

Module 9 Entrepreneurship

Unit 9.4 Dimensions of an Enterprise

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Introduction

About this unit

Welcome to the fourth unit in the series of units on Entrepreneurship. In this unit you will focus on the Dimensions of an Enterprise

The unit consists of four (4) sections:

- *Section 1* discusses various types of enterprises
- *Section Two* outlines the procedures and legal requirements for establishing the various legal forms of enterprise
- *Section Three* examines the considerations for identifying and selecting business opportunities
- *Section Four* discusses some support systems available to small businesses in the Caribbean

The unit begins by outlining the various types of enterprises including the legal forms of business. It then discusses some legal requirements for registering the various forms of business as well as other issues and considerations for launching one's own business. Finally, the unit examines support systems available by discussing some government and non-government initiatives within the Caribbean.

How to use this manual

In addition to the information on the dimensions of an enterprise, the unit includes some activities and exercises, as well as two assignments.

The activities will not be considered as a part of your final assessment. Their purpose is to help you to check your progress as you go through the unit.

Answers to these activities are provided at the end of each section, so that you can check your work at the end of each activity.

An assignment appears at the end of each section. These are to be completed and submitted to your tutor.

Please note: Your assessment for these assignments will determine if you have achieved the required competency for this unit.

How you will be assessed

You will be assessed on two assignments that will be weighted as follows:

Assignment 1 50%

Assignment 2 50%

Please note: Each assignment is to be completed and submitted to your tutor.

The assignments will require research on your part, and will be presented as written reports. Contact your tutor regarding the time allowed for completing and submitting these assignments.

Finding your way

As you work through the unit, you will see symbols ('icons') in the left margin of some pages. These 'icons' will guide you through the text.



Read



Important- take note!



Activity



Assessment task



Competency

The competency for each unit is expressed as a number of ***learning outcomes and assessment criteria***.

Assessment criteria specify what you must be able to do to show you have gained the knowledge and skills needed to achieve each learning outcome.

Each unit has its own assessment criteria specified. Recognition of prior learning is encouraged. If you feel confident that you have the necessary level of competence to successfully complete the elements shown below, you may be able to take the assessment without studying the unit.

Learning outcomes

On completion of this unit you will be able to:

- Discuss the legal forms of enterprise
- Explain the legal formalities involved in starting an enterprise at national level
- Discuss the significance of good public relations in the development of the social dimensions of an enterprise
- Identify business opportunities at national and regional levels
- Identify support systems available to entrepreneurs
- Discuss criteria for selecting business opportunities

Assessment criteria

- List six (6) types of legal enterprises and describe the main characteristics of each
- Describe briefly, and in accordance with given information, the procedures to set up a small business
- State from the perspective of the related public relations activities of the entrepreneurs, described in two given case studies why the one business venture would be more likely to succeed than the other
- Nominate one (1) national and one (1) regional business opportunity and explain the potential of each
- Identify four (4) local and/or national support systems available to persons starting small business ventures

- State the name, address, phone number and fax number of each identified national support system
- State the set of criteria to be considered by persons contemplating the establishment of a small business

Other resources you may find useful

You will be required to explore other learning resources to augment the material in this module. Other important sources of information may be found in your local Library or resource centres of your local:

- Chamber of Commerce
- Small Businesses' Association (SBA)
- Industrial Development Corporation (IDC)
- Manufacturers' Association
- Exporters' Association
- National Development Foundation (NDF)

Section 1



Types of enterprises

In the previous units we focused on the nature of entrepreneurship and examined some of the characteristics, skills and attitudes that are important to success in entrepreneurial endeavours.

In this unit, we will focus on the enterprise itself and examine some important considerations for selecting business ventures. You will also explore some of the support systems available to entrepreneurs in the Caribbean region.

Choosing the right business

In the process of deciding to establish a venture, the entrepreneur also considers the type of business to be launched. Chances are, the type of venture selected will fall into one of the following major categories:

- manufacturing
- wholesaling and retailing
- service
- agriculture

Of the four categories, retailing tends to be most favoured by new entrepreneurs, particularly in recent years. Among the many reasons for this trend is the fact that it is relatively easy to enter, as well as the perception held by many that there are high returns on this area of business. However, it is noteworthy that the service business has emerged as a fast area of growth in several Caribbean economies. Manufacturing has also flourished where appropriate conditions exist and where government support is adequate.

Manufacturing

The manufacturing sector includes all companies or individuals involved in producing or making goods. Production can either be carried out manually, as in the production of certain craft items, or mechanically, as in the production of cement. However, many manufacturing processes are carried out through a combination of manual and mechanical efforts.

Among the manufacturing activities most common in the Caribbean are:

- garment manufacturing
- printing establishments
- bakeries
- furniture manufacturing and wood craft
- clay and leather products
- chemical products
- beverages
- concrete blocks and bricks

One of the challenges facing the manufacturing sector in some Caribbean economies is the high cost of production relative to the production cost of similar goods or substitutes which are produced in other economies abroad. This higher production cost leads to higher prices. For example, a company wishing to obtain letterheads or an individual wishing to acquire business cards may have to pay twice as much to get it done locally as opposed to it being printed in North America. This situation is particularly challenging to manufacturing enterprises that find themselves competing with cheaper imported goods. The apparel sector throughout the Caribbean is one example.

The higher cost of production is attributable to several factors including labour costs, and, more significantly, the fact that certain manufacturing activities rely on imports for as much as 70% of their inputs or raw material. Apart from the fact that foreign currency, often purchased at high exchange rates, has to be utilised in these purchases, the situation is worsened by the fact that these manufacturers have to pay duties on these imported goods.

In addition to the high cost of production, many Caribbean manufacturers are unable to invest in the type of equipment that would enable them to achieve the level of productivity and quality that would make them competitive with their foreign counterparts.

When governments have provided strong incentives in the form of duty concessions on importation of raw materials and special loan facilities for retooling, manufacturing enterprises have been able to grow and compete. The growth and competitiveness of the manufacturing sector in Trinidad & Tobago in the latter part of the 90's is an example of the impact of government incentives. In the areas of soft drinks, chemicals, food, small appliances and other consumer items, Trinidad & Tobago's

manufacturing sector has been able to compete effectively with its counterparts in other parts of the Caribbean as well as Latin America.

Conversely, the local shoe-manufacturing sector in Jamaica declined significantly, largely because of its inability to compete with foreign imports. On the other hand, Jamaica's apparel sector has survived because of some assistance from the government and creativity on the part of the entrepreneurs involved.

In other examples from the Caribbean, the shoe manufacturing sector in Guyana and the craft industry in Haiti have also enjoyed good results.

An important factor to consider with respect to manufacturing, is that more often than not, new manufacturing enterprises require heavy initial investment in the form of equipment and tools, as well as specialised skills and a reasonable supply of raw materials. Depending on the product and who the customers are, there could be considerable time lag between start-up, production, and the time when the goods are finally sold on the market. During this time lag, the entrepreneur needs to ensure there are enough funds to cover the daily expenses of the business. Failure on the part of the entrepreneur to have these funds in place has often created serious setbacks for the enterprise or has resulted in the failure of the business.

Despite the many challenges facing manufacturing operations, the returns on investment could be quite high. Economists and governments in the Caribbean have also recognised that manufacturing activities, along with agriculture, represent the productive base on which real economic growth can be achieved.



Activity 1

Check your progress

In approximately 200 words, describe the main features of manufacturing businesses.

List six (6) manufacturing type businesses in your community or country.

See page 45 for suggested answers.



Wholesaling and Retailing

Wholesalers act as intermediaries between manufacturers and retailers or between manufacturers and consumers. Consumers can be described as the ultimate or end user of goods, while retailers are those who buy goods from manufacturers or wholesalers for resale to consumers.

Some common wholesale activities

- groceries and related products
- paper and paper products
- office supplies
- beauty salon supplies
- hardware and plumbing products
- chemicals
- concrete blocks
- petroleum and petroleum products
- apparel
- machinery and equipment

It is not uncommon to find businesses operating as both wholesale and retail entities. This has been an emerging trend among a number of supermarkets in the Caribbean. The advantage of the wholesale purchase vis`a vis` retail buying, is that the former involves purchasing in bulk and usually results in a reduction in price.

Important considerations for wholesale businesses

Wholesalers usually buy goods in large quantities from manufacturers, and then package them in small amounts to sell to retailers or to consumers. Entrepreneurs who enter the wholesale trade need to consider how the goods will be stored and how inventory will be carried out in order to ensure that there is always an adequate supply of goods in stock.

One pitfall to avoid is overstocking goods, as this could result in cash being tied up in goods that are not moving quickly. This could lead to funds not being available for other vital business expenses.

Important considerations for retail businesses

Some retailers operate from store premises. Some types of retailers do not depend on store premises for business transactions. These include street vendors and some home-based businesses. The latter usually maintain contact with their customers through the telephone or personal selling and often deliver the goods to the customers.

With regards to ***retail operations***, entrepreneurs who plan to operate from a fixed location need to ensure that:

- there is adequate space for fixtures and the display of goods
- the location is suitable in terms of its ability to attract customers

All retailers need to ensure that there is:

- adequate cash to purchase the necessary initial stock
- a reliable source from which goods can be obtained
- an efficient inventory or stocktaking system.

Some Common Retail Activities

- auto and home supplies
- cut flowers and plants
- furniture
- restaurants and fast food outlets
- shoes and garments
- toys and games
- stationery and office supplies
- variety stores
- book stores
- bakeries
- supermarkets
- computers and software
- gasoline service stations
- pharmacies
- plumbing and electrical supplies

With the advent of the computer and the Internet, retailing has taken on a very innovative approach. Through this computer-based system, retailers can now promote their goods on the Internet. This facility is

called e-commerce. Shoppers can place their orders and have goods delivered to specified addresses. Some large businesses in the Caribbean are already taking advantage of this facility e.g., B.W.I.A.

E-commerce is defined as the process of buying and selling or exchanging of products, services and information via computer networks, including the Internet.

The expanding awareness and increasing access to the Internet, enables many small businesses to utilise this innovative approach to marketing.



Activity 2 Check your progress

In a short paragraph, describe the features of wholesale and retail business activities

Outline three (3) important issues that an entrepreneur should consider when deciding to start a retail business.

See page 45 to check your answers and discuss with your tutor.



Service Businesses

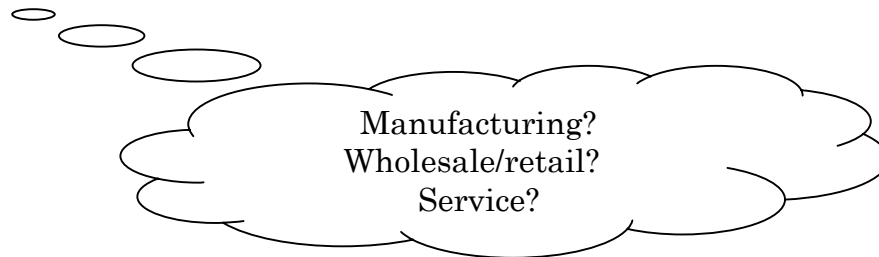
Service businesses focus on activities, satisfactions or benefits that are sold to customers. These activities, satisfactions or benefits can be sold alone, as in the case of an electrical repair service, or provided in connection with the sale of goods, as in the case of hotel accommodation.

Service businesses have become very popular in the Caribbean in recent years. Among the reasons for this increasing popularity is the fact that more professionals are entering businesses and many of them tend to gravitate toward service enterprises. There is also the fact that service enterprises do not usually require the high level of initial investment associated with manufacturing and to a lesser extent retail type businesses. In many instances, an entrepreneur is able to start a service business with business cards, promotion and very little equipment. Consequently, many small service businesses operate out of homes.

Some common service businesses

Category	Types
Business	Advertising, seminars, bookkeeping, consulting, cleaning and maintenance services.
Personal	Laundries and dry cleaning services, hairdressing and barbershops, dressmaking, photography.
Recreation	Video rentals, amusement parks, party services.
Repair	Motor vehicle repair, electrical, plumbing and small appliance repair services.
Hospitality Tourism	Hotels, entertainment and tours.

Making the choice



Ultimately, the choice will be influenced by a number of factors including the following:

- the amount of capital required to start the business, relative to how much is available to the entrepreneur
- the potential payoff (the return on the money invested)
- the size of the enterprise
- the state of the economy and the incentives available from the government
- the knowledge and skills of the entrepreneur
- the personal objectives of the entrepreneur
- the extent to which supplies are available



What legal form should the business take?

Regardless of the type of business chosen by the entrepreneur, it is likely to take on one of the following forms:

- sole proprietorship
- partnership
- corporation
- co-operative

Many business people operating small businesses in the Caribbean do not register their business prior to the start of the business activity. Many operate informally from home or other locations. A significant number of them become formalised out of necessity.

The following are among the significant reasons for becoming formalised:

- tax compliance requirements (e.g. the payment of the General Consumption Tax (GCT) in Jamaica and the Value Added Tax (VAT) in other parts of the Caribbean).
- facilitation of local and overseas trading (e.g. securing contracts from large businesses)
- accessing funds or technical assistance from formal institutions (e.g. lending institutions)
- the opening of bank accounts for the business

When they eventually become formalised (registered), many start out as sole proprietorships and then change to partnerships or corporations. However, each form has drawbacks as well as advantages. Deciding upon which form to take should be done after carefully weighing the pros and cons of each.

Sole proprietorship

This is a business entity that is legally owned by one person. The owner bears full responsibility for the business in terms of tax compliance and obligations to creditors. The business carries unlimited liability: the entrepreneur is fully liable for all debts and obligations undertaken by the business. For example, in the event of bankruptcy, the personal assets of the entrepreneur could be seized to help offset the debts of the business.

Advantages

- Sole proprietorship is the easiest form to establish. It requires less documentation and less processing.
- Set-up costs (e.g. registration fees) are relatively low, compared to the other forms. There are also savings in legal costs since no special contracts or agreements have to be drawn up, as in the case of partnerships and corporations.
- Freedom in terms of how the business is managed. These entrepreneurs can run the business as they see fit.
- All the profits are kept by the entrepreneur.
- There is tax savings. Tax payments are charged at the personal income tax rate and not the company rate that is usually higher. The income tax rate is applied because legally, the business and the entrepreneur are inseparable
- It is also easy to terminate the business. All the entrepreneur needs to do is to pay off the debts, sell the assets, if necessary, and close the doors of the business.

What are the drawbacks?

- The most significant drawback to the sole proprietorship is the problem of unlimited liability. Since legally the entrepreneur and the business are one, the entrepreneur absorbs all the liabilities of the business. In the event of the business failing, the entrepreneur could be left with a substantial personal debt.
- Where the business is managed/operated by the entrepreneur alone, it is limited by the skills and capabilities of the entrepreneur. This often occurs, as not many small businesspersons can afford to employ special expertise at the start of their business.
- Financial institutions might be reluctant to lend huge sums to individuals. Since the business and the entrepreneur are one, the amount of funds the business can obtain from lending institutions depends on the financial standings of the entrepreneur. The credit worthiness of the entrepreneur and the personal collateral securities that can be offered to the lending institution will therefore determine the amount received.
- If the entrepreneur becomes ill for an extended period, the business may have to close. This could lead to loss of revenue or even customers.
- Possible of lack of continuity when the business is terminated because of the death of the entrepreneur

Partnerships

Partnerships occur when two or more people contract or agree to share in the ownership of a business. There are two basic types of partnerships: **General** and **ordinary** partnerships

General partnerships

All partners share in the ownership as well as the management or operation of the business.

All are liable for any debts incurred by the business. This type of partnership carries unlimited liability, which means that all the partners can be held personally responsible for the debts of the business.

Limited partnerships

In this situation, all partners share in the ownership of the business, however; one or more of the partners is not involved in the management or operation of the business. These people enjoy limited liability because they cannot be held personally responsible for any debts incurred by the other partners in the business. The partners involved in the running of the business have unlimited liability and like sole proprietors, could have their personal assets seized to offset the debts of the business.

Among the factors that influence the choice of this form of business are:

- inability of one person to raise all the capital necessary for starting the business
- the expertise, talents, experience and social contacts of the partners are usually complementary and serve to enhance the success of the business

What are the advantages?

- Ease of formation

Like sole proprietorships, partnerships are relatively easy and inexpensive to establish.

- Access to more capital

The partners are able to pool their funds and may therefore find it easier to raise the capital required to start the business or to obtain loans.

- Broader management base

Since no one individual usually possesses all the expertise necessary for business success, the different skills and experiences that the partners bring to bear on the operation of the business enhance its chances of success. There is an even greater chance of success where the expertise of the partners is complementary - making up for each other's shortcomings.

For instance, Matthew and Latoya started an auto repair shop. Latoya is a trained instructor in auto mechanics but has no experience in managing a business. Matthew, on the other hand, has considerable experience in managing a business, as he has been involved in the management of a family business since he was 17 years old. Their combined skills have significantly enhanced the success of the business.

- Tax advantages

Like sole proprietorships, the earnings of the partners are taxed and since the income tax rate is lower than that of company tax, there is usually tax savings.

What are the drawbacks?

- Unlimited liability

As in the case of sole proprietorships, creditors' claims on the business could lead to loss of the partner's personal assets. This, however, does not apply to the limited partners in the business.

- Shared authority and responsibility

Unlike the sole proprietorship, the entrepreneur no longer has the freedom to run the entire business as he/she pleases. There can also be adjustment problems resulting in disagreements over important as well as trivial issues.



Activity 3 **Check your progress**

David and Mark started their furniture manufacturing business in 1995. All transactions were conducted on a cash basis only. However, they recently began to offer credit to their customers.

David feels that a 50% deposit should be secured on all jobs prior to the start, while Mark feels that a 25% deposit should be taken and that the goods should not be delivered until the final payment is made. David is also not an early riser and feels that there is no need for him to be at

work before 10:00 a.m. Mark feels that a number of customers make enquires before 10:00 a.m. and since David is the design expert, it is important for him to be present at that time.

The two partners cannot agree on these issues. They are frequently upset with each other and Mark frequently goes home in a bad mood. His wife has suggested that the partnership is not working and that he should seek to get it dissolved.

In Unit two (2), we discussed the nature of creativity, its role in enterprise management and how it can be enhanced.

Can you think of any creative way the conflict between Mark and David could be resolved?

See page 45 to check your answers and discuss with your tutor..



- Lack of continuity

Another drawback of the partnership is the inability to maintain the legal status beyond the life of the partners. Unless special arrangements are made in the partnership contract/agreement, the life of the partnership automatically ends whenever any of the partners die. The partnership could also be easily dissolved by the partners themselves. The ease with which a partnership could end could be negative from the perspective of investors who might be more inclined to invest in businesses of a more permanent nature.

- Capital limitation

While the partnership might not have as much difficulty as the sole proprietorship, in raising capital, it could also encounter problems acquiring large sums. This occurs, because among other things, some partnerships do not have the equity options of corporations, i.e. they cannot sell shares.

The Corporation

Another major legal form of business ownership is the corporation. This is a business having a legal identity of its own, but whose ownership is usually shared by more than one individual. A corporation can be either **private** or **public**. Government regulations place a restriction on the number of persons sharing ownership in a *private corporation*. This number sometimes varies, depending on the particular country. However, for most countries in the Caribbean, the

maximum is 20. There is no limit to the number of persons who may share ownership in a *public corporation*.

The act of establishing a corporation is referred to as ***incorporation***.

As a result of having its own legal identity, a corporation can acquire property, sell its assets, enter into contracts with other entities or individuals, make investments or engage in legal actions.

Why incorporate?

- **Limited Liability**

Given the fact that a corporation has its own entity separate from its shareholders, the owners of a corporation enjoy limited liability. This means that the liability of the owners is limited only to the amount they invest in the business. Under normal circumstances, the personal assets of the owners cannot be used to pay the debts of the business.

- **Access to capital**

Of the three legal forms discussed so far, the corporation is the only one whose legal status is not affected by the death of any of the owners. This is possible because corporations are recognised as legal entities, separate and apart from their owners (including founders and shareholders). This could lead to greater confidence of investors, bankers and other lending institutions that prefer to risk their money in ventures of a more permanent nature.

- **Transferability of shares**

Shareholders are free to sell their shares to other individuals. This transfer of shares does not affect the legal status of the company. The only difficulty is that small, unknown or bigger but poor-performing companies might not have willing buyers for their shares. Despite this, there is a definite attraction because owners do not have to be locked into the business forever. If an owner decides to embark on an entirely different business, retire or relocate, all that is required is to sell the shares and move on.

- **Autonomy in the establishment of other legal entities**

Corporations have the power to create other corporations (subsidiaries), joint ventures and trusts. For example, a company involved in the manufacturing of processed meat can establish a marketing company for the wholesaling of its products to retailers.

- Tax advantages and other incentives

Corporation tax (the company tax paid to government), is usually higher than the income tax rate paid by sole proprietorships and partnerships. However, there are instances where special tax benefits are granted to corporations. *For example, some Caribbean governments offer tax allowances to businesses operating in certain sectors, such as those manufacturing for export.*

Other incentives given by some governments include reduced interest on loans and the removal of duties on certain purchases. For instance, in some Caribbean countries, businesses involved in hospitality and tourism services are allowed to import certain equipment duty free.

What are the drawbacks of the corporation?

- Bureaucracy

It is usually more time consuming and more costly to establish a corporation. This occurs because of the usually cumbersome registration process as well as the fact that specific legal documents are required and these often require the services of a lawyer.

- Double taxation

The profits of the corporation are taxed because it is a distinct entity (separate from its owners). When these profits are distributed to the shareholders, (in the form of dividends) the amount is again taxed. In addition, if the managing director is a shareholder of the company, income tax is also charged on the salary received. This individual therefore pays taxes on the earning from the shares held in the company as well as the salary earned. This double taxation is not encountered in either the sole proprietorship or the partnership.

- Dispersed ownership

Ownership can, and often becomes dispersed through the sale of shares. There have been instances where the original owners (founders) of a corporation find themselves in the position of being minority shareholders in the very companies they have worked hard to develop. This, however, does not negate the fact that broad-based ownership and management can have distinct advantages for the business.

- **Operational Flexibility**

In registering a corporation, the specific activities that the company can undertake are set out in what is called a **charter**. The company is bound by its charter and cannot freely engage in other activities not specified in this charter. This restriction is negative in that a legal process has to be pursued in order to effect changes in the charter. This is usually time-consuming and often leads to business opportunities being lost.

It seems likely, however, that this problem could be eliminated as more countries adopt the new Company's Act, which allows companies to pursue activities not stated in its charter. Barbados is among the countries that have already adopted this Act.

Cooperatives

The co-operative form of business is primarily a group-controlled type of business. There are a number of co-operative-type businesses in the Caribbean, the best-known are the Credit Unions. There are also examples of agricultural Cooperatives. Some community-based groups establish Cooperatives for producing craft items and sewn products.

The Co-operative Societies Act gives the Registrar of Cooperatives a lot of power over this form of business. Registrars are allowed to suspend the operations of co-operative societies if they believe that these societies are not conforming to the regulations governing such societies. Cooperatives are, therefore, one of the most monitored forms of business.

What are the advantages of the co-operative?

- **Tax and duty concessions**

These are perhaps the strongest incentives for persons choosing this form of business. Cooperatives are usually exempted from government taxes and duties. This provides a significant advantage over the sole proprietorship, partnership and limited liability company.

- **Wide social and professional networking**

The group of individuals forming a co-operative usually bring together their various expertise and connections, therefore creating a network from which the organisation can benefit.

- Shared decision-making

Members share in decision-making by voting at annual general meetings on matters such as the election of board members and credit limits for members. Each member has only one vote on each issue, regardless of the amount of shares owned.

- Absence of control by individuals or groups

No member can own more than 20% of the shares and cannot exercise controlling interest in the co-operative. This prevents buy-outs and sell-outs, as is possible in the case of corporations.

- Ability to attract funds

Cooperatives are sometimes viewed favourably by institutions (Donors) that provide grants/aid. As a result, these donors are often more willing to provide assistance through social and economic development programmes. Properly managed cooperatives stand to benefit from such programmes.

What are the drawbacks?

- Cooperatives are difficult to organise and the registration process could be long and tedious. The Registrar requires a number of specific procedures to be followed over time, before consideration is given to registering the co-operative.

- Independence could be curtailed

A co-operative is concerned with shared responsibilities and resources. It is definitely not a one-man type operation. A high level of democracy is built into its operation. Although these factors are generally positive, they could be a hindrance to the highly independent entrepreneur. Entrepreneurs with a strong need to be independent might therefore wish to choose other business forms since this need could be suppressed in a co-operative situation.

- Restrictions on savings rate and dividends

As occurs in corporations, the members of a co-operative are often paid dividends on their shares. There is, a limit to the rate at which dividends can be paid. For credit unions, there is a limit to the interest rate paid on member savings. However, flexibility is sometimes allowed as members can vote for adjustments in these rates at their annual general meetings. Even then, the Co-operative Societies Act also restricts the levels to which these rates can be raised.

Remember:

All businesses, regardless of the type or legal form, will have advantages as well as drawbacks. Given the drawbacks, the entrepreneur needs to have a practical outlook and be prepared for the possibility of failure. However, this possibility should not prevent the business from growing. It is in the interest of the entrepreneur to weigh the pros and cons and decide which form will best serve the purposes for which the business will be established.

Finally, in all businesses but especially in the case of sole proprietorship and partnerships, the entrepreneur needs to train at least one other person to operate the business in the event of illness or death.

**Summary**

In the previous units you explored the skills, attitudes and characteristics that entrepreneurs need to succeed in business. Having decided that one has what it takes to succeed in this arena, the next logical step is to decide on the type of business.

In this section we discussed four major types of businesses. These are manufacturing, services, wholesaling and retailing. Of course businesses could be placed in other categories such as agriculture, construction and mining.

Manufacturing

Manufacturing type businesses are involved in making or producing raw materials or finished goods. These businesses usually require a greater amount of capital because of the equipment and tools that are usually involved. Depending on what is being manufactured, the customers can be wholesalers, retailers or the consumers.

Wholesale/Retail

People operating wholesaling and retail type businesses could be viewed as intermediaries in that they obtain goods from manufacturers and make these available to consumers. Wholesalers obtain their goods directly from the manufacturers, while retailers get their supplies either from the wholesalers or directly from the manufacturers. Both wholesalers and retailers purchase their goods in bulk and therefore obtain them at reduced cost.

Entrepreneurs wishing to operate successful wholesale businesses must consider storage space, since goods are purchased in bulk. These businesses also require a large amount of capital to purchase supplies/stock. They also rely heavily on personal selling. An effective strategy employed by small businesses with regards to personal selling is the employment of sales people on a commission basis. For small retail store operations, a good location, adequate space and display facilities as well as an adequate stock of goods for sale are all-important considerations.

Service Industry

Service businesses are involved in supplying benefits or satisfaction to their customers. These benefits either stand-alone or are supplied in conjunction with a product. Compared to manufacturing, wholesale, and retail type businesses, service enterprises do not usually require heavy capital investment in terms of equipment, tools and storage space. Instead, they rely heavily on knowledge, training, skill and talent. In the Caribbean, many successful service businesses had their beginnings at the homes of the entrepreneurs and many continue to be home-based even after experiencing growth.

Legal Forms of Business

Having decided what type of business to launch, an entrepreneur needs to decide what legal form the business will take. The major forms are sole proprietorship, partnership, corporation and co-operative.

Sole Proprietor

The sole proprietorship is owned by one person and the owner and the business are considered as one entity. Therefore, this form of business does not pay company tax, as the income of the owner is taxed. One advantage is that it allows for a high level of independence on the part of the entrepreneur, while a major drawback is that it carries unlimited liability.

Partnerships

Partnerships involve more than one owner, with limits being placed on the number of people sharing the ownership. This restriction will vary, but normally a minimum of two and a maximum of 20 are allowed. Like the sole proprietorship, a partnership is not a legal entity on its own. Therefore, only the earnings of the partners are taxed.

A major advantage is that the combined skills and experience of the owners can enhance the success of the business. A significant

disadvantage is that like sole proprietorships, partnerships also carry unlimited liability. Corporations, on the other hand, have their own legal entity, in that they exist apart from their shareholders, who may come and go without affecting the legal status of the company.

Corporations

Corporations are owned by a minimum of two (2) people and this form of business is required to pay company tax. Two major advantages are that they carry limited liability and usually have more options for raising additional capital. A significant drawback is that there is usually double taxation, as both the earnings of the owners and the profits of the business are taxed. The fourth form of business discussed in this section is the co-operative.

Cooperatives

Co-operative is a group-controlled type of business. No member can own more than 20% of the total shares therefore no individual can gain controlling interest. The activities of cooperatives are usually highly monitored by the Registrar of Cooperatives. A significant advantage is that cooperatives usually benefit from tax exemptions and duties. One drawback is that there is usually a lot of bureaucracy involved in the establishment of this form of business.

The decision regarding which form of business should be guided by an understanding of these advantages and disadvantages, but will also be influenced by the nature of the business activity as well as the particular circumstances faced by the entrepreneur.



Assignment No. 9.4-1

Unit 9.4 Dimensions of an Enterprise

You are now required to do the Assignment 9.4 – 1 that will be found at the end of this unit or distributed by your tutor.

Section 2



Legal formalities

In the previous section, we looked at legal forms of enterprise. In this section we will examine the requirements for registering each form of business as well as some of the issues and regulations that affect small businesses.

Registering the business

The sole proprietorship

The procedure for registering a sole proprietorship is fairly simple. In the Caribbean, the general procedure involves the completion of a business registration form, accompanied by passport size photographs of the owner. This is submitted to the Registrar of Companies for processing. In some instances, as in the case of Trinidad & Tobago, small businesses can also register through special Government agencies. The details on the registration form vary from country to country, however, the general information will include information on the owner, the nature of the business activity and the location of the business.

To become fully formalised, it is also a requirement that the sole proprietor applies for a National Insurance number as well as register with the department responsible for collecting income tax. Registration with the relevant national insurance scheme ensures that the small business derives the benefits available under this scheme. The sole proprietorship is also required to register with the department responsible for collecting value added tax or its equivalent where these exist.

Although the registration procedure is fairly simple, the process is sometimes long and tedious because of the bureaucratic nature of the departments and agencies involved.

Partnership

The procedure for registering a partnership is very similar to that of registering a sole proprietorship. One difference is that the Registrar of Companies requires information on all the partners involved in the business. This information often includes the names, nationalities and an indication of other business activities in which the partners are involved. One major difference is that in addition to the completed

business registration form, a *partnership agreement* must often be submitted as well. This partnership agreement indicates the shareholdings of each partner, the ratio in which they will share the profits as well as the general rules and conditions under which the partnership will operate.

Like the sole proprietorship, the partnership is also required to register with the agencies responsible for collecting national insurance, income tax and value added tax.

Corporation

The procedure for registering a company involves greater documentation than that required for sole proprietorships and partnerships. The Registrar of companies requires that a *Memorandum of Association* as well as an *Articles of Association* be submitted along with the general application form. The Articles of Association outlines the laws and rules of the company as agreed to by the owners.

The Memorandum of Association

Although there could be slight variations depending on the country, this generally includes the following information:

- The company's proposed name, which must not conflict with any other existing company name
- The address of the proposed company
- The purpose for which the business is organised/the nature of the business activities.
- The total capitalisation of the company i.e. the total number of shares held and the value of these shares as well as a list of the shareholders and the number of shares held by each shareholder

Both the Memorandum of Association and the Articles of Association can be prepared without legal counsel. However, due to the often-complex nature of the Memorandum of Association and that both documents contain legal issues, it is recommended that small businesses involve a legal person in the drafting of these documents.

The registration of a company (like the registration of a sole proprietorship and partnership) involves a fee, which is paid to the Registrar of Companies or relevant agency.

Co-operative

Cooperatives are registered under a special Co-operative Societies Act. Application is made to the Registrar of Cooperatives who then ensures that certain conditions are met before registration is considered. Among the prerequisites for registration is the fact that the group seeking registration must be functional i.e. the business must be in operation. In addition the group is usually required to hold a series of meetings prior to registration. Representatives of the Registrar of Cooperatives will sometimes act as observers at these meetings. Again, there might be slight variations in the process depending on the country.

The registration process is complete when the Registrar of Cooperatives is satisfied that the group/business entity has satisfied all the requirements as set out under the Co-operative Societies Act, and grants legal status.

Other Issues and Considerations

In addition to the general procedures for registering a business, there are also a number of issues and regulations that apply to all businesses or to specific business operations. These include the following:

Licenses and permits

Some businesses, such as those involved in the sale of alcoholic products, require special license or permits in order to operate.

Labour laws and regulations

All businesses involved in the employment of people are required to observe the labour laws of the countries in which they operate. A number of small businesses, sole proprietorships included, employ other individuals. Some regulations that must be observed include:

- the minimum wage - employees can be paid at or above, but not below, the minimum wage
- arrangements for the deduction of income tax, where applicable

Customs and excise duties

Businesses involved in the importation of goods are usually required to pay customs duties, unless special exemptions are granted by the government. Companies involved in the manufacturing or sale of goods that are considered luxurious or non-essential are often required to pay excise duties. Examples of these goods are alcoholic products.

Consumption Tax

Most Caribbean governments collect a consumption tax. This tax is levied on goods consumed. In most Eastern Caribbean countries this is referred to as a Value Added Tax (VAT), while in Jamaica it is referred to as the General Consumption Tax (GCT). All businesses, regardless of the legal form, are usually required to register with the department responsible for the collection of this tax.

In terms of the procedure to be observed, businesses collect this tax from their customers when goods are sold. These businesses in turn pay tax on certain goods purchased for the business. The tax is not collected where goods are exempted from consumption tax. In some instances too, the business, because of its relatively low earnings is exempted from paying consumption tax. In such a situation, the company may collect consumption tax from customers but is not required to pay this tax on its own purchases. Consumption tax is not retained by the company but is passed on to the government.

Zoning regulations

Many small businesses, particularly those that are home-based tend to operate in residential areas. However, many Caribbean countries have regulations that prohibit the establishment of businesses in certain residential areas. The entrepreneur needs to be aware of these regulations and ensure that the location chosen is appropriate.

Property taxes

This is usually charged on the land owned by the business. The rate at which it is charged will vary, depending on the particular country.

It is important that small business owners be informed about the specific regulations that will affect their businesses and take steps to ensure that they are operating within the law.

Some regulations, such as the collection and payment of the general consumption tax to government and the payment of income tax, require an efficient record-keeping system. This is an area of weakness for many small businesses that do not have an accounting system in place. It is in the interest of the business to maintain an effective record-keeping system, as not only does it help the entrepreneur to comply with regulations, but also allows for an effective assessment of how well the business is doing at any point in time.



Summary

The process of registering the sole proprietorship and the partnership are fairly simple and will not necessarily require the service of an attorney. Generally, the owners are required to complete a registration form, providing details on the nature of the activities to be performed by the company as well as background information on the owners and the name under which the business will operate. These forms can be obtained from the body responsible for business registration in the respective countries. In addition, partnerships are usually required to prepare an agreement, indicating, among other things, how ownership will be shared among the partners and their respective functions in the business. Legal advice might be appropriate for the preparation of this document.

In the case of corporations, the registration process is usually more complex and often requires the services of an attorney. In addition to completing the business registration form, the memorandum of association and the articles of association are two legal documents that are also a prerequisite. The former sets out the structure of the company, whereas the latter indicates the rules by which the company will operate. The preparation of these documents often requires the input of an attorney.

Although the procedures are relatively simple, for the sole proprietorship and the partnership, the registration process for all forms of business tends to be highly bureaucratic in most Caribbean countries. Consequently, registering a business could be a very time-consuming and tedious process.

Other legal issues relevant to small businesses in the Caribbean include labour laws and regulations, the payment of value added tax, property tax, price controls, zoning laws, customs and excise duties and permits.

Section 3



Identifying and selecting business opportunities

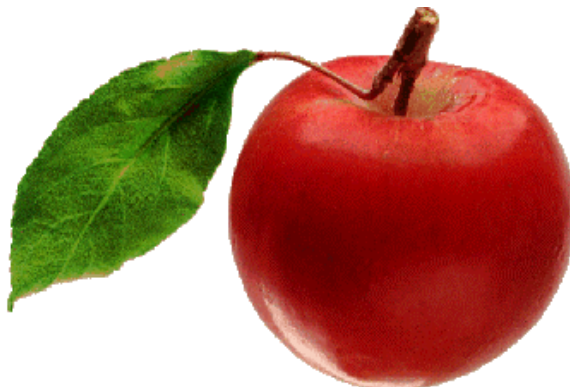
In the previous sections we discussed various types of businesses, the major legal forms of businesses and the procedure for registering each form. However, an important first step to deciding on the type of business is to look at various business options and then select one that has the potential to succeed.

What is a business opportunity?

In Unit 9.1 we outlined what a Business Opportunity is. We will now discuss how to identify a business opportunity. A business opportunity is an enterprising activity that has the potential to succeed. This potential to succeed is often referred to as the *viability* of the business.

Viability can be determined by several factors, however, the general factors include:

- whether there is a market for the product/service i.e. are there enough people who will buy it?
- whether there is available capacity and technology for producing the product or providing the service in quantities that will satisfy the market
- whether the business can generate a reasonable return on the money invested i.e. can it make a profit?



How to identify a business opportunity

Firstly, it is important to recognise that ideas for business opportunities can come from several sources. Below are some sources.

Sources for business ideas

- Trends and practises in your community or country.
- What do people want to wear and eat? What do they want for entertainment? What household services do they need?
- Some current trends include health and fitness, two-income families, information technology, low-income housing, increase in travel and the exposure to other cultures
- **Needs:** For instance, some communities have need for a local catering service, small appliance repair service or a restaurant offering a particular type of food
- **Problems:** High exam failures in particular subject areas, for instance, could give rise to a greater demand for private tutoring.
- **Other sources:** Networking with friends, colleagues and business people could lead to the generation of business ideas.
- Agencies and institutions serving small businesses could give advice regarding workable businesses
- Some government agencies
- The yellow pages of the telephone directory

Selecting a business opportunity

Every business activity involves some element of risk; there is the possibility the business could fail. Statistics have shown that many small businesses fail within the first two years of business. Many factors contribute to these failures. Among them is the entrepreneurs' lack of planning, use of the wrong location, proceeding with insufficient start-up money and failure to select the right business. For instance, the entrepreneur may lack the training, technical skill or experience to effectively launch and manage the business.

Some important considerations for selecting the type of business:

- market potential
- financial issues: e.g. start-up costs, profits
- legal issues
- environmental issues
- personal factors: what you personally need to make it

Some specific questions to ask include the following:

Market potential

- Is there a market for the product or service? Will people buy it?
- At what price will people be willing to buy the product?
- What level of competition will be encountered?
- What is the best way to let people know about the product or service?
- Is location important to the success of the business? If the right location is not available, what can be done to counteract this?

For many small businesses the way to start a business in an area where there is great competition, is to identify a specific target group and to focus on providing the product or service to that group. This approach is referred to as ***niche marketing***. For instance, rather than attempting to produce garments for women, men and children, a small garment manufacturer could choose to produce only children's clothing. An even smaller niche could focus on garments for boys only.

Yvonne Clarke has had extensive training and experience in managing a travel agency. She wanted to start an agency of her own. However, she knew that she would face stiff competition from two other agencies that have been operating in her town for the last five (5) years. In her search for a creative way of dealing with this challenge, she conducted market research. The research revealed that business travellers were very unhappy with the type of service provided by her would-be competitors. This gave her the idea to focus on business travellers as her target market. In addition she would deliver their tickets and other travel documents at no extra charge. The decision to take a niche marketing approach has paid off. Business travellers were excited at the possibility of the personalised service and the fact that making their travel arrangements became a less time-consuming activity. As a result, Yvonne has been able to build a large client-base and is even contemplating the opening of another outlet.

In another example, a teacher who tried to produce and supply an assortment of baked items to supermarkets and similar retail outlets, encountered fierce competition and was forced to examine another approach. He decided, instead to focus on low-fat bread, a product that was rarely seen on the shelves of the supermarkets. The idea turned out to be a great success.

The advantage of niche marketing is that by focusing on a specific target group, the entrepreneur is able to better understand the needs

and buying attitudes of that group and is therefore able to satisfactorily meet those needs.

Secondly, in niche marketing, the entrepreneur usually focuses on fewer products and services. This provides the opportunity for the entrepreneur to continually improve the quality of the product or service or to explore strategies such as improved packaging and variation in sizes. These could all serve to develop a loyal customer-base.

In terms of further exploring the market potential, the entrepreneur could also consider whether the market could be expanded through exports. In the Caribbean, there are instances of entrepreneurs being involved in non-traditional business activities for export. Examples of these are horticulture and dried herbs and spices.

In seeking to establish or expand the market through export, a major pitfall that the entrepreneur should seek to avoid, is the anxiety to agree to a contract without first ensuring that the capacity exists to supply the quantities required. One way small businesses can avoid this is to form linkages with similar small businesses and jointly supply the product or service to the export market.

It is important to note that a meaningful assessment of the market potential for a particular business activity can only be done through gathering the relevant information. Market research is therefore a worthwhile and important activity that should be undertaken prior to the start-up of a business or any decision to expand the market.

Financial Issues

- How much money (capital) will be needed to start the business? Where will this be obtained?
- How much revenue can be earned over a given time and therefore how much profit can be realised?
- Will this profit be adequate to make the business succeed?

Legal Issues

- What laws and regulations apply to the business and how will these impact on the operation of the business? e.g. Zoning laws could prohibit the operation of the business in particular areas.

Environmental Issues

- Will the product or service be environmentally friendly?
- How can the production process or the means of disposing waste from the product or business be made environmentally friendly?
- Will the business activity be in breach of any environmental laws?

Personal Factors

- Do I have what it takes to make the business work?
- Am I independent, creative, flexible, goal-oriented, energetic, willing to work hard, and to take calculated risks?
- What level of competence do I have in the particular field of endeavour?
- Will I need training in business management?

The personal factors are often the least considered when making the decision to launch a business. However, they are critical. As discussed in units one and two, the personal skills, attitudes and experience of the entrepreneur contribute in a significant way to the success of the business.



Activity 4 **Check your progress**

Anthony Gordon started his electrical repair business two years ago. His training in the electrical field is limited to a short course he pursued when he decided to start his business in this area. Anthony also had no training or experience in managing a business. However, he knew that there was a strong demand for this type of service and consequently felt that he had a very good chance of succeeding. Anthony resigned from his job to devote his time to the business. He engaged in heavy promotion of the business. The promotion paid off and within six months he had more customers than he could handle. There were, however, frequent complaints from customers who expressed dissatisfaction with the service provided. Anthony decided to employ a skilled assistant to deal with the extra customers as well as the technical jobs that were outside his competence.

Things seemed to work well for a while until the assistant, in an effort to take advantage of a commission on extra jobs, begun to do shoddy work. Not being highly skilled in the field, Anthony was unable to spot the decline in quality. This resulted in a severe

decline in the number of customers. This has had a disastrous effect, in that the business is now on the verge of collapse. Anthony is desperately fighting for solutions.

What factors contribute to the difficulties being faced by Anthony in his business?

What does he need to do in order to ensure the survival and success of his business?

See page 45 for suggested answers and discuss your answers with your tutor.



Summary

There are several sources from which business ideas can be obtained. These include trends, problems, needs, people's interest, magazines, telephone directories and networking groups.

Business ideas are usually a dime a dozen! However, not all business ideas have the potential to be viable. Viability is measured in terms of whether there is a sustainable market for the product or service, the capacity to produce and the financial returns to be gained as a result of making the investment.

In attempting to select the right business opportunity, the entrepreneur needs to examine the risks involved. Not only will this help the entrepreneur to take steps to minimise these risks, but to decide on the most suitable business activity. The decision regarding which business to choose should also be weighed against the consideration of factors such as the market potential of the activity, the costs as well as environmental and legal issues. A very important part of this consideration is the examination of one's own attitudes, skills and experience in order to determine whether one will be able to manage the business successfully.

Section 4



Support systems available in the Caribbean

Government Initiatives

As indicated in unit one, Governments throughout the Caribbean have begun to recognise the importance of entrepreneurship to economic development and have initiated and supported programmes of various sorts to assist entrepreneurs.

Some of these government initiatives include the subsidising of funds so that lending agencies can provide loans to entrepreneurs at reduced lending rates. In some instances, these reduced rates are only available to entrepreneurs operating certain types of businesses, such as manufacturing and agriculture.

Other broad initiatives include collaboration with international agencies such as the European Union and the United States Agency for International Development (USAID) to provide technical assistance and training for small business operators.

In a report prepared for the International Labour Organization (ILO), “Seepersaud/ILO, 1994”, the following were listed as some of the initiatives in selected Caribbean countries:

In *Trinidad & Tobago*, the Government has provided **income tax relief** for persons who invest not less than TT\$2,500 and not more than TT\$200,000 in approved business activities. Government also provided **corporation tax relief** for approved small companies. In this instance, the amount of tax payable is reduced by 15%.

The Government also encourages Financial Institutions to lend to small businesses by not collecting tax on 50% of the interest earned from transactions with small businesses.

In addition, there are specific initiatives to encourage export - type business activities. The Small Business Development Company was also established by Government to provide training and technical assistance to small businesses. This agency also assists business persons with the registration of their enterprise.

In *Guyana*, the Institute of Applied Science and Technology (IAST) was established by the government to develop technologies appropriate to Guyana, particularly in the areas of agro-industrial products and

alternative energy systems. Although the facilities provided by IAST are largely suited for large businesses, small businesses can also access these services.

The Government also provides broad support to Non- Government Organisations that serve the micro and small business sectors. For example, the Government has endorsed funds from international agencies for the purpose of providing credit and other facilities to micro and small businesses.

In Jamaica, the Micro Investment Development Agency (MIDA) was established by Government in 1991 to assure the successful development of the micro enterprise sector. MIDA wholesales funds to Lending Agencies including Credit Unions and the *National Development Foundation of Jamaica* (NDFJ), and these agencies, in turn, lend to persons operating or seeking to operate businesses. The approach is unique in that the borrower receives an additional 10% of the loan as a form of savings; this amount plus interest earned is given to the borrower on settlement of the loan or retained if the loan is not repaid

Government has also amended the legislation governing Credit Unions to allow these organisations to provide credit for business operators at market rates of interest (that is the going rate in the market place)

The Government has also established Jamaica Promotions Limited (JAMPRO), an agency designed to provide training, technical assistance and marketing services to business persons.

Another initiative taken by the government has been the establishment of The Rural Agricultural Development Agency (RADA), which provides technical extension services to persons operating agricultural businesses.

The Scientific Research Council, a government agency, was also established to assist small and micro entrepreneurs in areas of quality control, assessment of raw material specification, production flow and plant layout, etc.

In Belize, the role of the Ministry of Trade and Industry has been expanded to include the identification of sectors most suitable for investment and the preparation of business profiles and pre-feasibility studies on these sectors.

The Finance Incentive Act has also been amended to address the needs of small enterprises. For example, the fees will be waived for businesses investing from BZ\$200,000 (US\$100,000) to BZ\$50,000 (US\$25,000).

The Government has also exempted some small businesses from the payment of A Gross Receipts Tax (GRT). Businesses generating up to BZ\$48,000 (US\$24,000) annually are exempted.

The government of Belize also provides general support for Non-Government Organisations that provide services to the micro and small business sectors. This includes the endorsement of funds from international agencies. These funds are then used to provide a range of services to micro and small businesses.

There are a number of areas where you can obtain assistance in the planning and development of your enterprise. These include:

- Local Chambers of Commerce
- Professional Associations
- Government Departments dedicated to the provision of information and counselling in small business



Activity 5

The information provided above is limited to a few Caribbean countries. Identify two initiatives taken by your government to boost small businesses in your country. These could be in the area of training, credit, financing, or technical assistance. If government initiatives in your country have already been discussed in this unit, try to identify other initiatives being pursued by your government.

See page 45 for suggested answers and discuss your answers with your tutor.



Private Initiatives

In addition to the initiatives of respective Caribbean Governments, there are Non-Government Organisations (NGOs) that provide services for small businesses. These services include the following:

- Business management training
- Skills training
- Financing
- Marketing services
- Feasibility studies
- Marketing plan preparation
- Business plan preparation
- Business registration services
- Bookkeeping services
- Business counselling

The number and types of organisations providing these services will vary from country to country. However, one agency providing credit in most Caribbean territories is the National Development Foundation (also referred to as the National Research and Development Foundation). Training is usually provided by specialised organisations including Community Colleges. A number of credit institutions also provide training and business counselling services.



Activity 6 Check your progress

Identify as many agencies as you can which provide support services to small businesses in your country.

See page 45 for suggested answers and discuss your answers with your tutor.



Trade Associations and Community Groups

Small businesses can also benefit from trade associations and community groups in the areas in which they operate. Some of these are as follows:

- Chambers of Commerce
- Manufacturers' Associations
- Retailers' Associations
- Exporters' Associations
- Farmers' Associations
- Small Business Associations

In addition to these agencies, persons operating specific types of businesses often form small associations. Examples are horticulturists, public transport operators and hairdressers.

At any level, trade associations and community groups are beneficial to small business operators in that they often provide the opportunity for access to a number of the support services such as training, marketing and financing, which are critical to the development of small businesses.



Activity 7 Check your progress

Identify six (6) trade associations or community groups that provide support to small businesses in your country.

See page 45 for suggested answers and discuss your answers with your tutor.



The Value of Networking

Networking could be defined as the process of creating linkages with the persons you know and expanding these to the persons that they know. Networking is vital to small business development in that, among other things, it provides access to services, helps businesses to expand their customer-base, provides information on sources of supplies as well as tips and strategies for managing successful businesses. Many entrepreneurs even generate their business ideas through networking.

Networking could take place through membership or subscription to the trade associations and community groups discussed earlier. It could also occur through linkages with business associates, colleagues, family, friends and mentors.

Public Relations

Public relations is a form of promotion geared at building the image of the business and carving out a position in the market place. It is usually free promotion. **Image** refers to the general way the business is viewed by others in the market place. For instance customers could see the business as being *reliable, efficient, high cost, low priced or one that provides consistently high quality*.

Networking is a strong tool for good public relations; it can build the image of the business and expand its customer-base without incurring the high costs that other forms of promotion usually incur.

In some instances, the news media, including radio, television and newspaper, provide features on businesses free-of-charge. These are opportunities for entrepreneurs to promote their businesses and should be taken advantage of.

Other forms of public relations include speaking engagements. Mention of the business activity is usually made by those introducing the entrepreneurs or can be subtly made by the entrepreneurs themselves. Contributions to community efforts as well as the writing and publication of articles are also effective ways of carrying out public relations.



Summary

Governments throughout the Caribbean have initiated and supported several programmes geared at assisting new and existing small businesses. These include training, credit and technical assistance programmes. Some governments have also provided special incentives through monetary and fiscal policies. The specific policies sometimes vary for some countries.

In addition, a number of NGO's also provide services in the areas of business management training, skills training, business counselling, bookkeeping and technical assistance for small businesses.

Other support services available to small businesses include those which can be derived from membership or networking with trade associations and community groups.

Public relations, a form of free promotion, is also an excellent opportunity for small business operators to promote their activities and create a positive image.



Assignment No. 9.4-2

Unit 9.4 Dimensions of an Enterprise

You are now required to do the Assignment 9.4 – 2 that will be found at the end of this unit or distributed by your tutor.

Appendix 1

Answers to Activities

Activity 1 page 7

Use the information provided on pages 5-7 of this unit as a guide. Textbooks on principles of business management could also prove useful.

Activity 2 – page 10

See the information on pages 8-10 of this unit. Texts on principles of business management should also prove helpful.

Activity 3 - page 15

The information on “Creative Thinking” provided in Unit 2 of this module will be a useful guide.

Activity 4 – page 35

See information on pages 31-35 of this Unit.

Activity 5 – page 39

Your local Ministry with responsibility for industry, trade or commerce could be a useful source. You should also contact any government agency in your country that works closely with small businesses.

Activity 6 – page 40

In addition to the sources provided above (see Activity 5), your local telephone directory could be a useful guide.

Activity 7 – page 41

The information on page 51 of this unit gives you an idea of what to look for. Use this information along with your local telephone directory to identify the relevant Associations and Community groups.

Assessment Instrument

Module 9 Entrepreneurship

Unit 9.4 Dimensions of an Enterprise

Assignment 9.4 - 1

The teacher trainee has successfully:

- ☐ Identified the correct type of business and matched it with the appropriate feature
- ☐ Identified a manufacturing and a service type industry and described three features of each
- ☐ Described two factors which impact on the growth of a manufacturing business relative to the country of the teacher trainee
- ☐ Identified the department or agency responsible for registering:
 - Sole Proprietorship
 - Partnership
 - Corporation or company businesses in that country
- ☐ Discussed three benefits of entering into one of the three types of businesses



Assignment No. 9.4-1

To be completed and returned to your tutor for assessment.

This is an open book assignment and you may refer to whatever references you have at your disposal.

Name: _____ Due Date: _____

Question 1

In the list below, identify the type of businesses, either sole proprietorship, partnership or corporation, from the features described, inserting the appropriate type alongside each feature.

	Type	Features
1		Owned by one person
2		Can float shares
3		Double taxation applies
4		Set up costs are low
5		Two or more people involved
6		Has a legal identity of its own
7		Government regulations impose a limit on the number of persons involved
8		Owner carries unlimited liability
9		All owners has limited liability as the responsibility for debts rests with the company
10		All share in ownership, but some have limited liability while one or more has unlimited liability
11		Most difficult to get funding
12		Can acquire property, sell assets in its own right
13		Access to more capital
14		Personal assets can be seized
15		Inability to maintain the legal status beyond life
16		The easiest form of business to establish
17		Tax advantages as taxed on a personal level rather than a company level
18		Very time consuming to establish
19		Entrepreneur does not have complete control
20		Tax savings

Question 2

Identify a manufacturing and a service type business in your community or country. Describe three features of one of these.

Question 3

Discuss two factors that influence the growth of manufacturing businesses in your country (choose factors that either encourage or inhibit growth).

Question 4

Imagine you have decided to start a business in your area of expertise. You have decided to register the business but are not sure which legal form to choose. You have decided to undertake a research activity in order to make a decision.

Identify the department or agency responsible for registering businesses in your country. Through an interview or other means, ascertain the procedures for registering a:

- Sole Corporation
- Partnership
- Corporation or company

Question 5

Select one business form and discuss three benefits that you stand to gain from choosing this form.

Assessment Instrument

Module 9 – Entrepreneurship

Unit 9.4 - Dimensions of an Enterprise

Assignment 9.4 - 2

The teacher trainee has successfully:

- ☐ Identified two trends relative to the trainees' area of expertise
- ☐ Listed two implications of these trends
- ☐ Stated two business ideas that arise from the implications
- ☐ Outlined the:
 - target market
 - resources
 - skills
 - legal environment that would apply to the proposed business
- ☐ From the Case Study:
 - outlined the benefits of Public Relations activity
 - the impact of a lack of Public Relations activity on a business
 - the benefits of specific PR activity such as exposure in a Quarterly Newsletter
 - determined the relative chances of success of two sample businesses
- ☐ Identified four in-country agencies which assist with the development Businesses



Assignment No. 9.4-2

To be completed and returned to your tutor for assessment.

This is an open book assignment and you may refer to whatever references you have at your disposal.

Name: _____ **Due Date:** _____

Question 1

- 1.1 Identify two trends in your society that are relevant to your field of training or another area of interest.
- 1.2 List two implications of each trend.

Question 2

- 2.1 Based on each implication identified, state two business ideas that could arise.

Select one of these ideas and outline:

- 2.2 The target market (to whom the goods or services relate) and indicate the promotional strategies you would use.
- 2.3 The resources (financial, material, equipment, human) that would be required to start the business.
- 2.4 The skills you would need to start the enterprise.
- 2.5 The legal environmental issues (laws and regulations) that would apply to this business.

Question 3

Read the attached Case Study and then answer the following questions:

- 1.1 Outline the benefits that Frances could derive from each of her public relations endeavours.
- 1.2 Osbourne Anderson has declined several public relations opportunities. What impact could this lack of public relations have on the success of his business?
- 1.3 What benefits could Osbourne derive from being in the Quarterly newsletter?
- 1.4 Given the approach of the two businesses, which do you think is likely to succeed? Give reasons for your answers.
- 1.5 Identify four agencies or institutions (either Government or private) that support services to small businesses in your country. For each agency or institution identified, state the name, address, telephone and fax number, and if possible, the name of a contact.

Case Study

Case: The Inconspicuous Entrepreneur

Frances Thompson started her furniture manufacturing business one (1) year ago. Over the year, Frances realised her business could benefit greatly from advertising, but this was a costly activity her business could not afford on a long-term basis. She placed very few advertisements and instead relied on public relations. Her public relations efforts included the donation of an annual prize for the major sporting event at the community High School, as well as active membership in the local Manufacturers' Association and the Lions Club. In addition, Frances volunteered her services as a speaker at the annual guest speaker series staged by the school for students pursuing technical/vocational programmes. Frances would address the students pursuing the Joinery and Woodwork programme. Frances also accepted the school's invitation to allow her company to provide work experience for the Woodwork students through an annual Work Experience Programme. This year, through her involvement in the Work Experience Programme, Frances' business was featured on national television. Since then, the organiser of the "Meet My Guest" programme on one of the leading radio stations has made contact with Frances to discuss her appearance on that programme. The programme organiser had seen Frances on the television interview and felt she would make an interesting guest. Frances is happy with the results of her public relations efforts as feels it has paid off in many ways.

Osbourne Anderson also started his business one (1) year ago. His business provides plumbing services for households and businesses. Osbourne operates in the same community as Frances Thompson. However, he has not embarked on any public relations drive. Osbourne believes that he can expand his customer-base simply by providing good quality service. He feels that in the long run he will be able to surpass his competitors once he can maintain high quality. Osbourne has declined invitations to participate in the guest speaker series organised by the technical/vocational school and does not participate in the Work Experience Programme. He is not worried that one of his major competitors is involved in these activities and appears to be doing well. Osbourne is not an active member of any community group or association. Prior to starting his business, he was an active member of the local Rotary club, however he now believes that all his time needs to be focused on managing the business. Although a parent, he has not even bothered to become a part of the Parent Teachers' Association. Osbourne is aware that the Parent Teachers' Association produces a quarterly newsletter that always carries features on parents, particularly those who are self-employed. However, he does not believe that his business could benefit from such a feature.

