



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



Tshwane South
TVET College

"achieve the future"

SUBJECT: INTRODUCTORY ENTREPRENEURSHIP

LEVEL: N4

MODULE 2: ESTABLISHING A BUSINESS ENTERPRISE

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After completing this topic, you will be able to:

- Unit 2.1: name and describe the factors that will influence the location of a business and apply these by using examples.
- Unit 2.2: name and describe the essential characteristics of the forms of ownership and apply these by using examples.
- unit 2.3: name and the tasks, as well as the internal and external factors that influence functions in a business.

MODULE 2: ESTABLISHING A BUSINESS ENTERPRISE

Content

1. Establishing factors
2. Forms of ownership
3. The various function in a business and the influence of internal and external factors
4. Summary of module 2
5. Summative assessment for module 2

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The factor that will influence the location of a business

The market

A market is any place where the seller of particular goods or service can meet the buyer of those goods and service so that a transaction can take place.

Transport facilities

The availability of transport is a very important location factor because customer need to get to the business and, depending on the nature of the business, supplier must also be able to deliver goods easily.

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Capital

Capital is the money and fixed assets(land, building, equipment and vehicles) an entrepreneur an entrepreneur needs to operate business.

Municipal concessions and rates

Municipality charge rates on properties according to the market values of the properties. Municipalities use the they raise from rates to pay for the service and facilities that they provide to their residents.

Labour

The availability of labour will also influence the location of businesses. some business require highly skilled employees, while other need semi – skilled or unskilled employees. An entrepreneur should not try to establish a business that needs highly skilled workers in an area where only semi- skilled or unskilled workers live.

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Housing

Before entrepreneurs decide where to locate their business, they should check whether their potential employees live as close as possible to the business or whether there is a reliable transport system to enable them to get to work.

Electricity and water supply

Electricity and water supply are part of the infrastructure of any business. Both are scarce in south Africa. Depending on the nature of the business, it may be a good idea to install solar system or generator as back-ups for possible electricity interruptions.

Parking facilities

Parking is important to customers. They need to know that there is plenty of parking for them and that their cars are safe.

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Competition

Competition is the rivalry between business that sell similar products and services.

Raw materials

When business depend on raw materials, like factories, entrepreneurs should establish their business as near to the sources of the raw materials they need as possible because of the high cost of transport and potential delays in supply.

Climate

Climate refers to the weather patterns that occur in a particular area over a long period. The simplest way to describe climate is to look at average temperature and rainfall over time.

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Industrial areas

Industrial areas are places where there are manufacturing businesses.

The essential characteristics of the different forms of ownership

- Sole proprietorships. These are businesses that a single person owns and operates
- Partnership. These are business where two or more people(but no more than 20), share ownership
- Companies (either public or private) public companies are companies which may sell shares on a stock exchange. Private companies are companies that may not sell shares on a stock exchange.

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All businesses have various functions to perform. However there are internal and external factors that can affect the performance of these functions.

The table below gives the functions and describes them, as well as the influences of internal and external factors.

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Functions	Description	Internal and external factors as well as their influences
Purchasing	<p>The purchasing department must ensure that all goods are available at the right time. In the right quantity and of the right quality. There should never be an 'out of stock' situation or one where there is too much stock because stock is 'dead capital'. The functions of the purchasing department are</p> <ul style="list-style-type: none">• To ensure that the enterprise has the correct quantity and quality of goods.	<p>The internal factors that could affect performance are that the purchasing department could have:</p> <ul style="list-style-type: none">• Ordered too much or too little stock or ordered of poor quality. This could have led to 'dead capital' or insufficient stock• Bought stock at uncompetitive prices. This could have increased prices.• Chosen unreliable supplier that do not deliver on time. This could have made the company deliver product late.

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Functions	Description	Internal and external factors as well as their influence
	<ul style="list-style-type: none">• To buy at competitive prices.• To choose reliable supplier that deliver on time.• To build goods relationships with supplier.• To control stock and ensure effective records.	<ul style="list-style-type: none">• Kept poor records. This could have meant that the company did not really know how much stock it actually had.• The external factor that could affect performance are that the company supplier could have:• Deliver incorrect quantities of stock. This could have led 'dead capital' or insufficient stock.• Fail to deliver stock or raw material on time. This could have made the company deliver product late.

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Functions	Description staff	Internal and external factor as well as their influence
Production	<p>Production means converting raw material to final products.</p> <p>The functions of the production departments are to ensure that:</p> <ul style="list-style-type: none">• All the production lines operate smoothly.• Goods produced are of a good quality.• Staff members stick to safety regulations.• Staff member meet target for quality and quantity.• Productivity levels of all employees are in order.	<p>The internal factors that could affect performance are that staff members of the production department could have:</p> <ul style="list-style-type: none">• Failed to check production. This could have led under – production.• Produced products of poor quality . This could have led too unhappy customers.• Failed to stick to safety regulation. This could have led to accident.• Failed to meet targets for quality. This could have led to under – production or product of poor quality.

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Function	Description	Internal and external factors as well as their influence
Marketing	<p>The marketing department must:</p> <ul style="list-style-type: none">• Do marketing research to determine the target market.• Compile advertisements and other marketing material .• Sell product	<p>The internal factor that could affect performance are that staff members of the marketing department could have:</p> <ul style="list-style-type: none">• Failed to determine the target market. This could have led to the department producing marketing material that targets the wrong people.• Failed to develop marketing material or sell products. This could have meant that the company failed to reach its sales targets.

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Function	Description	Internal and external factors as well as their influence
Finance	<p>The finance department must keep the company's accounting books. These record and maintain all the transactions of the company. They allow the company to:</p> <ul style="list-style-type: none">• Calculate its profits.• Keep a record of its assets and liabilities.• Keep a record of its receipts and payments.• Determine whether it is making a profit and whether it is liquid.• Draw up budgets.	<p>The internal factors that could affect performance are that the finance department could have failed to keep the company's books. This could mean that the company did not :</p> <ul style="list-style-type: none">• Know whether it was making a profit.• Know what its assets and liabilities were.• Know how much money it was receiving and spending.• Have a plan for making and spending money.

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Function	Description	Internal and external factor as well as their influence
	<p>Ensure that the payroll system runs smoothly so that all staff members receive the correct salaries and wages.</p> <p>Plan the short-term and long-term financial needs of the business.</p>	<ul style="list-style-type: none">• Pay its workers correctly.• Know what its financial needs are. <p>One external factor that could affect the performance of the finance department is the economy of the whole country. If it is not doing well, it could mean that :</p> <ul style="list-style-type: none">• The best financial planning would become meaningless.• The company's sales could drop if its customers stop buying its products.

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Function	Description	Internal and external factor as well as their influence
Administration	<p>This includes many activities:</p> <ul style="list-style-type: none">Recording, filling and storing informationProviding information to managersHandling all correspondence.Basic bookkeeping (where a small business does not justify a finance department).	<p>The internal factors that could affect performance are that the administration department could have failed to complete its administrative tasks. This could mean that the company did not:</p> <ul style="list-style-type: none">• Have accurate records.• Have reliable information.• Communicate with its supplier or customers.• Have any bookkeeping.
Personnel	<p>The human resources department is important in any company. It attends to:</p> <ul style="list-style-type: none">• Employment contracts.• Absenteeism and other staff policies.• Disciplinary, grievance, retrenchment and dismissal procedure.	<p>The internal factors that could affect performance are that the human resources department could have failed to:</p> <ul style="list-style-type: none">• Draw up employment contract, staff policies and relevant procedures.

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Function	Description	Internal and external factors as well as their influences
	<ul style="list-style-type: none">• Whether the company sticks to labour and employment laws.• Performance appraisals.	<p>This could mean that the staff members do not know what their contract specify or what the company's policies and procedure are. This could lead to unhappy workers.</p> <ul style="list-style-type: none">• Ensure that the company obeys laws. If it does not. It could end up facing charges and having go to court.• Contact fair performance appraisals. This could lead to staff members failing to receive promotions and salary or wages increase. Again workers could be very unhappy.

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Function	Description	Internal and external factors as well as their influences
Public relations	<p>The public relations department focuses on communicating with customers, the public, newspapers and other media. Its functions are to:</p> <p>Create a good image of the business with the public</p> <p>Create links between the enterprise and its external stakeholders.</p> <p>Speak on behalf of the enterprise at media releases.</p> <p>Manage customer complaints.</p>	<p>The internal factors that could affect performance are that the public relations department could have failed to:</p> <ul style="list-style-type: none">• Create a good image off the business with the public.• Manage customer complains. <p>These failure could mean that people develop an idea that the company is unfeeling and does not care about its customers.</p> <p>The external factors that could affect performance are that competing companies could be creating better images.</p>

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Function	Description	Internal and external factors as well as their influences
General management	<p>Managers must :</p> <p>Plan and set the objectives for the enterprise.</p> <p>Organise and integrate its skills with its resources.</p> <p>Lead and use their skills to direct the workers.</p> <p>Control, by comparing the company's actual performance with its expected performance</p>	<p>The internal factor that could affect performance are that the managers could have failed to manage the company. This could that the company :</p> <ul style="list-style-type: none">• Lacks clear objectives.• Lacks organisation.• Does not lead its workers.• Has no idea of how well it is performing.