

Tutorial Letter 201/1/2018

**Entrepreneurship and Small Business
Management**

MNE3701

Semester 1

**Department of Entrepreneurship, Supply
Chain, Transport, Tourism and Logistics
Management**

This tutorial letter contains important information
about your module.

BARCODE

CONTENTS

	<i>Page</i>
1 INTRODUCTION AND WELCOME	3
2 CONTACT DETAILS OF LECTURERS.....	3
3 EXAMINATION GUIDELINES	3
4 FEEDBACK ON ASSIGNMENT 01	5
5 FEEDBACK ON ASSIGNMENT 02	7
6 FEEDBACK ON SELF-ASSESSMENT ASSIGNMENT	15
7 CONCLUDING REMARKS.....	19

1 INTRODUCTION AND WELCOME

Dear Student

The purpose of this tutorial letter is to provide you with feedback on Assignment 01 and Assignment 02 as well as the self-assessment Assignment 03. Information regarding the examination is also provided in this tutorial letter.

2 CONTACT DETAILS OF LECTURERS

The lecturer to contact for academic content related matters only is:

Lecturer	E-mail
Mrs. M Phillips Primary Lecturer	phillmj@unisa.ac.za

Details of other lecturers in the Section: Entrepreneurship (degree courses) is as follows:

Lecturer	E-mail
Ms. N. M. Mmako Secondary Lecturer	mmakonm@unisa.ac.za

Please refer to Tutorial letter 101 for the contact details of other departments.

3 EXAMINATION GUIDELINES

PLEASE TAKE NOTE OF THE FOLLOWING IMPORTANT INFORMATION.

3.1 Year mark

Your year mark is the mark you obtained for your assignments. You have to submit two assignments during the course of the academic year. These assignments constitute 20% of

your final mark, and your examination mark constitutes 80%. You must obtain a sub minimum of 40% in the examination to pass, regardless of the year mark you obtained – even if this is 80% or more, for example. In order to pass the examination you require a final mark of 50%. (Refer to Tutorial letter 101 for examples).

3.2 Examination Paper

Study the following information for the examination paper carefully:

- ◆ Questions from the following chapters will be covered in the examination paper: the chapters are 7, 10, 11, 14, 15, 16, 17, 20, 21, 22 and 23. These chapters represent the following learning units 2, 5, 6, 8, 9, 10, 11, 13, 14, 15, and 16.
- ◆ Some of the questions relate directly to case studies, so you have to be able to apply the work you have studied to a practical situation.
- ◆ Some questions are specific theoretical questions, for example, definitions or explanations of the meaning of important concepts in the study material or multiple questions.
- ◆ You have to be able to define concepts, give examples and explain what is meant by certain concepts.
- ◆ Calculations will be asked in the question paper.
- ◆ The examination paper is not difficult, but you have to study and have a good knowledge of the work. Please spend time preparing for the examination. Read the textbook and study guide a few times, summarise the important concepts and make sure you understand them.
- ◆ Please read each question carefully before answering it. Take note of key words such as “list” or “discuss” and do what the question ask you to do. If you only list things when you have to discuss them, you will only get part of the marks.
- ◆ Keep in mind that you are not studying the work for examination purposes only. You have to know and internalise the information to ensure a successful business.

- ◆ The examination paper counts 70 marks and consists of two sections (Sections A and B). **Section A** (30 marks) is compulsory and is based on a case study. **Section B** contains **three** questions of 20 marks each of which you only answer **two**.
- ◆ Questions in Assignment 02 and the self-evaluation assignment in the 101 tutorial letter is typical of the sort of questions that will be asked in the examination.
- ◆ Multiple-choice questions will not be asked in the examination paper. Therefore, the mark you have obtained for the compulsory Assignment 01 is not an indication of your level of understanding of the study material or what marks you can expect in the examination.
- ◆ Previous examination papers will not be supplied by the lecturers. Previous examination papers are made available to students on myUnisa.
- ◆ The Examination Department will notify you of the examination date and time.

4 FEEDBACK ON ASSIGNMENT 01

Question 1

The correct answer is number 4. Refer to page 162 in Longenecker, *et al.*

If a business is using the business plan to raise equity, financing investors will want to know the possible options for cashing out of their investment.

Question 2

The correct answer is number 2. Refer to pages 177 in Longenecker *et al.*

A firm that adopts a consumer orientation leads to success in many areas, such as production and sales, and not just marketing.

Question 3

The correct answer is number 3. Refer to page 177 in Longenecker, *et al.*

Bennet, being a production manager previously, will follow a production-orientated philosophy as he has sufficient knowledge to make the product as the single most important part of the business.

Question 4

The correct answer is number 3 Refer to page 208 in Longenecker, *et al.*

It is recommended that a partnership should have an exit strategy, as a good business can easily fall apart. Exiting a partnership is far more difficult when plans for such an unfortunate outcome was not considered early on.

Question 5

The correct answer is number 2. Refer to page 209 in Longenecker, *et al.*

Death, incapacity or withdrawal of a partner requires that the partnership be liquidated or reorganised. To avoid liquidation the partnership agreement can stipulate that the remaining partners can continue with the business after buying the other partners interest and this can be facilitated by each partner carry a life insurance that names the other partners as beneficiaries.

Question 6

The correct answer is number 2. Refer to page 234 in Longenecker, *et al.*

Bettina has to ask what happened to the previous business at this location.

Question 7

The correct answer is number 3. Refer to page 237 in Longenecker, *et al.*

The availability of labour for a manufacturing business is very important, as Daisy's business is a labour intensive business.

Question 8

The correct answer is number 1. Refer to page 267 in Longenecker, *et al.*

The statement of profit and loss and other comprehensive income also commonly known as the income statement is a financial report showing the amount of profits and losses from a business's operations over a given period of time.

Question 9

The correct answer is number 1. Refer to page 303 in Longenecker, *et al.*

To get the answers to all the questions that Tomas has he will look at the pro-forma financial statements

Question 10

The correct answer is number 2. Refer to page 329 in Longenecker, *et al.*

Investment in research and development as in the case of Williams Alternative Power Inc is regarded as an intangible asset for the loan evaluation.

Question 11

The correct answer is number 1. Refer to page 381 in Longenecker, *et al.*

Diane is a loyal long-term customer of Burke's Furniture Store so she will be willing to pay more for Burke's Furniture products.

Question 12

The correct answer is number 3 Refer to page 390 in Longenecker, *et al.*

Using a discount coupon would be recorded under profile of past experiences because responses to past product service promotions and incentives redeemed is classified under this customer profile.

Question 13

The correct answer is number 1. Refer to page 414 in Longenecker, *et al.*

Financial considerations is normally analysed in the business analysis stage of the product development process.

Question 14

The correct answer is number 2. Refer to page 446 in Longenecker, *et al.*

When a product is sold at a premium price and when customers view this product as a prestige product then the pricing strategy followed is a skimming pricing strategy.

Question 15

The correct answer is number 2. Refer to page 461 in Longenecker, *et al.*

When the economy goes into recession then Just Add Water can use promotion to tell people why they should do business with you by increasing the amount spent on promotion.

Question 16

The correct answer is number 1. Refer to page 518 in Longenceker, *et al.*

If an entrepreneur does not want to move through the various organisational stages can limit the rate of business growth.

Question 17

The correct answer is number 1. Refer to pages 542 in Longenecker, *et al.*

Tom can offset the fact that he cannot recruit competent technical technicians for his business by using flexible work schedules.

Question 18

The correct answer is number 4. Refer to pages 588 in Longenecker, *et al.*

A firm will decide to buy instead of making the component itself if the risk of equipment obsolescence can be transferred to the supplier.

Question 19

The correct answer is number 3. Refer to page 611 in Longenecker, *et al.*

The number of days on average that a firm is extending credit to its customers is called the average collection period.

Question 20

The correct answer is number 2. Refer to page 630 in Longenecker, *et al.*

A indemnification clause requires one party (the indemnitor) to assume the financial consequences of another party's legal liabilities (the indemnitee) like in the case where Phillip assumes the legal liability of Roger. In other words the indemnitor agrees to pay, on behalf of the indemnitee, the legal liabilities of the indemnitee. .

(20 x1)

(20)

5 FEEDBACK ON ASSIGNMENT 02

Question 1

1.1.1 Pricing strategies

Refer to pages 446 in Longenecker *et al.*

A skimming pricing strategy (1)

A skimming pricing strategy assumes that customers will pay a higher price for a limited time period before reducing them to more competitive levels. (1)

1.1.2 Ilundi has an upmarket outlet in V&A waterfront. (2)

Or

They started to stock a lot more boutiques (2)

Or

Ilundi supplies more than 30 boutiques nationally and internationally. (2)

(Any 2 marks for evidence from case study. It must be in line with the pricing strategy chosen.)

Total (4)

1.2 Operations process (3)

Refer to pages 573 in Longenecker *et al*

Ilundi designs

Inputs	Leather, buttons, tools, (1)
Process	Making products, shipping products to distributors, storing finished products, (1)
Outputs	Satisfied customers, finished products. (1)

1.3 Leadership style (3)

Refer to pages 512 in Longenecker *et al*

1.3.1 A visionary leader mobilises people toward a shared vision. (2)

OR

A coach leader develops people by establishing a relationship and trust. (2)

OR

The team builder promotes emotional bonds and organisational harmony. (2)

OR

The paragon leader sets challenging and exciting standards and expect excellence. (2)

OR

A populist leader builds consensus through participation (2)

1.3.2 Evidence from case study

Visionary leader- surrounded herself with other entrepreneurs and we discussed issues regarding how to move forward. (1)

A coach leader- as a leader be gentle and be able to spread your staff in such a way that they have every opportunity to do something else so that they will stay loyal to you. (1)

A team builder - as a leader be gentle and be able to spread your staff in such a way that they have every opportunity to do something else so that they will stay loyal to you. (1)

A paragon leader- her complement of people comprised of three crafters and a sales woman or I wanted to give up but people encouraged her and she surrounded her with other young entrepreneurs. (1)

The populist leader - and be able to spread your staff in such a way that they have every opportunity to do something else, so that they will stay loyal to you, because I think acquiring really great staff is a difficult thing. (1)

(One mark for any evidence form the case study in line with the answer in 1.3.1)

1.4 Financial support. (4)

Refer to pages 351 in Longenecker *et al*

She got financial support from government (1) and specifically from the National Youth Development Agency (1.) (2)

The NYDA was establish to provide young entrepreneurs with financial and non financial support. (1)

The fund provides funds between R1000 and R100 000 to young entrepreneurs between the ages of 18 and 35. (1)

(Any 3 marks)

And

And the grant funding as well as financial mentorship I received from the Agency was crucial for growing the small business that I had at the time. (1)

(4)

1.5 Sources of employees (6)

Refer to pages 542-545 in Longenecker *et al*.

Walk-ins and Help wanted advertising

Some firms use hanging a "Help Wanted" sign in the window as the traditional form of recruiting. A similar but more aggressive form of recruiting consists of advertising in the classifieds section of local newspapers. For some technical, professional and managerial positions, firms may

advertise in trade and professional journals. A firm may receive unsolicited applications from individuals who walk into places of business to seek employment. The last Outpost can use this source because the advertising for both the chefs and student worker. Walk-ins are an inexpensive source of personnel, particularly for hourly work, but the quality of applicants varies. If qualified applicants cannot be hired immediately, their applications should be kept on file for future reference. In the interest of good community relations, all applicants should be treated courteously, whether or not they are offered jobs. This source is specifically useful for the recruitment of student and scholar workers. (2)

Educational institutions

Secondary schools, trade schools, colleges and universities are desirable sources of personnel positions. Some secondary schools and colleges have internship programs that enable students to gain practical experience in business firms. Applicants from secondary and trade schools often have useful educational background to offer a small business. Colleges and universities can supply candidates for positions in management and in various technical and professional fields. Many colleges are excellent sources of part-time employees which can be used as waitrons. (2)

Public employment offices

At no cost to small businesses, employment offices in each province offer information about applicants who are actively seeking employment and administer the state's unemployment insurance program. These offices, located in all major cities, are for the most part a useful source of clerical workers, unskilled labourers, production workers and technicians. They do not actively recruit, but only counsel and assist those who come in. (2)

Private employment agencies

Numerous private firms offer their services as employment agencies. In some cases, employers receive these services without cost because the applicants pay a fee to the agency; however, more often, the hiring firms are responsible for the agency fee. Private employment agencies tend to specialise in the people with specific skills, such as accountants, computer operators and managers. The Last Outpost can use this source because they might have people on their records that can be appointed as chefs and even as waitrons. (2)

Executive search firms (Headhunters)

When filling key positions, small firms sometimes turn to executive search firms, often called head-hunters, to find qualified candidates. The key positions for which such firms seek applicants are those associated with a high salary. Because of high costs the use of head-hunters may seem unreasonable for small entrepreneurial firms. This source can be used to recruit chefs because they are very specialised. (2)

Employee referrals

If current employees are good employees, their recommendations of suitable candidates may provide excellent prospects. Ordinarily, employees will hesitate to recommend applicants unless they believe in their ability to do the job. The family and friends of current workers can be among the best and most loyal employees. Many small business owners say this source accounts for more new hires than any other. (2)

Internet recruiting

Recruiters are increasingly seeking applicants via the internet. A variety of websites such as <http://www.careerbuilder.com>, <http://www.monster.com> and <http://www.hotjobs.com>, allow applicants to submit their curriculum vitae (CVs) and permit potential employers to search those CVs for qualified applicants. Using the internet for recruiting is convenient but it can also carry some significant limitations and costs. (2)

Temporary help agencies

The temporary help industry, which is growing rapidly, supplies employees such as word processors, clerks, accountants, engineers, nurses etc. for short periods of time. By using agencies such as Kelly Services small firms can deal with seasonal fluctuations and absences caused by vacation or illness. (2)

(Any 3x2)**(6)****1.6 Protection of marketing assets****(4)****Refer to pages 423- 426 in Longenecker et al.****Trademarks**

Trademarks protect a company's distinctive name, slogan, symbol, picture, logo or a combination of these. Even colour or scent can be part of trademarks. Trademarks represent the way people identify your business. (1)

Patents

A patent is an exclusive right of an inventor to make, use or sell an invention. Two primary types of patents – a utility patent cover a new process or protect the function of a product – a design patent covers the appearance of a product and everything that is an inseparable part of the product. (1)

Copyrights

A copyright is an exclusive right of a creator (author, composer, designer, or artist) to reproduce, publish, perform, display or sell work that is the product of that person's intelligence and skill. Works that are copyrightable are automatically protected from the moment of their creation. Works distributed to the public should contain a copyright notice. (1)

Trade dress

Trade dress describes those elements of a firm's distinctive operating image not specifically protected under a trademark, copyright or patent. Trade dress is the "look" that a firm creates to establish its marketing advantage. Trade dress can be protected under trademark law if it can be shown that the average consumer would likely be confused as to product origin if another product were allowed to appear in similar dress. (1)

(4)

(24)

Question 2

2.1 Ratios

(6)

Refer to pages 290-292 in Longenecker et al

1 Current ratio

The current ratio compares a business's current assets to its current liabilities. (1)

The current ratio is calculated as follows: $\text{Current assets} / \text{Current liabilities}$ (1)

The current ratio is used to measure a business's liquidity. (1)

A business is liquid when it has enough money to pay off and debt owed. (1)

2 Debt ratio

The debt ratio indicates what percentage of the business's assets is financed by debt. (1)

The debt ratio calculated as follows: $\text{Total debts} / \text{Total assets}$ (1)

The more debt a business uses the more risk it is taking because debt must be repaid no matter how much profit it makes. It is a fixed cost. (1)

If a company earns a higher return on its investments than the interest rate being paid on its debt the owners benefit from debt. (1)

3 Return on equity

Return on equity indicates the rate of return that owners are receiving on their equity investment. (1)

Return on equity is computed as follows: $\text{Net Profit} / \text{Total Equity}$ (1)

A business with a high(low) return on assets will have a high (low) return on equity. (1)

As the amount of a business's debt increases , its return on equity will increase provided that the return on assets is higher than the interest rate paid. (1)

(Any 2 marks per ratio) (3x2)

(6)

2.2 Sociological Influences (8)

Refer to pages 398-400 in Longenecker et al

Culture

Culture refers to the behavioural patterns and values that characterise a group of customers in a target market. These patterns and beliefs have a tremendous impact on the purchase and use of products. Anything mentioned regarding age, religion, preference ethnic orientation or geographical location is acceptable. So an advertisement having a families of different cultures in it will be very good example. (2)

Social classes

Social classes are divisions within a society that have different levels of social prestige. Social class systems have important implications for marketing. Different lifestyles correlate with different levels of social prestige, and certain products often become symbols of a type of lifestyle. For example, because people can afford more, John should consider selling very sophisticated pasta dishes and pizzas. (2)

Reference groups

Reference groups are those smaller groups that an individual allows to influence his or her behaviour. Individuals tend to accept group influence because of the benefits they perceive as resulting from it. These perceived benefits give the influencers various kinds of power, e.g. reward, coercive, referent, expert and legitimate power. If John can use a rugby team in his marketing process then others will follow. (2)

Opinion leaders

An opinion leader is a group member who plays a key communication role. Opinion leaders are knowledgeable, visible and exposed to the mass media. For example, He can use famous people e.g. a famous soccer /rugby/tennis player eating his pizzas in an advertising campaign. (2)

(2)

(8)

2.3 Choosing an organisational form (6)

Refer to pages 213-215 in Longenecker et al

Issues would relate to:

Initial organisational requirements and costs (1/2) – costs rise as the formality of the organisation increases. E.g., a sole proprietor is less expensive than a partnership. (1/2)

Liability of the owner (1/2) - sole proprietor and partnership has a built-in unlimited liability for the owners which is different for other forms of organization. (1/2)

The business continuity (1/2) - sole proprietor is terminated on death of owner as well as the death of a partner; however a company offer continuity. (1/2).

Transferability of ownership (1/2) – transferability is the easiest in a company. However, transferability may also depend on the owner’s own preference. (1/2)

Income taxes (1/2) Income from business will be taxed as personal income to the owner when it is a partnership or sole proprietor but companies will be taxed and not the owners. (1/2).

The attractiveness to raise capital (1/2) - Due to limited liability of the company it has an advantage of raising capital but not so for the sole proprietor and partnership. (1/2).

Management control (1/2) – sole proprietor has absolute management control, partnership is management according to majority vote, companies are management by directors. (1/2)

(Any 4 marks) (4)

The company form would be a sole proprietorship- the company being so small (one employee) and it does not need to raise capital and it would be cheaper to establish. (2)

(6)

2.4 Types of loans (6)

Refer to page 336-337 in Longenecker *et al*

1. Line of credit- is an informal agreement between a borrower and the bank as to the maximum amount of funds the bank will provide at any one time (1)

Under this type the bank has no legal obligation to provide the capital (it is similar to the revolving credit agreement). The business owner should arrange for a line of credit in advance of an actual need. (1)

2. Term loans – money is loaned for a 5 to 10 year term. (1)

Such loans are generally used to finance equipment with a useful life corresponding to the loan’s term. (1)

3. Mortgages – usually represents a long-term source of debt capital and there are two types. (1)

A chattel mortgage is a loan for which certain items of inventory or other movable property serve as collateral. The borrower retains title to the inventory but cannot sell it without the banker’s consent. (1)

A real estate mortgage is a loan for which real property such as land or building provides the collateral. These mortgages extend up to 25 or 30 years. (1)

(Any 3x2, 2 marks per loan type), (6)

(26)

[TOTAL: 50]

6. FEEDBACK ON SELF-ASSESSMENT ASSIGNMENT

QUESTION 1

1.1 Stages of product development (16)

Refer to pages 413-416 in Longenecker *et al*

(a) Idea accumulation

First stage of new product development involves increasing the pool of ideas under consideration. New product start with ideas and these ideas have varied origins such as sales staff, or other employees in the firm, brainstorming, , marketing research, competitors' products and their promotional campaigns, requests and suggestions from customers, other small companies that are available for acquisition or merger , privately owned patents, and government owned patents. (4)

(b) Business analysis

Second stage and every new idea must be studied in relation to several financial considerations. Costs and revenue are estimated and analysed with techniques such as break-even analysis. Key factors should be considered such as: the products relationship to the existing product line, cost development and introduction, available personnel and facilities and competition and market acceptance. (6)

(c) Development of physical product- a plan should be sketched for the branding, packing, and other supporting efforts, such as pricing and promotion. An actual prototype may be needed at this stage. The product can be judged a misfit and discarded or it may be passed onto the next stage for further consideration. (4)

(d) Product testing- Here the product is tested so see if the physical product is acceptable. While the product can be evaluated in a laboratory setting a limited test of market reaction should also be conducted. (2)

1.2 Factors in choosing a good location (9)

Refer to pages 234-239 in Longenecker *et al*

1. Customer accessibility (½)

This is important for the customers of retail and service businesses, and should also be considered if the cost of shipping is high relative to the product's value when selling to a niche market. (1)

2. Environmental business conditions (½)

These would include factors such as weather, competition, crime, legal requirements and tax structures. (1)

3. Resources availability (½)

Of importance here are considerations such as proximity to raw materials (e.g. a furniture manufacturer needs to be close to a wood supplier). (1)

The suitability of the labour supply (e.g. high skilled employees in a technology-driven industry). (1)

The availability of transport (e.g. a milk farmer would require access to refrigerated carriers). (1)

4. Personal preference of the entrepreneur (½)

The entrepreneur may choose to locate his business in his home community or choose not to do so. (1)

These preferences could mean the choice of a local site or a location offering a lifestyle advantage. (1)

Some entrepreneurs might, for instance, prefer establishing a sea-food restaurant close to the sea, while others may wish to exploit the need for seafood in an urban or metropolitan area. (1)

5. Site availability and costs (½)

This is normally based on the nature of the business, either close to the customer (e.g. retail) or the supplier (e.g. supplier of intermediate goods). (1)

The cost of a site will influence an entrepreneur's profit margin and is therefore a fundamental factor in the location decision. (1)

Leasing an operating space is normally advisable because firstly, a large cash outlay is avoided, and secondly, avoiding substantial investment reduces risk. (1)

(Any 9 x 1) (9)

(25)

QUESTION 2

2.1.1 Types of information in a customer database. (7)

Refer to pages 389- 390 in Longenecker et al

(a) Transaction data – a complete transaction history with details such as price paid, SKU's, form of order, mode of payment and delivery date. (1)

(b) Personal information- name, address, phone number, e-mail address, clothing sizes, birthday, hobbies, membership, etc. (1)

(c) Demographics – background information that can be used for market segmentation and other data analysis purposes, such as age marital status names and ages of family members, geographic location. (1)

(d) Lifestyle and psychographic data - homeowner versus renter status, car ownership. Media preferences, payment methods of choice, recreational interests (1)

- (e) Internet information – time spent on internet, frequency of visits to the company website and other online habits. (1)
- (f) Profile of past responses – sales calls and service requests – including all customer and company-initiated contacts- responses to past product or service promotions and incentives redeemed. (1)
- (g) Complaints - complete history of complaints regarding past purchases or service. (1)
- (7x1) (7)**

2.1.2 Types of loans (6)

Refer to page 336-337 in Longenecker et al

1. Line of credit- is an informal agreement between a borrower and the bank as to the maximum amount of funds the bank will provide at any one time (1)

Under this type the bank has no legal obligation to provide the capital (it is similar to the revolving credit agreement). The business owner should arrange for a line of credit in advance of an actual need. (1)

2. Term loans – money is loaned for a 5 to 10 year term. (1)

Such loans are generally used to finance equipment with a useful life corresponding to the loan's term. (1)

3. Mortgages – usually represents a long-term source of debt capital and there are two types. (1)

A chattel mortgage is a loan for which certain items of inventory or other movable property serve as collateral. The borrower retains title to the inventory but cannot sell it without the banker's consent. (1)

A real estate mortgage is a loan for which real property such as land or building provides the collateral. These mortgages extend up to 25 or 30 years. (1)

(Any 3x2, 2 marks per loan type), (6)

2.1.3 Managerial tasks of an entrepreneur (12)

Refer to pages 518-525 in Longenecker et al

1. Planning activities (2)

Entrepreneurs must plan for ongoing operations such as how much inventory or whether to buy a new piece of equipment.

Firms should have a long range or strategic plan to identify niche markets and establishing features that differentiate the firm from others.

It should also have a short range plan (budget) to deal with activities in production and marketing.

Plans can improve production and it provides a focus for the firm.

2. Creating organisational structure (2)

An organisational structure is the relationship among the activities and the individuals on the payroll of the firm.

An unplanned structure happens in small firms where employees do the activities when the firm is new and retain those function as it matters.

A chain of command refers to superior-subordinate relationships with a downward flow of instructions.

A line organisation each person has a supervisor to whom he/she reports.

Line-and staff organisation each person has a supervisor but also has a staff specialist who assists management.

Span of control is a number of employees who are supervised by a manager.

3. Delegating authority (2)

Through delegation employees are granted the right to act or make decisions.

Delegation frees manager to perform more important tasks.

4. Controlling operations (2)

Firms never function perfectly.

Managers must monitor operations to discover deviations from plans and make corrections.

The control process begins with the setting of standards through planning and goal setting.

Planners translate goals into norms by making them measurable.

5. Communicating (2)

Effective communication is key to any healthy organisation getting managers and employees to talk to one another thus a two way communication process.

Managers must tell employees where they stand.

Giving employees positive feedback is the primary tool for establishing good human relations.

6. Negotiating (2)

Entrepreneurs and managers must interact with other individuals such as suppliers, customers, bankers etc.

The process of developing workable solutions through discussions or interactions is called negotiations.

A win-win situation tries to find a solution that will satisfy at least the basic interests of both parties.

(6 tasks 2 marks each) (12)

(25)

7. CONCLUDING REMARKS

We hope that you find the feedback given here valuable. Enjoy your studies and try to put some effort into learning the study material, as effort and results are directly related. Do not hesitate to contact us should you have any questions regarding the assignments, the feedback or the examination information provided in this tutorial letter. Good luck with the examination.

Mrs M. Phillips

Lecturer: Entrepreneurship and Small Business Management