



higher education  
& training

Department:  
Higher Education and Training  
REPUBLIC OF SOUTH AFRICA



**SUBJECT: HOSPITALITY GENERICS**

**LEVEL: 4**

**MODULE/CHAPTER NO: SOURCES OF INFORMATION  
REGARDING SELF-EMPLOYMENT**

# SOURCES OF INFORMATION REGARDING SELF-EMPLOYMENT

After completing this topic, you will be able to:

- Understand the concepts of employment and self-employment.
- Understand the different types of company models that offer self-employment opportunities.
- Understand risks and benefits of self-employment.
- Identify suitable sources of information and how to assess self-employment opportunities.
- Understand the importance of sourcing accurate information.

# SOURCES OF INFORMATION REGARDING SELF-EMPLOYMENT

After completing this topic, you will be able to:

- Utilise information resources effectively.
- Evaluate and rank information obtained against available resources, education, training, and viability.
- Source information and compile a business start-up plan in terms of required resources, funding, marketing and legal requirements.

# WORDS & TERMS

- DEFINE THE FOLLOWING TERMS

Employment

Self-  
employment

Feasibility  
Study

# EMPLOYMENT AND SELF-EMPLOYMENT

## Employment

- Working for someone, business or organisation.
- You receive a salary, commission, salary and commission or a wage.
- You are not responsible and do not suffer or enjoy the losses or gains taken by the business.
- Employees have rights on the amount of hours to work /week – 45 hours/week.
- Longer than normal working hours = overtime.
- If become unemployed = UIF
- Are also given leave e.g. paid leave, maternity leave, etc

# EMPLOYMENT AND SELF- EMPLOYMENT

What are the benefits of being employed?



# EMPLOYMENT AND SELF-EMPLOYMENT

## Self-employment

- You have complete authority.
- If business fails- damages taken out of the self-employed employee's account.
- There is no limit to the amount of hours worked per week.
- Their income depends on how well the business is doing.
- Can't depend on others to do his/her work while they are on leave- depended on size of business.
- A lot of stress and responsibility on person.
- Success and money depends on dedication and how the business in run.

# EMPLOYMENT AND SELF-EMPLOYMENT

## Self-employment **Advantages:**

- It provides independence. You make your own decisions
- It gives you freedom to be creative and fulfil your own potential.
- It is an opportunity to reap excellent financial rewards.
- It provides you with recognition and achievement.



# EMPLOYMENT AND SELF-EMPLOYMENT

## Self-employment **Disadvantages:**

- Financial risks, because there is not guarantee that the business will be a successes.
- A possible decrease in quality of life, because entrepreneurs work a 12-15 hour day
- An increase of pressure, because you have to take responsibility for everything
- Entrepreneurial stress, because there may be only limited sources to consult
- The risk of not having the right abilities and resources

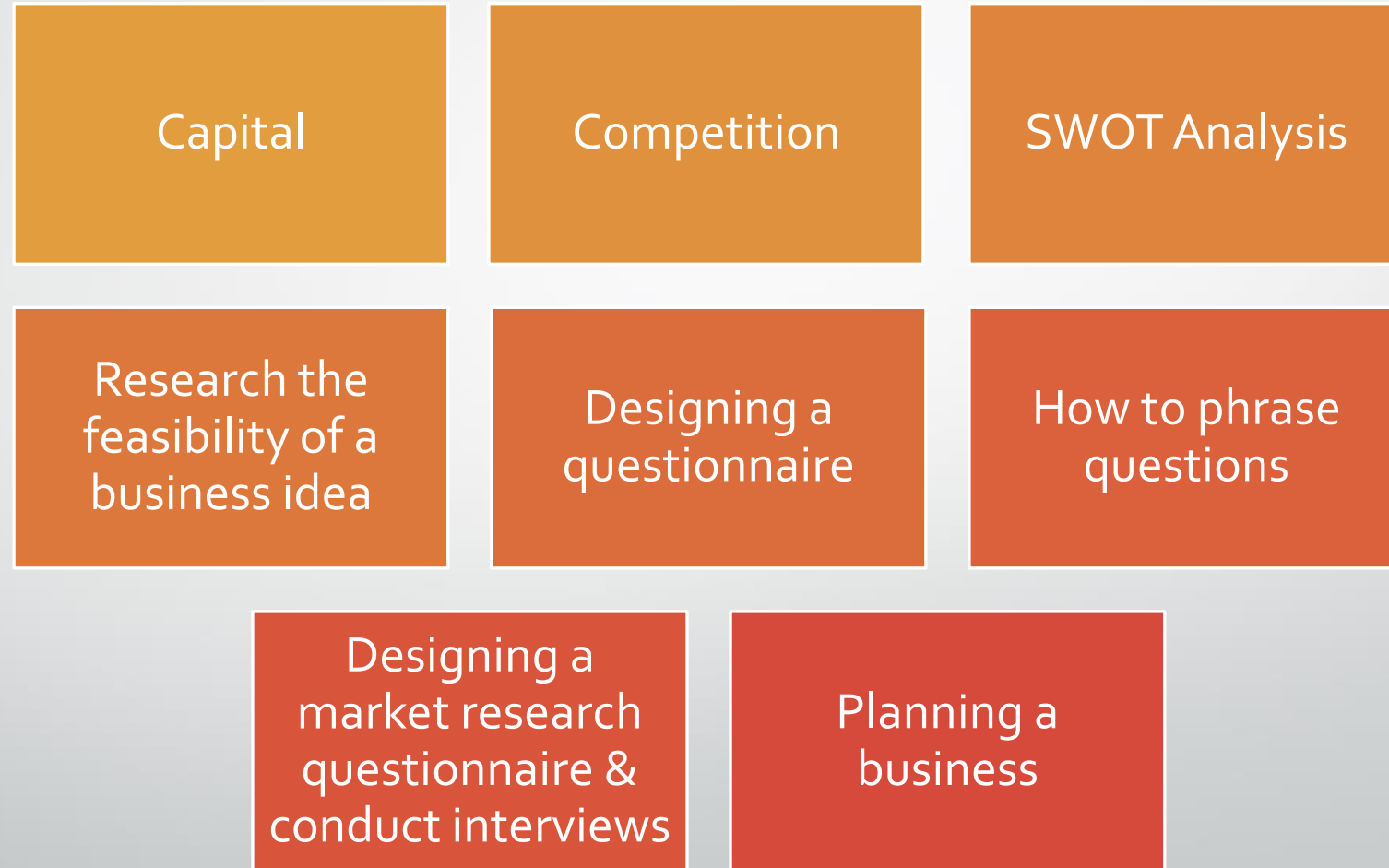
# SELF-EMPLOYMENT

- Micro business = street vendor
- Small business = Spaza shop
- Medium business = Chicken Licken franchise
- Large (macro) business = Microsoft



# SELF-EMPLOYMENT

Starting a business is a challenge- Start with a plan

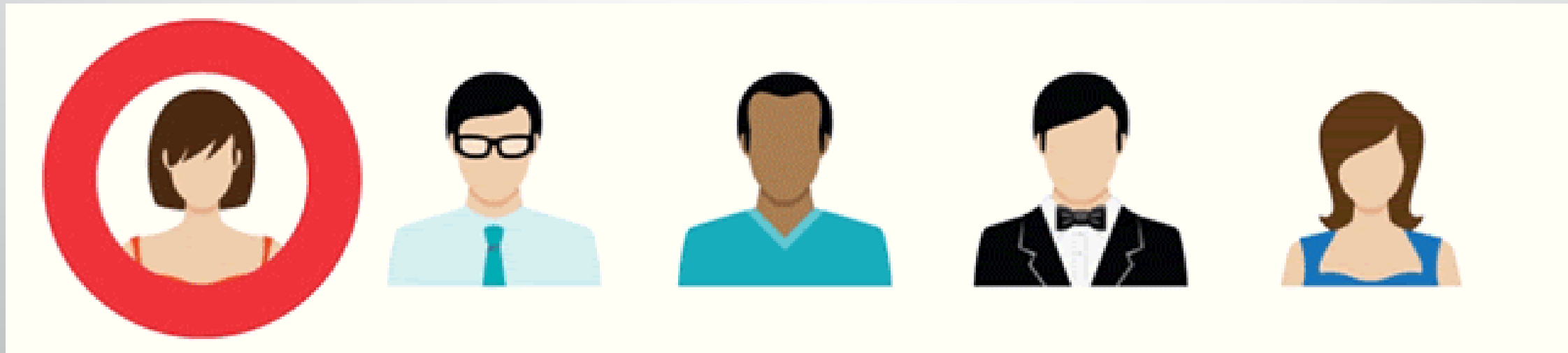


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# SELF-EMPLOYMENT

Marketing

**Know your target market**



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# SELF-EMPLOYMENT

Marketing



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# COMPANY MODELS THAT OFFER SELF-EMPLOYMENT OPPORTUNITIES

- **A new business as a legal entity**
  - Companies Act 71 of 2008 and the Close Corporation Act 69 of 1984 govern business entities.
  - Every person and business is a **legal entity** that can enter into legally binding contracts.
  - Each one has its own **legal** and **tax implications**.
  - The type of business structure chosen will determine the rules of how a business can be run, how it is taxed and which bodies you need to alert that you are in business.

# FORMS OF ENTERPRISE

Private  
Company

Close  
corporation

Partnership

Sole  
proprietor

# SOLE PROPRIETOR

- It belongs to only 1 person who has no partners and no-co-owners.
- Easy to set-up and the owner provides the capital.
- Ideal for businesses where the owner does the major work in the business.
- As owner, you make all the decisions.
- It easy to change this business structure later to other structures.
- You are totally responsible for all the debts and liabilities of the company.
- You generally pay higher tax on profits than does a registered company.
- You decide on how to utilise the profits of the company.



# SOLE PROPRIETOR

- If the business goes under and there are debts- the creditors can attach the owner's personal assets.
- There are no formal requirements for the establishment and auditing of a sole proprietorship.
- The owner can appoint people to work for him/her.

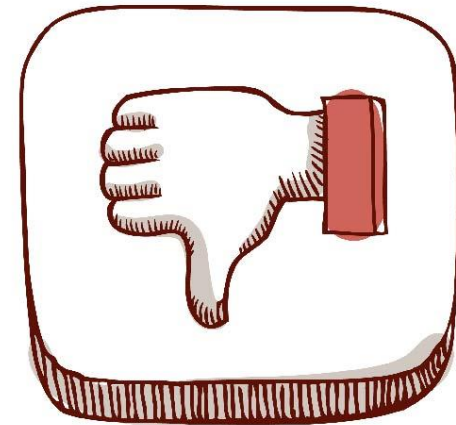
# SOLE PROPRIETOR

- What are the:

Advantage



Disadvantage



# SOLE PROPRIETOR

- Registered with:
  - SARS
  - Department of Labour
  - CIPC

# PARTNERSHIP



Business association between 2 – 20 partners who attend making and sharing profit

- All partners hold responsibility for debts that are made.
- Responsibility is shared.
- Business is easy to set up and subject to minimal laws and regulations.

# PARTNERSHIP

- Partnership agreement should deal with:
  - The names of the partners
  - The name and nature of the business
  - The formation of the partnership
  - The profit-sharing arrangements
  - The contributions – financial and otherwise- of the partners
  - Salaries
  - Banking arrangements
  - Changes of partnership
  - Liquidation
  - The responsibilities of partners



# PARTNERSHIP

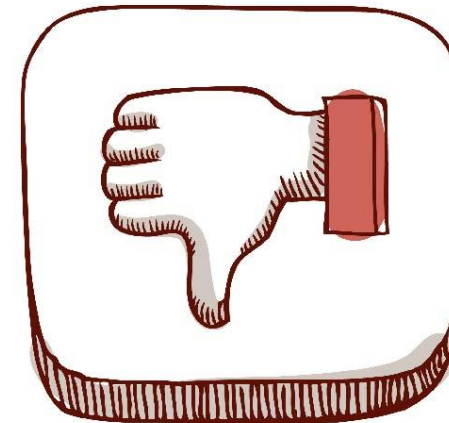


- What are the:

Advantage



Disadvantage



# CLOSED CORPORATION

- Provides a simple, flexible, inexpensive and legal business structure- One can't open a CC today.
- A CC has **members**.
- It is considered a legal person- can enter into contracts etc.
- CC needs a unique name registered and a founding statement to be lodged.
- It can have a max of 10 members – own and manage it.
- Owners are not personally responsible for debts.
- Relatively easy and inexpensive to register.

# CLOSED CORPORATION

- There must be a clear directive for the CC to make money.
- The company must have growth potential.
- It's a legal entity on its own.
- Only **natural members** can become a member of a CC.
- A **juristic person** e.g. company can't be a member of a CC.
- A CC is governed by the CC Act, 71 of 2008.
- Dividends can only be paid if the CC is both liquid and solvent.



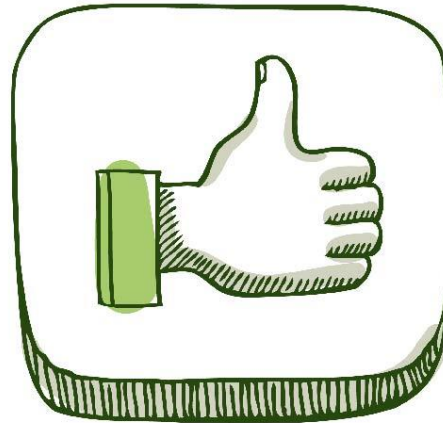
# CLOSED CORPORATION

- CC are managed by its members- there is no separate board of directors or management body.
- Each member is entitled to participate in the management – unless the members agree not to

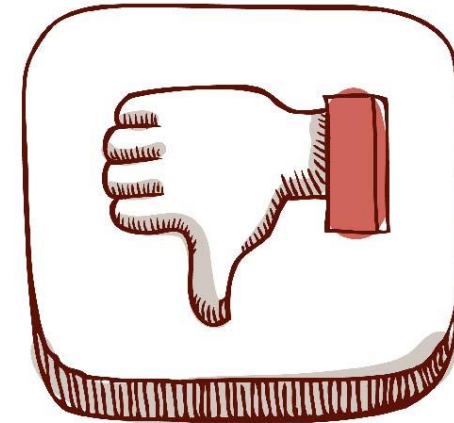
# CLOSED CORPORATION

- What are the:

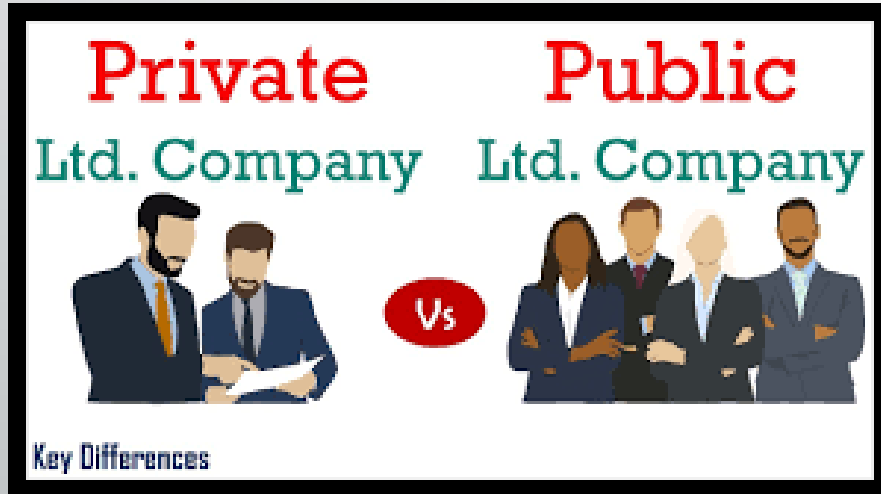
Advantage



Disadvantage



# PRIVATE AND PUBLIC COMPANIES



PRIVATE COMPANIES	PUBLIC COMPANIES
Must have between 1 and 50 shareholders	Minimum of 7 (unlimited number of shareholders)
At least one director	At least two directors
Transferability of shares is restricted. No offer can be made to the public to buy.	Transferability of shares not restricted. Public are invited to purchase and sell shares at any time
Financial statements only available to the directors and shareholders	Financial statements are available to the public
Proprietary Limited - (Pty) Ltd after the name of the company	Limited (Ltd) after the name of the company

# PRIVATE COMPANY

- (Proprietary) Limited or (PTY) Ltd.
- A more advanced form of ownership that eliminates the disadvantages of other forms of ownerships.
- The company must make certain info (but not financial info) available to the public, by law.
- It needs a lot of capital to start off.
- Needs a lot of capital to get started.
- There must be a minimum of one director.
- Shares are not offered to the public.
- There are some restrictions on the transfer of shares.

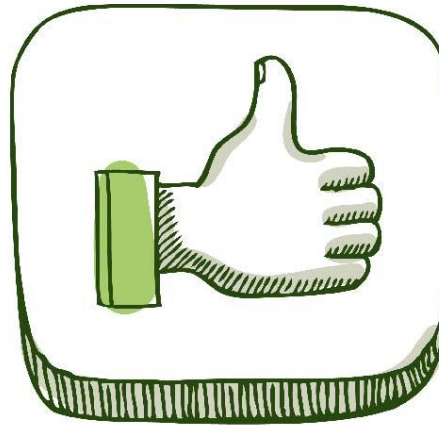
# PRIVATE COMPANY

- The must be a minimum of 1 - 50 shareholders.
- The owners are not held responsible for the debts of the enterprise.
- Double taxation-company is taxed on profit and dividends paid to shareholders.

# PRIVATE COMPANY

- What are the:

Advantage



Disadvantage



# LEGAL ISSUES IN STARTING YOUR OWN BUSINESS

State the FOUR main legal areas that should be covered when starting a new catering business.

The type of  
business you  
will register

The role of the  
Dept of  
Labour

Tax and the  
SARS

Trading  
Licenses

Health and  
safety  
compliance

# LEGAL ISSUES IN STARTING YOUR OWN BUSINESS

- **The type of business** – find the most appropriate & effective business type for your needs
- **Role of the Dept of Labour**- Know your rights as an employer as well as the rights of your employees.
- **Tax and the South African revenue service**- Depending on your type of business and kind of legal entity, you have to register for tax in terms of VAT purposes.
- **Trading licences**- be aware of special trading licences (for example selling of take-away or perishable foods).
- **Health and safety compliance** – meet all requirements for safety.



# THE RISKS AND BENEFITS OF SELF-EMPLOYMENT

- **What are the RISKS of self-employment?**
  - Financial risk
  - The risk of a decrease in the quality of life
  - Pressure
  - Entrepreneurial stress

# NOT HAVING THE RIGHT ABILITIES AND RESOURCES

- Losing all your **money**, all your personal finance resources.
- Maintaining the **will** to carry on against extreme odds, losing the **self-discipline** to face hard times when money will be short.
- Not having the necessary **work experience** and **technical skills** to do the job that the new business needs.
- Not knowing the **market** well enough to know what customers want.
- Being unable to **negotiate** terms of payment, standards, quality and so on with suppliers.
- Being unable to **manage** people.
- Being unable to **interact socially** with customers.

# NOT HAVING THE RIGHT ABILITIES AND RESOURCES

- Being unable to act **confidently** and **convincingly** with potential customers.
- Being unable to act and think **clearly** and **logically** under **pressure**.
- Being unable to listen to **criticism** from customers.
- Being unable to **interact socially** with customers.
- Being unable to use your **time efficiently**.
- Lacking the specific **skills and experience** to run the **technical production** side of your business.

# THE RISKS AND BENEFITS OF SELF-EMPLOYMENT

- **What are the BENEFITS of self-employment?**
  - Independence
  - freedom to be creative and fulfill your own potential
  - Opportunity to reap excellent financial rewards
  - Recognition and achievement

# COMMON CHARACTERISTICS OF SUCCESSFUL SELF-EMPLOYED PEOPLE

- confident
- logical, organised and responsible (good at getting things done)
- able to communicate and get their point across
- sociable, with the ability to take leadership
- single-minded, but able to take advice
- flexible and adaptable
- quick to take opportunities (and ready to take risks)
- hard-working, committed and determined ('get up and go' type)
- thick-skinned (able to handle failure)
- individualistic (not afraid to stand out from the crowd)
- creative and imaginative (always coming up with new ideas for the business).



# FINDING SELF-EMPLOYMENT OPPORTUNITIES

Everyday activities

Advertisements in the media

Look in unlikely places

Talk to other people

At work

Go shopping

Changes in your immediate area

Consult business publications

Examine overseas products

Examine patents that have expired

Trade shows

Government departments

RED Door (page 140)

# ACCURATE INFORMATION

Check accuracy and legitimacy of information – there are many scams.

Accuracy

Legitimate

# THE SIGNIFICANCE OF CHECKING FOR ACCURACY

- Transport to visit a place that has moved or no longer exists.
- Spend time and money applying for an opportunity that is no longer available.
- Wait for a reply to a letter, fax or email that won't ever reach the organisation and in this way, waste valuable time which could be put to productive use.
- Lose money by going into something that is false, misleading or illegal.
- End up with legal problems due to incorrect or outdated information.



# UTILISE INFORMATION RESOURCES EFFECTIVELY

- Group the information according to business opportunities (manufacturing, trading or services).
- Sort it according to the market (consumer, retail, government, wholesale, industrial or international).
- You will reduce the risk of losing your business.
- A better choice can be made, when different options of businesses are compared.
- It helps you to understand your chosen business environment better.
- Determine your target market and marketing strategy.
- Look at the start-up costs.

# UTILISE INFORMATION RESOURCES EFFECTIVELY

- Look at the competition.
- Determine the legal requirements.
- Look at the skill requirements.
- Determine if any grants or financial assistance exists.
- Determine if any training is provided.

# OPPORTUNITIES FOR SMALL BUSINESS

Manufacturing



Trading



People trading

Services



# THE MARKET

- Your target market is made up of your potential customers.
- The market includes all individuals, groups, or institutions that have a specific need for goods/services and prepared to pay for it.
- Different kinds of markets exist.
- Analyse who the potential customers of the business are.
- Plan the marketing of these products.



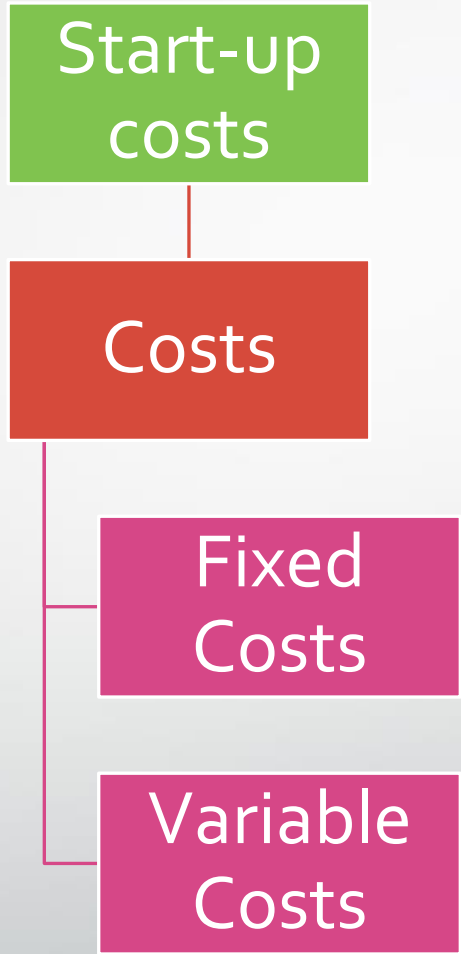
# MARKET RESEARCH

- The basic marketing functions include- buying, selling, promoting, product development, and gathering market information.
- Key principle in marketing is to establish and satisfy customer needs and in the process meet company objectives.
- **Market research** = the analysis of the target market in order to find out about customer behaviour.
- The information collected from the research can be used to construct a **profile** of the customer.

# MARKET STRATEGY

- Select the target market – who are the potential customers.
- Select products that will satisfy the target market.
- Analyse the potential market so that you can establish the size (numbers).
- How will the target market get to know about the product (business).
- How will the product be distributed and or stored

# COSTS



# COMPETITORS

Know your competitors





# LEGAL REQUIREMENTS

- The person starting the business must be of full legal capacity.
- The type of business – must be explicitly stated.
- The name of the business must be registered with CIPC.
- The registration of patents trademarks and designs must be done.
- Any special licensing must be done.
- Registration with SARS, Commissioner for UIF, SETAs for skill development levy and Compensation Commissioner.
- The relevant Industrial and Commercial legislation must be complied with.

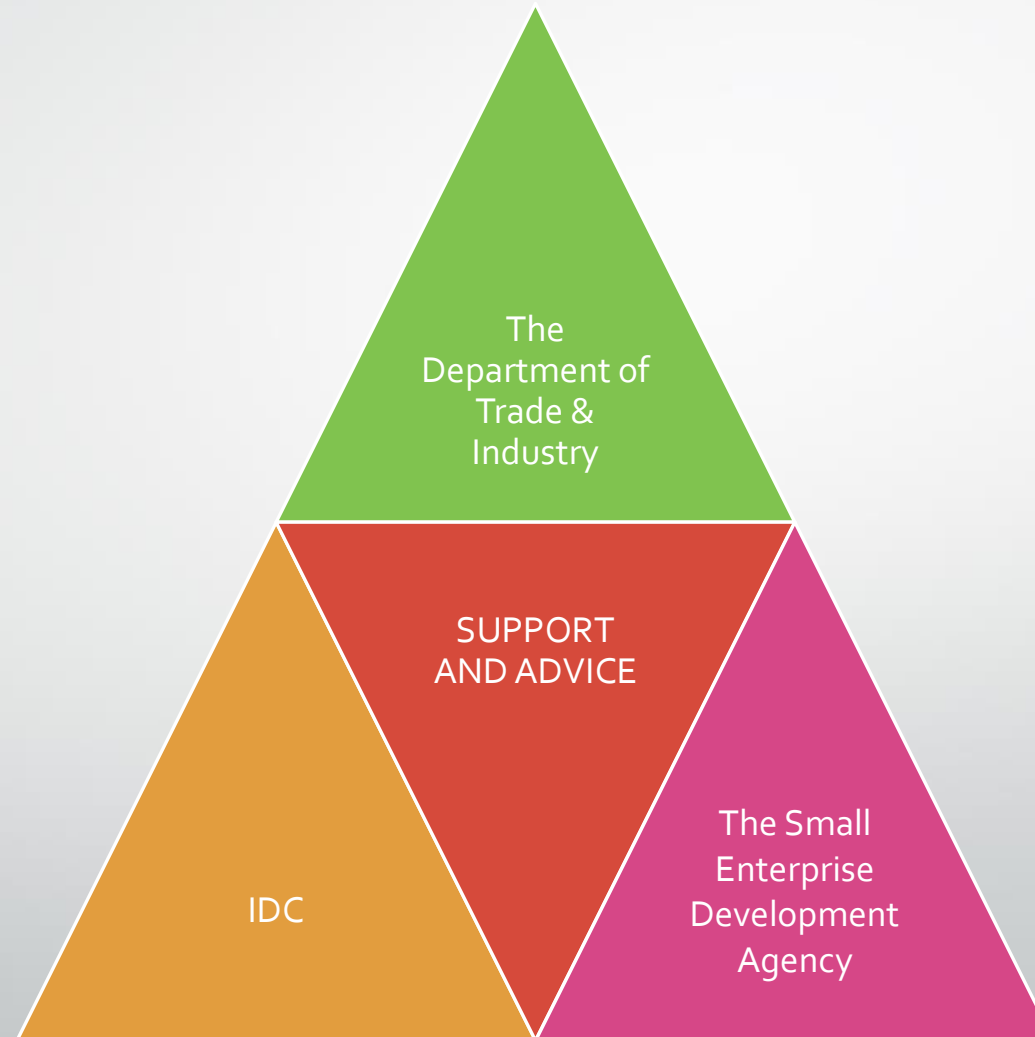
# SKILLS REQUIREMENTS

- Review your skills and identify what type of product or service you can provide using these skills.
- Identify the kind of business you would like to have and then investigate what skills are required and compare them to your skills.
- You might require training to master and acquire the necessary skills.

# GRANTS OR FINANCIAL ASSISTANCE

- You can obtain the necessary finance to start the business from:
  - Banks
  - Grants from government institutions IE the small enterprise development agency
  - Investors

# SUPPORT AND ADVICE



# BUSINESS START-UP PLAN

- You could use the following methods to contact companies:

Telephone

Written and electronic contact

Personal contact

# Business Plan

1. Table of Contents
2. Executive summary
3. General Company description
4. The opportunity, industry and market
5. Strategy
6. Business model
7. Team- management and organisation
8. Marketing plan
9. Operational plan
10. Start-up expenses and capitalization
11. Financial plan
12. Appendices.