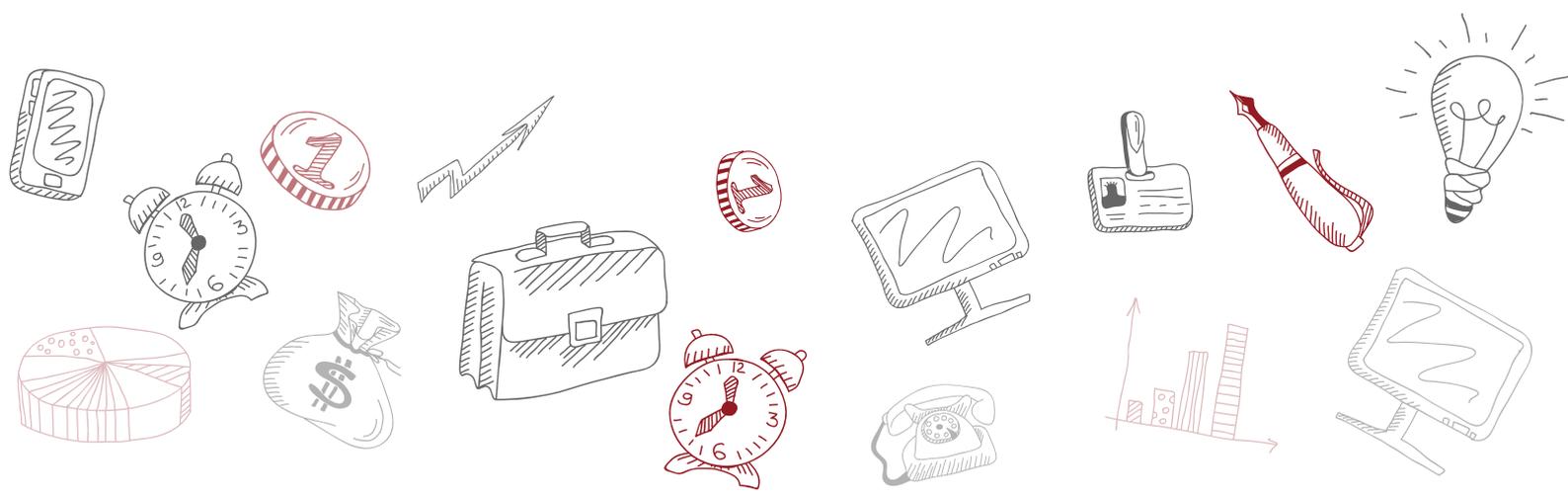




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THE FUNDAMENTALS OF ENTREPRENEURSHIP





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Welcome to your **Fundamentals** of **Entrepreneurship** training!

There has never been a greater need for entrepreneurs to transform our country's economy. With the right skills and knowledge, you'll be equipped to be able to take your business further and on to succeed.

This module gives you a big picture view of where your business sits in the South African economic and social landscape, and why your success is important. You'll also pick up a few practical tips and some inspiration to get the fundamentals right before you go on with this course – and with your business.

What you'll get out of this:

After completing this training module you'll be able to:

- § Know which qualities you can develop within yourself or entrepreneurial success.
- § Understand all the factors at play in the entrepreneurship ecosystem you find yourself operating in.
- § Appreciate the importance of entrepreneurship in South Africa.
- § Understand the basic principles of trade.
- § Understand the difference between a company vision and a mission statement.
- § Develop your own company vision and mission statements.

What is an entrepreneur?

Successful entrepreneurs share very similar attributes. The good news is that you can learn all these qualities. If you're serious about making it, it's up to you to carefully look at your strengths and weaknesses and then throw your energy into developing yourself in the areas where you could improve. All successful entrepreneurs are:

- § Innovators
- § Job creators
- § Game-changers
- § Business leaders
- § Disruptors
- § Adventurers

Do you have these qualities? Which ones do you need to work on?

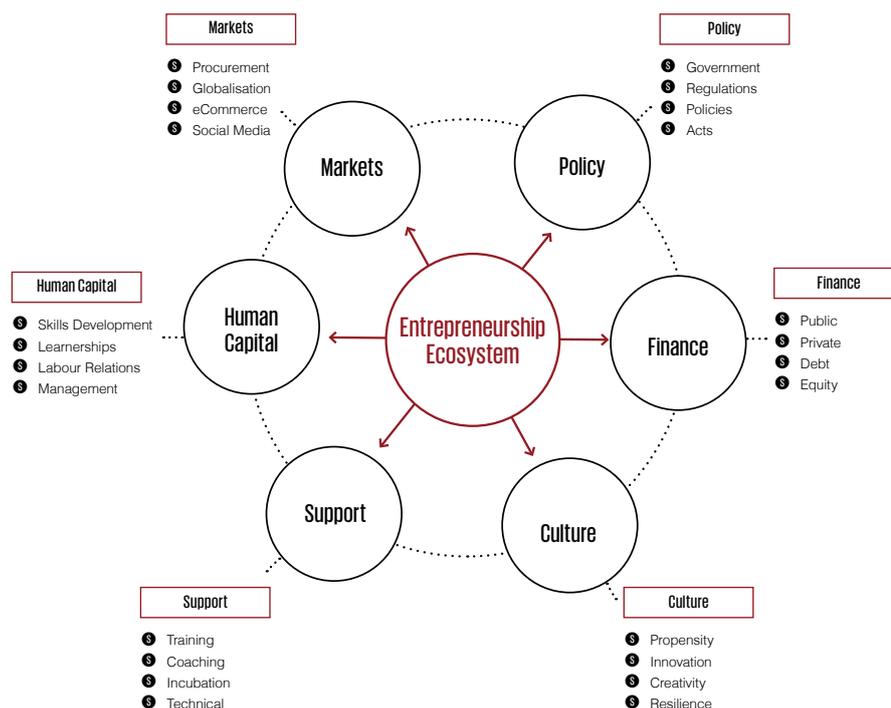
The Entrepreneurship Ecosystem

No one does business in a bubble. Outside factors will always affect your business. The entrepreneurship ecosystem is the social and economic environment that affects entrepreneurship.

There are so many factors that influence how easy it is for you to do business and succeed as an entrepreneur.

"My definition of economic freedom is simply the relative easiness with which one is able to satisfy his/her economic needs (food, shelter and clothing). Our economic freedom is stifled by the triple economic challenges of high unemployment, poverty and inequality that our country grapples with ..." (Joshua Maluleke, Entrepreneurship 101)

As daunting as these factors sound, it's useful to be aware of the challenges in each of these areas so that you can understand how they're affecting your 'easiness of doing business'. As you'll see from the diagram below, you can control some of the factors in the entrepreneurial ecosystem. Others are outside of your control these areas will help you to be able to plan and be prepared – and you can use your knowledge to your advantage. In the bigger picture, the better we equip small businesses to handle these challenges, the more likely we are to overcome the major economic problems in our country.



Here's a broad overview of each of these factors:

Policy

Governments establish many regulations and policies to guide businesses. Some rules (like minimum wage and B-BBEE reporting) are mandatory, and your business must comply with them. Other policies could affect your business indirectly. Businesses need to be adaptable enough to respond to changing rules and policies. This is true not only at the national level but more locally as well, as municipalities have their own sets of rules. There are also international policies that affect multinational businesses.

Finance

You need access to capital to start up or grow your business. How much will it cost you to buy your stock, equipment, pay for things like rent and admin support? Where will you find this capital? Will you be borrowing from friends or family? Will it be in the form of a government grant (public) or a bank loan (private)?

Culture

Our success as entrepreneurs is also affected by whether we find ourselves in an entrepreneurial culture. What values do our social and business groups see as important? What attitude do we have towards innovation and creating? Do we encourage small businesses to meet certain demands? Do we encourage each other to take risks?

"Many South Africans have the wrong attitude towards entrepreneurship. This is perhaps not entirely our fault, as it is something systematic in our education philosophy that we must unlearn. We have a schooling system that encourages us to go to school in order to find a job (to be employees) and not to be job creators (to be employers).

... it becomes absolutely important for those who venture into entrepreneurship to change this perception by working harder than the average employee to become successful in business. It is important to develop the right attitude about being in business as an entrepreneur because this will push you to be at the top of your game." (Joshua Maluleke, Entrepreneurship 101).

Tips from three great entrepreneurs

The best advice always comes from those with skin in the game, who have become huge successes in their own ways.

Sir Richard Branson's 10 Rules of Success



Sir Richard Branson is an English business magnate, who founded the Virgin Group, which controls more than 400 companies including Virgin Airlines. His net worth is US\$4.9 billion.

He recommends:

1. Keep it simple
2. Give it a try
3. Be a leader
4. Don't give up
5. Delegate
6. Treat people well
7. Shake things up
8. People will be skeptical
9. Affect lives positively
10. Do things differently

Warren Buffet's 10 Rules of Success



Warren Edward Buffett is an American business magnate. He is considered one of the most successful investors in the world and has a net worth of US\$82.9 billion, making him the third wealthiest person in the world.

Here's his advice:

1. Find your passion
2. Hire well
3. Don't care what others think
4. Read, read, read
5. Have a margin of safety
6. Have a competitive advantage
7. Schedule for your personality
8. Always be competing
9. Model success
10. Give unconditional love

Steve Jobs' 10 Rules of Success



Steven Paul Jobs was an American entrepreneur and business magnate. He was the chairman, CEO, and a co-founder of Apple Inc, among other influential roles.

He said:

1. Don't live a limited life
2. Have passion
3. Design for yourself
4. Don't sell crap
5. Build a great team
6. Don't do it for the money
7. Be proud of your products
8. Build around customers
9. Marketing is about values
10. Stay hungry, stay foolish.

Skills and knowledge can change this.

Basic principles of trade

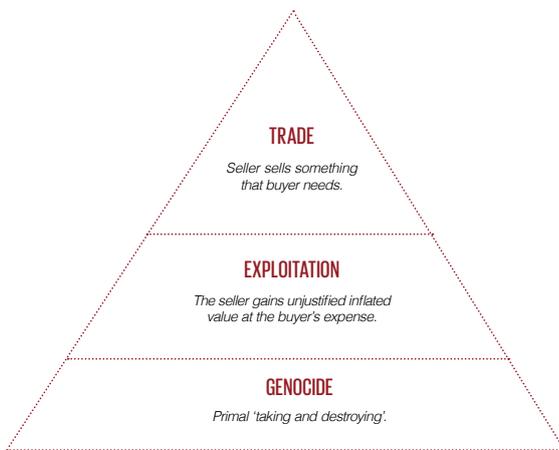
All business works on the same idea of trading goods or services in exchange for something else. Here's what you need to know.

Principle 1: Value

Everything revolves around trade ... but trade only works if value is added every step of the way! No one wants a good or service that isn't bringing them value (importance, worth or usefulness).

Principle 2: Genocide versus exploitation versus trade

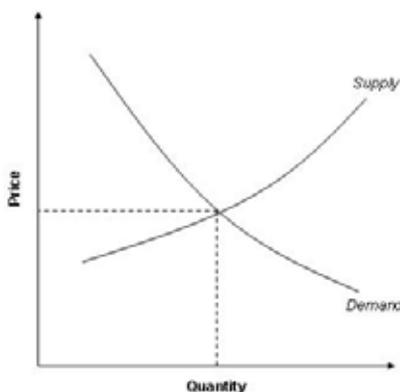
Supply and demand are satisfied on three different levels:



If you can't trade, you will be exploited, and if you can't be exploited...?!

Principle 3: Supply and demand

Which one is more important?



You can find out the value (in this graphic, price) of something by looking at the point where supply and demand meet. You

could also call this the 'equilibrium'.

Principle 4: Lessening 'marginal utility'

You develop a sudden craving for a chocolate, and you go to your closest shop. If you promise that you'll eat the chocolate bar right there in the shop, the shopkeeper ...

... is willing to sell you:	
one chocolate for	R 5.00
two for	R 7.50
three for	R 9.00
four for	R 10.00
five for	R 11.00
six for	R 11.50

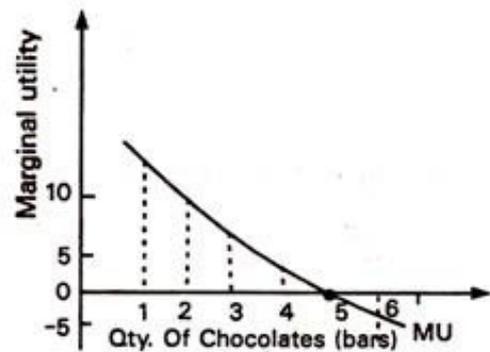


Fig. 4.2. Marginal Utility

Vision & Mission

Your vision and mission statements can be very powerful tools. Writing a vision and mission statement means clearly putting your company's purpose, direction and driving forces into words.

- S As a leader with strong, meaningful vision and mission statements, you:
 - Communicate your intentions,
 - Motivate and inspire your employees.
- S Your employees will:
 - Fully understand your company's objectives – so that they can make consistent everyday decisions.
 - Gain a sense of pride working as part of a company that stands for something.
 - Be united by a common sense of purpose.

Example Two

"To improve the quality of human life."



CHARACTERISTICS	
Vivid	To a small degree.
Guiding	To a small degree.
Accurate	To some degree.
Mouldable	To some degree.
Attainable	To a small degree.
Attractive	To a large degree.
Uncomplicated	To a large degree.
Overall:	Fulfilled few characteristics

Example Three

"An action-oriented, international company, a leader in its commitment to continuously improve our mutually beneficial relationships with stakeholders (customers, suppliers, employees, shareholders, government, and society)."



CHARACTERISTICS	
Vivid	To some degree.
Guiding	To a large degree.
Accurate	To some degree.
Mouldable	To some degree.
Attainable	To a large degree.
Attractive	To some degree.
Uncomplicated	To a lesser degree.
Overall:	Fulfilled some characteristics

Mission

- Your mission statement is a statement of what you are currently doing to help you to achieve your vision. Your vision is the 'what?' and the mission is the 'how': It's what you're doing right now, in the present, to get to the future vision.
- Mission statements can change more often than vision statements. Use it for the short to medium-term.

Your mission statement should ideally cover three core components.

THREE CORE COMPONENTS	
Product/service	Does it describe your product?
Market	Does it describe your market?
Technology	Does it include how you're using technology?

Example One

"To inspire and nurture the human spirit – one person, one cup and one neighbourhood at a time."



THREE CORE COMPONENTS	
Product/service	Implied.
Market	To some degree.
Technology	No.
Overall:	Fairly ineffective.

Example Two

"We provide expert care and innovative solutions in pharmacy and health care that are effective and easy for our customers."



THREE CORE COMPONENTS	
Product/service	Yes.
Market	To some degree.
Technology	To some degree.
Overall:	Fairly ineffective.



Activities: Analysis of company vision and mission statements

Zappos.com: Vision Statement

"Delivering happiness to customers, employees, and vendors."



CHARACTERISTICS	
Vivid	
Guiding	
Accurate	
Mouldable	
Attainable	
Attractive	
Uncomplicated	
Overall:	

Zappos.com: Mission Statement

"To provide the best customer service possible. Deliver WOW through service."

THREE CORE COMPONENTS	
Product/service	
Market	
Technology	
Overall:	

Amazon.com: Vision Statement

"Our vision is to be earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online."



CHARACTERISTICS	
Vivid	
Guiding	
Accurate	
Mouldable	
Attainable	
Attractive	
Uncomplicated	
Overall:	

Amazon.com: Mission Statement

"We strive to offer our customers the lowest possible prices, the best available selection, and the utmost convenience."

THREE CORE COMPONENTS	
Product/service	
Market	
Technology	
Overall:	

TED: Vision Statement

"We believe passionately in the power of ideas to change attitudes, lives and, ultimately, the world."



CHARACTERISTICS	
Vivid	
Guiding	
Accurate	
Mouldable	
Attainable	
Attractive	
Uncomplicated	
Overall:	

TED: Mission Statement

"Spread ideas."

THREE CORE COMPONENTS	
Product/service	
Market	
Technology	
Overall:	

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Business

Idea

1

1

2

1

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