What is an Enterprise

- Enterprise is another word for a for-profit business or company, but it is most often associated with entrepreneurial ventures. People who have entrepreneurial success are often referred to as “enterprising.”

There are many forms of legal enterprises

- **Sole proprietorship** – A company run by a single individual, typically for their benefit, with unlimited liability for any damages that occur as a result of the business’ operations.
- **Partnership** – A business run by two or more individuals or entities who share ownership – not necessarily equal ownership, however.

What is an Enterprise

- **Corporation** – A for-profit entity created to shield the owner(s) from liability should the enterprise become subject to a lawsuit. There are different forms of corporations, depending on how many owners there are.

- **Limited Liability Company (LLC**) – An LLC offers the legal protection of a corporation and the tax treatment of a partnership.

- **Professional Company/Professional Limited Liability Company (PC/PLLC)** – PCs and PLLCs are for licensed professional firms, such as accountants, architects, engineers, doctors, and lawyers, and provide liability protection similar to a corporation.

Intrapreneurs

Someone in an existing organization who turns new ideas into profitable realities

Intrapreneurs notice opportunities and take initiative to mobilize resources, however they work in large companies and contribute to the innovation of the firm.

Not every employee has the ability to become a successful Intrapreneur. It takes well- developed strategic action, teamwork and communication abilities.

an intrepreneur(also intrapreneur) is a person who possesses such skill but is working within a company or organization.

- Intrepreneurs are usually encourages to develop their ideas into a workable product by the companies they work for.
- **Like an entrepreneur, an intrepreneur is motivated, creative, and able to think outside of the box.**

Example of entrepreneurship:

A classic case of entrepreneur is that of the founders of Adobe, John Warnock and Charles Geschke. They both were employees of Xerox. As employees of Xerox, they were frustrated because their new product ideas were not encouraged. They quit Xerox in the early 1980s to begin their own business. Currently, Adobe has an annual turnover of over $3 billion.

Features of Intrapreneurship:

Entrepreneurship involves innovation, the ability to take risk and creativity. An entrepreneur will be able to look at things in novel ways.

He will have the capacity to take calculated risk and to accept failure as a learning point.

An intrapreneur thinks like an entrepreneur looking out for opportunities, which profit the organization.

Intrapreneurship is a novel way of making organizations more profitable where imaginative employees entertain entrepreneurial thoughts. It is in the interest of an organization to encourage intrapreneurs. Intrapreneurship is a significant method for companies to reinvent themselves and improve performance.

Difference between Entrepreneurs and Intrapreneurs

	Entrepreneurs	Intrapreneurs
1. Dependency	Independent in his operation	Dependent on the entrepreneurs
2. Raising of funds	Himself raises funds required for the organization	Does not raise fund for the organization
3. Risk	Bears the risk involved in the business	Does not fully bear the risk involved in the organization
4. Operation	Operates from outside	Operates from inside
	Convert the ideas into viable opportunities	Takes the responsibility of creating innovation
	Takes the profit of the business	Provided Varity of perquisite for his innovation

Concept of Entrepreneurship

“Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk taking appropriate to the opportunity and through the communicate and management skills to mobilize human, financial and material resources necessary to bring a project to fruition”

- Entrepreneurship is the process of designing, launching and running a new business, which is often initially a small business, and the people who create these businesses are called entrepreneurs.

– Essential ingredients include:

- The willingness to take calculated risks—in terms of time, equity, or career.
- The ability to formulate an effective venture team; the creative skill to marshal needed resources.
- The fundamental skills of building a solid business plan.
- The vision to recognize opportunity where others see chaos, contradiction, and confusion.

The Entrepreneurial Process

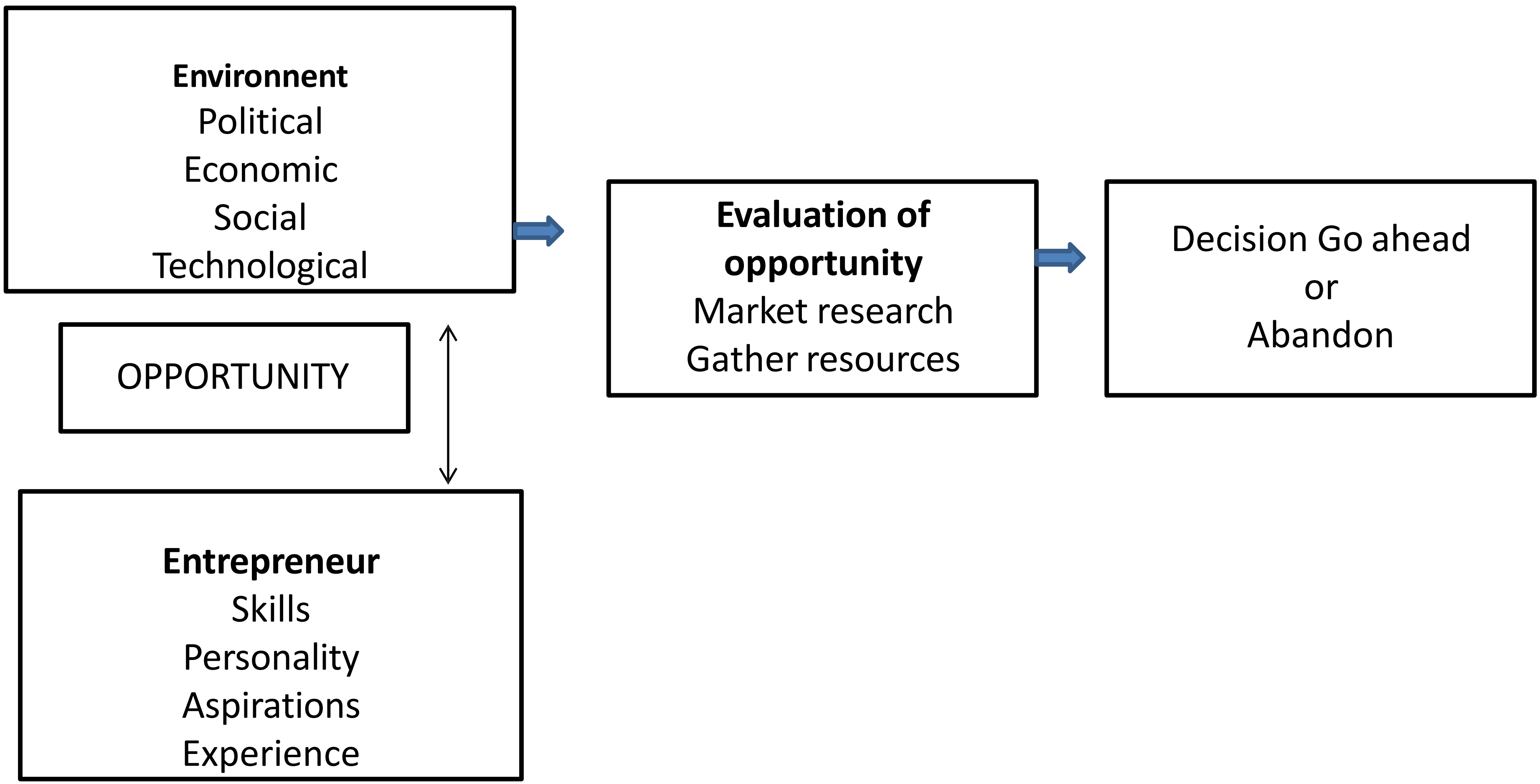
– Identification and evaluation of the opportunity.
– Development of the Business Plan.
– Determination of the required resources
– Management of the resulting enterprise

- **What are the different outcomes of engaging in entrepreneurship?**
  - Innovation or newness – product or service.
  - Organizing resources – finance, people, physical and information resource.
  - Creating new product or service.
  - Generating wealth
  - Taking risk in a business venture.
  - Prepared to face uncertainty.
  - Create job opportunity

Relationship between Entrepreneur and Entrepreneurship

Entrepreneur	Entrepreneurship
Person	Process
Organizer	Organization
Innovator	Innovation
Risk-bearer	Risk-bearing
Motivator	Motivation
Creator	Creation
Visualizes	Vision
Leader	Leading
Imitator	Imitation

Entrepreneurial process



Barriers to Entrepreneurship

- Lack of a viable concept
- Lack of market knowledge
- Lack of seed capital
- Uncertainty of Income
- Lack of business know how
- Complacency- lack of motivation
- Risk of losing your entire Investment
- Legal constraints and regulations
- Lower Quality of Life until the business get established.
- Complete Responsibility

How to avoid failure in a Entrepreneurial business.

- Know your business in depth.
- Develop a good, effective and solid Business Plan.
- Manage your financial resources effectively.
- Have a thorough and complete financial statement.
- Learn hire and manage people effectively.
- Keep physically fit, consume healthy foods, and avoid addictive consumption cigarettes and alcohol.

INNOVATION

- Innovation is the specific function of entrepreneurship. It is the means by which the entrepreneur either creates new wealth-producing resources, or endows existing resources with enhanced potential for creating wealth.
- "Innovation is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth"
- Process of doing something new.
- *Innovation* is the ability to apply creative solutions to those problems and opportunities to enrich people's lives.

Characteristics of innovation

- Radical innovation
- Incremental innovation

Incremental	Radical
• Uniform improvements	• Novel improvements
• Uses existing technologies and processes	• Uses new technologies and processes
• Quick to implement	• Extended periods of piloting
• Quick to implement	• Also exploits new markets

Innovation can occur through

- Introduction of new product in the market.
- Use of new method of production, which is not yet tested.
- Opening of new market.
- Discovery of new source of raw materials.
- Bringing out of new form of organization.

Four basic aspects of being an entrepreneur

Entrepreneurship involves creating something new value.

Entrepreneurship requires the devotion of the necessary time and effort though only those going through the entrepreneurial process appreciate the significant amount of time and effort it takes to create something new and make it operational.

Entrepreneurship assumes risk in the form of financial lose, psychological tension and social problems.

Entrepreneurship also involves rewards of independence, follow ed by personal satisfaction and money.

Benefits of Entrepreneurship

- Opportunity of gain control over your own destiny
- Opportunity to reach your full potential
- Opportunity to reap unlimited profits
- Opportunity to contribute to society & be recognized for your effort
- Opportunity to do what you enjoy

Limitations of Entrepreneurship

1) Uncertainty of income.
2) Risk.
    - Financial risk
    - Family and social risk
3) Long hours & hard work.
4) Lower quality of life until the business gets established.
5) High level of stress.

Importance and Contribution of Entrepreneur

- Develop new markets
- Discover new sources of material
- Mobilize capital resources
- Introduce
  - New technologies,
  - New industries, and
  - New product.
- Create employment

Entrepreneurial Background

- Childhood Family Environment
- Education
- Personal Values
- Age
- Work History

SMALL BUSINESS

Size of the Business

Size refers to the scale of operations. Size may be measured in the following ways :

- Total capital investment
- The value of total assets or fixed assets.
- Total investment in plant and machinery
- The total number of persons employed
- Volume/value of production
- Volume/value of sales turnover
- A combination of above

- Fewer than 100 employees, independently owned and operated, not dominant in its field, and not characterized by many innovative practices

- **Small Business**
  - A company that is independently owned and operated, is not dominant in its field, and employs fewer than 500 people (although this number varies by industry)

Characteristics of Small Businesses

- Most small firms have a narrow focus.
- Small businesses have to get by with limited resources.
- Small businesses often have more freedom to innovate.
- It easier to make decisions quickly and react to changes in the marketplace.
- One or two owners often family
- Financed by owners, relatives and friends
- Limited and uncertain markets Low levels of new profit
- Inability to influence prices
- Uncertain entrepreneurial aspirations and motives (lifestyle firm or growth firm)
- One location

Economic Roles of Small Business

- They provide jobs
- They introduce new products
- They meet the needs of larger organizations
- They inject a considerable amount of money into the economy.
- GDP
- SMEs can play a role in mitigating the problem of imbalance in the balance of payment accounts through its export promotion.
- It can help to release scarce capital towards productive use.

Importance of small business

- To increase employment.
- To prevent unequal distribution of income.
- To develop capital investment.
- Determining a country’s competitiveness and productivity

The Benefits of Owning a Small Business

- Opportunity to Gain Control over Your Own Destiny
- Opportunity to Make a Difference
- Opportunity to Reach Your Full Potential
- Opportunity to Reap Impressive Profits
- Opportunity to Contribute to Society and Be Recognized for Your Efforts
- Opportunity to Do What You Enjoy Doing

Disadvantages of a Small Business

- Lower guaranteed pay
- Fewer benefits
- Expected to have many skills
- Too much cohesion
- Hard to move to a big company
- Large fluctuations in income possible
- Risk of Losing Your Entire Invested Capital
- Long Hours and Hard Work

Role Of Small Business In Economy

- Employment
- Optimization Of Capital
- Balanced Regional Development
- Mobilization Of Local Resources
- Export Promotion
- Consumer Surplus
- Feeder To Large Scale Industries
- Social Advantage
- Share In Industrial Production
- Development Of Entrepreneurship

Top Five Reasons Start-up Businesses Fail

- Insufficient start-up capital
- Lack of managerial experience
- Bad location
- Poor inventory control
- Lack of initial planning

COMMON REASONS FOR SMALL BUSINESS FAILURE

- Not keeping adequate records
- Not having enough start-up money
- Lack of management experience
- Lack of experience with the type of business
- Not controlling operating expenses
- Poor location for the business
- Failure to manage credit offered to customers

Leadership Issues	Marketing and Sales Issues	Financial Issues	Systems and Facilities Issues
Managerial incompetence: Owner doesn't know how to plan, lead, control, or organize. **Lack of strategic planning:** Owner didn't think through all the variables needed to craft a viable business strategy. **Lack of relevant experience:** Owner may be experienced in business but not in the particular markets or technologies that are vital to the new firm's success. **Inability to make the transition from corporate employee to entrepreneur:** Owner can't juggle the multiple and diverse responsibilities or survive the lack of support that comes with going solo.	**Ineffective marketing:** Small companies—especially *new* small companies—face a tremendous challenge getting recognition in crowded markets. **Uncontrolled growth:** Company may add customers faster than it can handle them, leading to chaos, or may even "grow its way into bankruptcy" if it spends wildly to capture and support customers. **Overreliance on a single customer:** One huge customer can disappear overnight, leaving the company in dire straits.	**Inadequate financing:** Being undercapitalized can prevent a company from building the scale required to be successful or sustaining operations until sales revenues increase enough for the firm to be self-funding. **Poor cash management:** A company may spend too much on nonessentials, fail to balance expenditures with incoming revenues, fail to use loan or investment funds wisely, or fail to budget enough to pay its bills. **Too much overhead:** Company creates too many fixed expenses that aren't directly related to creating or selling products, leaving it vulnerable to any slowdown in the economy.	**Poor location:** Being in the wrong place will doom a retail operation and can raise costs for other types of business as well. **Poor inventory control:** Company may produce or buy too much inventory, raising costs too high—or it may do the opposite and be unable to satisfy demand.

Sources: Brian Hamilton, "The 7 Biggest Financial Mistakes Businesses Make," *Inc.*, 9 August 2011, www.inc.com; Norman M. Scarborough and Thomas W. Zimmerer, *Effective Small Business Management*, 7th ed. (Upper Saddle River, N.J.: Prentice Hall, 2003), 27–29.

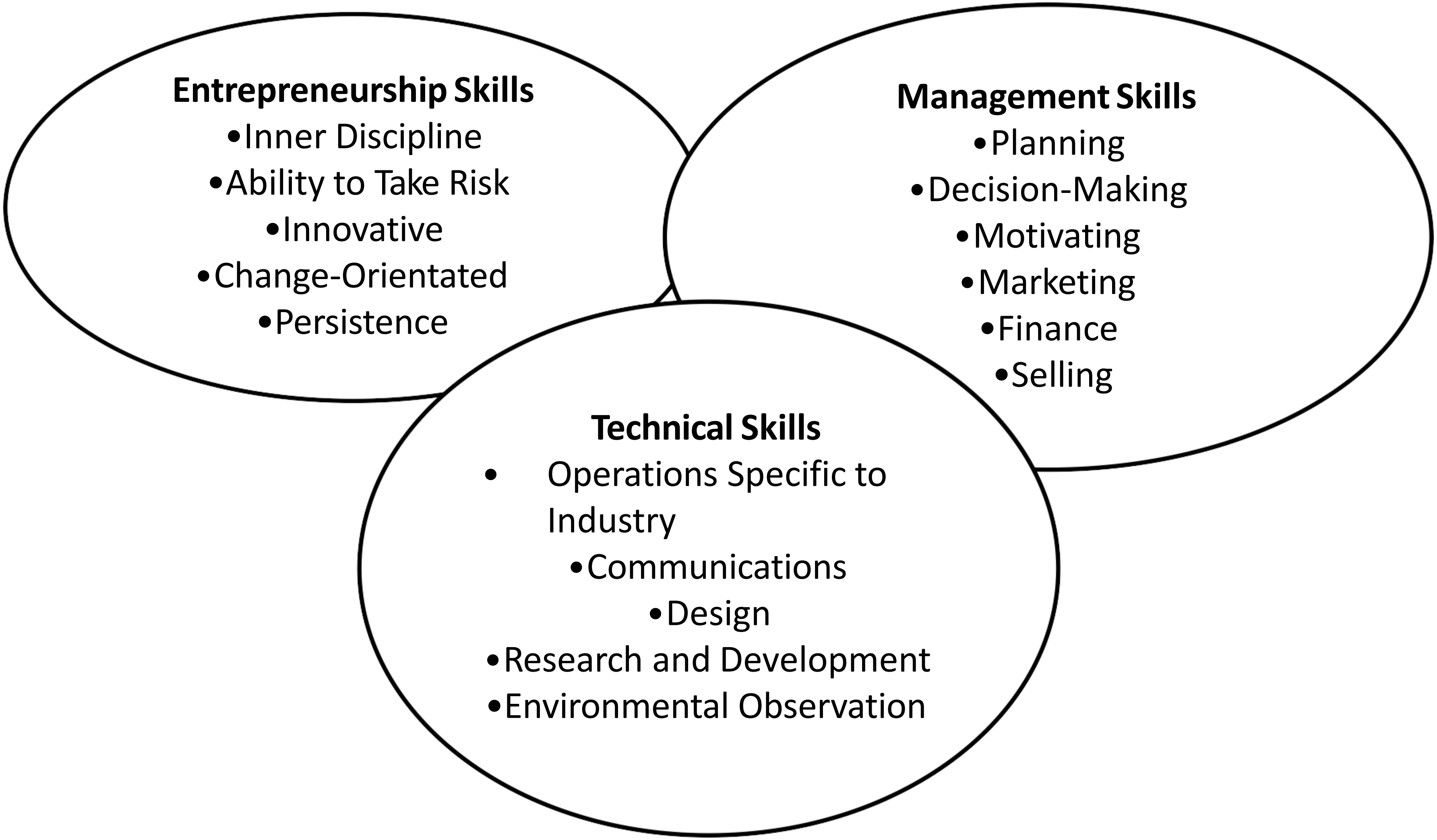
Why People Start their Own Companies

- More control over their future
- Tired of working for someone else
- Passion for new product ideas
- Pursue business goals that are important to them on a personal level
- Inability to find attractive employment anywhere else.

- **Business plan**
  - A document that summarizes a proposed business venture, goals, and plans for achieving those goals

- Small Businesses Owners
  - Manage their businesses by expecting stable sales, profits, and growth
- Entrepreneurs
  - Focus their efforts on innovation, profitability and sustainable growth

- Entrepreneurship Skill-Sets



- Technical Skills - which are those skills necessary to produce the business’s product or service

- Managerial Skills, which are essential to the day-to-day management and administration of the company

- Entrepreneurial Skills - which involve recognizing economic opportunities and acting effectively on them

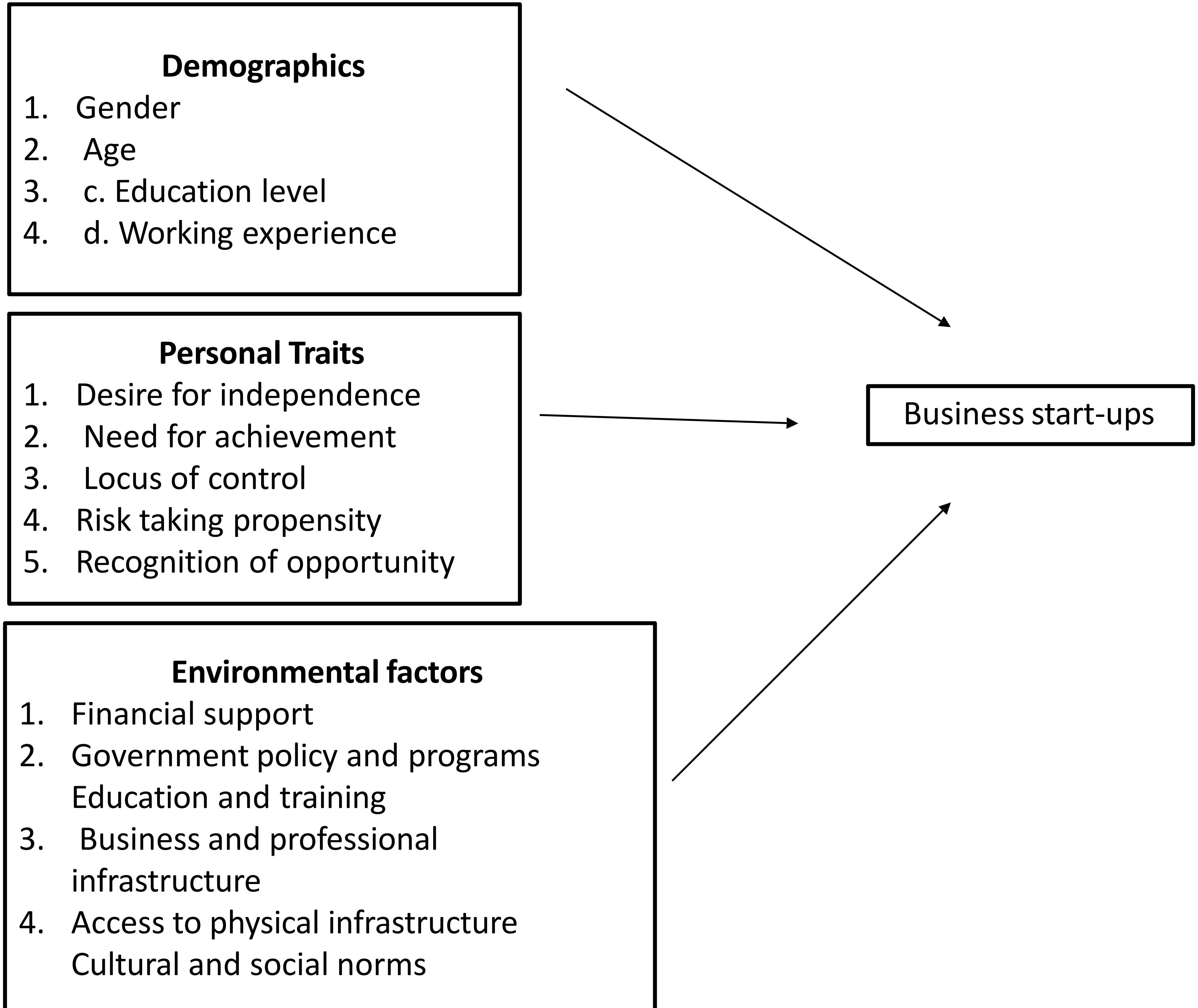
- Personal Maturity Skills - which include self-awareness, accountability, emotional skills, and creative skills.

Behavioral characteristics of entrepreneurs

1. drive and energy
2. self-confidence
3. high initiative and personal responsibility
4. internal locus of control
5. tolerance of ambiguity
6. low fear of failure
7. moderate risk taking

Behavioral characteristics of entrepreneurs

1. long-term involvement
2. money as a measure not merely an end
3. use of feedback
4. continuous pragmatic problem solving
5. use of resources
6. self-imposed standards
7. clear goal setting.


Demographics
1. Gender
2. Age
3. c. Education level
4. d. Working experience
Personal Traits
1. Desire for independence
2. Need for achievement
3. Locus of control
4. Risk taking propensity
5. Recognition of opportunity
Environmental factors
1. Financial support
2. Government policy and programs
Education and training
3. Business and professional infrastructure
4. Access to physical infrastructure
Cultural and social norms
Business start-ups

Choosing a form of ownership

- There's no best form of ownership.
- The best form of ownership depends on the entrepreneurs situation.
- Evaluation of the characteristics weighing pros and cons.
- Then deciding which form suits you as an owner.

Factors to consider

- Control of business
- Managerial ability
- Cost of formation
- Liability exposure
- Tax consideration

The forms of ownership

- Sole proprietorship
- Partnership
- Companies: public company
  private company
- Corporate corporation

Characteristics of sole proprietorship

- One individual.
- Simple to start and end.
- Owner is liable for all the debts of the business.
- Capital provided by sole owner.
- Business managed by owner.

Sole Proprietorship

Advantages

- No restrictions limits to capital
- Quick decision making
- few legal requirements
- All profits belong to owner

Disadvantages

- No legal personality
- Feeling of isolation
- Unlimited liabilities
- Lack of continuity

Characteristics of Partnership

- Ownership 2 or more people
- Legal requirements
- Each partner must make a contribution to the Partnership.
- Life of the Partnership is not separate from the lives of the partners
- Partners are jointly and severally liable for debts on the business.

Types of partnerships

- ***General partnership*:** A partnership in which all partners have unlimited personal liability and take full responsibility for the management of the business.
- ***Limited partnership*:** A partnership in which the partners' liability is limited to their investment.
- ***Joint venture*:** A partnership in which two companies join to complete a specific project.The partnership ends after a specified period of time.
- ***Strategic alliance*:** A partnership in which two businesses work together for mutual benefit

Partnership

Advantages

- Combination of new skills and
  ideas into a business.
- shared responsibilities for decision making
- share profits and are therefore
  motivated to work hard.
- Few legal requirements

Disadvantages

- Not a separate legal entity
- Liable for the actions of the other partners
- Discussion between partners can slow down decision making.
- Problems can arise if one or more partners are lazy, inefficient or even dishonest

Characteristics of companies

- A company is a legal person which has capacity and powers to act on its own (i.e. the law sees a company in the same light as a natural person)

- The Companies Act 71 of 2008 took effect from 1 May 2011. The Act introduces fundamental changes to South African company law and corporate actions. The companies are governed by the Companies Act 71 of 2008 and they are incorporated in terms of the Memorandum of Incorporation (MOI).

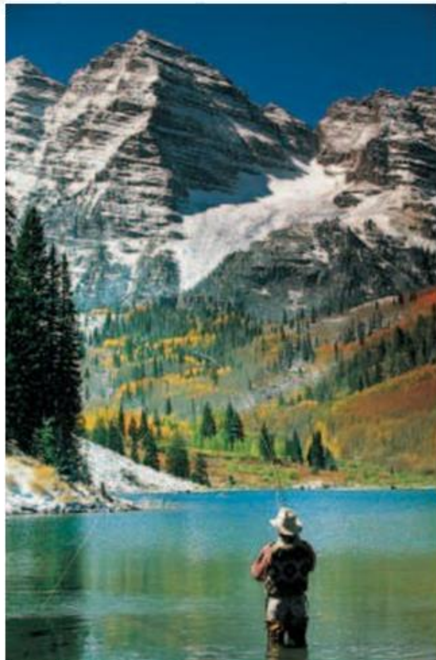
- A company is incorporated by completing and filing a Memorandum of Incorporation (MOI) and a Notice of

Continued

- The MOI represents the founding statement of a company under the Act. A company becomes a juristic person from the date and time that its incorporation is registered, as stated in its Registration Certificate.

A person who is an incorporator, shareholder or director is not liable for the obligations of the company except to the extent that the Act or the company's MOI expressly provide otherwise.

- Registration of a company is effected by signature of the MOI by the requisite number of persons and by filing it together with the prescribed Notice of Incorporation at CIPC, together with payment of the prescribed fee.




EXODUS

Types of companies

- Profit Companies - A company incorporated for the purpose of financial gain for its shareholders.
- Private company
- Public company
- Non-Profit Companies to be reflected as NPC

Characteristics of private company

- 1 or more persons may incorporate a private company.
- one director (1 or more directors) or any other
- prohibited by MOI from offering its shares to the public and the transferability of its
- shares is restricted.
- The name of a private company must end with the expression “Proprietary Limited” or its abbreviation “(Pty) Ltd.”.
- unlimited number of shareholders and its life span is perpetual or it has continual life span.
- has a separate legal personality. Shareholders have limited liability

Characteristics of public company

- No limit on number of shareholders
- Unlimited number of shareholders.
- Must have at least three directors. 3 or more for a public (Ltd) company
- Shares of the public company are freely transferable.
- Financial statement of a public company requires to be audited
- A separate legal personality
- Compelled to attend a annual general meeting (AGM).

Private company

- Advantages
- Limited liabilities
- Directors not compelled to attend (AGM)
- Audited financial statements are optional.
- Information only available to shareholders.
- Shareholders of a right of pre-emption

Disadvantages

- The company is subjected to double taxation
- Transferability of its shares is restricted.
- Compelled to prepare annual financial statements
- Many legal requirements

Public company

Disadvantages

- Complicated and expensive to establish
- Shareholder may be allowed little or no input
- Expensive procedures to comply with reporting regulations.

Advantages

- Separate legal entity
- Operated by only one shareholder and 3 directors
- Easier to attract capital investment

The difference between a private and public company

private

- one directors
- No mechanism for electronic participation
- 10 day notice for shareholder meeting

public

- a minimum of three directors
- Mechanism for electronic participation required
- 15 day notice for shareholder meeting

Characteristics of Corporate Corporations

- A Close Corporation is subject to Close Corporations Act 69 of 1984 and the Companies Act 71 of 2008. Under the new Act, close corporations are treated a lot more like companies
- The name must end with the suffix CC.
- Amended founding statement CK2 is still in use.
- Liable in their personal capacity. It is a separate entity that exists separately from its members.
- Members of the CC both own and control the business
- Usually two or more members have to sign legal documentation
- Initial contributions are required to be made by members.

Types of corporations

- ***C-corporation***: The most common form of corporation. It protects the entrepreneur from being personally sued for the actions and debts of the corporation.
- ***Subchapter S corporation***: A corporation that is taxed like a sole proprietorship or partnership.
- ***Nonprofit corporation***: Legal entities that make money for reasons other than the owner's profit.
- ***Limited Liability Company (LLC):*** A new form of business ownership that provides limited liability and tax advantages.

Corporate Corporations

Advantages

- **All of advantages of a regular C corporation**
- **Single taxation**
- **Avoids tax on appreciation of asset sold**
- **Pay for employees**
- **Different lines of businesses as subsidiaries, simpler tax filing**

Disadvantages

- **Cost and time in incorporating**
- **Double taxation**
- **Potential for diminished incentives**
- **Legal requirements and red tape**
- **Potential loss of control**

Alternative approaches to starting a business

- **Buy an existing business.**
- **Enter a family business.**
- **Own a franchise business.**

Advantages of buying an existing business

- Existing businesses already have customers, suppliers, and procedures.
- Seller of the business may be willing to train the new owner.
- There are existing financial records.
- Financial arrangements may be easier.

Disadvantages of buying an existing business

- Business may be for sale because it is not making a profit.
- Problems may be inherited with the purchase of an existing business.
- Many entrepreneurs may not have the capital needed to purchase an existing business.