fixed deposit		1000
Carriage Inwards	550	
Telephone	1475	
	339,370	339,370

Additional information:

According to a stock taking on 30 April 2009, there was stock to the value of N\$13,240 in the business.

[Return to course](#)



Assignment
(continues)

13. An entrepreneur who makes leather products has just two employees. Jason helps with the production and Maria handles sales and does the bookkeeping. Recently, they had a stall at the Ongwediva Trade Fair. The details of their weekly wage during the fair were as follows:

Jason receives N\$10 per hour and works 45 hours per week. He also worked 12 hours overtime for which he received N\$15 per hour. He is not eligible to pay income tax, as his annual income is below the taxable minimum. The employer deducts N\$5 per week as Social Security contribution from his wage. The employer also negotiated a pension scheme and medical aid for its employees. Jason contributes 10 % of his normal time wage to the pension fund and N\$10 per week for medical aid.

Maria receives N\$25 per hour and works 40 hours per week. She worked 10 hours overtime during the week of the fair and received N\$38 per hour for that. Her income tax deduction amounts to 15% of her gross wage (gross wage = normal time + overtime), her Social Security contribution is N\$8 per week and medical aid contribution N\$20 per week. She also contributes 10% of her normal time wage to the pension fund.

The employer contributes on a N\$ per N\$ basis for Social Security and Medical Aid. He also contributes 20% of the normal time wage to the pension fund.

Requested:

- a) Calculate Jason's net wage. (The amount he will receive).
- b) Calculate Maria's net wage.
- c) Calculate the employer's total expense for wages for the week.

[Return to course](#)

14. Explain any four ways to remunerate employees, other than money.

15. Name the five steps that an employer should take to resolve conflict.

[Return to course](#)

I hope you've done well in all the activities. The following are feedback to the case studies and assignment. If your responses are far off track .you should revise the relevant parts of this unit.

Feedback



Assignment

1.

Item	Income	Expense	Asset
Building			X
Stock			X
Water and electricity		X	
Telephone		X	
Computer			X
Tools			X
Trading licence		X	
Rent received	X		
Vehicles			X
Cheque received for services rendered	X		

2.

No.	Purchasing price	Selling price	Expenses	Profit	Loss
1	N\$230,00	N\$295,00	-	N\$65,00	
2.	N\$130,00	N\$100,00	-		N\$30,00
3.	N\$425,00	N\$420,00	N\$45,00		N\$50,00
4	N\$560,00	N\$960,00	N\$120,00	N\$280,00	
5	N\$772,00	N\$669,00	N\$89,00		N\$192,00


Assignment

3.

dr Cash Book of *Shimandja Brothers* – November 2008 CB1 cr

Doc	Day	Details	Fol	Cash	Bank	Doc	Day	Details	Fol	Cash	Bank
CR1	1	Capital			5000 00	C1	2	Rent paid			200 00
CRR	7	Current income		1200 00		C2	3	Material cost			2000 00
CRR	14	Current income		1900 00			12	Advertisement		250 00	
DS1	15	Cash	C		2500 00		15	Bank	C	2500 00	
CRR	21	Current income		2200 00		C3	17	Material cost			900 00
CRR	28	Current income		2800 00		C4	27	Wages			1000 00
DS2	29	Cash	C		4500 00		29	Bank	C	4500 00	
							30	Balance	c/d	850 00	7900 00
				8100 00	12,000 00					8100 00	12,000 00

December 2008 CB2

	1	Balance	b/d	850 00	7900 00						
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4.

dr Cash Book of *Nice and Easy Store* – December 2008 CB1 cr

Doc	Day	Details	Fol	Cash	Bank	Doc	Day	Details	Fol	Cash	Bank
R1	1	Capital			10,000 00	C01	2	Rent paid			1000 00
CRR1	7	Sales		2500 00		C02	3	Purchases			2000 00
D/S	8	Cash	C		2000 00		8	Bank	C	2000 00	
CRR2	21	Sales		7800 00			10	Wages		200 00	
D/S	22	Cash	C		6500 00	C03	12	Purchases			4000 00
CRR3	29	Sales		4400 00			22	Bank	C	6500 00	
D/S	30	Cash	C		4000 00	C04	25	Electricity			900 00
						C05	27	Salaries			1500 00
							30	Bank	C	4000 00	
							31	Balance	c/d	2000 00	13,100 00
				14,700 00	22,500 00					14,700 00	22,500 00

January 2009 CB2

	1	Balance	b/d	2000 00	13,100 00						
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5.

dr Cash Book of *Halo Enterprises* – March 2009 CB3 cr

Doc	Day	Details	Fol	Cash	Bank	Doc	Day	Details	Fol	Cash	Bank
	1	Balance	b/d	250 00		678	1	Balance			23,456 00
443	2	Capital			50,000 00		3	Cash			750 00
	3	Bank	C	750 00			4	Stationery		450 00	
CRR	9	Current income		6453 00		679	12	Telephone 865			
444	16	Rent income		3500 00		C3		Drawings 553			1418 00
CRR	17	Sales		1800 00		C4	15	Wages		900 00	
D/S	19	Cash	C		10,403 00	680	18	Drawings			14,000 00
CRR	29	Sales		1480 00			19	Bank	C	10,403 00	
CRR		Current income			5567 00	681	20	Equipment			14,300 00
	31	Balance	c/d		71,294 00	682	27	Purchases			15,340 00
						683	31	Salaries			8000 00
						684		Vehicles			60,00 00
								Balance	c/d	2480 00	
				14,233 00	137,264 00					14,233 00	137,264 00

April 2009 CB4

	1	Balance	b/d	2480 00		1	Balance	b/d			71,294 00
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Assignment

6.

**Income Statement of Village Electric Repairs for the year ended
30 June 2009**

Current Income		22,000
Plus: Other income		700
Rent Income	700	
Gross income		22,700
Less: Expenses		12,500
Material costs	10,000	
Fuel	300	
Advertisements	600	
Trading license	400	
Stationery	300	
Telephone	500	
Electricity	400	
Net Income		10,200

**7. Income Statement of Okahandja Services for the year ended
31 March 2009**

Current Income		55,000
Add Other Income		10,280
Rent Income	10,280	
Gross Income		65,280
Less Expenses		69,550
Material Cost	40,400	
Advertising	3600	
Wages	8880	
Salaries	11,000	
Stationery	780	
Water	3360	
Interest on Loan	890	
Telephone	640	
Net Loss		4270



Assignment

8.

Income Statement of Highway Traders on 30 June 2008

Sales		62,000
Less: Cost of Sales		28,000
Opening Stock	20,000	
Add: Purchases	30,000	
	50,000	
Less: Closing Stock	22,000	
Gross Profit		34,000
Plus: Other income		12,000
Rent received	12,000	
Gross income		46,000
Less: Expenses		15,000
Salaries	8000	
Stationery	1000	
Telephone	2000	
Water	4000	
Net Income		<u>31,000</u>

9.

 Income Statement of Izaks Stores for the year ended
 28 February 2009

Sales/Turnover	81,3	70
Less Cost of Sales	66,110	
Opening Stock/Initial Stock	18,000	
Add Purchases	55,800	
Add Carriage inwards/Carriage on purchases	<u>550</u>	
	74,350	
Less Closing Stock/Final Stock	<u>8240</u>	
Gross Profit		15,260
Add Other Income		9500
Rent Income	<u>9500</u>	
Gross Income		<u>24,760</u>
Less Expenses	28,635	
Insurance	3580	
Wages	3520	
Salaries	11,920	
Stationery	1860	
Electricity	3780	
Interest on Loan	2500	
Telephone	<u>1475</u>	
Net Loss		<u>3875</u>



Assignment

10. (a)

Balance Sheet of Village Electric Repairs on 30 June 2009

Capital Employed					
<u>Owner's Equity</u>				145,800	00
Capital		135,600	00		
Plus: Net Income		10,200	00		
				<u>145,800</u>	<u>00</u>
Employment of Capital					
<u>Fixed Assets</u>				136,000	00
Land and Buildings		80,000	00		
Vehicles		40,000	00		
Equipment		16,000	00		
<u>Current Assets</u>				9800	00
Bank		9000	00		
Cash		800	00		
				<u>145,800</u>	<u>00</u>

(b)

Balance Sheet of Okahandja Services as at 31 March 2009

CAPITAL EMPLOYED**OWNER'S EQUITY**

100,730

Capital 110,800

Less Net Loss 4270 10,530Less Drawings 5800**LONG TERM LIABILITIES**

21,000

Loan: Agri Bank 21,000121,730**EMPLOYMENT OF CAPITAL****FIXED ASSETS**

112,600

Land and Buildings 60,200

Vehicles 32,300

Equipment 20,100**WORKING CAPITAL**

9130

CURRENT ASSETS9130

Bank 8730

Cash 400121,730



Assignment

(c)

Balance Sheet of Highway Traders on 30 June 2008

Capital Employed:					
<u>Owner's Equity</u>				211,000	00
Capital			180,000	00	
Plus: Net Income			31,000	00	
				<u>211,000</u>	<u>00</u>
Employment of Capital					
<u>Fixed Assets</u>				170,000	00
Land and Buildings			100,000	00	
Vehicles			50,000	00	
Equipment			20,000	00	
<u>Current Assets</u>				41,000	00
Stock (30.06.2008)			22,000	00	
Bank			15,000	00	
Cash			4,000	00	
				<u>211,000</u>	<u>00</u>

(d)

Balance Sheet of Izaks Stores as at 28 February 2009

CAPITAL EMPLOYED
OWNER'S EQUITY 178,125

Capital 200,000

 Less Net Loss 3875 196,125

 Less Drawings 18,000
LONG TERM LIABILITIES 25,000

 Loan: Agri Bank 25,000
203,125
EMPLOYMENT OF CAPITAL
FIXED ASSETS 185,000

Land and Buildings 105,000

Vehicles 45,000

 Equipment 35,000
WORKING CAPITAL 18,125

CURRENT ASSETS 18,125

Stock 8240

Bank 9500

 Cash 385
203,125



Assignment

11. (a)

Income Statement of Kavango Brothers for the year ended 31 December 2008

Sales		49,000
Less: Cost of sales		29,000
Opening Stock	15,000	
Plus: Purchases	24,000	
	39,000	
Less: Closing Stock	10,000	
Gross Profit		20,000
Plus: Other income		6000
Rent received	6000	
Gross income		26,000
Less: Expenses		24,000
Salaries	8000	
Stationery	1000	
Telephone	3000	
Electricity	4000	
Repairs	600	
Insurance	5000	
Advertisements	2000	
Donations	400	
Net Income		2000

(c)
Balance Sheet of Kavango Brothers on 31 December 2008

Capital Employed			
Owner's Equity			152,000
Capital		150,000	
Plus: Net Income		2000	
			152,000
Employment of Capital			
Fixed Assets			132,000
Land and Buildings		80,000	
Vehicles		40,000	
Equipment		12,000	
Current Assets			20,000
Stock (31.12.2008)		10,000	
Bank		8000	
Cash		2000	
			152,000



Assignment

 12. (a) **Income Statement of Gertze Stores for the year ended 30 April 2009**

Sales		86,370
Less Cost of Sales		61,110
Opening Stock	18,000	
Add Purchases	55,800	
Add Carriage inwards	550	
	74,350	
Less Closing Stock	13,240	
Gross Profit		25,260
Add Other Income		19,500
Rent Income	18,500	
Interest on Fixed Deposit	1000	
Gross Income		44,760
Less Expenses		31,635
Insurance	4580	
Wages	3520	
Salaries	12,920	
Stationery	1860	
Water and Electricity	4780	
Interest on Loan	2500	
Telephone	1475	
Net Profit		13,125

 (b) **Balance Sheet of Gertze Stores as at 30 April 2009**

CAPITAL EMPLOYED			
Owners Equity			19,125
Capital	200,000		
Add Net Profit	13,125	213,125	
Less Drawings		18,000	
Long Term Liabilities			25,000
Loan: Bank Windhoek		25,000	
			220,125
EMPLOYMENT OF CAPITAL			
Fixed Assets			205,000
Land and Buildings		100,000	
Vehicles		60,000	
Equipment		45,000	
Investments			10,000
Fixed deposit: First National Bank		10,000	
Working Capital			5,125
Current Assets		13,625	
Stock	13,240		
Cash	385		
Less Current Liabilities		8500	
Bank Overdraft	8500		
			220,125



Assignment

13. (a)

Jason:

	N\$	N\$
Normal time (45 hours X N\$10)		450
Overtime (12 Hours X N\$15)		180
		<u>630</u>
Less Deductions:		60
Social Security Fund	5	
Medical Aid	10	
Pension fund (10% X N\$450)	45	
Paid to Jason (Net wage)		<u>570</u>

(b)

Maria

	N\$	N\$
Normal time (40 hours X N\$25)		1000
Overtime (10 Hours X N\$38)		380
		<u>1380</u>
Less Deductions:		335
PAYE (15% X N\$1 380)	207	
Social Security Fund	8	
Medical Aid	20	
Pension fund (10% X N\$1 000)	100	
Paid to Jason (Net wage)		<u>1045</u>

(c) **Employer's expense for wages:**

	N\$	N\$
Jason's gross wage		630
Maria's gross wage		1380
Employer's contributions		188
Social Security Fund		
Jason	5	
Maria	8	
Medical Aid		
Jason	10	
Maria	20	
Pension fund (10% X N\$450)		
Jason	45	
Maria	100	
Total		<u>2198</u>



Assignment

14. You can have various answers here, but here are four suggested incentives:

Safe and healthy workplace

A safe and healthy workplace makes workers feel that the management or owners care about their health and safety and it makes them loyal to the business. The employee has a right to expect a work environment that is free from unnecessary hazards, and the employer has the right to expect the employee to maintain a safe working area.

Personal development

It is important that the owner or manager look at employees' current skills levels and identify gaps. The provision of training for additional knowledge and skills is a great motivator for many employees. This is a good way to motivate employees, but it also improves performance and productivity.

Team building

It is always good to organise team-building activities. An example is a structured team-building activity where the business is closed for a day or more and the staff members go out to a venue outside the workplace and have activities to build a good spirit of coherence.

Know the employee

It is important for the small business owner to do an employee needs assessment to find out what employees want with regard to their work and working conditions. This will enable the owner to take proactive steps towards making sure that his or her employees are satisfied and motivated.

15. The five steps are:

1. *Define the problem.* Remember, you cannot solve a problem before you have defined it.
2. *Gather all the necessary data.* Collect the facts on what caused the conflict and do not go on hearsay.
3. *Analyse the data.* This involves the separation of management and employee causes of the problem.
4. *Choose the best solution* for all involved in the conflict situation.
5. *Implement the solution and provide feedback* to all involved.



Case Study

In questions like these, your opinion also plays an important role. The following are possible answers to this question.

Yes. In this case, there is proof of favouritism — only Sara gets a bonus. There is also unfair treatment of workers — others had to do Sara's job. This is definitely grounds for unhappiness amongst workers which can lead to conflict.

Sara is silently protesting against the change in shifts and unfair hours that they were expected to work.

We have come to the end of this unit on management functions and now that you have the information needed to successfully operate your own business, there is just one more aspect that we need to discuss. A business exists and operates within the natural environment. Therefore it will not only have an impact on the environment, but will also be influenced by changes in this environment, such as changes in technology. Let's work through Unit 12 where we will discuss how businesses and people depend on the natural environment and technology.

Resources

Below are additional resources, which you can use for further enhancing your knowledge.

Internet-based resources

[How to write an Income Statement](#)

[Balance Sheet](#)

[Recruitment Methods](#)

[Motivating employees of small businesses](#)

<http://www.howtomotivateemployeesnow.com/Is%20Money%20a%20Motivator%20for%20Employees%3F.html>

Other documents found on CD

You can open and print the following resources for your convenience.

[Practical Activities](#)

[Case Studies](#) and [feedback](#)

[Assignment](#) and [feedback](#)

Unit 12

Natural Environment and Technology

Introduction

Welcome to the last unit of the Entrepreneurship course. This unit is about the Natural Environment and Technology. In this unit, we will discuss how businesses depend on and benefit from the natural environment and take a look at the importance of technology in business with specific reference to ICT (Information and Communication Technology).



Time




Note it

You can spend approximately 12 hours working through this unit. Don't worry if you spend less time on this unit because the number of hours per unit is flexible. You might spend less time on shorter units and more time on the longer units.

Throughout the unit, you will find links to the assignment. Click on the highlighted word (question) to access the links.


Before we move on, please take some time to study the objectives for this unit.

On successful completion of this unit, you will be able to:

 Outcomes	<ul style="list-style-type: none"> ▪ <i>name</i> the components of the natural environment; ▪ <i>explain</i> how business depends on and benefits from the natural environment; ▪ <i>explain</i> the meaning of population growth; ▪ <i>describe</i> the impact of high population growth on the environment; ▪ <i>list</i> and <i>explain</i> benefits and challenges of a rapidly increasing population to the business ▪ <i>explain</i> harmful effects of business on the natural environment; ▪ <i>explain</i> the effects of a degraded environment on a business; and ▪ <i>list</i> and <i>explain</i> the uses of technologies such as telephones, computers, cash registers and scanners in businesses.
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I hope you have carefully studied the outcomes? The outcomes give you an indication of the basic competencies you will gain by working through this unit.

Shown below is a list of key concepts that will be covered in this unit's content.

 Terminology	Air	Clean air that we find in the environment
	Fauna	Animal life that we find in a country — both on land and in water
	Flora	Plant life, both on land and under water
	Natural environment	Includes all things on earth — water, plants (flora), minerals, land, animals (fauna) and the atmosphere (clean air, climate, weather, and natural disasters)
	Population growth	Increase/decrease in population
	Water	Fresh water in rivers, the water in oceans and underground water

Now work through the following sections, which will help to explain the above-mentioned concepts and enable you to achieve the basic competencies given in the outcomes specified above.

Section 1 Business and the Natural Environment

People and businesses depend on the natural environment to grow strong and healthy. The continuity of the natural environment depends on the careful use of it by businesses and the population. In this section, we will discuss components of the natural environment and see how businesses and people depend on the natural environment. We will also discuss the effect of business activities and high population growth on the natural environment.



Reflection

What do you see in the picture below?



Your answer most probably is that it is a group of young kids telling the world to take care of their environment.

This brings us to the following question:

What do you understand under the term natural environment?

Work through the next part to see whether your understanding of the natural environment is correct.

What is the Natural Environment?

All things on earth form part of the natural environment. We can think about water, plants (flora), minerals, land, animals (fauna) and human beings. The natural environment also includes climate, weather patterns and natural disasters.

Let's look at the different components of the natural environment.

Components of the Natural Environment

- ✘ **Land:** refers to the soil and what is on and under it, such as natural vegetation and minerals. Land is used for different purposes, e.g., crop growing, animal farming, mining and construction (building and all infrastructures).



- ✘ **Air:** refers to the clean air that we find in the environment. Clean air is important for human and plant life.
- ✘ **Water:** refers to fresh water in rivers, the oceans and underground water. Humans, animals and plants are dependent on water for survival. It sometimes happens that people living in rural areas get their water from open sources like pits or even fetch water from stationary sources. Make sure that such water is clean by boiling it.



Open sources of water

- ✘ **Flora:** refers to plant life, both on land and under water. Care should be taken to protect the flora (natural vegetation). The change in weather patterns caused by the damage to the ozone layer, pollution of groundwater and soil pollution results in the flora (plant life) becoming endangered.





- ✘ **Fauna:** refers to animal life that we find in a country — both on land and in water. Animal life is dependent on the natural environment for its food, habitat and safety. An unhealthy environment affects animals and especially the numbers of endangered species can be put under severe pressure of extinction.



Businesses and people depend on the natural environment for survival. Work through the following information.

How do businesses depend on the natural environment?

Remember, we have discussed the different types of businesses in Unit 5. Do the following activity before we continue with our discussion.

 <p>Group Discussion 1</p>  <p>Tip</p>	<p>Take a few minutes and discuss with a friend how businesses depend on the natural environment.</p> <p>Write down the responses you've received and comment on the ones that you thought were the most logical and practical. You can also discuss this using Internet sites such as Facebook and Twitter.</p>
--	--

Work through the next part to see whether your ideas are correct. Businesses are dependent on land for growing crops, animal farming, mining, furniture manufacturing and normal trading.

In the case of:

Agri-business

The Namibian economy is dependent on agriculture. Most of the income from agriculture comes from commercial farms where mostly livestock are kept. Live animals, meat and hides are exported to neighbouring as well as countries overseas. Farmers also grow mahangu, sugar, vegetables, maize, etc. Namibia has recently started with growing rice at Ogongo College of Agriculture (OCA) and has made significant progress, which has resulted in small-scale local rice production.



Karakul industry



Fruit sold at open markets

Read the following extract from a newspaper article on rice farming in Namibia.



Reading

First Rice Harvest Begins - by Reagan Malumo

The production of rice at Kalimbeza Rice Project has reached commercial stage, with the first harvest underway. Up to 7650 kilogram's of rice have already been harvested, packed and await final processing.

The rice project was made feasible with the assistance of the University of Namibia (Unam) in collaboration with the Ministry of Agriculture, Water and Forestry. More than 50 hectares of land were set aside for the production of rice. The project is believed to be a turning point for Namibia's food security situation, and can emerge to save the country from the global outcry of food insecurity.

The project is also seen as a vital solution to the issue of unemployment, especially with the youth. So far, more than 200 Namibian youths are employed as casual workers on a daily basis to assist with weeding, harvesting and transplanting of rice at the project.

A Japanese expert from the University of Nagoya in Japan, Suzuki Tetsuji,

who has been working together with Unam in agricultural research, also confirmed that the project has the capacity to produce a very high yield of rice as compared to the average world rice yield.

The Kalimbeza Rice Project is equipped with a rice production factory, where all processes of rice production are being done. Rice production process: After harvesting the rice, a threshing machine separates the rice grains from the chaff just a few minutes after harvesting. The rice grains are then loaded onto the granary where they are transported in pipes to a grinding machine where a final product is received.

Both thatch and chaff produced from rice can be used for animal consumption, whereas rice thatch can still be used for basket weaving.

Adapted

from New Era, 26 January 2009

Rich and fertile land will enable farmers to grow healthy crops and breed healthy livestock, which will, in turn, be of benefit to the farmers and the economy of the country.

Mining

Mining is another big source of income and employment for Namibians. Namibia is richly endowed with natural resources and is known globally for its uranium and diamond deposits. We find mines in almost all areas where the land is rich in minerals such as copper, diamonds and uranium. These mines provide employment and therefore an income to the community and the mining companies.

Three of the biggest mines in Namibia are Namdeb, Skorpion Zinc and Rio Tinto.



Do you know more examples of mines that we find in Namibia?

Manufacturing Businesses

Manufacturing businesses such as furniture manufacturers make use of trees growing in the forest. In Namibia, we only find some small scale manufacturing businesses, especially amongst our small and medium enterprises, such as wire making, furniture production, shoe factories, woodcarving, basket weaving, etc.



Basket weaving

Trading and Service Businesses

We are experiencing a growth in the number and size of businesses in Namibia. Think about all the new shopping centres such as Maerua Mall, Wernhill Park, etc. and also all the newly established SMEs in your area.



Businesses are dependent on land. We have to make sure that land is not harmed in any way through business operations.


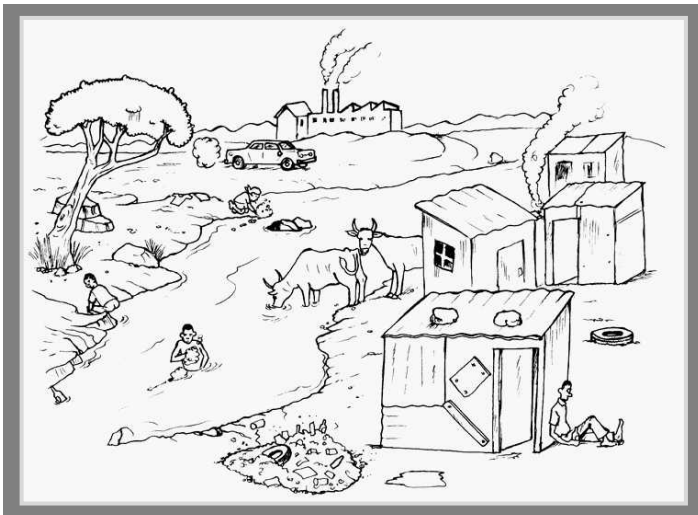

Businesses have the responsibility to:

- carefully plan their business activities to prevent overexploitation of the natural environment. Trees that are chopped down without being replanted can lead to deforestation, which can cause soil erosion.
- design products and use production technology that will cause the least damage to the environment. Many businesses are involved in the recycling of used and/or old material to reduce land, water and air pollution where possible.
- conduct activities according to legal requirements enforced in the country to enable them to preserve these resources for future generations.
- work in co-operation with environment protection bodies. This will not only help to preserve the environment, but will also help them to maintain an image of a business taking care of the natural environment.

Depleted resources will make it difficult for businesses to conduct their operations successfully.

From our discussions you should have realised that people are dependent on the natural environment (forests, soil, water, minerals, fisheries, etc.) which are pushed beyond its limits by the human population and economic development.

Take a few minutes and do the following activity to see whether you have an understanding of the content discussed so far:

 <p>Practical Activity 1</p>	<p>Look at the picture below and write a few sentences to indicate whether you like the surroundings in the picture.</p> <div style="text-align: center;">  </div> <p><i>You will realise that the environment should be kept clean and healthy and not to pose health risks.</i></p>
 <p>Tip</p>	

Take time and answer [Question 1](#) of the assignment at the end of the unit. Speak to people around you if you experience some difficulty in answering the question.

I hope you did well in the activity. Compare your answers with the feedback given at the end of the unit.



Population Growth

What is meant by population growth?

Population growth refers to the increase or decrease in a population. The population growth rate is determined by the birth rate, death rate and net migration (immigration – emigration) rate of a population.

Namibia has an estimated population growth rate of 0.59% (2006 est.) (Source: <http://countries.bridgat.com/Namibia.html>)

A high population growth rate is a serious problem for any economy. It requires countries to put measures in place to control the population growth rate.

The natural environment in which we live and produce our goods can hamper the population growth.

Effects of a Degrading Natural Environment on Business and Population



Reflection

Epidemics such as cholera, which is caused by the use of polluted water can lead to people losing their lives. An unhealthy population cannot have a healthy population growth rate.

We can summarise the effects as follows:

- ✘ Overgrazing of land, overexploitation of flora (deforestation and the use of heavy machinery) and the decreased infertility of the soil due to the use of chemical substances result in farmers not being able to provide good quality crops, healthy livestock and cattle. Remember, land resources take a long time to recover and it is very expensive to buy new land.


Deforestation



Tired and unfertile soil will cause little or very poor produce and people and animals can die of hunger. An unhealthy population cannot have a healthy population growth rate.

- ✘ Exploitation of minerals leads to minerals getting used up and mines having to close down. This leads to big financial problems for mining companies as well as the miners. This also results in these minerals getting scarce and many people losing their jobs.

The following are extracts of newspaper articles with regard to mining.

 Reading	<p>Diamond mines face closure</p> <p>The worst ever financial crisis that has seen stock markets crash with massive industrial job losses could now force several land-based mines in the main Diamond Mining Area One at Oranjemund to close down. The anticipated closure of the land-based diamond sites could result in significant revenue loss to the State, as Namdeb is one of the key contributors to the country's GDP, with yearly contributions of up to N\$1 billion.</p> <p style="text-align: right;">(Source: Adapted from: <i>New Era</i> 16.03.2009)</p> <p>Closure of copper mines in Namibia</p> <p>The General Secretary of the Mineworkers Union of Namibia (MUN), Bro Joseph Hengari, said the closure would be a major blow to the Namibian mining sector with about 643 jobs that are in the balance.</p> <p style="text-align: right;">(Source: Adapted from: <i>The Namibian</i>)</p>
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- ✘ Uncontrolled and unplanned use of land for development can lead to land becoming scarce and very expensive. In Windhoek and other urban areas, municipalities face problems with squatter camps being set up all over wherever people can find a space.



Reading

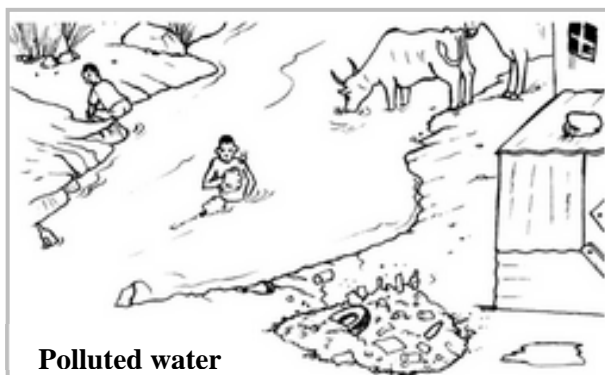
City destroys “illegal” shacks

Officers of the municipal police raided and destroyed ‘illegal’ shacks in Windhoek’s impoverished Havana settlement area. The shacks have been erected by people who flocked to the city, lured by the promise of employment and prosperity in the urban centre. While the shacks at Havana may be a cause of headache to city officials responsible for servicing and selling land, they are also a grim indicator of the seriousness of urbanisation as a social problem and reflect on the city’s apparent inability to maintain proper control over the mushrooming situation.

The Acting Manager, Community Development of the City of Windhoek cautioned that Havana Extension 6 poses serious potential health risks to humans because the location is close to a large refuse dumping site and the area is not even serviced with water and sanitation.

Adapted from *Namib Sun*, January 2009

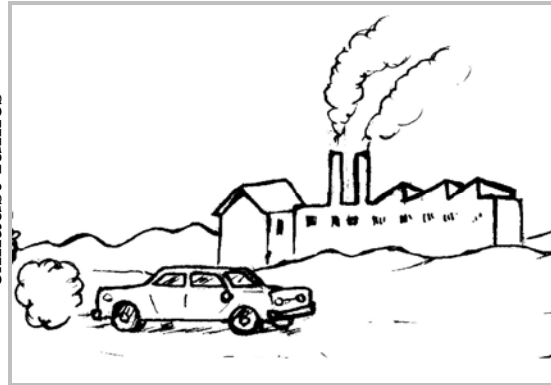
- ✘ The use of polluted water leads to the break out of epidemics such as cholera and many people can lose their lives. It also has a damaging effect on the flora and fauna (plant life and animal life), as well as agricultural products. People are dependent on these resources for food.



Polluted water

- ✘ Polluted air causes various diseases and brings down the fertility in people. Also, babies are sometimes born with these diseases. This can lead to a decrease in the birth rate and an increase in the death rate of the population. Hence, it affects the population growth rate. People living in cities and towns do not get enough clean air, because of the pollution caused by businesses, people, exhaust fumes, dust, smoke from factories, etc.

Factory smoke and exhaust fumes



Natural resources are not endless and unless we do something to protect them, we will soon be faced with a situation where we do not have enough natural resources to survive.

In the next part, we're going to discuss the relationship between population growth and the natural environment.

The Natural Environment, Businesses and Population Growth

Let us take a look at a few scenarios to show how interwoven aspects of the natural environment, population and businesses are:

- When diseases threaten a country, investors tend not to come and invest in such a country. This can be due to the health risk workers will be faced with and thus result in low production. It will put strain on businesses faced with an unhealthy workforce since the number of people in the workforce might not be enough.
- A population that is too big can put strain on natural resources and the country becomes overcrowded. This can lead to a situation where there is not enough food to feed or land to accommodate the population.
- A high population growth doesn't necessarily bring forward a high demand for goods and services. Purchasing power will be influenced by the affordability of the products. It may happen that the population grows rapidly, but most people live in poverty.
- A high population growth can open new markets, because more people want to buy food and other commodities and even need services. New markets mean more business and employment opportunities in the country.

- Businesses depend on the natural environment to get much-needed raw materials to make products, e.g., from big mines to small businesses like basket making.



Reflection

Can you think of examples of small businesses that need raw materials for their products?

Now answer [questions 2 and 3](#) of the assignment to test your understanding of the work discussed so far in the unit. Answer the questions in your notebook.

Read the following case study and answer the questions that follow in your notebook.



Case study 1

Where waste is turned to profit

In May 2006, Alice and four other women participated in an entrepreneurship day for their children in one of the schools piloting entrepreneurship. They liked what their children were doing and also decided to go into business. From there, they attended a two-week training workshop on the recycling of used inner tyre tubes and managing an SME business. Their business opportunity was found in using old tyre rubber tubes. These are abundantly available as they are treated as waste in their community.


After the workshop, the women continued to meet, discuss, and develop their entrepreneurial and technical skills. Alice was elected as Manager and together they began to develop their business. A combination of the women's crafts skills, time and pooling of resources has enabled these ordinary women who would never have made it individually, to also come up with and carry out a promising business.

Their business, which began in July 2006, utilises workshop space within KAYEC to produce a wide range of products, including handbags, ear rings, shin clips, broaches and key holders; all from the heavy rubber of discarded inner tyre tubes. The major outlet for these products is the Namibian Craft centre. 'Foreigners are our best customers', says Alice. 'They like our bags'

In future, Alice and her colleagues wish to expand their operations by working with other materials such as leather and wire waste. They are finding new avenues to market their products and are regularly surprised by the interest and demand for their unique products made out of recycled

	<p>waste materials.</p> <p>This is not only an example of simple women who are in business to better their livelihoods, but it also illustrates the value and opportunities that can be found in recycling waste materials and co-operation among the people.</p> <ol style="list-style-type: none"> 1. Alice and her team are using old rubber tyres for their products. <ol style="list-style-type: none"> a) Identify one waste material in your community that can be turned into something useful. b) Describe how you can develop this waste material into a business idea. 2. How does the business of Alice and her team contribute to the protection of the environment?
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I hope you did well in answering the questions.

 <p>Tip</p>	<p><i>Read articles in newspapers to keep you informed on what is going on around you in your country. You should know and realise the importance of keeping the environment free of possible health risks. Not preserving the environment is not conducive for development.</i></p>
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We live in a rapidly changing environment and influences of the development of technology are seen and experienced everywhere. Technology has changed rapidly and is still changing daily. SMEs can make use of technology to improve their business operations. We will discuss the use of technology in business in the next section.



Section 2 Technology in Business

We are living in an era where there is a boom in the development of technology. The way business used technology say thirty years ago is now totally different. What is astonishing about new technology is the speed with which the younger generation masters the skills to operate the new technology. If you refuse to adapt to new developments you will definitely fall behind in terms of your skill set.

For example:

Cars are now so computerized that you need to go to workshops with the necessary machines and equipment to do repairs on your car.

Let's look at the use of technology in businesses today.

The Use of Technology in Business

The use of technology in business operations differs from business to business. You might be familiar with how technology has changed e.g., the change cash registers in the shops, payments made using your bank cards, etc.

Do the following activity to test your knowledge on the latest technologies.



Practical Activity 2

Look at the pictures below and identify the different types of technologies used in businesses today.



Technologies in the business environment include the following:

Telephones:	Telephones have changed a lot over time. Businesses make use of both land line and cellular (mobile) phones as mediums of communication in their daily operations. Telephones nowadays have state of the art features, e. g., connection to Internet via blue tooth, 3G, etc.
Computers:	Computers are changing rapidly. Desktop computers, lap-tops and PDAs are different types of computers. Almost all types of equipment used in business, are computerised such as machinery, motor vehicles, cash registers, etc. Computers are also used for communication (Internet) and for administration purposes (bookkeeping and filing).
Fax (facsimile) machine:	Used to send information in written format fast over a distance through telephone lines. This however requires that both sender and receiver possess a fax machine.
Cash Registers:	Most of the cash registers used today are computerised. The latest models have a scanning device attached, which increases the speed with which customers are helped. Cash registers are used to record sales transactions on the cash register roll daily and for the safe keeping of money.
Speed Point:	Customers can pay with debit or credit cards for their purchases at shops.

Overhead projectors and digital projectors:	Used to do presentations either with transparencies or connected to a computer.
Intercom:	To do internal announcements and advertising in shops.
Mini ATMs:	Situated in businesses for customers to make cash withdrawals.
Scanner:	Some businesses have scanning machines on the floor where customers can look up prices without asking the employees to assist them.
CC TV (closed circuit television):	Is used for scanning customers and employees for security purposes.
Internet (world wide web):	The Internet has many advantages for businesses such as e-commerce (buying and selling over the internet) and e-banking, on-line advertising, etc.



Reflection

The abovementioned technologies are just some of the types of technologies that are used in business today. Can you think of other examples that we did not mention?

We find that the cost of information systems has decreased to a level where the cost of computing power is not a stumbling block any more, no matter how small a business is. More and more small and medium sized enterprises are able to use personal computers since they have become inexpensive, application packages are low priced and the Internet service providers have decreased prices.

With the information above it is clear that technology is important to businesses.

Advantages of Technology in Business

- Business needs are changing and since the business world becomes more competitive and demanding, we need state of the art and fast communication.
- We have to work fast and not let customers wait in long queues to be helped. A fast and effective network of cash registers can solve this problem.
- Technology can be an opportunity to train employees and others to become literate in using new equipment, e.g., like computer training on accounting programmes.
- Using technology also saves time and money — you do not have to travel to the wholesalers or the shops to put in orders, but can use the latest communication technology and goods can be delivered.

- We do not have to carry cash around with us as devices such as speed points make it easy to withdraw money or pay with an Automatic Teller Machine (ATM) or credit card. It is also very safe not to carry cash around.
- Staff members become more effective, efficient and productive, because technology makes work easier to do.

Can you think about more advantages that technology brings to businesses?



Tip

Remember: The Internet provides many new opportunities to small business owners, but the fast-phased changes in technology can also create risk and confusion.

Read the following extract from a local newspaper reflecting the efforts made by farmers to preserve the environment and answer the questions in your notebook.



Case study 2

Read the case study below and answer the questions that follow

Rural farmers discuss soil erosion, conservation

By: STAFF REPORTER

Using draught animals like oxen, donkeys and horses for ploughing increases the yield of crop fields while disturbing the soil in a minimal way, delegates to the third Conservation Agriculture Forum (CAF) in Namibia were told in Windhoek last week.

The aim is to plough deep furrows and have high rims between the furrows so that rainwater can trickle down from the rims into the narrow furrows for seeds and crop plants like maize, mahangu and sorghum to grow into strong plants. "We hope that Government will adopt conservation agriculture (CA) and draught animal power (DAP) as an official policy", said Dr Peter Lenhardt, CAF Chairman.

"Not only have rural farmers in the four north-central regions and the Kavango and Caprivi regions found that their crop yields increased, but several commercial farmers in the maize triangle near Otavi are busy experimenting with conservation agriculture and they have better harvests," Lenhardt added.




	<p>According to him, the use of draught animals reduced the working hours on the fields and allowed girls and women to plough their fields themselves, thus increasing food security, which is an important aspect as HIV and AIDS is taking its toll among the rural population.</p> <p style="text-align: right;">(Adapted from: <i>The Namibian</i>, 16 June 2009)</p> <ol style="list-style-type: none"> 1. How does the article illustrate the dependency of people on the natural environment? 2. How does the proposed way of ploughing conflict with the use of new technology in business? 3. Name two advantages and two disadvantages that the proposed method of farming has for farms.
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Now take some time and answer [Question 4](#) of the assignment in your notebook. I hope you did well in answering the question. You can compare your answers with mine at the end of the unit.

This is the end of this unit. I hope you found it interesting. PLEASE work through the unit again if you experience some uncertainty understanding the content. Let's now summarise what we have discussed in this unit.


Unit summary

 Summary	<p>In this unit we have learned the following:</p> <ul style="list-style-type: none"> ▪ The components of the natural environment include all things on earth e.g., land, plants, water, animals, minerals, etc.. ▪ Business and human population depends on the natural environment to operate. ▪ Pollution caused by business operations and people is harmful to the environment. ▪ Population growth should be carefully monitored to ensure that it is within accepted norms that can be handled by our environment. ▪ Technology in business is becoming more and more important and examples are computers, telephones, fax machines, cash registers, etc.
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I hope that you have found the unit interesting. Take some time and answer the questions in the assignment to test your understanding of work discussed.

Assignment

The following questions are based on the content discussed in this unit. You should take about 30 minutes to answer the following questions.

 Assignment	<ol style="list-style-type: none"> 1. Explain how the following people survive by making a living from the natural environment: <ol style="list-style-type: none"> (a) Small miners near Karibib (b) Fisherman fishing in the Kavango river (c) Mahangu baskets (d) Goat hides in Rehoboth area <p style="text-align: right;">Return to course</p> 2. Describe in a few sentences the relationship between businesses and the natural environment. 3. Explain the impact of a high population growth on the natural environment. <p style="text-align: right;">Return to course</p> 4. The tourism industry in Namibia has been growing rapidly for the past few years. Many small business owners make a living from selling souvenirs to foreign tourists, setting up bed and breakfast facilities, and other accommodation facilities such as lodges. Due to the current economic crisis in the world, it is expected that the number of tourists visiting Namibia might decline, but at the same time there are indications that Namibians will continue to travel around the country in 2009. This trend of domestic tourism may increase as Namibians who take leisure holidays, also cut back on any overseas travel (due to the exchange rates) and may choose to travel within the country in the off-peak season where packages for domestic tourists are readily available. In light of this information, explain how small businesses, selling souvenirs, can make use of technology to keep their businesses going. <p style="text-align: right;">Return to course</p>
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I hope you've done well in all the activities. Following this assignment is Assessment 3 which will test your understanding on the work discussed in units 8 to 12. If you experience difficulty answering the questions, please revise the relevant sections of these units.

Assessment



Assessments

Entrepreneurship Assessment 3

Is based on work discussed in Unit 8 – 12

Section A

Question 1

- 1.1 List four management tasks.
- 1.2 Name any four elements of the natural environment.
- 1.3 Differentiate between a leader and a manager.
- 1.4 Name two forms of communication in business.
- 1.5 Explain why feedback is so important in communication in business.

[feedback](#)

Section B

Question 2

Read the following case study and answer the questions that follow:

Nandi is the owner of Nandi's Shoe Repairs, a business that does shoe repairs and sells shoe accessories to her customers. She started the business with the basic repair equipment (few needles, thread, glue, etc.) of N\$3000 and stock of accessories to the value of N\$1000. She expects to repair 1200 pairs of shoes for the year and sells accessories (shoe laces, decorations, buckles, etc.) to a total of N\$ 3000 for the year. The repair price per pair of shoes is N\$30 and for accessories N\$10 (sold in a packet that contains one pair of shoe laces, two buckles and two decorations of choice) and it will remain unchanged for the year. The cost price per accessory is N\$3 per pair of shoe laces, N\$1 per decoration and N\$12 per packet of 30 buckles.

Nandi started the business at the beginning of the year. She got a loan of N\$10,000 from the bank and her monthly instalment is N\$550 for 24 months. Total estimated running cost per month N\$1500.

- (a) Identify any two input materials used in this business.
- (b) Name three basic ICT tools that Nandi might use in her business.
- (c) Calculate the profit that Nandi expects to make on one pack of accessories.
- (d) Draw up a budget for Nandi's Shoe Repairs for a month.
- (e) Distinguish between Income and Expenses.

[feedback](#)



Assessments

Question 3

Read through the case study on Rachel's Creations and answer the questions afterwards.

Rachel's Creations

Rachel Kaiyamo is a woman who has decided to empower herself. The successful seamstress has managed to set up her own business, aptly named Rachel's creations, and has established quite a reputation for designing and making traditional outfits.

We as women must stand up and not sit around and wait for the government to help us. We must come together to overcome poverty in Namibia because Namibia is a rich country. "When we stand together we can overcome any obstacle", says Rachel.

Still confident after being on her own, for six years, Rachel initially acquired her skills from her mother and then at a bridal shop in Windhoek where she worked for six years. When she made the decision to go solo she attended a six month tailoring course in Zimbabwe to gain the necessary skills.

As with most businesses, starting up was not easy for Rachel. She started at home with a Singer sewing machine her father gave her when she turned 21, which she still has (and it still works). She went door-to-door selling her creations for a couple of years and managed to secure business premises at the SME Incubator Centre in Katutura the same year she registered her business. "Once we moved here it was much easier to get business because I started advertising in the papers and on radio".

Today, Rachel has three full-time and one part-time tailor. The business now specialises in matric farewells, African and traditional outfits, wedding dresses and many more.


In light of the recent withdrawal of international garment manufacturers, Rachel is also working on establishing a tailoring college, which would add value to local creations.

"We have many talented designers in Namibia and if we can provide them with the proper facilities to further their skills then we can move forward in this industry", says Rachel.

(Adapted: Cellchat April 2008)

"Rachel is also working on establishing a tailoring college, which would add value to local creations."

- (a) Define value addition.
- (b) Give another name for "door-to-door selling."
- (c) There are three methods of production. Advise Rachel on two methods that could be practised in her production room.

 Assessments	<p>(d) Rachel has full time and part time employees.</p> <ul style="list-style-type: none">(i) Explain how Rachel could motivate her employees.(ii) Explain the different methods of recruitment that Rachel used to employ her workers.(iii) Make suggestions regarding the basis on which workers should be remunerated. <p>e) Explain how HIV and AIDS can influence productivity in a business like Rachel's Creations.</p> <p>f) Except for advertising on radio and in newspapers, what can Rachel still do to promote her business?</p> <p style="text-align: right;">feedback</p>
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I hope you did well answering the questions. Following this assessment are the feedback to the case studies and the assignment.

Feedback



Assignment

1.
 - a) Small miners dig for precious stones and sell these to tourists and other buyers.
 - b) They catch fish and sell the fish to the local community and shops.
 - c) They weave baskets from materials they get from the Makalani palm and sell the baskets to local people and tourists.
 - d) They prepare the hides and sell the products made from it next to the road to tourists but also to local people at agricultural shows.

2. All businesses depend on the natural environment although the degree of dependency differs between different types of businesses. Businesses such as agribusinesses, mining, manufacturing and construction get raw materials from natural environment. Other businesses (in secondary and tertiary sectors) depend on the aforementioned businesses for the goods and services that they sell or render. For example, the grocer or butchery depends on the commercial farmers to provide the m with good quality meat, fruit and vegetables, the jeweller depends on the mines to provide them with precious stones to make the jewellery, while the furniture manufacturer makes use of the wood from the forest to make furniture.

The natural environment depends on the businesses to preserve it for future use. It depends on the businesses to make careful use of natural resources to prevent them from becoming depleted through overexploitation and pollution.

3. A high population growth rate puts pressure on the natural environment. Land can become scarce and the natural environment is destroyed to make space for more buildings and infrastructure to accommodate the increased population. Increased population also results in increased production of food which means more land is needed to produce. This can lead to a situation where there is not enough food to feed or land to accommodate the population.

4. The technology to be used is computers, telephones, cameras, speed points, etc.
 - The use of computers to develop brochures.
 - (digital) cameras to take photos of your products.
 - Telephones to be able to communicate with customers, suppliers, etc.
 - Internet — to advertise your products over the internet — design your own webpage.
 - Speed points — will make it easier for customers to buy and pay because they don't need cash to buy your product.



Case Study Feedback

Case Study 1

1. Alice and her team are using old rubber tyres for their products.
 - a) You can identify any waste material in your community that can be turned into something useful, e.g. plastic bags, empty cool drink tins, scrap paper, etc.
 - b) Your business idea will depend on your type of waste material that you choose.
e.g. using plastic bags to make baskets, using empty cool drink tins to make ashtrays, piggy banks, etc..
These are just a few simple examples. Please remember to think out of the box here.
2. Used tyres lying around not only pollute the land but can also be harmful to the natural environment.

Case Study 2

1. People use land (natural environment) to plant food, to earn an income from selling their produce and also to provide employment to some.
2. Making use of animals to plough the fields means less or no machinery to be used for ploughing. Making use of machinery is one way of using technology in business. These farmers are proposing that we move back to old traditional ways of ploughing.
3. **Advantages**
Less damage to the soil, better retaining of rain water, healthier crops and animals, etc.

Disadvantages:

Output will be smaller, income from selling in bulk will be less, animals can be exploited due to the urgency of working the land in the same time that the machines will be able to do it, etc.

This brings us to the last unit in the course. I hope you have enjoyed it and that you have acquired the necessary skills to be able to answer any questions about it.

Resources

Provided below are additional resources which you can use to further enrich your knowledge.

Internet-based resources

[Agriculture](#)

Other documents found on CD

You can open and print the following resources for your convenience.

[Practical Activities](#)

[Case Studies](#) and [feedback](#)

[Assignment](#) and [feedback](#)

[Assessment 3](#)