Citrus Business Management Programme

Module 2

Think like an Entrepreneur

Learner Guide

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Directions

Background Information

The main theme of this module is to stimulate entrepreneurial thought and introduce the habits of typical entrepreneurial behaviours.

The module will introduce the concepts of entrepreneurship and encourage the learner to profile their personal entrepreneurial strengths and weaknesses.

The module then moves on to introduce typical "PESTLE" forces via a numeracy module (7468), which lends itself well to entrepreneurial style research and principles of economics as well as an introduction to healthy debating.

This module contributes to the exit level outcome and associated criteria:

1. Demonstrate an ability to identify and create a new venture.
   1.1. An understanding is demonstrated of the importance of a paradigm shift from a job-seeking attitude to a business opportunity seeking attitude.
   1.2. Business opportunities are identified and evaluated in terms of its potential viability.
   1.3. Problem-solving techniques and principles are applied within a business start-up and operation context.

This module comprises of 3 unit standards and attracts 15 credits.

This module is aligned to unit standards:

Entrepreneurship	263356	Demonstrate an understanding of an entrepreneurial profile	C	4	5
Innovation	114600	Apply innovative thinking to the development of a small business	C	4	4
Financial Aspects	7468	Use mathematics to investigate and monitor the financial aspects of personal, business, national and international issues	F	4	6

Unit Standard Information

Demonstrate an understanding of an entrepreneurial profile

SAQA US ID	**UNIT STANDARD TITLE**			
263356	Demonstrate an understanding of an entrepreneurial profile			
ORIGINATOR				
Task Team - New Venture Creation				
PRIMARY OR DELEGATED QUALITY ASSURANCE FUNCTIONARY				
-				
FIELD			**SUBFIELD**	
Field 03 - Business, Commerce and Management Studies			Generic Management	
ABET BAND	**UNIT STANDARD TYPE**	**PRE-2009 NQF LEVEL**	**NQF LEVEL**	**CREDITS**
Undefined	Regular	Level 4	NQF Level 04	5
REGISTRATION STATUS		**REGISTRATION START DATE**	**REGISTRATION END DATE**	**SAQA DECISION NUMBER**
Reregistered		2015-07-01	2018-06-30	SAQA 10105/14
LAST DATE FOR ENROLMENT		**LAST DATE FOR ACHIEVEMENT**		
2019-06-30		2022-06-30		

In all of the tables in this document, both the pre-2009 NQF Level and the NQF Level is shown. In the text (purpose statements, qualification rules, etc), any references to NQF Levels are to the pre-2009 levels unless specifically stated otherwise.

This unit standard replaces:

US ID	**Unit Standard Title**	**Pre-2009 NQF Level**	**NQF Level**	**Credits**	**Replacement Status**
114598	Demonstrate an understanding of an entrepreneurial profile	Level 4	NQF Level 04	5	Complete

PURPOSE OF THE UNIT STANDARD

This unit standard is for learners who are required to identify and develop within themselves, the personal characteristics of an entrepreneur that ensure the successful operation of a new venture. The unit standard also introduces the learner to the economic, administrative and behavioural (psycho-social) barriers that contribute to the success in starting and sustaining an enterprise. The learner will develop strategies to work effectively in a group and set personal goals in an entrepreneurial context.

Learners credited with this unit standard will be able to:

- Describe entrepreneurship.
- Describe the characteristics of a successful entrepreneur.
- Develop individual entrepreneurial characteristics.
- Explain methods to enhance an entrepreneurial profile.

LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING

It is assumed that the learner has the following knowledge and skills:

- Communication at NQF Level 3.

UNIT STANDARD RANGE

- The individual's context may include family, community, spaza, organisation or business.
- Entrepreneurial characteristics include, but are not limited to commitment, energy, need to achieve, tolerance for stress, decisiveness, and ability to deal with failure, ability to identify opportunities, to make informed decisions, ability to manage risk and time management.
- The role of entrepreneurship in social development: Job creation, empowerment, local wealth creation, urbanisation and negation of migrant labour.
- Address shortcomings: Skills training, assertiveness training or equivalent programmes.
- Aptitude and personality tests. Psycho-social barriers contributing to failure.
- Group work and group dynamics.

Apply innovative thinking to the development of a small business

SAQA US ID	**UNIT STANDARD TITLE**			
114600	Apply innovative thinking to the development of a small business			
ORIGINATOR				
SGB Generic Management				
PRIMARY OR DELEGATED QUALITY ASSURANCE FUNCTIONARY				
-				
FIELD			**SUBFIELD**	
Field 03 - Business, Commerce and Management Studies			Generic Management	
ABET BAND	**UNIT STANDARD TYPE**	**PRE-2009 NQF LEVEL**	**NQF LEVEL**	**CREDITS**
Undefined	Regular-Fundamental	Level 4	NQF Level 04	4
REGISTRATION STATUS		**REGISTRATION START DATE**	**REGISTRATION END DATE**	**SAQA DECISION NUMBER**
Reregistered		2015-07-01	2018-06-30	SAQA 10105/14
LAST DATE FOR ENROLMENT		**LAST DATE FOR ACHIEVEMENT**		
2019-06-30		2022-06-30		

In all of the tables in this document, both the pre-2009 NQF Level and the NQF Level is shown. In the text (purpose statements, qualification rules, etc), any references to NQF Levels are to the pre-2009 levels unless specifically stated otherwise.

This unit standard does not replace any other unit standard and is not replaced by any other unit standard.

PURPOSE OF THE UNIT STANDARD

This Unit Standard is aimed at giving the learners a fundamental understanding of the importance of innovation in business success. The learner will gain knowledge of specific techniques for releasing creativity in the development a viable business venture.

It will also address the behavioural (psycho-social) barriers that contribute to failure in starting and sustaining an enterprise.

The qualifying learner will be able to:

- Develop specific techniques for releasing creativity in developing ideas/opportunities for a new venture.
- Determine the role of innovation in the development and growth of a new venture.
- Apply principles and practices of innovation in the development and growth of a new venture.

LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING

Learners accessing this qualification will have demonstrated competence in Computer Literacy, Mathematical Literacy and Communications at NQF level 3 or equivalent.

UNIT STANDARD RANGE

- Thinking Skills and idea generating techniques.
- Analytical and creative thinking in a business context.
- The individual's context may include family, community, spaza, organisation or business.
- Entrepreneurial characteristics include, but are not limited to commitment, energy, need to achieve, tolerance for stress, decisiveness, and ability to deal with failure.

Use mathematics to investigate and monitor the financial aspects of personal, business, national and international issues

SAQA US ID	UNIT STANDARD TITLE
7468	Use mathematics to investigate and monitor the financial aspects of personal, business, national and international issues

ORIGINATOR
SGB Math Literacy, Math, Math Sciences L 2 -4

PRIMARY OR DELEGATED QUALITY ASSURANCE FUNCTIONARY
-

FIELD	SUBFIELD
Field 10 - Physical, Mathematical, Computer and Life Sciences	Mathematical Sciences

ABET BAND	UNIT STANDARD TYPE	PRE-2009 NQF LEVEL	NQF LEVEL	CREDITS
Undefined	Regular-Fundamental	Level 4	NQF Level 04	6

REGISTRATION STATUS	REGISTRATION START DATE	REGISTRATION END DATE	SAQA DECISION NUMBER
Reregistered	2015-07-01	2018-06-30	SAQA 10105/14

LAST DATE FOR ENROLMENT	LAST DATE FOR ACHIEVEMENT
2019-06-30	2022-06-30

In all of the tables in this document, both the pre-2009 NQF Level and the NQF Level is shown. In the text (purpose statements, qualification rules, etc), any references to NQF Levels are to the pre-2009 levels unless specifically stated otherwise.

This unit standard does not replace any other unit standard and is not replaced by any other unit standard.

PURPOSE OF THE UNIT STANDARD

This unit standard will be useful to people who aim to achieve recognition at some level in Further Education and Training or to meet the Fundamental requirement of a wide range of qualifications registered on the National Qualifications Framework.
People credited with this unit standard are able to:

- Use mathematics to plan and control financial instruments including insurance and assurance, unit trusts, stock exchange dealings, options, futures and bonds
- Use simple and compound interest to make sense of and define a variety of situations including mortgage loans, hire purchase, present values, annuities and sinking funds
- Investigate various aspects of costs and revenue including marginal costs, marginal revenue and optimisation of profit
- Use mathematics to debate aspects of the national and global economy, including tax, productivity and the equitable distribution of resources.

LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING

The credit value is based on the assumption that people starting to learn towards this unit standard are competent in Mathematics and Communications at NQF level 3.

UNIT STANDARD RANGE

Range statements are provided for specific outcomes and assessment criteria as needed.

Using the Learner Guide

This learning material has been developed to assist the learner wishing to complete this unit standard. The guide contains all necessary learning to ensure that the learner will attain the competencies required by the unit standard.

The learner guide is accompanied by formative and summative portfolio of evidence (PoE) guides. Please ensure that you have access to these guides as well. The learner guide was designed to be used by a learner during the presentation of a skills programme based on the unit standard, and to be kept afterwards by the learner for reference purposes. The PoE guides were designed to be completed during and after the presentation of the skills programme and forms part of the assessment process.

Learning Outcomes

This learner guide has the following learning outcomes:

Section 1 – What is an Entrepreneur?

1. Describe entrepreneurship.
   - 1.1. Entrepreneurship is discussed in terms of employment opportunities.
   - 1.2. Entrepreneurial opportunities are identified and described within a specific economic area related to the interest of the learner.
   - 1.3. An explanation is given of the advantages and disadvantages of entrepreneurship.
   - 1.4. Reasons for business failure are identified and discussed with examples.
   - 1.5. An explanation is given of the role of entrepreneurship in social development.
2. Describe the characteristics of a successful entrepreneur.
   - 2.1. Examples of successful entrepreneurs are discussed in terms of their characteristics.
   - 2.2. Skills, aptitudes, personality and values of entrepreneurial behaviour are clearly differentiated with examples.
   - 2.3. The importance of each characteristic is analysed in the context of a specific new venture.
   - 2.4. The technical, business, managerial and personal strategies required for establishing a successful venture are explained with examples.
3. Develop individual entrepreneurial characteristics.
   - 3.1. A base-line knowledge of self in respect of personality, interests and aptitude is established by the learner.
   - 3.2. The characteristics of a successful entrepreneur are identified and listed in the individual's own context.
   - 3.3. Own strengths and weaknesses as an entrepreneur are determined with examples.

3.4. Strategies to address shortcomings are developed and implemented where possible.

3.5. Enabling programmes for the new entrepreneur are identified and explained in terms of their benefits and limitations.

3.6. Short term goals are articulated and discussed for self in entrepreneurial context. Medium and long term goals are planned and determined in the context of sustainability.

4. Explain methods to enhance an entrepreneurial profile.

4.1. Methods of mind programming are explained within the context of career paradigm shift.

4.2. An understanding of mental laws is explained using applicable theories.

4.3. Techniques and principles to implement a paradigm shift from employment paradigm to entrepreneurial paradigm are described in the context of development of business opportunities.

4.4. Personal strategic plan is designed and developed in order to select a feasible and viable new venture.

Section 2 – The Role of Innovation in Entrepreneurial Thinking

1. Develop specific techniques for releasing creativity in developing ideas / opportunities.

1.1. The concept and application of creativity is demonstrated through business related activities.

1.2. The difference between analytical and creative thinking is demonstrated with examples through problem-solving activities in a new venture creation context.

1.3. Barriers to creative thinking are identified with examples of their effect on creative thinking.

1.4. Lateral thinking exercises are applied to generate new ideas.

2. Determine the role of innovation in the development and growth of a new venture.

2.1. The concept of innovation is described and discussed in relation to new venture creation.

2.2. Types of innovation are identified and explained with examples.

2.3. The impact of innovation on a new venture is explained with examples.

2.4. The relationship between successful entrepreneurship and innovation is explained with examples.

2.5. Factors that contribute to the development and growth of a new venture are identified and explained with examples.

3. Apply principles and practices of innovation to the development and growth of a new venture.

3.1. Innovative thinking is applied to generate new products that the business can make and / or new services it can provide for greater profitability and / or viability.

3.2. Innovative thinking is applied to generate alternative ways the business can run its operations to cut costs and increase income.

3.3. Innovative thinking is applied to generate ways in which the business can generate more employment opportunities without putting the business at risk.

3.4. Innovate thinking is used to generate ways in which the skills needs of employees can be addressed without risking the venture.

3.5. Innovative thinking is applied to find ways to minimise the impact of opposition firms on the venture.

Section 3 – Impact of External Financial Aspects on Entrepreneurial Thinking

1. Use simple and compound interest to make sense of and define a variety of situations. (Including mortgage loans, hire purchase, present values, annuities and sinking funds.)
   - 1.1. The differences between simple and compound interest are described in terms of their common applications and effects.
   - 1.2. Methods of calculation are appropriate to the problem types.
   - 1.3. Computational tools are used efficiently and correctly and solutions obtained are verified in terms of the context or problem.
   - 1.4. Solutions to calculations are used effectively to define the changes over a period of time.
2. Investigate various aspects of costs and revenue. (Including marginal costs, marginal revenue and optimisation of profit.)
   - 2.1. Values are calculated correctly.
   - 2.2. Mathematical tools and systems are used effectively to determine and describe the relationships between the various aspects of cost and revenue.
   - 2.3. Terminology is used in the correct context.
   - 2.4. Reasonable methods are described for the control of costs and optimisation of profits in relation to given data.
3. Use mathematics to debate aspects of the national and global economy. (Including exchange rates, imports, exports, and comparative effectiveness of currency in relation to remuneration, monetary policy and the control of inflation.)
   - 3.1. Values are calculated correctly.
   - 3.2. Mathematical tools and systems are used effectively to determine, compare and describe aspects of the national and global economy.
   - 3.3. Debating points are based on well-reasoned arguments and are supported by mathematical information.

It is important that you pay attention to the following knowledge elements of the module:

1. Budgets
2. Terminology and definitions associated with financial situations
3. Estimation and approximation
4. Compound increase and decrease

Note that the following critical outcomes are also developed and assessed in an integrated manner, as part of this learning module:

1. Identifying
2. Collecting
3. Communicating

Keep these learning goals in mind throughout your work related to this module.

There is an opportunity for self-assessment and a progress check at the end of this learner guide. Make time to assess yourself and ask the facilitator, assessor, your workplace mentor or coach for help if you are unsure of the answers.

Section 1: What is an Entrepreneur?

Learning Goals and Pathways

This section of the learning will help you to understand the difference between an entrepreneur and someone who prefers to be a salaried employee. This is the first step in stimulating entrepreneurial thought and processes.

This section is presented in the first 4 chapters of the guide.

The learning goals for this module include:

1. Analysing the concept of entrepreneurship in order to describe it
2. Analysing the characteristics of a successful entrepreneur.
3. Examining how one can develop entrepreneurial characteristics.
4. Looking at methods to enhance your entrepreneurial profile.

Chapter 1
Entrepreneurship as a Concept

Introduction

"Entrepreneurship" is the practice of starting new organisations or revitalising mature organisations, particularly new businesses, generally in response to identified opportunities. Entrepreneurial activities are substantially different depending on the type of organisation that is being started. Entrepreneurship ranges in scale from solo projects (even involving the entrepreneur only part-time) to major undertakings creating many job opportunities.

History of Entrepreneurship

The term was first defined by the Irish economist Richard Cantillon. Jean-Baptiste Say, a French economist, believed to have coined the word "Entrepreneur" first in about 1800. He said an entrepreneur is "one who undertakes an enterprise, especially a contractor, acting as an intermediary between capital and labour".

The word "entrepreneur" is a loanword from French. In French, the verb "entreprendre" means "to undertake," with "entre" coming from the Latin word meaning "between" and "prendre" meaning "to take". In French a person who performs a verb, has the ending of the verb changed to "eur," comparable to the "er" ending in English.

Enterprise is similar to and has roots in, the French word "entreprise," which is the past participle of "entreprendre". An entrepreneur is therefore defined as an undertaker who is able to begin, sustain, and when necessary, effectively and efficiently dissolve a business entity.

The understanding of entrepreneurship owes much to the work of economist Joseph Schumpeter and the Austrian economists such as Ludwig von Mises and Friedrich von Hayek. Schumpeter (1950) defined an entrepreneur as a person who is willing and able to convert a new idea or invention into a successful innovation. Entrepreneurship forces "creative destruction" across markets and industries, simultaneously creating new products and business models. In this way, creative destruction is largely responsible for the dynamism of industries and long-term economic growth. Despite Schumpeter's early 20th-century contributions, the traditional microeconomic theory of economics has had little room for entrepreneurs in its theoretical frameworks (assuming instead that resources would find each other through a price system).

For Frank H. Knight (1967) and Peter Drucker (1970) entrepreneurship is about taking risk. The behaviour of the entrepreneur reflects a kind of person willing to put his or her career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture. Knight classified three types of uncertainty.

- Risk, which is measurable statistically (such as the probability of drawing a red colour ball from a jar containing 5 red balls and 5 white balls).
- Ambiguity, which is hard to measure statistically (such as the probability of drawing a red ball from a jar containing 5 red balls but with an unknown number of white balls).
- True Uncertainty or Knightian Uncertainty, which is impossible to estimate or predict statistically (such as the probability of drawing a red ball from a jar whose number of red balls is unknown as well as the number of other coloured balls).

The act of entrepreneurship is often associated with true uncertainty, particularly when it involves bringing something really novel to the world, whose market never existed. Before the internet, nobody knew the market for internet related businesses such as Amazon, Google, YouTube and Yahoo. Only after the internet emerged did people begin to see opportunities and markets in that technology. However, even if a market already exists, such as the market for cola drinks (which has been created by Coca Cola), there is no guarantee that a market exists for a particular new player in the cola category. The question is: whether a market exists and if it exists for you.

Entrepreneurial Opportunities

Very often we feel that there are no business opportunities to pursue around us. However, part of entrepreneurship is to see a need and to develop a product or service to meet that need. This requires creativity and an open mind!

Advantages and Disadvantages of Entrepreneurship

Advantages to Entrepreneurship

Every successful entrepreneur brings about benefits not only for himself / herself but for the community, municipality, region or country as a whole. The benefits that can be derived from entrepreneurial activities are as follows:

- Enormous personal financial gain
- Self-employment, offering more job satisfaction and flexibility of the workforce
- Employment for others, often in better jobs
- Development of more industries, especially in rural areas or regions disadvantaged by economic changes, for example, due to globalisation effects
- Encouragement of the processing of local materials into finished goods for domestic consumption as well as for export
- Income generation and increased economic growth
- Healthy competition thus encourages higher quality products
- More goods and services available
- Development of new markets
- Promotion of the use of modern technology in small-scale manufacturing to enhance higher productivity
- Encouragement of more research / studies and development of modern machines and equipment for domestic consumption
- Development of entrepreneurial qualities and attitudes among potential entrepreneurs to bring about significant changes in the rural areas
- Freedom from the dependency on the jobs offered by others
- Ability to have great accomplishments
- Reduction of the informal economy
- Emigration of talent may be stopped by a better domestic entrepreneurship climate
- Serious tax advantages

Disadvantages to Entrepreneurship

- Intense personal pressure to perform
- No salary
- No rest
- Must take all responsibility
- Entrepreneurs are usually specialists or have a good business idea, but they lack business skills which can be frustrating
- Lonely (No-one to bounce ideas off of – for fear of idea being stolen or copied)

Strategies for Success

What technical, business, managerial and personal skills does it take to be a successful entrepreneur?

For example, managers must be able to attend to the following ten functions:

- Communication
- Conceptualisation
- Collaboration
- Monitoring and providing feedback
- Problem-solving and conflict resolution
- Team building
- Decision-making
- Representative
- Technical leadership
- Staff development

Reasons for Business Failure

Many entrepreneurships (or business ventures begun by the individuals) fail because entrepreneurship is difficult and tricky, and failures at times leave the entrepreneurs with significant losses.

There are many reasons for business failures. Some practical reasons include:

- Poor cash flow management
- Over capitalisation
- Change in market trends
- Slow to adapt to changes
- Poor debt collection strategies
- Poor client relations
- Misreading of the market or the economic climate
- Poor administrative and financial management capabilities

However, if an entrepreneur knows that these are the most common causes of failure then he or she can plan to ensure that these issues are attended to and problems mitigated before they arise.

Entrepreneurship and Social Development

Entrepreneurship is widely regarded as an integral player in the business culture of many countries, including South Africa.

Successful small businesses are the primary engines of economic development, income growth, and poverty reduction in much of the developing world. These businesses can also build foundations for stable communities, civil society and gender equality.

And you thought that starting your own business would only be good for you!

As small businesses expand and integrate into the formal economy they empower the world's poor, create higher income and more jobs, contribute to economic growth and social well-being, and strengthen democratic societies.

practical

Complete the following formative assessment:

F263356.1– Group Worksheet, Presentation and Key Notes

Chapter 2
Entrepreneurial Characteristics

Introduction

An entrepreneur is an ambitious leader who owns and runs a business venture or enterprise, assuming significant accountability for the risks and rewards from it, instead of working for another business as an employee. The entrepreneur combines "land, labour and capital" with a particular idea or skill in order to run his business and market new or particular goods or services. There are inherent risks and potential losses involved, and also an opportunity for greater profit should the idea see success.

The word entrepreneur is often synonymous with founder. Most commonly, the term entrepreneur applies to someone who creates value by offering a product or service, by carving out a niche in the market that may not exist currently. Entrepreneurs tend to identify a market opportunity and exploit it by organising their resources effectively to accomplish an outcome that changes existing interactions within a given sector. Some observers see them as being willing to accept a high level of personal, professional or financial risk to pursue opportunity. Taking ideas along with the resources they have at their disposal, they attempt to make the venture profitable.

Business entrepreneurs are viewed as fundamentally important in the capitalist society. Some distinguish business entrepreneurs as either "political entrepreneurs" or "market entrepreneurs," while social entrepreneurs' principal objectives include the creation of a social and / or environmental benefit. Recently, new technology has led to classifications such as the internet entrepreneur and the digital entrepreneur.

Some entrepreneurs are considered to be self-employed, although others may receive salary or wages from their company.

There are four types of entrepreneur:

- The Innovator
- The Calculating Inventor
- The Over-optimistic Promoter
- The Organisation Builder

These types are not related to the personality but to the type of opportunity the entrepreneur faces.

Characteristics of an Entrepreneur

Entrepreneurs have many of the same character traits as leaders. Entrepreneurs are often contrasted with managers and administrators who are said to be more methodical and less prone to risk-taking. Here are a few of the characteristics that have been attributed to entrepreneurs:

- Primarily motivated by an overwhelming need for achievement.
- Strong urge to build.
- Tough, pragmatic people.

- Driven by needs of independence and achievement.
- They seldom are willing to submit to authority.
- Mercurial (that is, prone to insights, brainstorms, deceptions, ingeniousness and resourcefulness).
- They are cunning, opportunistic, creative, and unsentimental.

Skills, Aptitudes, Personality and Values

Very often entrepreneurs are specialists (or innovators or inventors) (Read the article by Bob Bly: "The power of one thing, or what I told my son about success"). However, once business skills are learned successful entrepreneurs must be tough and pragmatic to be able to continue to make a success of their businesses. There are also some other behaviours which are common to them. These include:

- Exhibit extreme optimism in their decision-making processes.
- Prone to over-confidence and over-generalisations.
- Have an enthusiastic vision, the driving force of an enterprise.
- The entrepreneur's vision is usually supported by an interlocked collection of specific ideas not available to the marketplace.
- The overall blueprint to realise the vision is clear, however, details may be incomplete, flexible, and evolving.
- The entrepreneur promotes the vision with enthusiastic passion.
- With persistence and determination, the entrepreneur develops strategies to change the vision into reality.
- The entrepreneur takes the initial responsibility to cause a vision to become a success.
- Entrepreneurs take prudent risks. They assess costs, market / customer needs and persuade others to join and help.
- An entrepreneur is usually a positive thinker and a decision maker.
- An entrepreneur needs inspiration, motivation and sensibility.
- Leadership, management ability, and team-building are essential qualities of an entrepreneur.

practical

Complete the following formative assessments:

F263356.2– Case Study, Paired Brainstorm and Conclude

Chapter 3
Developing Better Entrepreneurial Characteristics

Who am I?

You need to determine whether you have the characteristics of an entrepreneur. Do you know yourself?

practical

Complete the following formative assessment:

F263356.3 – Self-Assessment

Now that you have assessed yourself, interviewed a successful entrepreneur in your community and learned more about a successful entrepreneur in the media, you may start getting a clearer picture of whether you have what it takes to make a success of a new business venture.

Self-Development

practical

Complete the following formative assessment:

F263356.4 – Brainstorm and Personal SWOT Analysis

Identifying your weaknesses and strengths is an important first step to creating a change in your life. Now you need to plan to make a change! Use the advice offered by your colleague above as well as advice that was given by other members of the class to their colleagues.

practical

Complete the following formative assessment:

F263356.5 – Goal Setting Worksheet

Chapter 4
Enhancing Your Entrepreneurial Profile

Enhancing Entrepreneurial Characteristics

Read the following inspirational and instructional articles. Then complete the homework assignment.

Article 1

Visualisation: How to programme yourself for success

The simple, objective fact is, there is absolutely, positively no reason why you should not have it all.

Billionaires are not a billion times more deserving than you are. Nor are millionaires a million times smarter than you. If IQ points were Rands, Steven Hawking would be lots richer than Bill Gates. Plenty of people who are dumber than you are living spectacularly successful lives. Not to mention folks with less talent.

People who started out poorer than you make it to the top every day. So do folks with lousier health and severe physical limitations.

Want to light a fire under your career or start your own business?

Then today, copywriter Clayton Makepeace will give you some insider advice on how to do just that. Over to Clayton.

Examine and then disabuse yourself of the false beliefs that block you and the excuses you use to let yourself off the hook.

Once you fully realise — deep down, with every fibre of your being — that you deserve success just as much as the next guy or gal, there is no obstacle you cannot surmount. Nothing — repeat, NOTHING — will be beyond your grasp.

It is completely up to you.

Nobody cares as much about your success and happiness as you do. Nobody is willing to work as hard to make you successful as you are. If you wait for some guru, some philosophy, some deity, or "the universe" to make you successful, you are probably going to be waiting a long, long time. It is only when you invest the time and effort to do the practical things required to succeed that true miracles begin to happen. Case in point:

In 1968, I was a high school dropout earning $1.40 (around R10) an hour. Today, I am a high school dropout who (in a good year) earns nearly 1,000 times more than that. That is a 96,328% raise in pay. Pretty miraculous, huh? Want to know the secret? Want to know how I did it?

By working my butt to the bloody bone for nearly four decades — that is how: Investing the skull sweat required to learn every blessed thing I could about my craft… Enduring the humiliation of rejection — repeatedly — by companies I would have done just about anything to work for… Slaving over a hot typewriter 40, 60, sometimes 80 hours in a week to produce the best sales copy I was capable of…

Quietly enduring pride-shattering criticism of my beloved work product — often by pompous morons who could not write a winning sales letter if you would hold a gun to their heads… Rubbing my own nose in my failures until I had painstakingly extracted every last lesson I could learn from them…

Doing it all for peanuts at first, and scrimping and saving just to keep my family fed, housed, and clothed… And, of course, by finding the strength and the stones to get up each morning and do it all over again… for years… and even when my own family doubted I had ever made it to the top. I guess I could have just stayed in bed and "thought" or "believed" my career into existence.

Lucky for me, I did not do that.

Visualise triumph

So how did I — and every other top copywriter and marketer on the planet — willingly, even eagerly, endure what you must endure to succeed? By understanding that while the human brain may not be able to create new universes on demand or alter objective reality, it is capable of doing more than just reasoning, learning, remembering, and keeping your hat up.

I am constantly amazed at how many great copywriters use visualisation to unlock their creativity and to find the motivation to keep going when it would be easier just to quit. Fact is, most top writers I've interviewed hold four visual images in their minds during the creative process…

1 Visualise your prospect

Live salespeople have a huge advantage over us. Since they are eyeball to eyeball with their prospect, they know precisely how he is responding to everything that is happening in the sales conversation. They can read their prospect's body language… facial expressions… and even the inflection in his voice. And they can use that information to identify unspoken objections… sense scepticism and assuage it with proof elements… judge when the prospect is growing tired of the conversation or becoming distracted… and much, much more.

So after I've consumed my research and before I begin writing a promotion, I like to take a few minutes just to think about the person with whom I am about to have this conversation. Who is your prospect? Where is he when he is reading my copy? What else is going on in the room at the time? What core beliefs does your prospect have about companies like yours, products like yours, and/or about the subject at hand? What dominant emotion is your prospect most likely to experience as you raise this subject with him? If you were attempting to make this sale in person, what would you say? More important, how would your prospect respond to the things you are saying? After considering all that, instead of attempting to write red-hot sales copy, have a simple chat with your prospect — all the while sensing how he is most likely responding to each proposition and promise you make. Perhaps the greatest difference between "A" level copywriters and everyone else is that top writers have developed a sixth sense that tells them what their prospects are most likely to be thinking and feeling as they move through the sales copy.

What is the best way to develop this sixth sense? Two suggestions:

First, practice on real folks in the real world. Next time and every time you have a conversation with someone, have your "feelers" out. Look for clues that tell you what they are thinking and how they are feeling about the conversation. Make this a habit — and before you know it, you will become a pro.

Second, make it a habit to read promotions written by other copywriters through the prospect's eyes. Instead of looking for techniques the copywriter used, visualise how you think a typical prospect is most likely to respond, both intellectually and emotionally, to every headline, subhead, and block of body copy.

I think you will be amazed at what you learn… how much stronger your copy becomes… and how much higher your response rates climb as you develop this skill.

2 Visualise your client

This technique has to do with energising you, motivating you, and unleashing your creativity…

As I am writing, I hold a mental image of my client being absolutely blown away by the brilliance of my first-draft copy. I see myself delivering my copy… the phone rings… and my client raves about how powerful this promotion is. See, I only tell folks I do this for the money. The truth is, the ego boost I get from impressing my clients is every bit as rewarding for me. And visualising that emotional reward gives me more than enough motivation to do what is necessary in each draft to produce the highest-quality work I am capable of.

3 Visualise your payday

Every top writer I know does this. The mental image goes something like this: The phone rings. It is the client. My promotion is blowing the doors off of everything else they've ever mailed. His phone's ringing off the hook. Each call is a new customer placing an order. Plus, every day, the post office pulls a huge tractor-trailer up to his offices and unloads bags stuffed with more orders. They had to add two more shifts just to count the money that is pouring in. Best of all — my R150, 000 royalty cheque is in the mail!

I see myself walking out to my mailbox and finding the cheque. Proudly showing it to my wife. And I lose myself in all the cool things I am going to do with that money — and all the other royalty checks that promotion is going to earn me in the year ahead.

Hey — if that is not enough to make you pull out all the stops, nothing will!

4 Visualise how your success will change your life

When I first began freelancing, the money was not so good. I barely made enough to provide for my family. So I went on a shopping spree. Not a real one, mind you. It was just a fantasy. A friend and I sat down and made lists of all the things we wanted and all the things we wanted to do. We designed our dream lives in painstaking detail — and put it all down on paper.

And when I say "painstaking detail," I mean I wrote down where I wanted to live (Prescott, Arizona), then researched how much my dream house would cost me there. I picked out my dream car, went down to the dealer and worked out what the colour, options, price, and payments would be. I wanted to become a private pilot, so I visited a local flight training school to see what that would cost, how long it would take. And I wanted my own airplane, so I shopped around for just the right one.

Then I added up what all the things I wanted would cost. And figured out that when I got my income to just R750, 000 per year my dream life would be mine. Because if you do not have a clear vision of where you are going, you will never get there. Until I went through this exercise, I had only half the picture. I knew what the vision was costing me. But the rewards I was working for were fuzzy, unfocused. Now I could see my dream house, smell the leather in my dream car. They were real.

From that moment on, I had a crisp, crystal clear mental image of why I was going to work every day. Why I was putting in the long hours. Why I was enduring the humiliation of rejection and failure. And then, I did something else. I began bringing my rewards forward.

Rather than waiting years to realise my full vision, I gave myself small rewards along the way. I took my first flying lesson. Moved the family to Prescott (although not to my dream house). And every time a piece of my dream life fell into place, I was reborn.

Article 2

Visualisation: Knocking Down your Mental Blocks

By Bob Cox

Why is it that some people succeed and others do not? This is a conundrum that I puzzled over for years.

I've come to the conclusion that there are multiple reasons - and one of the big ones is purely mental.

Ryan Crawford of Sunapee, New Hampshire wrote to me about this very problem:

"When you know what to do to achieve success, and you know it works, how do you make yourself do it? This is a problem most everyone has. All the business smarts in the world will not do you one lick of good if psychology is standing in your way. How do you rid yourself of mental blocks?"

Good question. I am sure that many ETR readers are struggling to find the answer.

So today, I am going to give you some simple guidelines for clearing out the mental clutter that is blocking your success.

3 simple steps to changing your attitude

Just as you "spring clean" your house, you can rid yourself of the negative thoughts and feelings that are holding you back and the people who are sabotaging your goals.

Here is what to do:

Step #1: Change the way you think

Our thoughts govern our attitudes and, therefore, the actions we take. If you work on improving the quality of your thoughts you improve your ability to take action.

Shift from negative thoughts such as "I cannot reach my goal because it will take too long" to "My goal is taking longer than expected, so I need to adjust my schedule accordingly."

Successful people guard against their own negative thoughts - as well as those of others. This brings us to.

Step #2: Limit your association with negative people

Sadly, there are many people who choose to view the world in negative terms. They always see the glass as half empty. This does not mean that they are bad people. But it does mean that if you are around them on a regular basis their sour outlook will begin to affect you.

You may not be able to let go of the negative people in your life completely (maybe they are friends, family, or co-workers), but you can limit the time you spend listening to their moans and groans.

Step #3: Let go of the past

This is huge. And because it is difficult, it takes practice. And then more practice!

Whatever has gone wrong in the past… whoever slighted you… whatever did not work out quite the way you intended… let it go! Just let it go.

Banish it from your mind and focus on the here and now. Past failures, rejections, or injustices will hold you back if you keep dragging them forward. They will inhibit the productive thinking and feelings that are needed to establish effective solutions and results.

Cut those chains! Your future is built from today forward.

3 exercises to get yourself going

Read something inspirational

We are thrilled that you read Early to Rise. But what do you do with all that great information?

Embrace just one of the insights or strategies you find in any issue of ETR, and let that inspire you to take action. Michael Masterson has often referenced The Power of One - focusing on just one idea that you can put to work in your life immediately. Why? Because it works!

Here is something else that works…

Visualisation

Here at Early to Rise, we are big on using the Power of Visualisation to keep your motivation strong to accomplish your goals. It also works to remove the mental blocks that get in your way.

Tiger Woods visualises each and every swing - in detail - before he drives, chips, or putts.

Say you are gearing up for your annual job review or interviewing for a promotion. Visualise exactly what you will wear. Visualise how confident and positive you will be. See yourself answering every question quickly and correctly. See the interviewer smiling and nodding at your answers. Now… go in the room and take your shot.

Have an upbeat conversation

This simple exercise is a favourite of mine.

Have an upbeat conversation with your spouse or significant other, a friend or a family member, a co-worker or your boss. Maybe you could reconnect with an old mentor. You could even take this opportunity to speak with someone new. Perhaps the new hire in your office or your new neighbour.

The only rule is that the conversation has to be positive. Put no limits on the topics… just limits on your attitude.

Toss out those blocks! Toss out the bad and let in the good.

Choose to take action on your thoughts to feel good about yourself, and see how natural it becomes to take action on making any goal a reality!

Article 3

Affirmations: The secret to getting everything you desire

By Noah St. John (12 August 2010)

You know what an "affirmation" is. It is a statement of something you want to be true. Advocates believe that repeating affirmations over and over again helps you change the way you think and, thus, make positive things happen in your life.

A classic affirmation is "I am rich."

Try it. "I am rich."

What just happened? Did you hear a voice in your head saying "Yeah, right!"?

That is the big problem with affirmations. They really do not work for most people.

When I tried to figure out why they do not work, I realised it is because of the way the human mind is wired. We do not simply accept statements that we do not believe. Human thought is the process of ASKING and searching for answers to QUESTIONS. For example, if I were to ask you "Why is the sky blue?" your mind would start SEARCHING for the answer. So if the human mind is always asking and searching for answers to QUESTIONS, why would we go around making statements we do not believe? Why not cut out the middleman?

Take the affirmation "I am rich" — to which the brain replies "Yeah, right!" What would the QUESTION be? "Why am I so rich?"

Try it. Ask yourself "Why am I so rich?"

What is your brain doing right now? Searching for an answer to the question! It is by asking questions that you form your reality. Until I came up with this staggering discovery, no one had fully recognised the awesome power of ASKING EMPOWERING QUESTIONS — what I call "Affirmations."

4 steps to creating affirmations that change your life

Brandon, an insurance salesman, had spent over R30, 000 on self-help programmes… with little to show for it. When he came to us, he was struggling, making only around R11, 200 a month.

Here is how I taught Brandon to use The Affirmations Method to create a better life for himself and his family:

Affirmations Step 1: Ask yourself what you want — and write it down

You can use a goal you've previously written down, or start from scratch. You decide. Please note that traditional success teachers stop right here. They tell you to "set your goals" and then say "affirmations" to try to convince your brain that you have what you want. You already know that does not work for you. So, let us try something different.

One of Brandon's goals, for example, was to increase his sales. So he wrote: "I want to increase my sales."

Then we went to the breakthrough step…

Affirmations Step 2: Form a QUESTION that assumes that what you want is already true

This is the key step to creating Affirmations that change your life.

Since Brandon's wanted more sales, in Step 2 I taught him to ask WHY it had already happened! So one of his Affirmations became: "Why did I increase my sales so quickly and easily?"

The quality of your life depends on just two things: the quality of your communication with the world inside yourself, and the quality of your communication with the world outside yourself. When you do Step 2 of The Affirmations Method, you start to change the quality of your communication with both worlds — inner and outer. You begin to ask yourself new, empowering questions, and stop asking disempowering ones.

Affirmations Step 3: Give yourself to the question

The point of Affirmations does not lie in finding "the answer," but in asking better questions. When you ask better questions, your mind automatically focuses on things you've probably never focused on before — and the results will amaze you.

You give yourself to the question by doing things like:

Meditating about your Affirmations

Writing your Affirmations

Reading them to yourself and others

Listening to iAfform Audios — audios that change your subconscious thought patterns while you are busy doing other things (Get a free sample at www.iAfform.com.)

Which brings us to Step 4 of The Affirmations Method — the one you MUST do to get the results you want…

Affirmations Step 4: Take new ACTIONS based on your new assumptions

Even though you may have spent thousands of dollars on "how to succeed" programmes, you may have subconsciously assumed they would not work for you. That is precisely why they did not. But The Affirmations Method makes conscious and clear that which has, until now, been subconscious and hidden.

When Brandon started affirming for more sales, he started thinking about what someone who had more sales would do — and he started doing those things: asking for more referrals, following up more, and doing other things a top salesperson would do. And in less than 90 days, his sales TRIPLED. By the end of the year, his sales had increased 560%, he was making over R1, 500,000, and he was named Agent of the Year.

Affirmations are not magic, they are science. Thousands of people have experienced incredible breakthroughs with Affirmations, from doubling their income in 90 days to losing over 30 kilos to finding the love of their lives. But none of it happened until they followed all 4 Steps of The Affirmations Method. That is how you will change your life using this incredibly simple but powerful breakthrough!

In Summary

You've been told to use "affirmations" like "I am rich" that you not only do not believe but that actually leave you more frustrated than before.

The new way is to use Affirmations — empowering questions like "Why am I so rich?" that immediately change what your brain focuses on. Change your questions, change your results.

Can you see how that puts you in conscious control of your subconscious thoughts? It automatically changes your perspective, which can change your actions, which will CHANGE YOUR LIFE.

Article 4

Attitude: 8 ways to start developing a 'millionaire mind-set'

By Michael Masterson

In his thoroughly entertaining book The Prime Movers, Edwin A. Locke gives this example of the way entrepreneurs think.

An average person observes evergreens growing along the roadside and thinks they look pretty, especially when partly covered with snow. At this point, his thinking stops.

Whereas an entrepreneur observes the same trees and thinks: "These trees would look good in people's living rooms at Christmas. I wonder what people would pay for them?"

And he would continue to ask such questions as:

• How hard is it to grow evergreens?

• What investment is required?

• How big should they be before being cut?

• How difficult would it be to cut and transport them?

• How much would it cost?

• How long would they keep before losing their needles?

• Where would they be sold?

• What would the competition be like?

• Could I make other, related products – e.g., wreaths?

• Can I make money in such a seasonal business?

• How much?

• How can I get started?

This kind of active, directed thinking is one of the things that separate entrepreneurs from the rest of humanity. In fact, the most successful entrepreneurs in history – all of them mega-millionaires by today's standards – seemed to have dynamic, pragmatic minds.

Locke gives plenty of examples, including these:

Thomas Edison: He was a "virtual thinking machine. Almost until the day he died, his mind poured forth a torrent of ideas, and he might track as many as 60 experiments at a time in his laboratory."

Steve Jobs: He bombarded people with his ideas – his investors, his board of directors, his customers, his subordinates, and his CEO John Scully.

Henry Ford: "He threw himself into every detail, insisting on getting small things absolutely right. But he never lost sight of the ultimate, overall objective. He had a vision of what his new car (the Model T) should look like. From all the improvisation, hard thought, and hard work came a machine that was at once the simplest and the most sophisticated automobile built to date anywhere in the world."

Why you do not need to be Henry Ford to be successful

You may be thinking, "Hey, I am no Thomas Edison or Steve Jobs or Henry Ford." Well, neither am I. And I could rattle off a dozen multi-millionaire entrepreneurs I know who do not have that kind of brain capacity either. Raw intelligence is not the issue. If it were, Einstein would have been wealthy. What matters in the world of commerce is how you think. Some people, whether because of their upbringing or their DNA, have a natural millionaire mind. But just about anyone who is smart and ambitious can learn to think like a millionaire. You can transform your mind completely and permanently in a matter of a few short months by making small changes, one at a time. It will take some effort, though. As Joshua Reynolds once said: "There is no expedient to which a man will not resort to avoid the real labour of thinking."

Start developing your 'millionaire mind'

Here are eight characteristics of the millionaire mind that you can emulate:

1. A 'normal' person is concerned with protecting his ego. When dealing with a problem he does not really understand, he pretends he understands the contributing factors and does not try to find out what anyone else thinks. A person with a millionaire mind asks questions incessantly. He has no ego when it comes to learning. He knows that knowledge is power.

2. A 'normal' person has a consumer mentality. He looks at a hot new product and thinks about how he would like to own one. A person with a millionaire mind has an entrepreneurial mentality. He looks at it and thinks, "How can I produce this or something similar in my own industry?"

3. A 'normal' person is wish focused. He daydreams about making gobs of money. A person with a millionaire mind is reality-based. He is always analysing his own success and the success of others and wondering how he could learn from it.

4. A 'normal' person, when confronted with a challenging idea, thinks of all the reasons why it might not work. A person with a millionaire mind sees the potential in it and disregards the problems until he has a clear vision of how it might succeed.

5. A 'normal' person resists change. A person with a millionaire mind embraces it.

6. A 'normal' person accepts the status quo. A person with a millionaire mind is always looking to make things – even good things – better.

7. A 'normal' person reacts. A person with a millionaire mind is proactive.

8. A 'normal' person looks at a successful business owner and thinks, "That guy is lucky." Or "That guy is a shyster." A person with a millionaire mind thinks, "What is his secret?" And, "How can I do that?" Start by being humble and asking questions. Do this until it becomes a habit. Then take on another characteristic of the millionaire mind – like looking at a successful new product and thinking, "How can I do something like that?"

Go through the list, mastering one characteristic at a time, and within three months you will be able to create new businesses almost automatically. You will become a natural leader. Money will flow to you like water coming down a hill. And then you will be ready to deal with all the 'normal' people who are jealous of your incredible success.

Article 5

Focus: The F in FAIL stands for a lack of Focus.

Do you ever wonder why some people succeed at almost every challenge they take on, while others never seem to be able to get over the starting block? There are four major reasons why people FAIL (and they very neatly spell out the word itself!).

Your chances of success are magnified exponentially if you have the ability to focus. Yet, focus is the trait most leaders struggle with.

It is like watching a movie on TV. If you give it your undivided attention, you will be able to follow the plot, understand the characters, and ultimately enjoy the film. If on the other hand, you keep jumping up to talk to your pals on the phone, cook a meal, or do your filing, you are likely to miss some important things that are happening on screen. And it is likely that once you've lost track of what is going on, you will reach for the remote and watch something else instead. It is not that the film was not good. It might have been a real blockbuster. But if you do not focus, you will lose the plot and then lose interest.

The same is true in business.

If you force yourself to focus on the important projects and goals that will get you and your team to the next level, you will see an amazing change to your productivity. You will even be able to reduce the number of hours you work - with better results. Next the A in FAIL,

The A in FAIL stands for not taking Action.

You may have dreams of success, but unless you take action it is unlikely that anything will ever come of those dreams.

Nearly 90 years ago, Frederick Terman, a Stanford professor, had a dream. He wanted to create a thriving industrial region with the University as its epicentre.

Few bought into his crazy vision, but he did not let that prevent him from taking action. Every year, he would take his students on field trips - to San Francisco to see the pioneering work being done by Philco Farnsworth with television or to Redwood City where Charlie Litton was working with vacuum tubes.

Professor Terman's passion rubbed off on two of his students. A few years after they graduated, he helped them set up a business in a one-car garage. He even provided them with an idea for their first product. Within a few weeks, they had made their first sale to Disney.

That fledgling company grew at a massive rate over the next few decades, and is now a household name: Hewlett-Packard.

If it had not been for the action taken by Professor Terman back in the 1920s and 30s, it is safe to say that Hewlett-Packard would not exist, and that Palo Alto would not be the hotbed of technological innovation that it is today.

The professor had a dream, and he took that extra crucial step. He took action!

The I in FAIL stands for not seeking out Ideas.

Without ideas, you are at a creative standstill. This is particularly true when it comes to business.

Luckily, there are some terrific sources for ideas - like Personal & Finance Confidential, a breakthrough newsletter with a non-stop flow of great ideas to pursue and adapt.

But remember the A in FAIL. Because even with the best ideas, nothing happens if you do not act on them.

The L in FAIL - which stands for a lack of Longevity.

You need to be willing to pursue your good ideas over the long term, and not give up when you hit the first hurdle. This is true whether your goal is to set up a new business unit, get fit, or make any other meaningful changes in your life. If you do not have staying power, your dreams and goals are likely to fall by the wayside before they come to fruition.

So whenever you feel like failure is staring you in the face, think of the word FAIL itself, and remember what each of those four letters represents: lacking Focus, not taking Action, not seeking out great Ideas, and not having Longevity.

Article 6

Focus: The real power of one

By Bob Bly

The other day, my oldest son expressed his concern that he would not be successful as an adult. Why? Because (in his mind), there are a quite a number of things he is not good at. (Maths is at the top of the list.)

I shared an encouraging success secret with him that I am now going to pass on to you…

To be extremely successful - in business, career, and wealth building - you do not have to be good at a lot of things. In fact, you could attain an extremely high level of success even if you are really good at only one thing.

Warren Buffett made this point some years ago in a lecture to a group of students. He told his audience that he is not very strong, not very fast, not very physical, and not very athletic. “If I was dropped in the middle of Africa, I would be eaten by a lion within two minutes.” However, because he is good at one thing - investing in the stock market - Buffett is an extremely wealthy man.

In my neighbourhood, parents worry incessantly about whether their kids will be successful. They fret over the kids’ reports… piano lessons… sports. Even how many friends the kids have… extra lessons… you name it.

My kids have it easy, because I do not worry about any of those things. As long as they do their best, I do not obsess over their marks or what extra-curricular activities they should be doing but are not.

I tell them what I just told you: You do not have to be good at a lot of things. Find one thing in life that you love - that turns you on, that you are passionate about - and keep doing it. The more you do it, the better you will get at it.

With an early start and years of practice, your kids will get extremely good at something they love, and will, therefore, never have to worry about supporting themselves or being out of a job.

Of course, to ensure financial success, that “thing” - that singular passion - must be something others will pay money for. To paraphrase Aristotle, “Where your passions intersect with the needs of the public, therein lies your vocation”.

Like Warren Buffett, I am not good at most things. The list of what I am mediocre or bad at is very long indeed. I am incompetent at fixing things around the house, for example. And I have a depth-perception problem that makes me lousy at tennis, baseball or any sport where you have to hit a ball with a stick.

But I was always a voracious reader. I love books, reading and writing.

I began to write early - short stories in primary school, articles for the school newspaper in high school and university. I spent so much time writing for our university paper - it was a daily, and I became the features editor - which my writing began to improve significantly. I realised that was the one thing I love to do, have an aptitude for and am good at. And when I discovered copywriting, I found a type of writing where I could be paid handsomely for my efforts.

A mistake many people make is to work to improve themselves in areas where they are weak. What you should do instead is work to improve yourself in the one area where you are strongest.

Why? Because we are a society of specialists.

When I was a kid and the tiles in our bathroom began to crumble, my dad strapped on a tool belt and fixed them. Now, when my bathroom has a cracked tile, I call the tile guy and pay him to fix it.

Success does not come from being a Jack of all trades and a master of none. It comes from mastering a skill or body of knowledge that others - employers or customers - will pay you to share.

If I were to take a course in tiling, I would learn a little… But my abilities would be nothing compared to the skill of my tile guy, who has been doing this for 40 years. So I spend my time increasing my knowledge of marketing, which helps me make more money in my freelance copywriting and internet marketing business.

Society admires the Renaissance man, the well-rounded individual. But more often than not, it is the singularly focused person - Bill Gates, Warren Buffett, and Tiger Woods - who reaps the greatest rewards.

So, remember, find the one thing in life you love, that you are passionate about and turn it into the one thing you are noticed for. Become the master of your own destiny and do it while having fun!

practical

Complete the following formative assessment:

F263356.6 – Self-assessment, Improvement Strategy Mind Map and Affirmation Statement

Section 1: Self-Assessment and Progress Check

Describe entrepreneurship.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Entrepreneurship is discussed in terms of employment opportunities.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Entrepreneurial opportunities are identified and described within a specific economic area related to the interest of the learner.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
An explanation is given of the advantages and disadvantages of entrepreneurship.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Reasons for business failure are identified and discussed with examples.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
An explanation is given of the role of entrepreneurship in social development.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Describe the characteristics of a successful entrepreneur.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Examples of successful entrepreneurs are discussed in terms of their characteristics.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Skills, aptitudes, personality and values of entrepreneurial behaviour are clearly differentiated with examples.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
The importance of each characteristic is analysed in the context of a specific new venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment

The technical, business, managerial and personal strategies required for establishing a successful venture are explained with examples.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Develop individual entrepreneurial characteristics.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
A base-line knowledge of self in respect of personality, interests and aptitude is established by the learner.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
The characteristics of a successful entrepreneur are identified and listed in the individual's own context.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Own strengths and weaknesses as an entrepreneur are determined with examples.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Strategies to address shortcomings are developed and implemented where possible.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Enabling programmes for the new entrepreneur are identified and explained in terms of their benefits and limitations.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Short term goals are articulated and discussed for self in entrepreneurial context. Medium and long term goals are planned and determined in the context of sustainability.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Explain methods to enhance an entrepreneurial profile.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Methods of mind programming are explained within the context of career paradigm shift.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
An understanding of mental laws is explained using applicable theories.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment

Techniques and principles to implement a paradigm shift from employment paradigm to entrepreneurial paradigm are described in the context of development of business opportunities.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Personal strategic plan is designed and developed in order to select a feasible and viable new venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment

Section 2: The Role of Innovation in Entrepreneurial Thinking

Learning Goals and Pathways

Entrepreneurs are innovative and they solve problems. This section of the learning will help you to explore the concepts of innovation and practice stimulating your creative thought processes towards innovative thinking. This is the second step in stimulating entrepreneurial thought and processes.

This section is presented in chapters 5 and 6 of the guide.

The learning goals for this module include:

1. A closer look at specific techniques for releasing creativity in developing ideas and / or opportunities.
2. Analysis of the role that innovation plays in the development and growth of a new venture.
3. Practical examples of how to apply principles and practices of innovation to the development and growth of a new venture.

Chapter 5
Releasing Creativity for Innovation

The Concept of Creativity

definition

Creativity

Creativity is a mental and social process involving the generation of new ideas or concepts, or new associations of the creative mind between existing ideas or concepts. From a scientific point of view, the products of creative thought are usually considered to be both original and appropriate.

Creativity involves the forming of associative elements into new combinations that are useful or meet some requirement. Sleep aids this process. Another handy definition of creativity is that it is an "assumptions-breaking process." Creative ideas are often generated when one discards preconceived assumptions and attempts a new approach or method that might seem to others unthinkable. Some students of creativity have emphasised an element of chance in the creative process. Linus Pauling asked at a public lecture how one creates scientific theories, replied that one must endeavour to come up with many ideas, and then discard the useless ones.

Despite, or perhaps because of, the ambiguity and multi-dimensional nature of creativity, entire industries have been spawned from the pursuit of creative ideas and the development of creativity techniques.

The Creative Process

Graham Wallas & Richard Smith, in their work Art of Thought, published in 1926, presented one of the first models of the creative process. In the Wallas stage model, creative insights and illuminations may be explained by a process consisting of 5 stages:

- Preparation (preparatory work on a problem that focuses the individual's mind on the problem and explores the problem's dimensions).
- Incubation (where the problem is internalised into the unconscious mind and nothing appears externally to be happening).
- Intimation (the creative person gets a "feeling" that a solution is on its way).
- Illumination or insight (where the creative idea bursts forth from its preconscious processing into conscious awareness).
- Verification (where the idea is consciously verified, elaborated, and then applied).

Sometimes, a period of interruption or rest from a problem may aid creative problem-solving. Incubation may aid creative problem-solving in that it enables "forgetting" of misleading clues. Absence of incubation may lead the problem solver to become fixated on inappropriate strategies of solving the problem.

Creativity in Business

Although popularly associated with art and literature, creativity is also an essential part of innovation and invention and is important in professions such as business, economics, architecture, industrial design, graphic design, advertising, mathematics, music, science and engineering, and teaching.

To enhance creativity in business, three components were needed:

- Expertise (technical, procedural and intellectual knowledge)
- Creative thinking skills (how flexibly and imaginatively people approach problems)
- Motivation (especially intrinsic motivation)

More and more, creativity and knowledge creation are seen as being important to the success of organisations. However, one must not underestimate the importance of tacit knowledge in the creative process.

definition

Tacit knowledge

As opposed to formal or explicit knowledge, tacit knowledge is knowledge that is difficult to transfer to another person by means of writing down or verbalising.

For example, stating to someone that "the orange is a type of citrus fruit" is a piece of explicit knowledge that can be written down, transmitted, and understood by a recipient. However, the ability to use algebra, speak a language or design and use complex equipment requires all sorts of knowledge that is not always known explicitly, even by expert practitioners, and which cannot be explicitly transferred to users.

One can apply creative thinking principles in all aspects of business. These include:

- Generating new products and services.
- Alternative ways that a business can run its operations to cut costs and increase income.
- Generate ways in which the business can create more employment opportunities without putting the business at risk.
- Generate ways in which the skills of employees can be addressed without risking the new venture.
- Finding ways to minimise the impact of opposition firms.

practical

Complete the following formative assessment:

F114600.1 – Group Brainstorming, List and Key Notes

Some creative products or business ideas include:

- Problem: People do not like standing in queues and sometimes there is not enough parking for patrons – KFC has developed drive-through systems.
- Opportunity: People who have just bought a good book, but do not want to go home yet – Exclusive Books has started in-store coffee shops.
- Opportunity: People have to wait to get their cars filled with petrol – Petrol stations have developed convenience stores.
- Problem: Today's individual is very busy, must get to work on time, brave a long, slow trip to work, so must gulp down breakfast – Sipper mugs that keep coffee hot and can fit into the cup holder of a car.

In the past, employees have felt reluctant to be creative in the workplace, since it may have been perceived as being economically risky behaviour. However, more and more ideas and innovation are seen to be integral to successful business and entrepreneurship. Furthermore, we are now in the information age, where new ideas are worth money and intellectual property rights are supported and upheld by clearly defined legislation.

Some ways to foster creativity in the workplace are:

- Establish purpose and intention (Clearly make "creativity" and "innovation" a company policy and driver).
- Build basic skills (Assist staff to learn creativity techniques).
- Encourage acquisitions of domain-specific knowledge (Send employees for specialised training and have an Intellectual Property Policy in place that encourages employees to explore new ideas that can be patented).
- Stimulate and reward curiosity and exploration (Build "creativity" into the incentive system).
- Build motivation, especially internal motivation.
- Encourage confidence and a willingness to take risks.
- Focus on mastery and self-competition.
- Promote supportable beliefs about creativity.
- Provide opportunities for choice and discovery.
- Develop self-management.
- Teach techniques and strategies for facilitating creative performance.
- Provide balance (Do not allow creativity to get out of hand. Remember, the results of creativity should be useful and improve the viability of a business).

Analytical and Creative Thinking

Creativity is almost directly the opposite of the scientific method which refers to a body of techniques for investigating phenomena, acquiring new knowledge, or correcting and integrating previous knowledge. To be termed scientific, a method of inquiry must be based on gathering observable, empirical and measurable evidence subject to specific principles of reasoning. A scientific method consists of the collection of data through observation and experimentation, and the formulation and testing of hypotheses. These steps must be repeatable in order to dependably predict any future results.

Analytical thought is thus: Well-defined, organised and controlled; easy to explain, learn, and utilise with predictable results.

Whereas creative thinking is: Difficult to explain; hard to follow; poorly controlled; containing many uncertainties; lacking a guarantee of results.

practical

Complete the following formative assessment:

F114600.2 – Team Discussion and Conclusion

There are several ways to assess whether a session to generate creative ideas has been successful:

- Fluency: The total number of interpretable, meaningful, and relevant ideas generated in response to the stimulus.
- Originality: The statistical rarity of the responses among the test subjects.
- Elaboration: The amount of detail in the responses.

Lateral Thinking

Lateral thinking is a term coined by Edward de Bono, for the solution of problems through an indirect and creative approach. Lateral thinking is about reasoning that is not immediately obvious and about ideas that may not be obtainable by using only traditional step-by-step logic. A person would use lateral thinking when they want to move from one known idea to creating new ideas.

The term first appeared in the title of de Bono's book New Think: The Use of Lateral Thinking, published in 1967. There are four types of "thinking tools" defined in Edward de Bono's "Lateral Thinking: The Power of Provocation" manual:

- **Idea generating tools** are designed to break current routine thinking patterns or the status quo.
- **Focus tools** are designed to broaden where to search for new ideas.
- **Harvest tools** are designed to ensure more value is received from idea generating output.
- **Treatment tools** are designed to consider real-world constraints, resources, and support.

practical

Complete the following formative assessment:

F114600.3 – Team Lateral Thinking Exercise

Creativity Techniques

The aim of using creativity techniques is to:

- Unleash natural creativity, eliminating mental blocks.

- Stimulation and mobilisation of resources helpful for generating ideas by a group or individual.

Here are some creativity techniques that we will apply:

- Concept fan
- Random input
- Provocation
- Brainstorming
- Reverse brainstorming
- Edward de Bono's 6 thinking hats
- Force-field analysis
- The 5-whys?

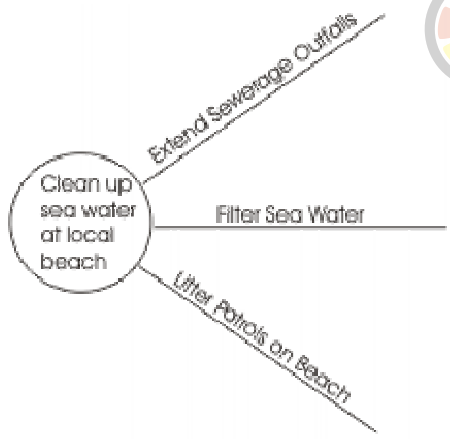
Concept Fan

Concept fans help you find new approaches to problem-solving when you have rejected all obvious solutions. Originated by Edward de Bono in his book Serious Creativity, they develop the principle of "taking one step back" to get a broader perspective.

How to Use the Tool

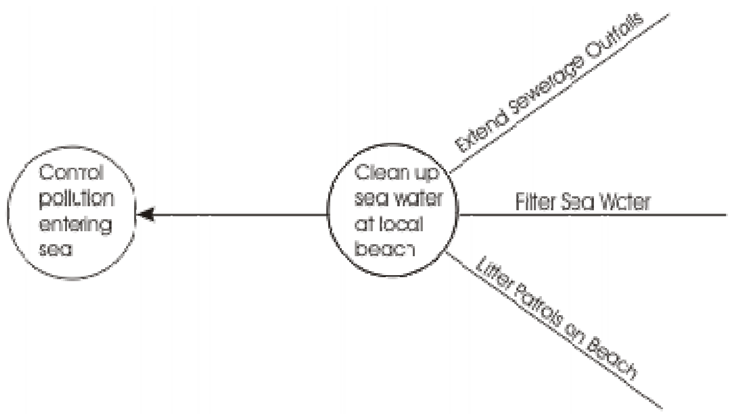
To start a concept fan, draw a circle in the middle of a large piece of paper. Write the problem you are trying to solve into it. To the right of it radiate lines representing possible solutions to the problem.

example



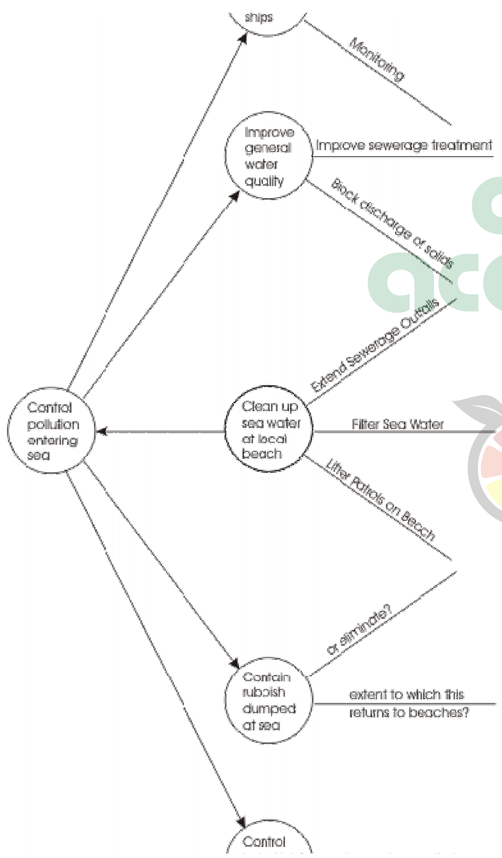
It may be that the ideas you have are impractical or do not really solve the problem. If this is the case, take a "step back" for a broader view of the problem. Do this by drawing a circle to the left of the first circle, and write the broader definition into this new circle. Link it with an arrow to show that it comes from the first circle.

example



Use this as a starting point to radiate out other ideas.

example



If this does not give you enough new ideas, you can take yet another step back (and another and another…).

example

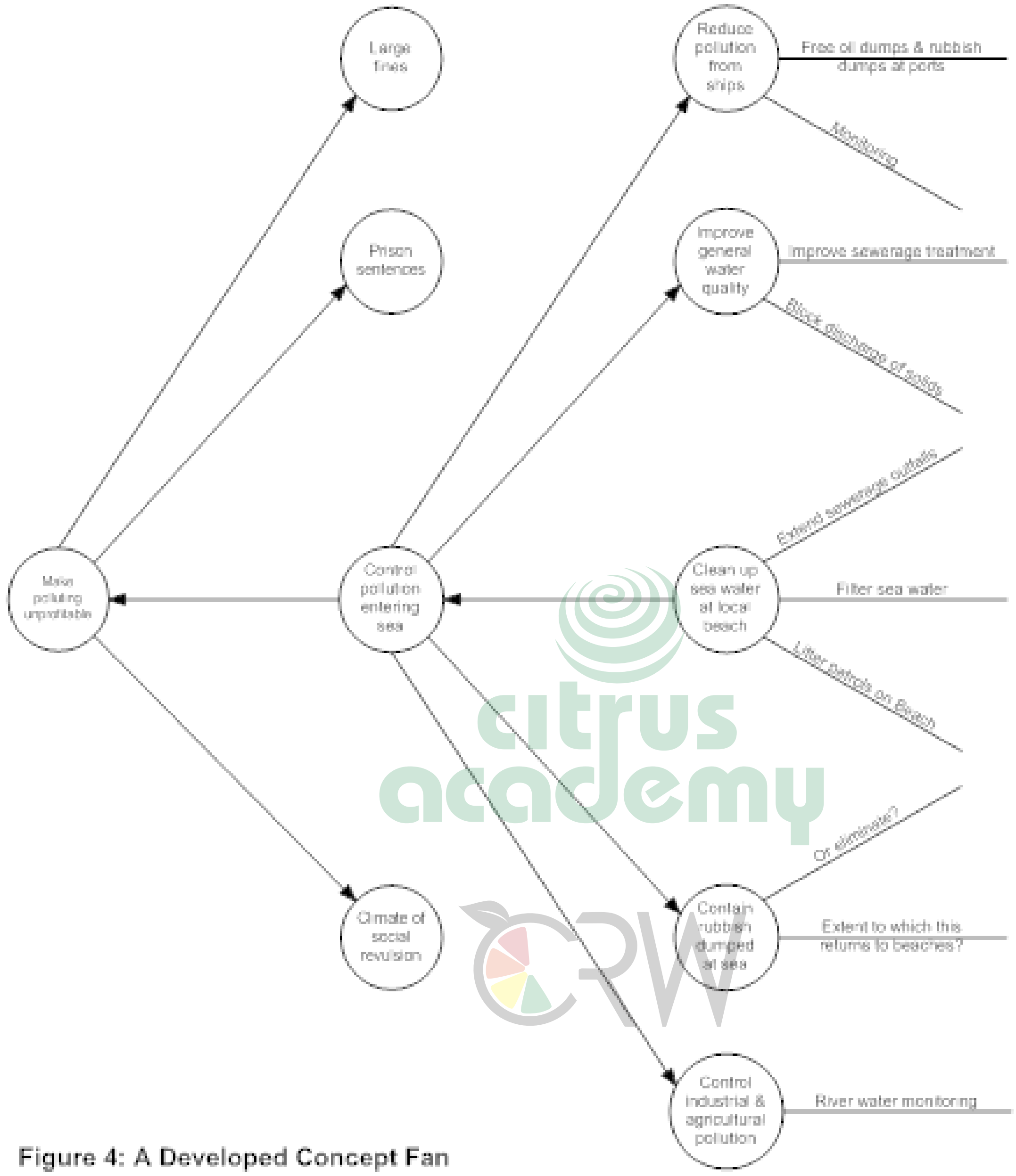


Figure 4: A Developed Concept Fan

Key Points

The concept fan is a useful technique for widening the search for solutions when you have rejected all obvious approaches. It gives you a clear framework within which you can take "one step back" to get a broader view of a problem. To start a concept fan, write the problem in the middle of a piece of paper. Write possible solutions to this problem on lines radiating from this circle.

If no idea is good enough, redefine the problem more broadly. Write this broader definition in a circle to the left of the first one. Draw an arrow from the initial problem definition to the new one to show the linkage between the problems. Then radiate possible solutions from this broader definition. Keep on expanding and redefining the problem until you have a useful solution.

Random Input

Random input is a lateral thinking tool. It is very useful when you need fresh ideas or new perspectives during problem-solving.

We tend to think by recognising patterns. We react to these patterns based on past experience and extensions to that experience. Sometimes, though, we get stuck inside them. Within a particular pattern, there may be no good solution to a particular sort of problem. Random input is a technique for linking another thinking pattern into the one we are using. Along with this new pattern comes all the experience you have connected to it.

How to Use the Tool

To use random input, select a random noun from either a dictionary or a pre-prepared word list. It often helps if the noun is something that can be seen or touched (e.g. 'helicopter', 'dog') rather than a concept (e.g. 'fairness'). Use this noun as the starting point for brainstorming your problem.

You may find that you get good insights if you select a word from a separate field in which you have some expertise. If you choose a good word, you will add a range of new ideas and concepts to your brainstorming. While some will be useless, hopefully, you will gain some good new insights into your problem. If you persist, then at least one of these is likely to be a startling creative leap.

example

Random input

Imagine that you are thinking about the problem of reducing car pollution. So far in thinking through the problem you have considered all the conventional solutions of catalytic conversion and clean fuels.

Selecting a random noun from the titles of the books in a bookcase you might see the word 'Plants'. Brainstorming from this you could generate a number of new ideas:

- Plant trees on the side of roads to convert CO2 back into oxygen.
- Similarly, pass exhaust gases through a soup of algae to convert CO2 back into oxygen. Perhaps this is how an 'air scrubber' in a spacecraft works?
- Put sulphur-metabolising bacteria into an exhaust gas processor to clean up exhaust gases. Would nitrogen compounds fertilise these bacteria?
- Another meaning of 'Plant' is factory. Perhaps exhaust gases could be collected in a container, and sent to a special plant to be cleaned? Perhaps you could offload these gases at the same time as you fill up with fuel?

These ideas are very raw. Some may be wrong or impractical. One of them might be original and the basis of some useful development.

Key Points

Random input is an excellent way of getting new perspectives on a problem. It often leads to startling creative leaps.

It provides an easy way of breaking out of restrictive thinking patterns. It helps you to link in whole ranges of new solutions that you would not otherwise associate with the problem.

The best words to use are concrete nouns, which may come from areas in which you have some expertise. Nouns should not, however, come from the same field as the problem you are considering, as the whole idea of Random Input is to link in new thinking patterns, not to stay inside old ones.

Provocation

Provocation is an important lateral thinking technique. Just like Random Input, it works by moving your thinking out of the established patterns that you use to solve problems.

As explained earlier, we think by recognising patterns and reacting to them. These reactions come from our past experiences and logical extensions to those experiences. Often we do not think outside these patterns. While we may know the answer as part of a different type of problem, the structure of our brains makes it difficult for us to link this in.

Provocation, originally developed by Edward de Bono, is one of the tools we use to make links between these patterns.

How to Use the Tool

We begin by making deliberately stupid statements (Provocations), in which something we take for granted about the situation is not true. Statements need to be stupid to shock our minds out of existing ways of thinking. Once we have made a provocative statement, we then suspend judgment and use that statement to generate ideas. Provocations give us original starting points for creative thinking.

As an example, we could make a statement that 'Houses should not have roofs'. Normally this would not be a good idea! However, this leads one to think of houses with opening roofs, or houses with glass roofs. These would allow you to lie in bed and look up at the stars.

Once you have made the Provocation, you can use it in a number of different ways, by examining for instance:

- The consequences of the statement.
- What the benefits would be.
- What special circumstances would make it a sensible solution?
- The principles needed to support it and make it work.
- How it would work moment-to-moment.
- What would happen if a sequence of events was changed?

You can use this list as a checklist.

Edward de Bono has developed and popularised use of Provocation by using the word "Po". "Po" stands for "provocative operation". As well as laying out how to use Provocation effectively, he suggests that when we make a Provocative statement in public, we label it as such with "Po" ("Po: the earth is flat"). This does rely on all members of your audience knowing about Provocation!

Edward de Bono's books, including Serious Creativity, explore this sort of technique in detail.

As with other lateral thinking techniques, Provocation does not always produce good or relevant ideas. Often, though, it does. Ideas generated using Provocation are likely to be fresh and original.

example

Provocation

The owner of a video hire shop is looking at new ideas for business to compete with the internet. She starts with the provocation 'Customers should not pay to borrow videos'. She then examines the provocation:

Consequences: The shop would get no rental revenue and therefore would need alternative sources of cash. It would be cheaper to borrow the video from the shop than to download the film or order it from a catalogue.

Benefits: Much more people would come to borrow videos. More people would pass through the shop. The shop would spoil the market for other video shops in the area.

Circumstances: The shop would need other revenue. Perhaps the owner could sell advertising in the shop or sell popcorn, sweets, and bottles of wine or pizzas to people borrowing films. This would make her shop a one-stop 'Night at home' shop. Perhaps it would only lend videos to people who had absorbed a 30-second commercial, or completed a market research questionnaire.

After using the Provocation, the owner of the video shop decides to run an experiment for several months. She will allow customers to borrow the top ten videos free (but naturally will fine them for late returns). She puts the videos at the back of the shop. In front of them, she places displays of bottles of wine, soft drinks, popcorn and sweets so that customers have to walk past them to get to the videos. Next to the film return counter, she sells merchandise from the top ten films being hired. If the approach is a success she will open a pizza stand inside the shop.

Key Points

Provocation is an important lateral thinking technique that helps to generate original starting points for creative thinking. To use provocation, make a deliberately stupid comment relating to the problem you are thinking about. Then suspend judgment, and use the statement as the starting point for generating ideas. Often this approach will help you to generate completely new concepts.

Brainstorming

Brainstorming is a useful and popular tool that you can use to develop highly creative solutions to a problem.

It is particularly helpful when you need to break out of stale, established patterns of thinking so that you can develop new ways of looking at things. This can be when you need to develop new opportunities, where you want to improve the service that you offer, or when existing approaches just are not giving you the results you want. Used with your team, it helps you bring the experience of all team members into play during problem-solving.

This increases the richness of solutions explored (meaning that you can find better solutions to the problems you face, and make better decisions.) It can also help you get buy-in from team members for the solution chosen - after all, they have helped create that solution.

Brainstorming and Lateral Thinking

Brainstorming is a lateral thinking process. It asks that people come up with ideas and thoughts that seem at first to be a bit shocking or crazy. You can then change and improve them into ideas that are useful, and often stunningly original.

During brainstorming sessions, there should, therefore, be no criticism of ideas. You are trying to open up possibilities and break down wrong assumptions about the limits of the problem. Judgments and analysis at this stage will stunt idea generation.

Ideas should only be evaluated at the end of the brainstorming session - you can then explore solutions further using conventional approaches. If your ideas begin to dry up, you can "seed" the session with, for example, a random word (see random input).

Individual Brainstorming

When you brainstorm on your own you will tend to produce a wider range of ideas than with group brainstorming - you do not have to worry about other people's egos or opinions, and can, therefore, be more freely creative. You may not, however, develop ideas as effectively as you do not have the experience of a group to help you. When Brainstorming on your own, it can be helpful to use Mindmaps to arrange and develop ideas.

Group Brainstorming

Group brainstorming can be very effective as it uses the experience and creativity of all members of the group. When individual members reach their limit on an idea, another member's creativity and experience can take the idea to the next stage. Therefore, group brainstorming tends to develop ideas in more depth than individual brainstorming.

Brainstorming in a group can be risky for individuals. Valuable but strange suggestions may appear stupid at first sight. Because of this, you need to chair sessions tightly so that uncreative people do not crush these ideas and leave group members feeling humiliated.

How to Use the Tool

To run a group brainstorming session effectively, do the following:

- Define the problem you want to be solved clearly, and lay out any criteria to be met.
- Keep the session focused on the problem.
- Ensure that no one criticises or evaluates ideas during the session. Criticism introduces an element of risk for group members when putting forward an idea. This stifles creativity and cripples the free running nature of a good

brainstorming session.

- Encourage an enthusiastic, uncritical attitude among members of the group. Try to get everyone to contribute and develop ideas, including the quietest members of the group.
- Let people have fun brainstorming. Encourage them to come up with as many ideas as possible, from solidly practical ones to wildly impractical ones. Welcome creativity.
- Ensure that no train of thought is followed for too long.
- Encourage people to develop other people's ideas, or to use other ideas to create new ones.
- Appoint one person to note down ideas that come out of the session. A good way of doing this is to use a flip chart. This should be studied and evaluated after the session.

Where possible, participants in the brainstorming process should come from as wide a range of disciplines as possible. This brings a broad range of experience to the session and helps to make it more creative.

And again, it is worth exploring the use of computer-based tools for group brainstorming. As long as you are reasonably quick with keyboard and mouse, these significantly improve the quality and effectiveness of a brainstorming session.

Key Points

Brainstorming is a great way of generating radical ideas. During the brainstorming process, there is no criticism of ideas, as free rein is given to people's creativity (criticism and judgment cramp creativity.)

This often makes group brainstorming sessions enjoyable experiences, which are great for bringing team members together.

Individual brainstorming is best for generating many ideas but tends to be less effective at developing them. Group brainstorming tends to develop fewer ideas but takes each idea further. Group brainstorming needs formal rules for it to work smoothly.

Reverse Brainstorming

Reverse brainstorming helps you solve problems by combining brainstorming and reversal techniques. By combining these, you can extend your use of brainstorming to draw out even more creative ideas. To use this technique, you start with one of two "reverse" questions:

Instead of asking, "How do I solve or prevent this problem?" ask, "How could I possibly cause the problem?"

Instead of asking "How do I achieve these results?" ask, "How could I possibly achieve the opposite effect?"

How to Use the Tool

- Clearly, identify the problem or challenge, and write it down.
- Reverse the problem or challenge by asking: "How could I possibly cause the

problem?", or "How could I possibly achieve the opposite effect?"

- Brainstorm the reverse problem to generate reverse solution ideas. Allow the brainstorm ideas to flow freely. Do not reject anything at this stage.
- Once you have brainstormed all the ideas to solve the reverse problem, now reverse these into solution ideas for the original problem or challenge.
- Evaluate these solution ideas. Can you see a potential solution? Can you see attributes of a potential solution?

example

Reverse brainstorming

Luciana is the manager of a health clinic and she has the task of improving patient satisfaction. There have been various improvement initiatives in the past and the team members have become rather sceptical about another meeting on the subject. The team is overworked, team members are "trying their best" and there is no appetite to "waste" time talking about this.

So she decides to use some creative problem-solving techniques she has learned. This, she hopes, will make the team meeting more interesting and engage people in a new way. Perhaps it will reveal something more than the usual "good ideas" that no one has time to act on. To prepare for the team meeting, Luciana thinks carefully about the problem and writes down the problem statement:

- "How do we improve patient satisfaction?"

Then she reverses problem statement:

- "How do we make more patients dissatisfied?"

Already she starts to see how the new angle could reveal some surprising results.

At the team meeting, everyone gets involved in an enjoyable and productive reverse brainstorming session. They draw on both their work experience with patients and also their personal experience of being patients and customers of other organisations. Luciana helps ideas flow freely, ensuring people do not pass judgment on even the most unlikely suggestions.

Here are just a few of the "reverse" ideas:

- Double-book appointments.
- Remove the chairs from the waiting room.
- Put patients who phone on hold (and forget about them).
- Have patients wait outside in the car park.
- Discuss patients' problems in public.

When the brainstorming session runs dry, the team has a long list of the "reverse" solutions. Now it is time to look at each one in reverse into a potential solution. Well, resulting discussions are quite revealing. For example:

"Well, of course, we do not leave patients outside in the car park - we already do not do that."
"But what about in the morning, there are often patients waiting outside until opening time?"
"Mmm, true. Pretty annoying for people on first appointments."
"So why do not we open the waiting room 10 minutes earlier so it does not happen?"

"Right, we will do that from tomorrow. There are 2 or 3 staff members working already, so it is no problem."

And so it went on. The reverse brainstorming session revealed tonnes of improvement ideas that the team could implement swiftly and easily.

Luciana concluded: "It was enlightening and fun to looking at the problem in reverse. The amazing thing is, it has helped us become more patient-friendly by stopping doing things rather than creating more work."

Key Points

Reverse brainstorming is a good technique for creative problem solving and can lead to robust solutions. Be sure to follow the basic rules of brainstorming to explore possible solutions to the full.

Six Thinking Hats

Six Thinking Hats is a powerful technique that helps you look at important decisions from a number of perspectives. It helps you make better decisions by pushing you to move outside your habitual ways of thinking. As such, it helps you understand the full complexity of a decision and to spot issues and opportunities which you might otherwise not notice. This tool was created by Edward de Bono in his book "6 Thinking Hats".

Many successful people think from a very rational, positive viewpoint, and this is part of the reason that they are successful. Often, though, they may fail to look at problems from emotional, intuitive, creative or negative viewpoints. This can mean that they underestimate resistance to change, do not make creative leaps, and fail to make essential contingency plans. Similarly, pessimists may be excessively defensive, and people used to a very logical approach to problem-solving may fail to engage their creativity or listen to their intuition.

If you look at a problem using the Six Thinking Hats technique, then you will use all of these approaches to develop your best solution. Your decisions and plans will mix ambition, skill in execution, sensitivity, creativity and good contingency planning.

How to Use the Tool

To use Six Thinking Hats to improve the quality of your decision-making, look at the decision "wearing" each of the thinking hats in turn. Each "Thinking Hat" is a different style of thinking. These are explained below:

- **White Hat:** With this thinking hat, you focus on the data available. Look at the information you have, and see what you can learn from it. Look for gaps in your knowledge, and either try to fill them or take account of them. This is where you analyse past trends, and try to extrapolate from historical data.
- **Red Hat:** Wearing the Red Hat, you look at the decision using intuition, gut reaction, and emotion. Also try to think how other people will react emotionally, and try to understand the intuitive responses of people who do not fully know your reasoning.
- **Black Hat:** When using Black Hat thinking, look at things pessimistically, cautiously and defensively. Try to see why ideas and approaches might not

work. This is important because it highlights the weak points in a plan or course of action. It allows you to eliminate them, alter your approach, or prepare contingency plans to counter problems that arise.

- **Black Hat** thinking helps to make your plans tougher and more resilient. It can also help you to spot fatal flaws and risks before you embark on a course of action. Black Hat thinking is one of the real benefits of this technique, as many successful people get so used to thinking positively that often they cannot see problems in advance, leaving them under-prepared for difficulties.
- **Yellow Hat:** The Yellow Hat helps you to think positively. It is the optimistic viewpoint that helps you to see all the benefits of the decision and the value in it and spot the opportunities that arise from it. Yellow Hat thinking helps you to keep going when everything looks gloomy and difficult.
- **Green Hat:** The Green Hat stands for creativity. This is where you can develop creative solutions to a problem. It is a freewheeling way of thinking, in which there is little criticism of ideas. A whole range of creativity tools can help you here.
- **Blue Hat:** The Blue Hat stands for process control. This is the hat worn by people chairing meetings. When running into difficulties because ideas are running dry, they may direct activity into Green Hat thinking. When contingency plans are needed, they will ask for Black Hat thinking, and so on.

You can use Six Thinking Hats in meetings or on your own. In meetings, it has the benefit of defusing the disagreements that can happen when people with different thinking styles discuss the same problem. A similar approach is to look at problems from the point of view of different professionals (e.g. doctors, architects, sales directors) or different customers.

example

"Six Thinking Hats"

The directors of a property company are looking at whether they should construct a new office building. The economy is doing well, and the amount of vacant office space is reducing sharply. As part of their decision, they decide to use the 6 Thinking Hats technique during a planning meeting.

Looking at the problem with the **White Hat**, they analyse the data they have. They examine the trend in vacant office space, which shows a sharp reduction. They anticipate that by the time the office block would be completed, that there will be a severe shortage of office space. Current government projections show steady economic growth for at least the construction period.

With **Red Hat** thinking, some of the directors think the proposed building looks quite ugly. While it would be highly cost-effective, they worry that people would not like to work in it.

When they think with the **Black Hat**, they worry that government projections may be wrong. The economy may be about to enter a "cyclical downturn", in which case the office building may be empty for a long time. If the building is not attractive, then companies will choose to work in another better-looking building at the same rent.

With the **Yellow Hat**, however, if the economy holds up and their projections are correct, the company stands to make a great deal of money.

If they are lucky, maybe they could sell the building before the next downturn, or rent to tenants on long-term leases that will last through any recession.

With **Green Hat** thinking they consider whether they should change the design to make the building more pleasant. Perhaps they could build prestige offices that people would want to rent in any economic climate. Alternatively, maybe they should invest the money in the short term to buy up property at a low cost when a recession comes.

The **Blue Hat** has been used by the meeting's Chair to move between the different thinking styles. He or she may have needed to keep other members of the team from switching styles, or from criticising other peoples' points.

Key Points

Six Thinking Hats is a good technique for looking at the effects of a decision from a number of different points of view. It allows necessary emotion and scepticism to be brought into what would otherwise be purely rational decisions. It opens up the opportunity for creativity within decision-making. It also helps, for example, persistently pessimistic people to be positive and creative. Plans developed using the "6 Thinking Hats" technique are sounder and more resilient than would otherwise be the case. This technique may also help you to avoid public relations mistakes, and spot good reasons not to follow a course of action before you have committed to it.

Force Field Analysis

Force Field Analysis is a useful technique for looking at all the forces for and against a decision. In effect, it is a specialised method of weighing pros and cons. By carrying out the analysis you can plan to strengthen the forces supporting a decision and reduce the impact of opposition to it.

How to Use the Tool

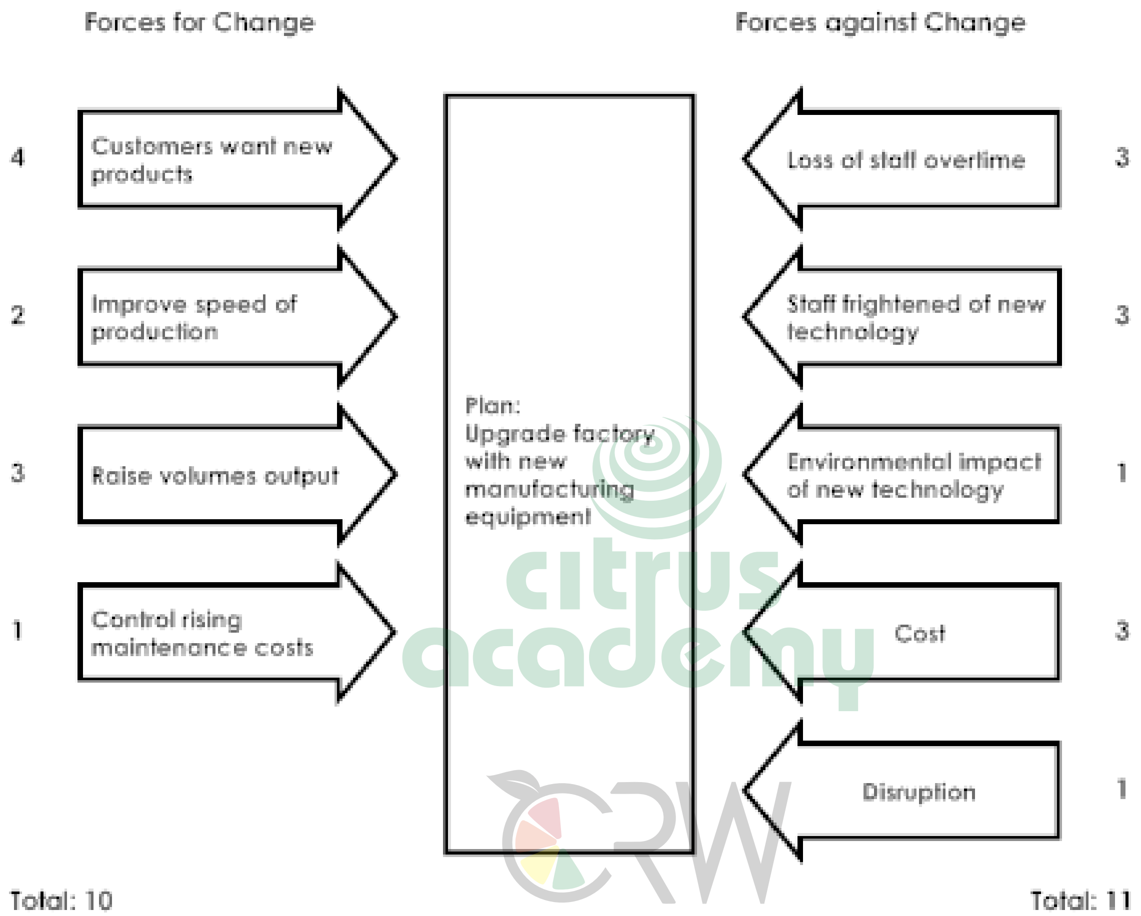
To carry out a force field analysis, follow these steps:

- Describe your plan or proposal for change in the middle.
- List all forces for change in one column and all forces against change in another column.
- Assign a score to each force, from 1 (weak) to 5 (strong).

example

Force field analysis

For example, imagine that you are a manager deciding whether to install new manufacturing equipment in your factory. You might draw up a force field analysis like this one:



Once you have carried out an analysis, you can decide whether your project is viable. In the example above, you might initially question whether it is worth going ahead with the plan. Where you have already decided to carry out a project, Force Field Analysis can help you to work out how to improve its probability of success. Here you have two choices:

- To reduce the strength of the forces opposing a project, or
- To increase the forces pushing a project

Often the most elegant solution is the first: just trying to force change through may cause its own problems. People can be uncooperative if change is forced on them. If you had to implement the project in the example above, the analysis might suggest a number of changes to the initial plan:

- By training staff (increase cost by 1) you could eliminate fear of technology (reduce fear by 2).
- It would be useful to show staff that change is necessary for business

survival (new force in favour, +2).

- Staff could be shown that new machines would introduce variety and interest to their jobs (new force, +1).
- You could raise wages to reflect new productivity (cost +1, loss of overtime -2).
- Slightly different machines with filters to eliminate pollution could be installed (environmental impact -1).

These changes would swing the balance from 11:10 (against the plan), to 8:13 (in favour of the plan).

Key Points

Force field analysis is a useful technique for looking at all the forces for and against a plan. It helps you to weigh the importance of these factors and decide whether a plan is worth implementing.

Where you have decided to carry out a plan, Force field analysis helps you identify changes that you could make to improve it.

5 Whys

The 5 Whys technique is a simple technique that can help you quickly get to the root of a problem. But that is all it is, and the more complex things get, the more likely it is to lead you down a false trail. If it does not quickly give you an answer that is obviously right, then you may need more sophisticated problem-solving techniques.

How to Use the Tool

The 5 Whys is a simple problem-solving technique that helps users to get to the root of the problem quickly. Made popular in the 1970s by the Toyota Production System, the 5 Whys strategy involves looking at any problem and asking: "Why?" and "What caused this problem?" Very often, the answer to the first "why" will prompt another "why" and the answer to the second "why" will prompt another and so on; hence the name the 5 Whys strategy.

When looking to solve a problem, start with the end result and work backwards (toward the root cause), continually asking: "Why?" This will need to be repeated over and over until the root cause of the problem becomes apparent.

example

5 Whys

Following is an example of the 5 Whys analysis as an effective problem-solving technique:

- Why is our client, Hinson Corp., unhappy? Because we did not deliver our services when we said we would.
- Why were we unable to meet the agreed-upon timeline or schedule for delivery? The job took much longer than we thought it would.
- Why did it take so much longer? Because we underestimated the complexity of the job.

- Why did we underestimate the complexity of the job? Because we made a quick estimate of the time needed to complete it and did not list the individual stages needed to complete the project.
- Why did we not do this? Because we were running behind on other projects. We clearly need to review our time estimation and specification procedures.

Key Points

The 5 Whys strategy is an easy and often effective tool for uncovering the root of a problem. Because it is so elementary in nature, it can be adapted quickly and applied to most any problem. Bear in mind, however, that if it does not prompt an intuitive answer, other problem-solving techniques may need to be applied.

Later you will get an opportunity to apply these creativity techniques to find solutions to some real world business-related problems.

Chapter 6
The Role of Innovation in Entrepreneurial Thought

Creativity and Innovation

It is often useful to explicitly distinguish between creativity and innovation.

Creativity is typically used to refer to the act of producing new ideas, approaches or actions, while innovation is the process of both generating and applying such creative ideas in some specific context.

In the context of an organisation, therefore, the term innovation is often used to refer to the entire process by which an organisation generates creative new ideas and converts them into novel, useful and viable commercial products, services, and business practices, while the term creativity is reserved to apply specifically to the generation of novel ideas by individuals or groups, as a necessary step in the innovation process.

Although the two words are novel, they go hand in hand. In order to be innovative, employees have to be creative to stay competitive.

Types of Innovation

One can apply creative thinking principles in all aspects of business. These include:

- Generating new products and services – Product or Service Innovation.
- Alternative ways that a business can run its operations to cut costs and increase income – Operational Innovation.
- Generate ways in which the business can create more employment opportunities without putting the business at risk – Employment Innovation.
- Generate ways in which the skills of employees can be addressed without risking the new venture – Skills Development Innovation.
- Finding ways to minimise the impact of opposition firms – Competitive Innovation.

The Impact of Innovation

example

McCarthy example

In the late 90s, one of the oldest and largest retailers, McCarthy Retail, had fallen on hard times. In 1998 it posted a loss of R 328,9 million. The company was spinning out of control. And McCarthy, with its large national network of used-car dealers, was particularly hard-hit. Some of their franchises were selling used cars at below cost. As margins were falling, losses were mounting.

Top management knew it had to come up with a strategy to reverse these trends. They realised they had to capitalise on new business models to create future growth and new markets. But how?

The answer: Get RADICAL!

Adopt innovative, entrepreneurial thinking. Shake the fear to experiment and take risks.

Enter Lourens Botha, a strategic planning executive for McCarthy. His expertise: e-business, e-commerce and e-retail. But forget the "e", the real key to winning and holding onto a customer can be found further down the alphabet. The real key is "u". Lourens calls it u-commerce. The "u" stands for universal. Universal channels, universal possibilities. It is business the way your (customers) want it.

On a trip to the US, Lourens came across the CarMax business model. It was a network of used-car superstores, driven by a straightforward business proposition: Buying a car should not have to be a nightmare. You should not have to trek from town to town, lot to lot, just to find a vehicle to suit your needs. You should not have to haggle and you should not have to hassle.

Could this be the strategy McCarthy was looking for to catapult its used-car sales?

The difference for McCarthy was that the answer it needed did not come in building another, bigger, geographically-limited store. It came in building an even bigger store, the biggest in the country, a store without walls, borders or boundaries. An online store.

In this store, you would be able to go shopping for your car, narrow down your choice and take your selected vehicle for a "spin" without leaving your home. It was a virtual used-car superstore, capable of hosting McCarthy's entire inventory on the internet. Link it to a call-centre, manned around the clock, with agents that respond to queries promptly and arrange test drives at the customer's nearest McCarthy dealership, and what do you get? You get McCarthy's Call-a-Car.

Botha's idea was quickly snapped up by the board, despite its price-tag of R10-million, at a time when the industry was gravely depressed. Looking at it logically, it actually only meant an R 2,800 budget per month for each of the 100 dealerships in the McCarthy stable.

No one knew at the time if it would turn out to be all flash and no substance. Whether consumers would see it as a gimmick. Whether the dealers would see it as a threat to their walk-in trade. What if the whole system came crashing down whenever someone tried to use it? (Remember, this was back in 1997 when the internet was a luxury for most businesses). There was only one way to find out. To make it happen!

Backed by a hard-hitting "no-budget" press and TV campaign, two adverts were shot for R 25,000 in a used-car lot on a Sunday morning. Call-a-Car slowly started generating real interest, real leads and real sales. From an average of 50 vehicles a month in late 1997, the figure jumped to 102 sold in September 1998 and 403 a year later. By 2001, Call-a-Car would boast annual sales of close to 6,000 and a net profit of more than R10-million. With new-car sales added to the mix and incremental sales generated through Call-a-Car, McCarthy Motor Holdings achieved record profits for the financial year ended June 2001.

Despite internet business being well established these days, the real key to innovation, says Botha, is adding value. And adding value means subtracting as much of the hassle and risk as you can from every transaction.

"In any organisation, you will get custodians of the status quo, who frown on new ideas that initially seem a bit crazy and appear to cost a lot of money. You need courage and perseverance to continue. You need newcomers to break the mould and make things happen," says Botha.

A message apt for an age of spectacular market crashes and economic disasters in which we find ourselves currently. Do not set out to reinvent the wheel. "Just put a bit of spin" on your business to find new ways of doing business to survive during this downturn in the markets.

Successful Entrepreneurship and Innovation

Creativity is seen as an important element in the recombination of elements to produce new technologies and products and, consequently, economic growth. Creativity leads to capital, and creative products are protected by intellectual property laws.

Creativity is also an important aspect of understanding Entrepreneurship.

The economist Richard Florida popularised the notion that regions with the "3 T's of economic development: Technology, Talent and Tolerance" also have high concentrations of creative professionals and tend to have a higher level of economic development.

Entrepreneurs have many of the same character traits as leaders. Entrepreneurs are often contrasted with managers and administrators who are said to be more methodical and less prone to risk-taking. Here are a few of the characteristics that have been attributed to entrepreneurs:

- Primarily motivated by an overwhelming need for achievement.
- Strong urge to build.
- Tough, pragmatic people.
- Driven by needs of independence and achievement.
- They seldom are willing to submit to authority.
- Mercurial (that is, prone to insights, brainstorms, ingeniousness and resourcefulness).
- They are cunning, opportunistic, creative, and unsentimental.

Below are several of the factors that contribute to the growth of a new venture. See how many of them are related to the application of creative thinking and innovation. It is interesting to note that the only area where creativity is less required are in the financial decision-making areas of the business!

- Prudent cash flow management.
- Keeping capitalisation within manageable means.
- Keeping up with market trends.
- Quick adaptation to changes.
- Good debt collection strategies.
- Good client relations.
- Perceptive reading of the market or the economic climate.
- Good administrative and financial management capabilities.

practical

Complete the following formative assessment:

F114600.4 – Team Creative Problem Solving Exercise

Section 2: Self-Assessment and Progress Check

Develop specific techniques for releasing creativity in developing ideas / opportunities.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
The concept and application of creativity is demonstrated through business related activities.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
The difference between analytical and creative thinking is demonstrated with examples through problem-solving activities in a new venture creation context.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Barriers to creative thinking are identified with examples of their effect on creative thinking.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Lateral thinking exercises are applied to generate new ideas.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Determine the role of innovation in the development and growth of a new venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
The concept of innovation is described and discussed in relation to new venture creation.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Types of innovation are identified and explained with examples.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
The impact of innovation on a new venture is explained with examples.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
The relationship between successful entrepreneurship and innovation is explained with examples.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment

Factors that contribute to the development and growth of a new venture are identified and explained with examples.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Apply principles and practices of innovation to the development and growth of a new venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Innovative thinking is applied to generate new products that the business can make and / or new services it can provide for greater profitability and / or viability.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Innovative thinking is applied to generate alternative ways the business can run its operations to cut costs and increase income.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Innovative thinking is applied to generate ways in which the business can create more employment opportunities without putting the business at risk.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Innovate thinking is used to generate ways in which the skills needs of employees can be addressed without risking the venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Innovative thinking is applied to find ways to minimise the impact of opposition firms on the venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment

Section 3: Impact of External Financial Aspects on Entrepreneurial Thinking

Learning Goals and Pathways

Entrepreneurs need to be masters of their own and their business's finances. As an entrepreneur, you no longer have the "safety-net" of a monthly salary. It is important to take all the financial aspects and external influences around you into account at all times to ensure personal financial survival and to make a financial success of your business venture.

This section of the learning will help you to explore and think about all the external financial aspects you should take into account in your entrepreneurial thought processes.

This is the third step in stimulating entrepreneurial thought and processes.

This section is presented in chapters 7 to 10 of the guide.

The learning goals for this module include:

1. A closer look at financial tools and instruments that can help you, such as:
   1.1. Personal financial planning and budgeting
   1.2. Terminology and definitions associated with financial situations
   1.3. Estimation and approximation
2. Understanding what the difference between simple and compound interest is, and how it is calculated.
3. Investigating the different aspects of costs and revenues.
4. How to use mathematics and calculations to make sense of aspects of the national and global economy.

Chapter 7
Using Financial Instruments

Effective Control of Financial Instruments

The world today is run on financial principles. A basic understanding of how finances work in personal life, in business, nationally and internationally is not only interesting but will provide you with confidence relating to financial matters.

This unit standard attempts to assist learners in understanding the concepts of financial planning, how national and international financial concepts impact on personal and business life and what financial instruments or tools are available to build wealth and security.

As we know, planning is important in business and in life. It helps us to:

- Determine where we (or our enterprises) need to go.
- Forewarn of possible roadblocks along the way.
- Formulate responses to future problems.
- Keeps us and our enterprises on track to reach our planned goals.

One should, during planning, know that sometimes plans do go wrong and once they do one should be able to adjust and be able to change one's plans.

A financial planner or personal financial planner is a practicing professional who helps people deal with various personal financial issues through proper planning, which includes but is not limited to these major areas: cash flow management, education planning, retirement planning, investment planning, risk management and insurance planning, tax planning, estate planning and business succession planning (for business owners). The work engaged in by this professional is commonly known as personal financial planning. In carrying out the planning function, he is guided by the financial planning process to create a financial plan; a detailed strategy tailored to a client's specific situation, for meeting a client's specific goals.

People enlist the help of a financial planner because of the complexity of knowing how to perform the following:

- Providing direction and meaning to financial decisions.
- Allowing the person to understand how each financial decision affects the other areas of finance.
- Allowing the person to adapt more easily to life changes in order to feel more secure.

Defining Personal Financial Decisions

Personal financial planning is broadly defined as a process of determining an individual's financial goals, purposes in life and life's priorities, and after considering his resources, risk profile and current lifestyle, to detail a balanced and realistic plan to meet those goals. The individual's goals are used as guideposts to map a course of action on "what needs to be done" to reach those goals.

Alongside the data gathering exercise, the purpose of each goal is determined to ensure that the goal is meaningful in the context of the individual's situation. Through a process of careful analysis, these goals are subjected to a reality check by considering the individual's current and future resources available to achieve them. In the process, the constraints and obstacles to these goals are noted. The information will be used later to determine if there are sufficient resources available to get to these goals, and what other things need to be considered in the process. If the resources are insufficient or absent to meet any of the goals, the particular goal will be adjusted to a more realistic level or will be replaced with a new goal.

Planning often requires consideration of self-constraints in postponing some enjoyment today for the sake of the future. To be effective, the plan should consider the individual's current lifestyle so that the "pain" in postponing current pleasures is bearable over the term of the plan. In times where current sacrifices are involved, the plan should help ensure that the pursuit of the goal will continue. A plan should consider the importance of each goal and should prioritise each goal. Many financial plans fail because these practical points were not sufficiently considered.

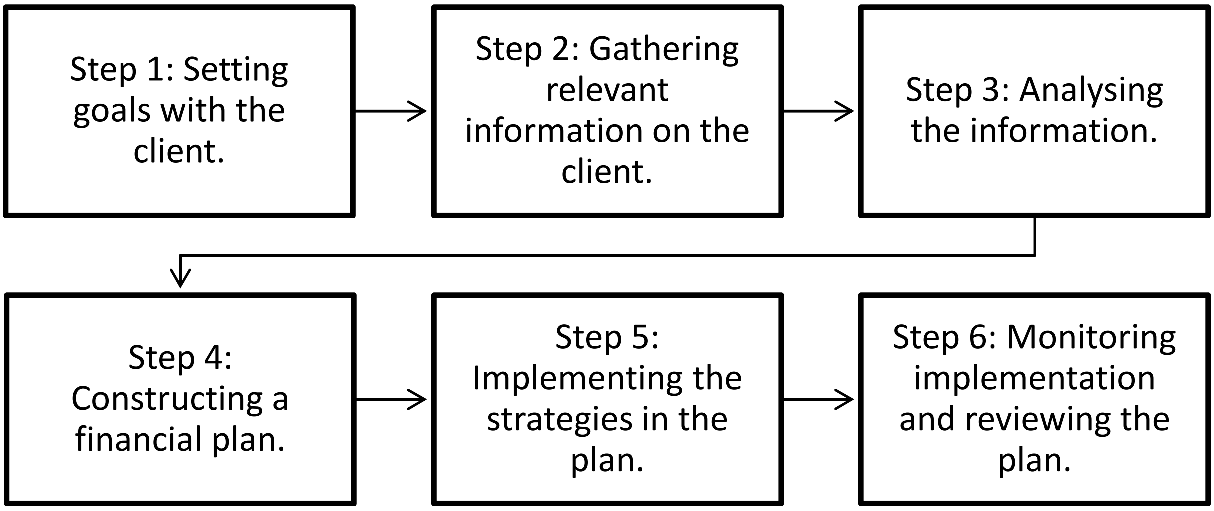
Scope

Financial planning should cover all areas of the client's financial needs and should result in the achievement of each of the client's goals. The scope of planning would usually include the following:

- Risk management and insurance planning
- Managing cash flow risks through sound risk management and insurance techniques.
- Investment and planning issues
- Planning, creating and managing capital accumulation to generate future capital and cash flows for reinvestment and spending.
- Retirement planning
- Planning to ensure financial independence at retirement.
- Tax planning
- Planning for the reduction of tax liabilities and the freeing-up of cash flows for other purposes.
- Estate planning
- Planning for the creation, accumulation, conservation and distribution of assets.
- Cash flow and liability management
- Maintaining and enhancing personal cash flows through debt and lifestyle management.
- Relationship management
- Education planning for kids and family members.

The Process of Financial Planning

The personal financial planning process is generally accepted as a six-step process as follows:



Step 1: Setting goals with the client.

This step (that is usually performed in conjunction with Step 2) is meant to identify where the client wants to go in terms of his finances and life (Some people want to achieve "Financial Independence" (see explanation below), whereas others would like to pay off a house, a car or see the world).

Step 2: Gathering relevant information on the client.

This would include the qualitative and quantitative aspects of the client's financial and relevant non-financial situation.

Step 3: Analysing the information.

The information gathered is analysed so that the client's situation is properly understood. This includes determining whether there are sufficient resources to reach the client's goals and what those resources are.

Step 4: Constructing a financial plan.

Based on the understanding of what the client wants in the future and his current financial status, a roadmap to the client goals is drawn to facilitate the achievements of those goals.

Step 5: Implementing the strategies in the plan.

Guided by the financial plan, the strategies outlined in the plan are implemented using the resources allocated for the purpose.

Step 6: Monitoring implementation and reviewing the plan.

The implementation process is closely monitored to ensure it stays in alignment to the client's goals. Periodic reviews are undertaken to check for misalignment and changes in the client's situation. If there is any significant change to the client's situation, the strategies and goals in the financial plan are revised accordingly.

What is a Financial Plan?

In general usage, a financial plan can be a budget, a plan for spending and saving future income. This plan allocates future income to various types of expenses, such as rent or utilities, and also reserves some income for short-term and long-term savings.

A financial plan can also be an investment plan, which allocates savings to various assets or projects expected to produce future income, such as a new business or product line, shares in an existing business, or real estate (property).

In business, a financial plan can refer to the three primary financial statements (balance sheet, income statement, and cash flow statement) created within a business plan. "Financial forecast" or "financial plan" can also refer to an annual projection of income and expenses for a company, division or department. A financial plan can also be an estimation of cash needs and a decision on how to raise the cash, such as through borrowing or issuing additional shares in a company.

While a financial plan refers to estimating future income, expenses and assets, a financing plan or finance plan usually refers to the means by which cash will be acquired to cover future expenses, for instance through earning, borrowing or using saved cash.

Financial Planning Tools

Tools or instruments used in financial planning include:

- A budget (also known as a cash flow statement, a list of income and expenses, or a balance sheet)
- Savings
- Basic Financial Statements - Balance Sheet, Income Statement and Cash Flow Statement
- Break-Even Analysis - a method allowing the small business person to calculate the sales level at which a business recovers all its costs or expenses.
- Pricing formulas and policies - used to calculate profitable selling prices for products and services.
- Types and sources of capital available to finance business operations (includes means by which cash will be acquired to cover future expenses, for instance through earning, borrowing or using saved cash).
- Short- and long-term planning considerations necessary to maximise profits.

information

Financial independence – What is it? How can I get it?

Financial independence is a term generally used to describe the state of having sufficient personal wealth to live indefinitely without having to work actively for basic necessities. In the case of many individuals whose financial circumstances fit this description, their assets generate income that is greater than their expenses. To illustrate, a person's monthly expenses may total R 1,000-00. They receive dividends from stocks they've previously purchased totalling R 5,000-00 quarterly (every three months), while also having an even more substantial amount of money in other assets. Under such circumstances, a person is financially independent.

To achieve financial independence a person needs to:

- Gather Assets
- Reduce Liabilities

- Manage (cap) Living costs

It does not matter how old or young someone is or how much money they have or make. If they can generate enough money to meet their needs from sources other than their primary day job then you have achieved financial independence. Age is potentially irrelevant with respect to financial independence — if they are 25 years old and their expenses are only R100 per month and they have assets that generate R101 or more per month they have achieved financial independence and they are now free to do things that they enjoy without having to worry about their next meal or a roof over their head.

If on the other hand, they are 50 years old and earn a million rand a month but still have expenses above a million rand a month then they are not financially independent — they still have to generate the difference each month just to stay even.

Computational Tools Efficiency

What to do with your Disposable Income

The main goal of managing your finances well is to achieve "Financial Independence". This means that you will need to:

- Save and invest
- Reduce expenses (earn more than you spend)
- Manage risk

Financial Instruments are provided to clients to assist them to:

- Manage their money well
- Help them to grow their wealth
- Keep their money safe for the future

There are many financial products on the market today, offered by Authorised Financial Service Providers. Do you know what "Authorised Financial Service Providers" are?

Control Measures

Let us discuss some of the financial instruments (or products) that Financial Service Providers have made available to us for the purposes of financial planning:

information

Insurance

Insurance is a form of risk management used to compensate for a loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for a premium (fee), and can be thought of as a guaranteed and known small loss to prevent a large, possibly devastating loss. An insurer is a company selling the insurance. An insured or policyholder is the person or entity buying the insurance. The insurance rate is a factor used to determine the amount to be charged for a certain amount of insurance coverage, called the premium.

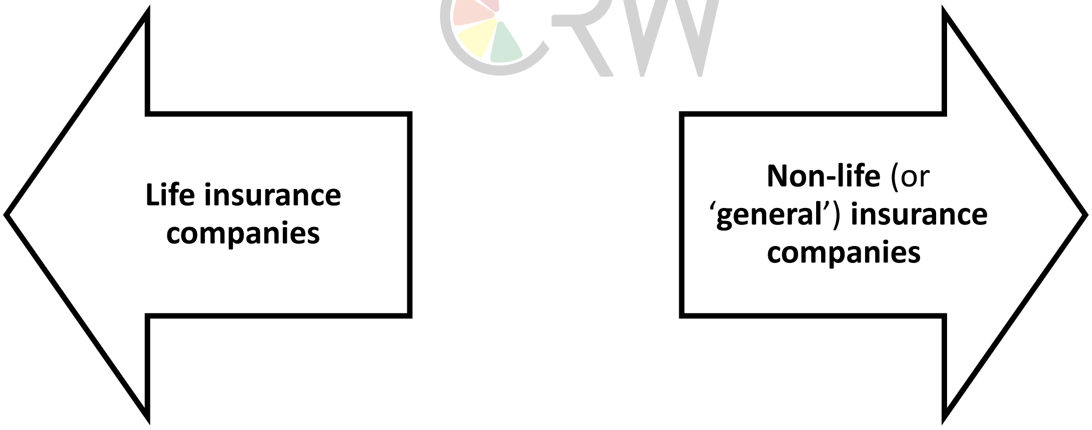
Understanding Different Insurance Options

Any risk that can be quantified can potentially be insured. Specific kinds of risk that may give rise to claims are known as "perils". An insurance policy will set out in detail which perils are covered by the policy and which are not. Below are (non-exhaustive) lists of the many different types of insurance that exist. A single policy may cover risks in one or more of the categories set out below. For example, auto insurance would typically cover both property risk (covering the risk of theft or damage to the car) and liability risk (covering legal claims from causing an accident). A homeowner's insurance policy typically includes property insurance covering damage to the home and the owner's belongings, liability insurance covering certain legal claims against the owner, and even a small amount of coverage for medical expenses of guests who are injured on the owner's property.

Business insurance can be any kind of insurance that protects businesses against risks. Some principal subtypes of business insurance are (a) the various kinds of professional liability insurance, also called professional indemnity insurance, which is discussed below under that name; and (b) the business owner's policy (BOP), which bundles into one policy many of the kinds of coverage that a business owner needs, in a way analogous to how homeowner's insurance bundles the coverage that a homeowner needs.

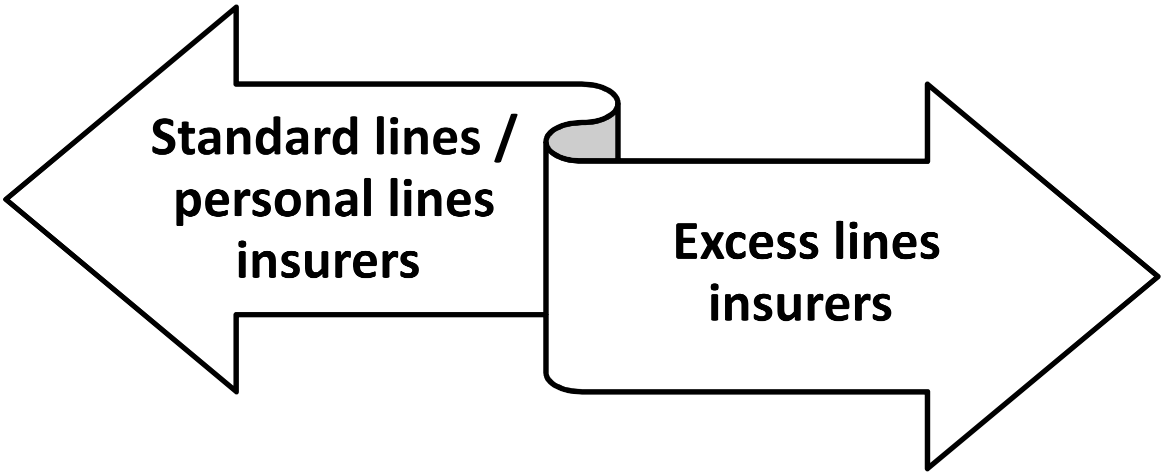
Insurance companies are generally classified as either mutual, or stock companies, but this is a traditional distinction as true mutual companies are becoming very rare. Mutual companies are owned by their policyholders, while share- / stockholders (who may or may not own policies) own stock insurance companies.

Broadly speaking, insurance carriers may be classified as:



- **Life insurance companies**, which sell life insurance, annuities and pensions products. Life, annuity, and pension business is very long-term in nature — coverage for life assurance or a pension can cover risks over many decades, and explains why this type of insurance is also called "long-term insurance".
- **Non-life** (or "**general**") **insurance companies** that sell "other" types of insurance. By contrast to life insurers, non-life insurance cover usually, covers a shorter period - such as one year - which is why this type of insurance is also called "short term insurance".

General insurance companies can be subdivided into:



- **Standard lines / personal lines insurers** that are typically "mainstream" lines insurers that specialise in motor, home or commercial insurance that may even be made available directly to the public, or
- **Excess lines insurers** that typically insure risks not covered by the standard lines market. They are broadly referred as being all insurance placed with non-admitted insurers. Non-admitted insurers are not licensed in the countries or states where the risks are located. These companies have more flexibility and can react faster than standard insurance companies because they are not subject to the same regulations.

Types of Insurance Explained

- **Annuities** provide a "stream of payments" and are generally classified as insurance because they are issued by insurance companies, regulated as insurance and require the same kinds of actuarial and investment management expertise that life insurance requires. Annuities and pensions that pay a benefit for life are sometimes regarded as insurance against the possibility that a retiree will outlive his or her financial resources. In that sense, they are the complement of life insurance and, from an underwriting perspective, are the mirror image of life insurance.
- **Aviation insurance** insures against hull, spares, deductible, hull wear and liability risks. Aviation insurance distinguishes between commercial and non-commercial craft.
- **Boiler insurance** (also known as equipment breakdown insurance) insures against accidental physical damage to equipment or machinery.
- **Builder's risk insurance** insures against the risk of physical loss or damage to property during construction. Builder's risk insurance is typically written on an "all risk" basis covering damage due to any cause (including the negligence of the insured) not expressly excluded from the policy.
- **Casualty insurance** insures against accidents, not necessarily tied to any specific property.
- **Commercial insurance** is based on the needs of businesses. These policies can be adjusted according to a business's unique requirements, that is in respect of its

general contents risk, theft of stock risk, electronic equipment, documents (such as handbooks, manuals, computer discs, books and so on), specialised equipment risk, loss of income caused by damage to buildings or equipment. Forms of commercial insurance are constituted by specialised policies in respect of Plant All-Risk and Engineering Works (amongst others). In South Africa, there is a common basis of commercial insurance contract wordings, referred to as Multimark3 / Multimark III policies. Although it is (was) an industry agreed wording since 1987, many insurers have (over time) amended the MMIII wording for themselves, and such policies deviate from the original wording, despite still being referred to - within the industry - as Multimark III policies.

- **Credit insurance** repays some - or all - of a loan back when certain things happen to the borrower, such as unemployment, disability or death. Mortgage insurance is, in fact, a form of credit insurance, but credit insurance really refers to policies that cover other kinds of debt.
- **Crime insurance** insures the insured against losses arising from the criminal acts of third parties. For example, a company can obtain crime insurance to cover losses arising from theft or embezzlement.
- **Crop insurance** reduces / manages various risks associated with growing crops and are typically found in farming policies. Such risks include crop loss or damage caused by weather, hail, drought, frost damage, insects, or disease.
- **Directors and officers liability insurance** protects an organisation from costs associated with litigation resulting from mistakes by directors and / or officers, for which the organisation is liable. In the industry, it is usually called "D&O insurance" for short.
- **Disability insurance** provides financial support in the event the insured is unable to work because of a disabling illness or injury.
- **Environmental liability insurance** protects the insured from bodily injury, property damage and clean-up costs as a result of the dispersal, release or escape of pollutants. See "Pollution Insurance".
- **Errors and omissions insurance**: See **Professional indemnity insurance.**
- **Expatriate insurance** provides individuals and organisations operating outside of their home country with protection for automobiles, property, health, liability and business pursuits.
- **Financial loss insurance** protects individuals and companies against various financial risks, such as a business might purchase cover to protect it from loss of sales if a fire in a factory prevented it from carrying out its business for a period. This is frequently referred to as "**business interruption insurance**". However, insurance might also cover the failure of a 3rd party creditor to pay money it owes to the insured.
- **Fidelity-** and **surety bonds** (also **court bonds**) are often included as a type of financial loss insurance. These products - often a 3 party relationship - provide a benefit to the bondholder in the event the "insured" party fails to perform its obligations. (Although a surety bond resembles insurance, it can be argued that it is in most occasions not insurance, but in fact *sui generis*. Similar to annuities, the transaction is *deemed* as insurance.
- **Fire insurance** (see **Property insurance**).
- **Health insurance** policies will often cover the cost (or part thereof) of an individual and his / her dependents' medical costs.

- **Home owner's insurance**: See "Property Insurance".
- **House contents insurance** provides insurance for possessions against fire, flood and all of the "traditional" perils, but also against theft, robbery and burglary. As a subcategory of house contents insurance, we find portable effects insurance that guards against loss of possessions that travel with you i.e. laptops, cell phones, jewellery and the like.
- **Kidnap and ransom insurance** is - for obvious reasons as a result of the nature of the insurance - a very discreet type of policy.
- **Liability insurance** is a very broad category that covers legal claims against the insured. Many types of insurance include an aspect of liability coverage; often a home owner's insurance policy will include public liability that protects the insured in the event of a claim brought by someone who slips and falls on the property; motor insurance also includes an aspect of liability insurance that indemnifies against the harm that a crashing car can cause to others' lives, health, or property. The protection offered by a liability insurance policy is twofold: legal costs cover in respect of a defence raised in the event of a lawsuit commenced against the insured, and indemnification with respect to a settlement or verdict. (Liability policies typically cover only the negligence – not wilful or intentional acts - of the insured.) Specialist legal cost policies are also available.
- **Livestock insurance** (typically included within farming policies) insures livestock loss against fire. See also **"crop insurance".**
- **Life insurance** provides a monetary benefit to a decedent's family or other designated beneficiary, and may specifically provide for income to an insured person's family, burial, funeral and other final expenses. Life insurance policies often allow the option of having the proceeds paid to the beneficiary either in a lump sum cash payment, or an annuity.
- **Marine insurance** (inland marine insurance being distinguished from "normal" marine insurance business) and marine cargo insurance cover the loss or damage of ships at sea or on inland waterways, and of the cargo that may be on them. When the owner of the cargo and the carrier are separate entities, marine cargo insurance typically compensates the owner of cargo for losses sustained from fire, shipwreck or similar disaster, but excludes losses that can be recovered from the carrier or the carrier's insurance. Many marine insurance underwriters will include "time element" coverage in such policies, which extends the indemnity to cover loss of profit and other business expenses attributable to the delay caused by a covered loss.
- **Mortgage insurance** insures the lender against default by the borrower.
- **Motor insurance** (known in the USA as "automobile insurance") is probably the most common form of insurance and may cover both legal liability claims against the driver and loss of or damage to the insured's vehicle itself. Motor insurance is extended over cars, commercial vehicles, caravans and trailers, as well as motorcycles. As specialist forms of motor insurance, we find fleet insurance schemes specialising in large volumes of vehicles, and that motor traders (internal) and motor traders (external) are distinguished from one another.
- **Pet insurance** insures pets against accidents and illnesses - some companies cover routine / wellness care and burial, as well.

- **Political risk insurance** can be taken out by businesses with operations in countries in which there is a risk that revolution or other political conditions will result in a loss.
- **Pollution Insurance** can be either:
  - A first-party coverage for contamination of insured property either by external, or on-site sources, or
  - Coverage for liability to third parties arising from contamination of air, water, or land due to the sudden and accidental release of hazardous materials from the insured site. The policy usually covers the costs of clean-up and may include coverage for releases from underground storage tanks. Intentional acts are specifically excluded.
- **Professional indemnity insurance** (also **"professional liability insurance"**), protects professional practitioners such as architects, lawyers, doctors, and accountants against potential negligence claims made by their patients / clients. Professional liability insurance may take on different names depending on the profession, as liability insurance in respect of the medical profession can be termed **malpractice insurance**, or notaries may take out **errors and omissions insurance** (E&O).
- **Property insurance** provides homeowners protection against risks such as fire, theft or weather damage. This may include a bouquet of specialised forms of insurance such as fire insurance, flood insurance, earthquake insurance, home insurance and boiler insurance. See also **household contents** - and **portable effects insurance**.
- **Purchase insurance** is aimed at providing protection on the products people purchase. Purchase insurance can cover individual purchase protection, warranties, guarantees, care plans and even mobile phone insurance. Such insurance is normally very limited in the scope of problems that are covered by the policy.
- **Retrospectively Rated Insurance** is not so much a line of business insurance, as a method of establishing a policy's premium (typically on a large commercial account). The premium is based on the insured's actual loss experience during the policy term, sometimes subject to a minimum and maximum premium, with the final premium determined by a formula. Under this plan, the current year's premium is based partially (or wholly) on the current year's losses, although the premium adjustments may take months or years beyond the current year's expiration date. The rating formula is guaranteed in the insurance contract, i.e. retrospective premium = converted loss + basic premium × tax multiplier. Numerous variations of this formula have been developed, and are in use.
- **Social insurance** can be many things to many people in many countries, but essentially it is a collection of insurance coverage including components of life insurance, disability income insurance, unemployment insurance, health insurance and others), plus retirement savings, on the basis of mandatory participation by all citizens. By forcing everyone in society to contribute, it ensures that everyone can become a claimant when he / she needs to. Along the way, this inevitably becomes related to other concepts such as the justice system and the welfare state.
- **Terrorism insurance** provides protection against any loss or damage caused by terrorist activities.

- **Title insurance** provides a guarantee that title to real property is vested in the seller, free and clear of liens or encumbrances. It is usually issued in conjunction with a search of the public records performed at the time of a real estate transaction.
- **Total, permanent disability insurance** provides benefits when a person is permanently disabled – based on very strict tests - and can no longer work in their profession, often taken as an adjunct to life insurance.
- **Travel insurance** is an insurance cover taken by those who travel abroad, which covers certain losses such as medical expenses, loss of personal belongings, travel delay and personal liabilities.
- **Volcano insurance** is an insurance that covers volcano damage (i.e. in Hawaii).
- **Watercraft insurance** insures most watercraft used for social purposes, i.e. yachts, catamarans, dinghies, motorboats, rubber ducks and jet skis. All machinery and motors, standard fittings, gears, equipment and fitted accessories are included, and cover exists not only when the craft is ashore or afloat, but also when transported. Medical costs, third party liability and optional water-skiers liability cover can also be included.
- **Workers' compensation insurance** replaces all or part of a worker's wages lost and accompanying medical expense incurred because of a job-related injury. Typically, this forms part of "social insurance".

Typical Insurance in the Agricultural Sector

Crop or Livestock Insurance

Institutions such as banks and insurance companies in South Africa may offer insurance products to farmers. For example, many of the major South African banks offer insurance on the following crops:

- Maize
- Wheat
- Sorghum
- Soya beans
- Sunflowers
- Potatoes
- Fruit
- Tobacco

Vehicle Insurance

Vehicle insurance protects you against financial loss if you have an accident. It is a contract between you and the insurance company. You agree to pay the premium and the insurance company agrees to pay your losses as defined in your policy. Auto insurance provides property, liability and medical coverage:

- Property coverage pays for damage to or theft of your car.
- Liability coverage pays for your legal responsibility to others for bodily injury or property damage.

- Medical coverage pays for the cost of treating injuries, rehabilitation and sometimes lost wages and funeral expenses.

Home Insurance

Home insurance provides compensation for damage or destruction of a home from disasters. In some geographical areas, the standard insurances exclude certain types of disasters, such as flood and earthquakes, which require additional coverage. Maintenance-related problems are the homeowners' responsibility. The policy may include inventory, or this can be bought as a separate policy, especially for people who rent housing. In some countries, insurers offer a package which may include liability and legal responsibility for injuries and property damage caused by members of the household, including pets.

Health Insurance

Health insurance policies will cover the cost of medical treatments.

Accident, Sickness and Unemployment Insurance

Disability insurance policies provide financial support in the event the policyholder is unable to work because of disabling illness or injury. It provides monthly support to help pay such obligations as home loans and credit cards.

Disability overhead insurance allows business owners to cover the overhead expenses of their business while they are unable to work.

Total permanent disability insurance provides benefits when a person is permanently disabled and can no longer work in their profession, often taken as an adjunct to life insurance.

Workers' compensation insurance replaces all or part of a worker's wages lost and accompanying medical expenses incurred because of a job-related injury.

Casualty Insurance

Casualty insurance insures against accidents, not necessarily tied to any specific property.

Crime insurance is a form of casualty insurance that covers the policyholder against losses arising from the criminal acts of third parties. For example, a company can obtain crime insurance to cover losses arising from theft or embezzlement.

Political risk insurance is a form of casualty insurance that can be taken out by businesses with operations in countries in which there is a risk that revolution or other political conditions will result in a loss.

Life Insurance

Life assurance provides a monetary benefit to a decedent's family or other designated beneficiary, and may specifically provide for income to an insured person's family, burial, funeral and other final expenses. Life insurance policies often allow the option of having the proceeds paid to the beneficiary either in a lump sum cash payment or an annuity.

Annuities provide a stream of payments and are generally classified as insurance because they are issued by insurance companies and regulated as insurance and require the same kinds of actuarial and investment management expertise that life insurance requires. Annuities and pensions that pay a benefit for life are sometimes regarded as insurance against the possibility that a retiree will outlive his or her financial resources. In that sense, they are the complement of life insurance and, from an underwriting perspective, are the mirror image of life insurance.

Certain life insurance contracts accumulate cash values, which may be taken by the insured if the policy is surrendered or which may be borrowed against. Some policies, such as annuities and endowment policies, are financial instruments to accumulate or liquidate wealth when it is needed.

In many countries, the tax law provides that the interest on this cash value is not taxable under certain circumstances. This leads to widespread use of life insurance as a tax-efficient method of saving as well as protection in the event of early death.

Property Insurance

Property insurance provides protection against risks to property, such as fire, theft or weather damage. This includes specialised forms of insurance such as fire insurance, flood insurance, earthquake insurance, home insurance, inland marine insurance or boiler insurance.

Automobile Insurance

Automobile insurance, or motor insurance, is probably the most common form of insurance and may cover both legal liability claims against the driver and loss of or damage to the insured's vehicle itself. Some credit card companies insure against damage on rented cars.

Flood Insurance

Flood insurance protects against property loss due to flooding.

Public Liability Insurance

Public liability insurance covers a business against claims should its operations injure a member of the public or damage their property in some way.

Environmental Liability Insurance

Environmental liability insurance protects the insured from bodily injury, property damage and clean-up costs as a result of the dispersal, release or escape of pollutants.

Credit

Credit insurance repays some or all of a loan when certain things happen to the borrower such as unemployment, disability, or death.

Mortgage Insurance

Mortgage insurance insures the lender against default by the borrower. Mortgage insurance is a form of credit insurance, although the name credit insurance more often is used to refer to policies that cover other kinds of debt.

Many credit cards offer payment protection plans which are a form of credit insurance.

Stock Exchange

A **stock exchange** is an entity which provides "trading" facilities for stock brokers and traders, to trade stocks and other securities. Stock exchanges also provide facilities for the issue and redemption of securities as well as other financial instruments and capital events including the payment of income and dividends. The securities traded on a stock exchange include shares issued by companies, unit trusts, derivatives, pooled investment products and bonds.

definition

Fungibility

Fungibility is the property of a good or a commodity whose individual units are capable of mutual substitution. Examples of highly fungible commodities are crude oil, wheat, orange juice, precious metals, and currencies. It refers only to the equivalence of each unit of a commodity with other units of the same commodity. Fungibility has nothing to do with the ability to exchange one commodity for another different commodity. It refers only to the ease of exchanging one unit of a commodity with another unit of the same commodity.

A **security** is a fungible, negotiable instrument representing financial value.

information

Futures and options

Aristotle described the story of Thales, a poor philosopher from Miletus who developed a "financial device, which involves a principle of universal application." Thales used his skill in forecasting and predicted that the olive harvest would be exceptionally good the next autumn. Confident in his prediction, he made agreements with local olive-press owners to deposit his money with them to guarantee him exclusive use of their olive presses when the harvest was ready. Thales successfully negotiated low prices because the harvest was in the future and no one knew whether the harvest would be plentiful or poor and because the olive-press owners were willing to hedge against the possibility of a poor yield. When the harvest-time came, and many presses were wanted all at once and of a sudden, he let them out at any rate he pleased and made a large quantity of money.

Today, a **futures contract** is a standardised contract to buy or sell a specified commodity of standardised quality at a certain date in the future and at a market-determined price (the *futures price*). The contracts are traded on a futures exchange. Futures contracts are not "direct" securities like stocks, bonds, rights or warrants. They are still securities, however, though they are a type of derivative contract.

A futures contract gives the holder the *obligation* to make or take delivery under the terms of the contract, whereas an **option** grants the buyer the *right,* but *not the obligation,* to establish a position previously held by the seller of the option. In other words, the owner of an options contract *may* exercise the contract, but both parties of a "futures contract" *must* fulfil the contract on the settlement date. The seller delivers the underlying asset to the buyer, or, if it is a cash-settled futures contract, then cash is transferred from the futures trader who sustained a loss to the one who made a profit.

Life Assurance

Life insurance or **life assurance** is a contract between the policy owner and the insurer, where the insurer agrees to pay a designated beneficiary a sum of money upon the occurrence of the insured individual's or individuals' death or other event, such as terminal illness or critical illness. In return, the policy owner agrees to pay a stipulated amount called a premium at regular intervals or in lump sums.

Some policies cater for expenses of funerals and after funeral expenses. However, the predominant form simply specifies a lump sum to be paid on the insured's demise.

As with most insurance policies, life insurance is a contract between the insurer and the *policy owner* whereby a benefit is paid to the designated beneficiaries if an *insured event* occurs which is covered by the policy.

The value for the policyholder is derived, not from an actual claim event, rather it is the value derived from the "peace of mind" experienced by the policyholder, due to the negating of adverse financial consequences caused by the death of the Life Assured (possibly to his wife, children or business partners).

Insured events that may be covered include death, but also serious illness and disability (which may inhibit the person from working further in his / her life).

Life policies are legal contracts and the terms of the contract describe the limitations of the insured events. Specific exclusions are often written into the contract to limit the liability of the insurer, for example, claims relating to suicide, fraud, war, riot and civil commotion.

Home Loans or Bonds

Home Loan (Mortgage Bond)

A home loan is money that is lent to you by the bank if you want to buy property. The size of the loan depends on the value of the property and the earnings of the buyer. The loan is usually up to 80% of the value of the property, as valued by a bank evaluator. The amount the purchaser has to pay back every month may not be more than 30% of his or her salary, or the combined salaries of both people if 2 people are interested in buying the house together. The monthly repayments depend on the size of the loan, the number of years over which interest is to be repaid and the current rate of interest.

Usually, the interest rate on a home loan is less than the interest rate charged on a personal loan or vehicle finance. This is because property is seen as an asset which "appreciates" in value over time (its value increases with time). This reduces the risk to the bank since, if you do not repay your home loan, they will merely "foreclose" on you, and take back the house. This means that if you do not pay your monthly home loan repayment instalments, the bank will cancel your loan, and take ownership of the house.

Remember, the house actually belongs to the bank until you have repaid the full amount of the loan. So, if you do not repay your loan consistently, the bank will merely cancel your loan, take ownership of the house, and resell it to recoup their costs.

Home loans are usually taken out over a period of 20 years. However, if you repay a little more than the required minimum instalment every month, you can repay your home loan much quicker, save a lot of money in doing so (because you are paying less interest), and be the proud owner of your property much faster than 20 years.

Property includes land, commercial buildings or residential property. Financial institutions may also provide home loans to construct buildings or residential developments.

A home loan (or bond) is a contract between the buyer and the financial institution which must be registered at a Deeds office. Once the bond has been paid off, the ownership of the property is transferred to the owner who then receives a Trust Deed as proof that he / she is the registered owner of the property. This allows anyone to find out who owns any property in the country.

practical

Complete the following formative assessment:

F7468.1 – Team Discussion and Conclusion

Chapter 8
Simple and Compound Interest

Difference between Simple and Compound Interest

When you borrow money from a bank, you pay interest. Interest is really a fee charged for borrowing the money, it is a percentage charged on the principle amount for a period of a year - usually.

Just as you pay the bank for their service to lend you the money, so too you can earn interest from the bank if you keep a certain minimum amount in your bank account at all times. This is usually the case for savings accounts and credit cards, but not for cheque accounts. Usually, the more money you have in the account, the higher interest rate you earn.

+ Interest earned is the reward for saving money.	− Interest paid is the cost of borrowing money.

If you want to know how much interest you will earn on your investment or if you want to know how much you will pay above the cost of the principal amount on a loan or mortgage, you will need to understand how simple and compound interest works.

For example, you want to buy a used vehicle for your business. The dealer tells you that the selling price for this vehicle is R 124,000-00. You need the vehicle urgently because you are receiving many big orders and they need to be delivered! However, you only have R 10,000-00 in savings. You decide to go to the bank for a loan of R 114,000-00. You negotiate a loan with monthly repayments of R 3,000-00 for 5 years. The bank loans you the money and you are able to purchase the vehicle.

Simple Interest

Simple interest is interest paid on the original principal only. When someone lends money to someone else, the borrower usually pays a fee to the lender. This fee is called "interest". "Simple" interest or "flat rate" interest. The amount of simple interest paid each year is a fixed percentage of the amount borrowed or lent at the start.

For example: If you saved R 200-00 per month in a savings account that provided an annual interest rate of 5%, you could earn interest on your savings in the following manner.

Month	Money deposited	Interest earned
January	R 200-00	R 0-83
February	R 200-00	R 0-83
March	R 200-00	R 0-83
April	R 200-00	R 0-83
May	R 200-00	R 0-83
June	R 200-00	R 0-83
July	R 200-00	R 0-83
August	R 200-00	R 0-83
September	R 200-00	R 0-83
October	R 200-00	R 0-83
November	R 200-00	R 0-83
December	R 200-00	R 0-83
Year	R 2,400-00	R 9-96

From the example above it seems as if this person would have a total of R 2,409-96 in his savings account at the end of the year. That would happen if he earned approximately 83c of interest per month for every R 200-00 saved. However, this is not actually the case because the person will not only earn interest on the amount that he / she deposited this month, but also every month before that. This phenomenon is known as compound interest and is the main reason why it makes sense to save money in an interest earning bank account for an extended period of time.

information

Simple interest formula and calculations

For example, R 4,000-00 is deposited into a bank account and the annual interest rate is 8%. How much is the interest after 4 years?

Use the following simple interest formula:

$$\mathbf{I = p \times r \times t}$$

Where **p** is the principal or money deposited; **r** is the rate of interest; and **t** is time

we get:

I = p× r × t

I = R 4,000-00 × 8% × 4

I = R 4,000-00 × 0.08 × 4

I = R 1,280-00

example

Simple interest

A student purchases a computer by obtaining a simple interest loan. The computer costs R 1,500-00, and the interest rate on the loan is 12%. If the loan is to be paid back in weekly instalments over 2 years, calculate:

1. The amount of interest paid over the 2 years
2. The total amount to be paid back
3. The weekly payment amount

Given:

principal: 'P' = R 1,500-00, interest rate: 'R' = 12% = 0.12, repayment time: 'T' = 2 years

***Part 1**: Find the amount of interest paid.*

Interest: 'I' = PRT

= R 1,500-00 × 0.12 × 2

= R 360-00

***Part 2**: Find the total amount to be paid back.*

Total repayments = principal + interest

= R 1,500-00 + R 360-00

= R 1,860-00

***Part 3**: Calculate the weekly payment amount.*

Weekly payment amount = Total repayments divided by (/) Loan period, T (in weeks)

= R 1,860-00 / (2 × 52)

= R 17-88 per week

Compound Interest

Compound interest is calculated in each period on the original principal and all interest accumulated during past periods. Although the interest may be stated as a yearly rate, the compounding periods can be yearly, semi-annually, quarterly, or even continuously.

You can think of compound interest as a series of back-to-back simple interest contracts. The interest earned in each period is added to the principal of the previous period to become the principal for the next period.

Compound interest is paid on the original principal and on the accumulated past interest.

Let us use the same example as provided above and see what will happen in reality:

Month	Money deposited	Total in bank	Interest earned
January	R 200-00	***R 200-00***	***R 0-83***
February	***R 200-00***	R 400-83	R 1-67
March	R 200-00	R 602-50	R 2-51
April	R 200-00	R 805-01	R 3-35
May	R 200-00	R 1,008-37	R 4-20
June	R 200-00	R 1,212-57	R 5-05
July	R 200-00	R 1,417-62	R 5-91
August	R 200-00	R 1,623-53	R 6-76
September	R 200-00	R 1,830-29	R 7-63
October	R 200-00	R 2,037-92	R 8-49
November	R 200-00	R 2,246-41	R 9-36
December	R 200-00	R 2,455-77	R 10-23
Year	R 2,400-00	R 2,455-77	R 66-00

Can you see that the three shaded blocks add up to R 400-83? This is the amount that was deposited in January, plus the interest earned in that month, 83c, plus the amount deposited in February. Thus, when the bank has to work out the amount of interest you will earn on your savings in February they will use the figure R 400-83 and not only the R 200-00 that you deposited that month.

What is happening is that you are earning interest on your interest!

information

Compound interest formula:

P is the principal (the initial amount you borrow or deposit).

R is the annual rate of interest (percentage).

N is the number of years the amount is deposited or borrowed for.

A is the amount of money accumulated after n years, including interest.

When the interest is compounded once a year:

$\mathbf{A = P\ (1 + r)\ n}$

However, if you borrow for 5 years the formula will look like:

$\mathbf{A = P\ (1 + r)}^{5}$

This formula applies to both money invested and money borrowed.

Frequent Compounding of Interest:

What if interest is paid more frequently?

Here are a few examples of the formula:

Annually = $\mathbf{P} \times (1 + r)$ = (annual compounding)

Quarterly = $\mathbf{P}\ (1 + r/4)^4$ = (quarterly compounding)

Monthly = $\mathbf{P}\ (1 + r/12)^{12}$ = (monthly compounding)

Whenever you want to borrow money from a bank, you have to pay interest at a certain percentage rate. The main difference between compound and simple interest is the fact that the simple interest is paid only on the principal, while the compound interest is paid on both the principal and the accumulated interest.

Calculating Interest on Loans

There will be several situations in life where it may be necessary to seek a loan from a financial lending institution. Such situations may include:

- You want to get married (and you would like to pay lobola and the costs of the wedding yourself)
- The death of a family member (you need to pay for the funeral)
- Buying a car
- Starting a small business
- Buying a house.

Banks offer various different types of loans which differ depending on your circumstances, the purpose for which the loan is sought, your financial history with the bank, your credit record and your ability to repay the loan.

Personal loans, home loans (mortgage bonds), and car finance (hire purchase) are some of the standard types of loans that are available.

Whenever you apply for a loan be sure to ask the following questions:

- Ask about the interest rate that will be charged and how it is calculated. Ask the consultant whether she can demonstrate these calculations over the life of the loan.
- Ask what methods you can use to reduce the final amount that will be paid back to the bank (Important: Ask whether you are allowed to pay back the loan faster than the planned length of time!!).
- Ask if there must be a minimum payment per month (What is this amount, and for how many months?).
- Ask what the penalties are if a payment is skipped.
- Ask what bank charges are involved in the loan product (these are sometimes different to the interest charged).
- Ask what information the bank needs from you to be able to obtain the loan (ID, bank statement, proof of income – salary slip, collateral – security).

example

Example of a personal loan

Amount of loan	Monthly repayments over 12 months	Monthly repayments over 24 months	Monthly repayments over 36 months
R 1,000-00	R 102-65	R 54-96	R 39-32
R 1,500-00	R 153-78	R 82-56	R 60-65
R 2,000-00	R 205-23	R 115-55	R 80-58
R 2,500-00	R 260-34	R 140-00	R 100-76

- This means that if you borrow R 1,000-00 and agree to pay it back over 12 months, you will have to pay R 102-65 per month, R 54-96 over 24 months or R 39-32 over 36 months.
- If you borrow R 1,500-00 and agree to pay it over the 12 months, you will have to pay R 153-78, R 82-56 over 24 months or R 60-65 over 36 months.
- If you borrow R 2,000-00 and agree to pay it over the 12 months, you will have to pay R 205-23, R 115-55 over 24 months or R 80-58 over 36 months.
- If you borrow R 2,500-00 and agree to pay it over the 12 months, you will have to pay R 260-34, R 140-00 over 24 months and R 100-76 over 36 months.

Do you see that it is cheaper to pay off the loan in the shortest time possible? If you choose to repay the loan over a long period of time, your payments per month may be less (i.e. more affordable), but you will pay so much more money!!

practical

Complete the following formative assessment:

F7468.2 – Team Research Questionnaire and Calculations

Chapter 9
Aspects of Cost and Revenue

Measuring and Comparing Costs, Revenue and Profit

Cost, revenue and profit are the three most important factors in determining the success of your business. A business can have high revenue, but if the costs are higher, it will show no profit and is destined to go out of business when available capital runs out. Managing costs and revenue to maximise profit is key for any entrepreneur.

definition

Revenue

Revenue is the same as total income for a business and measures all money taken in through sales of goods and services.

Cost

Cost measures the total expenditures made by the business to run the operation: both the "direct" costs involved in creating the goods or services, as well as the "indirect" costs that stem from running a business, such as rent, salaries and legal or professional fees.

Profit

Profit is the total revenue minus the total cost; this is the money made by the business and is the key indicator of success.

The revenue of a firm constitutes the receipts of money from the sale of goods and services over a given time period. Some textbooks also refer to the revenue of a firm as its ***turnover***.

Many people confuse revenue with profit. It is easy to mistakenly talk about revenue as the amount of money that the business "makes". The amount of money that a business "makes" is the profit; it is the amount of money left after costs are taken away from revenue.

information

Citrus perspectives on costs, revenues, profit and the value chain

Just like every other businessman, a citrus grower runs his business in order to make a profit. How do you make a profit from farming with citrus? With very few exceptions, citrus farming is profitable only when the majority of the fruit produced on the farm is sold on the overseas market, where you can sell citrus for more money than on the local market.

When we look at the value chain for South African citrus, we look at the chain of events that must take place to bring our citrus to the market overseas.

The **value** of a thing is not set by the cost of producing it – it is set in the mind of the person who holds the money, and if that person does not think it is worth spending money on, the product has very little value.

Typical percentage cost contributors in the value chain:

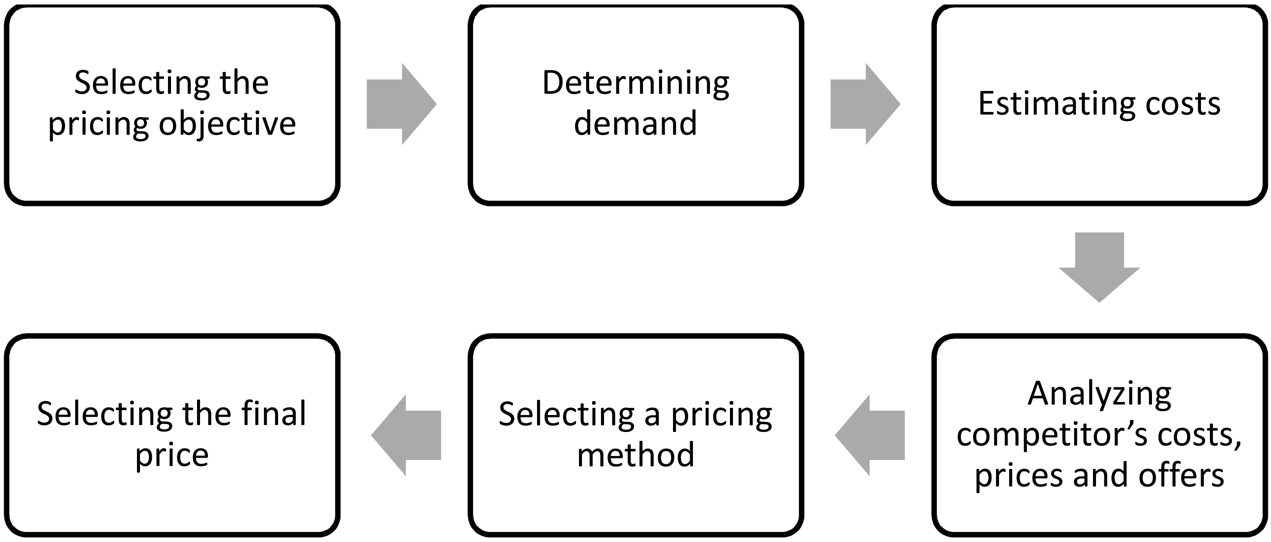
1&2 – Production and Picking	11.5%
3 – Packing	13%
4 – Transport	1.5%
5 – Harbour Handling	3.5%
6 – Shipping	18.5%
7 – Receiving and Transport	13%
8 – Sales	30%
Other Costs	9%
Total	**100%**

Deciding Price

Business is about providing a service or a product to a market that needs it (or wants it), thus generating revenue from such products and services. This is achieved by combining inputs and resources in order to produce these goods or supply these services to a client who needs and wants them.

Entrepreneurs venture into business for several reasons which include amongst others, the desire to be your own boss and to make money. To achieve these objectives, a business must be able to pay its overheads (indirect costs) and make profit.

When designing pricing strategies the following 6 steps can be followed:



The big question is now: how much does the consumer pay for the fruit?

If the consumer looks at the product and thinks that it is good value for money, he or she will pay enough to cover all the costs that we have listed above, and there will be a little left for the grower to make a profit.

The value is, therefore, more than the costs of producing, packing and shipping the fruit. This is of course mostly the case – there are enough growers in South Africa that are able to make a decent living from producing citrus to prove that it can be a profitable business.

Impact of the Value Chain

But a chain is something that can be broken, and breaking the value chain is to lose all the value of our product.

Let us look at this chain of events again, and consider everything that can go wrong and that can mean that the consumer will not see enough value in the fruit to be willing to pay enough money for it, to cover our costs and put some money in the pocket of the grower.

Link 1 – Production

Let us say that when the fruit was on the trees, somebody did not pay attention to the irrigation of the trees while the fruit was growing, and the fruit turned out to be very small.

If this fruit is even exported – which in many cases it will not be because it will simply not meet the requirements – the consumer will not be willing to pay good money for the fruit, because it does not meet his / her expectations. The fruit will have to be discounted, or sold on the local market for a lot less money.

The value chain was weakened, value was lost.

Link 2 - Picking

As a next example, let us say that while fruit was being picked, a fruit fell on the ground and the worker picked it up and put it with the other export fruit because he was never told not to do this. Nobody could see that this fruit was infected and it went through the packhouse and was packed with other fruit into a carton.

But when the fruit arrives in the overseas market, the entire carton is infected with sour rot. This fruit cannot be sold to the consumer and will be destroyed. The grower will still have to pay for all the costs of producing, packing, transporting and shipping the fruit, but he will get no money for it.

The value chain was broken by one picker that was not trained properly, and value was lost.

Link 3 - Packing

Let us now look at the packhouse. Let us say that the concentration of fungicides in the hot water fungicide bath was not monitored regularly, and the fruit was not treated well enough to kill all the fungal spores that it brought in from the orchard.

Nobody can see that there is a problem at the packhouse, and the fruit is packed and shipped.

It arrives in the market overseas, and some of the fruit is covered in mould. The importer takes the time to sort the fruit again, to find those that can still be sold, adding even more cost for the grower. The grower will now only get some of the money for the shipment, and may or may not be able to cover his costs.

The value chain was compromised, value was lost.

Another example from the packhouse is the person stacking the pallets not paying attention, and thinking that it is not really important to use the right stacking pattern – as long as the cartons stand in stacks on the pallets, he cannot see why he should do the extra work to put them in a pattern. This pallet is now loaded on a truck and transported to the harbour.

Because the stacks on the pallet are unstable, the cartons start shifting, and by the time the pallet is picked up to be loaded onto the ship, it is so unstable that the stacks simply topple over.

The fruit and the cartons end up smashed to pieces on the quayside. The harbour is not willing to take responsibility for this, and the packhouse carries the cost for that pallet.

The value chain was broken by a pallet stacker that did not understand the importance of his job, value was lost.

Link 4 - Harbour Handling

We have already said that maintaining the cold chain goes hand in hand with maintaining the value chain. Let us look at an example here.

At the pre-cooling facilities at the harbour, the inspectors are on their way, and the forklift driver takes your fruit out of the cold room and put it outside, ready for inspection. But the inspector is delayed and arrives three hours late.

By now, your fruit has been standing outside on a sunny winter's day in Durban for five hours. The fruit has warmed up and started to respire faster.

The inspector eventually arrives, approves the consignment, and the fruit is returned to the cold room. But now, because the cold chain has been broken, the fruit starts to decay very quickly, because that is what happens when the temperature is not kept stable. By the time the fruit arrives in the market overseas, decay has set in good and proper, and the whole lot has to be destroyed.

Breaking the cold chain is the surest way to break the value chain.

Cost Calculation Terminology

definition

Marginal cost

Marginal cost is the cost of the next unit or one additional unit of volume or output.

To understand the concept of marginal cost one should first calculate average unit costs. Do this by dividing the total cost by the total number of units produced.

So let us assume that the total cost of producing 10,000 units (e.g. cartons of oranges) is R 50,000-00 The average cost is thus R 5-00 per unit (e.g. carton).

But if your production is very efficient, you might be able to you produce a total of 10,001 units (e.g. cartons of oranges). When calculating the total cost this time you find that it is now R 50,002-00. That would mean the marginal cost—the cost of producing the next unit—was only R 2-00.

The reason that the marginal cost was R 2-00 instead of the previous average cost of R 5-00 is that some costs did not increase when the additional unit was produced. For example, fixed costs such as salaries, depreciation and property taxes generally do not increase when one additional unit is being produced.

Fixed cost

A cost that does not vary depending on production or sales levels, such as rent, property tax, insurance, or interest expense. It stays the same.

Variable cost

A cost of labour, material or overhead that changes according to the change in the volume of production units. Combined with fixed costs, variable costs make up the total cost of production.

Expenditure

Expenses are those things which need to be paid for in a household or business.

The break-even point

(BEP) is the point at which cost or expenses and revenue are equal: there is no net loss or gain, and one has "broken even". Therefore one has not made a profit or a loss.

information

Mathematical calculations for total, marginal and average revenues

Total revenue (TR). This is the total receipts of money received by a firm from the sale of its goods or services in a given time period. It can be calculated by multiplying the quantity sold, by the price at which the goods were sold, or TR = P × Q.

Average revenue (AR). This is the amount of money received, on average, for each item sold. If you think about it, this is effectively the price.

$$AR = \frac{\text{Total Revenue}}{\text{Output}} = \frac{TR}{Q}$$

We know that TR = P × Q, so we can substitute this into the equation above:

$$AR = \frac{TR}{Q} = \frac{P \times Q}{Q} = P \text{ (cancelling out the Q's)}$$

Marginal revenue (MR). Marginal cost is the cost of producing one more unit of output. Marginal revenue is the revenue received from **selling** one more unit of output. It is the extra revenue **at the margin** (i.e. by selling the **marginal** unit of output).

Profit Calculation Terminology

definition

Net profit before tax

The sales of the firm less cost such as wages, rent, fuel, raw materials, interest on loans and depreciation.

Gross profit

Profit before selling, general and administrative costs, like depreciation and interest; it is the sales less direct cost of goods (or services).

Net profit after tax

After the deduction of either corporate tax (for a company) or income tax (for an individual).

Operating profit

A measure of a company's earning power from ongoing operations, equal to earnings before the deduction of interest payments and income taxes.

Some entrepreneurs get very excited when they see that they have made a profit at the end of the year. However, you must remember that you will pay tax on that profit to the Receiver of Revenue (SARS). Only once you have paid your taxes can you say that the money left over at the end of the financial year is **NET PROFIT AFTER TAX.**

Controlling Costs and Optimising Profits

The following are some suggested ways of cash management:

- Close out dormant accounts or consolidate accounts with little activity. This will eliminate unnecessary bank charges and is a good internal control practice to avoid any improper use of a bank account.
- Negotiate the best possible conditions with banks, in terms of charges and fees, interest paid on checking accounts, charges for overdrafts, and interest on lines of credit.
- Work with bank accounts online, to closely monitor transactions and balances.
- Reconcile bank accounts regularly and follow up on any discrepancies.
- Optimise payments to vendors by utilising credit terms and scheduling payments for the due date (30 days from invoice date, for instance).
- Take advantage of prompt payment discounts (2% for payment within 10 days, for instance).

practical

Complete the following formative assessment:

F7468.3 – Team Research Questionnaire

Chapter 10
Mathematics and the Economy

The National and Global Economy

Different countries use different **currencies**. The values of these currencies differ in relation to each other. This is called the "**exchange rate**".

Inflation

Inflation is defined as an increase in the amount of money and credit in relation to the supply of goods and services. Often, inflation is defined by the effect that it has on the economy. When people notice that gas, food, and lodging is getting more expensive, they often label that phenomenon as inflation. Rising prices, however, are really just the result of inflation.

Fuel Price

As soon as the international demand for fuel increases, the price of fuel increases (the normal effects of supply and demand). The international price of fuel affects everything we do because South Africa does not have its own natural petroleum reserves. If the price of fuel increases the price of almost every other product and service in the country goes up which directly influences both individuals and businesses.

Fuel prices are affected by:

- Price of crude oil **–** if the price of crude oil goes up the price of petrol increases.
- Increase in international energy demand – If there is an increase in the demand for energy in the world, then the price of fuel increases.
- Taxation **–** Taxes takes up a significant component of the price in a litre of fuel, but it varies from product to product, and country to country. Tax rates can be as high as almost half the cost of fuel in some countries.
- Uncertainty **–** No one can say with certainty what will happen in the future with crude oil (will it run out?). This uncertainty causes prices to fluctuate, which causes the whole industry to be unstable.

Debating Points

Nationally and internationally financial issues and the economy form the basis of lively debates. Debates are the methods used by politicians and economists to sort out the world of international finance, foreign debt and international loans. Events such as the G8 Summit, the World Economic Forum meetings and others are international events which always create a lot of excitement especially amongst the anti-globalisation establishment and developing country representatives.

Nationally also, our parliament debates a myriad of issues that affect our everyday lives.

Employment debates: How many people are employed and how many are not employed? What is the correct definition of employment? In South Africa, this is one of the hottest topics debated because of the high numbers of unemployed people in our country. Both business and government are working on programmes to ensure that more people are employed and employable.

Financial policy debates: Every year, the Minister of Finance delivers his Budget Speech. The country, individuals and businesses alike, listen with bated breath to this speech every year. This is because it affects everything that we do. How much tax will we pay? How much interest will we pay? What is the inflation rate and how will it be managed? On what products and services will the government spend their tax collections on? Will health care improve? Will more emphasis be given to education? Will the police force get more budget to sort out our crime problem?

All these issues affect us daily. Get to know the facts of what our government is doing with our money.

practical

Complete the following formative assessment:

F7468.4 - Debate and Key Notes

Section 3: Self-Assessment and Progress Check

How to use simple and compound interest to make sense of and define a variety of situations, such as: ❖ Mortgage Loans ❖ Hire Purchase ❖ Present Values ❖ Annuities ❖ Sinking Funds	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
The differences between simple and compound interest are described in terms of their common applications and effects.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Know the correct methods of calculation to determine simple and compound interest.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Use computational tools such as calculators, computers and spreadsheet software efficiently and correctly to obtain solutions and verify these solutions in the context of the problem presented.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Able to generate solutions to calculations effectively to define the changes over a period of time.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
How to investigate various aspects of costs and revenue. Referring to the concepts of: ❖ Marginal Costs ❖ Marginal Revenue ❖ Optimisation of Profit	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Know how to ensure that values are calculated correctly.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Know which mathematical tools and systems to use to determine and describe the relationships between the various aspects of cost and revenue.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Understand the terminology that is used in supporting statements around revenue and costs.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment

Able to describe reasonable methods for the control of costs and optimisation of profits in relation to given data.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Know how to use mathematics to debate aspects of the national and global economy referring to: ❖ Exchange Rates ❖ Imports ❖ Exports ❖ Comparative effectiveness of currency in relation to remuneration ❖ Monetary Policy ❖ Control of Inflation	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Know how to ensure that values are calculated correctly.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Know which mathematical tools and systems to use to determine, compare and describe aspects of the national and global economy.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Understand how to ensure that debating points are based on well-reasoned arguments and are supported by mathematical information.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Understand the concept of budgets.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Know terminology and definitions associated with financial situations.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Explain the difference between estimation and approximation.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Explain compound increase and decrease with examples.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Have practised and am mindful of how the critical outcomes of Identification, Collection and Communication has been integrated into the learning and activities of this module.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment

Section 2 References

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Creativity techniques: www.mindtools.com/pages/article/newCT_00.htm

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3. Balance sheet: http://www.standardbank.co.za/
4. Government Bonds: http://en.wikipedia.org/wiki/Government_bond
5. Insurance: http://en.wikipedia.org/wiki/Insurance
6. Futures: http://en.wikipedia.org/wiki/Futures_contract
7. Life Assurance: http://en.wikipedia.org/wiki/Life_insurance
8. Stock Exchange: http://en.wikipedia.org/wiki/Stock_exchange
9. Fungibility: http://en.wikipedia.org/wiki/Fungibility
10. Securities: http://en.wikipedia.org/wiki/Security_(finance)