HOW TO SURVIVE AND THRIVE AS AN ENTREPRENEUR

Volume 1

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HOW TO SURVIVE AND THRIVE AS AN ENTREPRENEUR

Vol. 1

A practical guide for you

Starting your own business offers the entrepreneur an opportunity for personal, social and financial fulfilment. But it is still one of the most difficult decisions a person will make in their life. Before you get carried away with the dream of being your own boss and becoming the next Richard Branson, you should take stock and think about what you expect from your life as an entrepreneur.

Running your own business can give you great satisfaction and reward. Conversely, it could also cause a lot of sleepless nights and put pressure on all aspects of your life. Think long and hard about why you want to start your own business.

It is easy to get excited about the potential for a product or service that you are planning to sell, or the fact that you can actually turn your hobby or skill into a way to earn a living. The reality, however, is that whatever business you are planning to launch, your primary role will be that of salesperson – unless of course you have enough capital to hire a sales team from the beginning. Even then, you will not be able to hide away in the back room avoiding contact with potential customers, suppliers, bankers and multitude of other people who you will need to “sell” your business concept to. In addition to this, much more will be required of you in the day-to-day management of owning a business.

This practical guide will touch on the issues that you will have to consider before committing yourself financially and personally to your new venture. It will also cover the basic steps that are necessary to start your own a business, the planning you need to do and the personal qualities needed to ensure success. Each chapter begins with key notes which will outline the main points before delving in-depth into the topics covered.

Contents

IS ENTREPRENEURSHIP FOR YOU?

KEY NOTES

- Starting your own business can be stressful but can also offer many rewards.
- Establishing a business will affect your family, finances and time.
- In order to be successful, you will have to be passionate, focused, creative, risk-tolerant, driven, independent, and objective.
- You will also have to have a vision and the skills to delegate and negotiate.
- Update your skills by using the Skills Database available at GetTheJob.co.za.
- Maintain an open mind when you are trying to come up with a business idea.
- Consider the pros and cons of buying into a franchise versus starting your own entity from scratch.

Running your own business offers many rewards, including the freedom of being your own boss, the personal satisfaction of building a prosperous business and the chance to earn an income that is limited only by your choices, skill and determination. Plus, you will also be the master (or mistress) of your own destiny. There are, however, many risks.

A new start-up will place heavy demands on your time, your family relationships and your finances. In addition, many small businesses fail within the first two years, and often require more time to return the entrepreneur's original investment. But it does offer you financial and decision-making independence. If your business succeeds, you gain job security and the opportunity to provide employment to others.

Before starting your business, you have to ask yourself if your idea is a sound business proposition, and whether there is a market and demand for you to make sales and make a profit. Are you aiming for something innovative and niche or can you identify a USP which will help you beat your competition?

Are you prepared for the challenge?
Running your own business is definitely not for everyone since it can be a highly stressful way to earn a living.

There are a few practical skills like accounting, administration, marketing, negotiations, selling, time management and organisational skills that will help you stay in business. That said, simply having the right frame of mind and a good idea will prove to be among your greatest assets.

The questions below will provide some insight into whether starting your own business is the right route for you to take. Here are a few characteristics you need to get a business up and running:

- **Passion:** Do you believe in your business and are you prepared to stick with it through thick and thin?
- **Focus:** Are you able to set clear goals and hone in on achieving them?
- **Creativity:** Are you able to think of new ideas? Can you imagine new ways to solve problems?
- **Risk-tolerance:** Do you avoid uncertainty in life at all costs? Do you enjoy the thrill of taking calculated risks? Are you willing to risk a steady weekly/monthly income, as well as your savings, to set up a business?
- **Drive:** Do you thrive on challenges? Are you determined to give this business all you've got?
- **Expertise:** Do you have expertise or experience in the industry which your business will be based on? Would you consider gaining qualifications which are relevant to the sector?
- **Vision:** Do you have a clear idea of where you want to be? Do you have a rough idea of how you want to get there?
- **Independence:** Do you like making decisions? Are you happy to hold yourself accountable for them? Can you handle rejection and build on success?
- **Objectivity:** While you are confident in your strengths, are you able to acknowledge your weaknesses? Are you willing and able to learn from your mistakes?
- **Negotiation skills:** Do you think you can secure deals for everything from leases to contract terms to rates?
- **Delegation:** Can you delegate and trust your employees or are you a control freak who will end up only employing subservient staff?
- **Support:** Do you have the support of your friends and family to start your business?

If you need to develop skills, which will contribute to your success as an entrepreneur, GetTheJob.co.za has researched as many as possible workplace skills training programmes and courses from numerous skills training providers throughout South Africa. With over 3600 skills training programmes and courses already in our Skills Training Database, we are sure you will be able to find the appropriate course to help you develop the expertise to nurture your business. You can access this database by registering as a recruiter or job seeker on GetTheJob.co.za.

Please note we do not have any working or business relationship with any of the Skills Training Providers mentioned on GetTheJob.co.za. We recommend that you visit their websites and obtain any other relevant information to fully satisfy yourself prior to signing up for any programme and course. By identifying these programmes and courses we cannot be held liable for any decisions made in this regard.

Your business idea

Coming up with a business concept is fraught with challenges. An entrepreneur's mind needs to overflow with ideas for new products or services. You will need to be watchful, inquisitive, perceptive and continuously seeking the next big thing. Finding the right business idea will increase the potential for success, provided you are catering to a viable market and you manage to organise the required resources to deliver a great customer experience.

The more unique your idea is, the more you are able to eliminate or significantly reduce competition, thus increasing your chances for success. Putting a spin on an existing product is usually not enough to base a business on, so be creative! Identify things that people need which no-one else currently provides or that is not available in your area. You will also have to be passionate with your idea because it will consume a significant amount of your time and money.

There are many approaches to establishing a business idea. To start searching for an idea that is going to make the world sit up and take notice, take the following steps:

- Look for solutions to problems that people are experiencing. This could be little things that bug you or issues that people in your social circle might be facing. Innovations are often the result of "happy accidents" or dissatisfaction with the way that something is done.
- Tap into your networks. Talk to family members or learn from friends because this could prove to be invaluable training in the long run. Listen to what your buddies have to say and keep your antenna up at all times – you never know when you will stumble across a good idea.
- Explore your interests. It is possible to base your business on a hobby in which you have gained noteworthy insights. Just ask anyone who owns a yoga or dance studio!
- Build your knowledge base. Ideas tend to snowball from known facts, not from thin air. Entrepreneurs who come up with bold ideas have acquired knowledge through studies or experience. Your ability to mentally connect the relationship between two or more different but related facts will serve you well during the process of establishing your business.
- Listen to your customers, suppliers and employees because they could tap into an existing problem which could offer the opportunity to be turned into a business opportunity. These sources could inspire new concepts which might prove viable in the future.
- Keep your eyes open. Engaging in new activities and travelling to new places can open your eyes to a plethora of potential business ideas. If you find something that piques your interest, focus on what intrigues you about it and consider zooming in on it to form a niche market. New ideas can often be found by looking to up-and-coming, underground or street trends that could be commercially viable. The truth is creativity rarely happens in meeting rooms, so going out and trying something new is more likely to reap rewards.
- Look online. Browsing the internet could inspire potential business ideas. Most search engines have a "what's hot" section which lists new trends. Visiting different sites could trigger an idea or concept that you have never thought of before. These will also ensure that you're updated on the growing industries or sectors which are expecting to see revenue growth.

- Think laterally. Look at things from a unique angle. This might mean taking someone else's concept and tweaking it slightly. For example, it wasn't long ago that garages only sold petrol, oil and water where the focus was on catering for cars instead of catering for customers. Just looking from a slightly broader perspective has allowed them to incorporate quick stop stores, fast food chains, toilets and rest areas into their offering.
- Keep it simple. There's no need to pressure yourself by searching out a revolutionary idea. Often the smallest tweak is a good starting point and may make a big difference to the market in the long run. Your concept is likely to evolve over time anyway.
- Cater to a simple need. If anything, the fast food industry is evidence of one thing: people are lazy. Cater to them. Your average customer is willing to pay more if it means they are able to do less. As an example: Why buy ingredients and cook a pizza when you can go out and buy one? Why go to a restaurant to eat a pizza if you can have one delivered to you? Why call for pizza delivery when you can just type it online while you are sitting in front of the TV? For each question listed above, we're pretty sure you can come up with at least one suggestion for a business that caters to each want.

A good strategy is to let your imagination run wild at first, then sift through and hone in on the ones that are possible winners. By listening to your customers and acting on their feedback, you'll be able to find a formula that works for your business.

Buy or start a business?

All entrepreneurs will have to decide whether to start a business from scratch or to buy into an existing one. There are advantages and disadvantages to both approaches and it really depends on the sort of business you are looking to start, the skills you have developed thus far and how much money you have at your disposal for investment.

Let's analyse the benefits and cons of buying a business or franchise:

Pros	**Cons**
You are able to buy into an existing brand which has the resources for advertising and marketing, as well as convenient brand recognition. This means that you also have built-in credibility from the beginning.	Buying a business can be more expensive at the beginning than starting your own, especially since a franchise business will have built-in costs such as property, systems and equipment.
You can establish a business in spite of the market saturation of the industry, especially in the case of cut-throat sectors like food service and retail.	Using established systems may make life easier for you but they may not suit the way you work, or the way you see the business developing.
There is a lower failure rate among franchise owners than among those who decide to build a business from scratch.	There may be stringent requirements which result in less flexibility for you as a business owner. This means you will have less space for innovation.
Getting financing for a branch of an established company is likely to be easier because you will already have a track record at your disposal.	Finance institutions will still want to check your personal creditworthiness, so if yours is in bad shape, then you are likely to have trouble raising capital.

You might get preferential pricing on the necessary equipment and starting inventory.	It could be difficult to measure the life left in the equipment and the inventory might not sell as well as you may have thought.
You could gain access to on-going support over the tenure of the business, including structured periodic contracts and dedicated personnel.	As a franchisee, you will probably have a contractual commitment to pay royalties for the right to use branding and operating systems.
In all likelihood, relationships with suppliers and distributors will already be established, which means the franchisee could have access to more contacts.	Because you have limited control over the brand name, if another franchisee gets bad publicity for providing below par service or products, it will also impact your business.
Some franchises require no prior experience in their business field.	You might have to tackle complicated legal negotiations in order to launch your branch.
You will have access to proven products and an established business format.	You might have limited control over pricing, product lines and suppliers.

Now, let's look at the pros and cons of starting a business from the ground up:

Pros	**Cons**
Being your own boss allows you to adapt your business practices whenever you like. It also enables you flexible work hours.	You have to be disciplined and be able to work independently. You will have to figure out how to troubleshoot in every aspect of your business.
You gain a great sense of achievement as you reach your goals, knowing that you are working for yourself.	The hours can be gruelling since you don't get paid when you are not working. This places you in a vulnerable position if you get sick or want to take a vacation.
You have the opportunity to learn and gain invaluable experience in everything from negotiating with suppliers to managing personnel, putting systems in place and allocating cash flow.	You may not necessarily be working with your strengths. At the beginning, you are the marketing team, the sales team, the receptionist and the finance team.
You can be as creative as you like and remain flexible and open to new ideas. This allows you the freedom to work on ventures that you are passionate about rather than engaging in tasks that do not interest you.	At the beginning, your income will fluctuate considerably so you won't have the stability of a constant salary to fall back on.
You have the authority to choose who you work with, including employees, clients and projects that you take on.	You may have to take on unpleasant tasks such as firing a family member or employee. Or you could struggle to hire qualified employees.
There is less bureaucracy and red tape, giving you the ability to get more done in less time.	Your great business idea could easily be overtaken by a larger, better-equipped competitor.
The more clients you have, the more job security you have, unlike employees whose job security completely depends on their employer.	There is no guarantee that your business will succeed.
Some of your personal expenses may be tax-deductible.	You may incur more unexpected expenses.

Ultimately, you will have to make the difficult decision that suits you. There are benefits and disadvantages to both options and you will have to select the route that works with your strengths and allows you to minimise the effects of your weaknesses. Being informed about your options allows you to make a wise choice which will help you establish your business and thrive.

FINDING A UNIQUE SELLING PROPOSITION

KEY NOTES

- Differentiate your offering from that of your competitors.
- Conduct industry research so that you understand the alternatives that are available to your customers.
- Understand your USP from the perspective of your customers.
- Your USP could reside in your price point, location, distribution system, promotions or the characteristics of your product or service.

With so many products and services in the market, this can be one of the most challenging aspects of building your business – differentiating your offering from that of your competitors. This is what makes your business stand out from the crowd.

A unique selling proposition (USP) is a marketing and business tool which helps customers by stating simply and clearly why your product or service is different and will better satisfy their needs. You can use your USP to provide a focus for the promotion of your business.

In order to establish your USP, you will have to conduct intensive industry research to gain a thorough understanding of the alternatives that your prospective customers can already access.

- Who else fulfils the same need that you do?
- What strengths do their marketing materials focus on?
- Can you identify any weaknesses that you might be able to incorporate into your product or service?
- What issues are your target audience facing with competitors' offerings? What could make the customers' lives easier?
- What can you guarantee that no-one else can?

Brainstorm to create a list of everything good about your business – be as detailed as possible. Run through the entire process of creating your product or offering your service and see if you can showcase any step that has not been marketed or utilises by competitors. This step could serve as your USP.

Talk directly to customers to get more information about what your competitors might be overlooking – for example, listen out for issues related to unsatisfactory customer support, excessive delivery costs, complicated payment procedures or limited technical support. Your USP has to add value to the customer and should answer the customer's question, "What's in it for me?"

In order to uncover your unique selling proposition, you must have a good idea of what motivates your customers' behaviour and buying decisions. Rather than just looking at customer demographics (i.e. their age, gender, race, income and location), think of the psychological needs or desires which you can fulfil, be it status, relationship-building, vanity, luxury, glamour or identifying with particular social circles.

Your USP could be based on a characteristic of your product or service, your price point, your location or distribution, or the way you promote your offering. These aspects could give you a market position which sets you apart from the competition.

Keep in mind that USPs usually do not last forever as new competitors enter the industry and offer additional features, so you will have to review your USP over time.

CONDUCTING A FEASIBILITY STUDY

KEY NOTES

- Screen ideas to identify issues that could hinder your success.
- Determine whether your business idea will work.
- Be specific about all the aspects which will affect your product or service.
- Investigate your target market to decide how your product or service should be designed, delivered, priced and promoted.
- Assess the risk involved so that your business is resilient.
- Look at your business structure, technological requirements, and the skills you need for your business.
- Source suppliers via trade shows, exhibitions, telephone directories, online searches, internet forums and government departments.
- Negotiate with your supplier to make sure you get the best deals possible.
- When you are setting the prices for your products or services, consider your start-up costs, operational costs, projected sales, overheads and competitiveness.
- Conduct a market analysis to identify your potential customers and ensure that your business is viable.

A feasibility study allows you to screen ideas before you invest time, effort and money into a project. At this stage, you are looking to identify pivotal issues that may prevent your business from being successful in the marketplace. You will need to focus specifically on your planned services, target markets and unique traits of the potential product or services.

In other words, the feasibility study determines whether the business idea makes sense and is practical. By the end of the process, you will know whether your idea will work, if you should go ahead with it and whether it makes sense from an economic and operational standpoint.

If conducted correctly, you will gain a lot of information which you will need to use in the business plan. You will also be able to ensure that there are no major obstructions facing your business idea before you invest time, money and effort into drafting your business plan.

There are several areas which you will gain insight into:

- The current market
- Your potential position in the market
- Options for entry into the market
- A potential financial model to size the market
- An estimate of the potential income and expenditure for each of the options for entry into the market

- The impact of each option on your intended business structure and products and/or services

A feasibility study does not involve in-depth, long-term financial projections but you should be able to assess how much revenue you will need in order to meet your operating expenses.

Products or services

Your idea needs to be developed into a concept. Begin by drawing up a detailed document about the business. This should be written in a detailed style that is easy to understand, and it should help you calculate the value, uniqueness and primary features of your products or services. In addition, consider future opportunities and growth.

The steps below act as an initial 'screen' for your business concept. If, at the end of the process, you have realised that there is not enough opportunity for growth in the market (i.e. there are not enough customers in your target location), then you will have to decide whether to target a different type of customer or place your business in an alternative location. In the worst case scenario, if your concept does not satisfactorily fulfil these requirements, you might have to drop the idea.

1. List all the products or services that your business plans to sell
2. Describe each product and service in terms of branding, design, packaging and life span
3. Highlight the features and benefits of the product or service
4. Identify your USP: What differentiates your product or service from your competitors' offerings?
5. What tests will you have to conduct in order to make sure that each product or service is ready for sale and complies with regulations?
6. Does your product or service comply with the appropriate legal requirements?
7. What production process is involved in making each product? What products will you need in order to ensure that service offered is satisfactory?
8. How will you market, sell and distribute your product or service?
9. Should your product or production process be patented, copyrighted or trademarked?
10. Are you selling to individuals, households, businesses, corporate clients, educational institutions or special entities?
11. Are there enough customers in your location/target market who will purchase your product or service?
12. In an average year, how much do customers spend on your product or service?
13. What stage of the life-cycle is the target population – is it a new, building, plateauing, declining or mature industry?
14. How much will each product or service contribute to turnover?
15. Project your sales and market share over the first three years of the operation of your business. Bear in mind that people don't change their minds often if they are satisfied with what they are currently getting and at the quality, pricing and service levels that are acceptable to them.

Researching the market

You now need to conduct research in order to find out how large your potential market is and what percentage of the current marketplace you will be able to capture with your product or service. This will help you assess your potential growth and future demand, whilst informing you of the competitive landscape within which you will be operating your business.

Conduct a survey to help you determine how others view your product or service. A focus group could help you in this regard, by allowing you to gain more qualitative information. Take the opportunity to find out more about the competition.

This information will help you decide how your product or service should be designed, delivered, priced and marketed. Depending on your business, your market could be local, national or international.

Questions that you should be trying to answer at this stage include:

1. Is there a market for your idea? Can you prove this?
2. What is the size of your market? (both in terms of customers and finances)
3. What is your target market, and what is your estimated market share percentage?
4. Are there seasonal fluctuations that you need to consider?
5. What is the potential annual growth of the total market for your product or service?
6. What factors will affect your annual growth?
7. Which people or businesses will need to use your product or services? Be specific.
8. Identify other businesses that are catering to your target market. What are they offering? How are they priced? What is their sales market and can you specify their terms of business?

Conduct a thorough search online, using a number of different search criteria. You may find that your competitor has outlined all the information that you require, allowing you to investigate their products, pricing, sales strategy, marketing messaging and even staff.

Be willing to broaden your search criteria to include online blogs and boards, press articles and social networks which will provide information directly from their customers. Attend trade fairs and exhibitions to get a solid idea of how customers' needs are being met. Review brochures, flyers, catalogues and marketing literature.

Depending on your industry, you may also want to mystery shop your competition and look at their business premises – call them or even buy from them. This will allow you to experience first-hand the quality of service, listen to their pitch, obtain a price list and details of their product or service.

After completing this exercise, you should have a concrete idea of your competitors' strengths and weaknesses. This will help you think of ways to attract their customer from them.

To ensure that your business is feasible, you have to establish whether adequate demand for your product or service exists, and that you can acquire sufficient quantity to meet your expected demand.

Risk assessment

What problems could occur during the time when you are establishing your business and how are you going to deal with them? A risk assessment will help you develop a resilient structure that will allow you time to troubleshoot as issues arise.

To ensure the success of your business, effective risk management is essential at every phase. From the initial conceptualisation through to the on-going operation and growth of your business, you will need to be able to assess and manage risks.

1. What are the major risks that you will have to accept if you go ahead with your business?
2. How exposed is your business to each of these risk factors? In which aspects is your business vulnerable to these factors?
3. Will your business still be able to make a profit when particular risks are realised?
4. How can you minimise the effects of the risks involved?
5. Could you establish relationships with organisations that can help you minimise the effects of these risks?

Key issues

Once you have looked at your product or service and the risks factors which could impact your business, it's time to focus on organisational and technological issues. These areas focus on setting up your business.

You will have to decide what business structure will best serve your needs, how many people you may need to employ and what resources you will need to have in place.

1. Which organisational structure would be best suited to your business?
2. What kind of personnel will you need to fulfil each role? What qualifications should key staff possess?
3. What kind of experience would your ideal employees have? Where might you find such candidates? What would be the cost factor for finding and retaining these candidates?

The cost and availability of technology may be essential to the project or it may not be important at all. A business that's based on service could have very little technological needs, while a product manufacturer may need more advanced machinery.

1. What are the technological needs for your proposed business?
2. What other equipment will you need?
3. Who can supply this technology and how much will it cost?
4. When will the technology or equipment be available?
5. Will your product or service require that you invent a new technology? On what technical level is the product or service?
6. Who will oversee the development of your product or service?

Sourcing suppliers

Many new business owners select suppliers based on price, but reliability and speed are just as important because it will affect how able you are to deliver the right number of products at the right time, or it could affect the level of service that you are able to provide. Every business, even if their product is a service, needs basic items to keep running smoothly. Look for suppliers who have been in business for some time and have established a solid credit record.

Determine suitable suppliers and examine their attributes, strengths and weaknesses. When deciding who will be a supplier to your business, you may choose to have more than one supplier who provides the raw materials, goods or services that you need. Having multiple suppliers could help you in the future, if one supplier has challenges providing you with the amount of stock that you need.

Once you have decided on the kinds of goods and services that you will offer, you will have to confirm that they are available to you. You may be able to find this information by uncovering which suppliers your competitors are using. Also look at your networks and talk to family and friends – they may know someone who can help you find the product that you are looking for. You will then have to negotiate with the suppliers to get the best price and payment terms possible to suit your needs.

Trade shows and exhibitions offer you an opportunity to network, establish rapport with potential clients and discover suppliers. Attend shows which are relevant to your start-up so you can get a feel for product availability, market trends, pricing for products or even scope out the competition. To find applicable fairs, take a look at industry publications and search online.

When you attend an expo, pick up any brochures and business cards available. You might also find that the organisers of the exhibition have listed their vendors and attendees so you can determine which businesses or wholesalers may be of use to you.

If you are looking for a wholesaler, you might find it more challenging because, unlike retailers, wholesalers do not advertise to a public market. A wholesaler will typically have maintained their customer base for years and they tend to rely on word-of-mouth and local knowledge. This can also make it difficult to shop around to find a price which suits your needs. Trade publications can often be helpful, although you will still have to do the legwork to find the quality of product you need and make sure that you get value for money.

Joining an online forum which caters to a base of users for your product could help you find out where your goods are coming from and which retailers are doing well in the industry. It will also allow you to gauge the kind of products customers need and want to buy, and it might also give you the chance to sell to key target customers.

If you can get your hands on a phone directory or Yellow Pages directory, take a look under the type of products you require and you will find the contact details of some importers and general traders who could be offering the products you are looking for.

Brand manufacturers could also sell wholesale (but usually only in high volume). They are still a good source of information, though, because they can refer you to wholesalers or distributors that who might be willing to sell to your business.

Depending on the products you need, you might consider importing from other countries. International trade has made the world a global market. While time and distance will still impact your business, their effects have been minimised over time due to technological advances. Large corporations with a global footprint are able to ensure prompt delivery of their products.

If you will be importing products or services from other countries, you will have to start at the applicable country's embassy or consulate. Trade commissions are geared toward providing business with trading information such as potential buyers and market data. Find out what you need to know in terms of regulations, legal concerns and quotas before you proceed. Look for discounts on goods that are in demand in your locale, request a sample and find the relevant information if you need to import them.

Government departments might also be able to offer information or programs which will help you import from another market. Such departments are also able to offer you commercial and legal information for your business needs.

Negotiate with your supplier

Discuss volume discounts, return policies and order processing time. Don't rush to sign a contract – this will allow you time to negotiate pricing terms, minimum order quantities, delivery schedules and other factors which will impact your business. Ensure that there is an exit clause in your contract in case you need to end your relationship with you supplier (for example, if a new supplier enters the market and offers better value for money). You will also need an attorney to review your contract before you sign it.

Good suppliers and good deals won't just be handed to you on a silver platter. You will have to put effort into finding the best products and prices to suit your customers. Don't be so focused on price that you alienate your suppliers. You are looking at establishing a long-term relationship and you will only be able to get the best deals if your suppliers find it easy to work with you.

The best way to establish a good relationship with your suppliers is by meeting them face-to-face. This gives both parties the opportunity to understand each other personally and professionally. You will also gain some insight into how your supplier works, which is essential since you will be using their services for your business. Meet your account handlers and ensure that you will be able to contact them whenever necessary.

Once you have established a working relationship with a supplier, review their performance regularly so you can identify areas for improvement. One of the biggest challenges that you will face is placing orders. An order that is placed in time gives the supplier sufficient time to meet the deadline.

Analysing your forecast sales in advance and knowing your supply needs will be invaluable when it comes to predicting and meeting supply deadlines. Informing your supplier well in advance will help them prepare and fulfil your needs.

In order to maintain a productive relationship with your supplier, you will have to pay your bills and dues promptly. Even if you pay in advance, ensure that there are no delays. If you make sure that your business is worth their while, your supplier will work hard to meet your demands. It is vital that you maintain open and clear communication with your suppliers. If you have any particular needs or concerns, convey them to your suppliers. In the same manner, establish a relationship where your supplier can talk to you if any developments and expansions take place which will impact your business. Trust and dependability go both ways.

Pricing

Your business will only be regarded as economically feasible if you are able to produce products or services and distribute them to your target market for a profit. Your pricing will have to be competitive but also profitable if you want your business to succeed long-term.

For most small businesses, having the lowest price is not a viable options because it robs them of needed profit margin, and large competitors will probably be able to sell at a cheaper price anyway. In addition to this, your prospective customers may not make their purchase decisions based on price.

If you have decided not to opt for a franchise, and have chosen to start your own business, you have a great deal of flexibility when it comes to setting your prices. Unfortunately, there will be no certain, formula-based approached that you can just apply. Pricing services is harder than pricing products because while you can be precise about the price of a physical product, estimating your (or your staff's) expertise and the value of your time is subjective.

You will have to consider a lot of factors when setting prices for your offerings.

- How much will you have to spend on start-up costs in order to start operating? This will include legal costs, accounting costs and the cost of necessary land/premises and/or equipment. The direct costs of your products or services will be the easiest part of the equation to estimate because it refers to direct materials or labour associated with your offering.
- How much will you have to spend on the day-to-day operation of your business? The cash flow requirements will include wages and salaries, rent, electricity, interest payments on debt and other utilities and costs.
- Based on your estimated sales, how much income do you think your business will bring in? When would the business break even? Ideally, it should take 18 months or less for your costs and income to be equal. After you have reached this point, any additional sales will be your profit.
- What are your options for possible sources of funding? Take a look at our Entrepreneur Funding database for ideas of organisations that could finance your business.
- How much will you need to spend on insurance? What tax laws will you have to be aware of? You will need to consider indirect expenses such as insurance, advertising,

rent, office supplies, electricity and more. Although they may not contribute directly to the cost of your product, you have to be able to estimate them so that you can calculate a selling price that allows you to cover these costs.

- If you have shareholders, how much will you be able to pay them in terms of dividends? Is this in line with their expectations?
- How have your competitors priced their products and services? A comparison will allow you to see where your offerings fit into the existing market. Depending on the size of your competitors, they may be able to offer the same goods at a cheaper price. In such a case, see if you can add value without adding cost, so that promote those aspects to customers.
- How much are your customers willing to pay for your product or service? This is the perceived value to the customer and while it is subjective (because it depends on your customers' personal financial position), it will give you some idea of whether you are overvaluing or under-pricing your offerings.

Before you set a price for your services or products, you need to understand how much it costs you to provide your offering to your customers. You need to have a good idea of your total costs, including your overhead costs, labour costs and materials costs.

You need to be aware of how much competitors are charging for similar services and products in your area. However, offering your services or products at a cheaper price may not necessarily work for your business as it may not encourage customer loyalty. After all, a customer who is looking for the cheapest price is likely to stop using your products or services if a cheaper competitor comes on the scene.

Monitor your prices and continuously re-evaluate your overhead costs to see if you can cut costs in any areas and bring your profit margin up. Realise that you will need to raise your prices occasionally (as petrol costs, material costs, electricity prices or inflation affect your business) but always ensure that you are still competitive in your market. If customers are going through challenging financial times, raising your prices excessively will impact your business negatively. Don't raise prices for every single product or service that you offer because you will receive complaints from customers. Raise your prices in small increments several times a year, instead of one large chunk which will be noticeable.

Marketing analysis

In order to have a successful business, you will have to know how to identify your potential market and other organisations that are competing to serve these customers with similar products and services. You will have to conduct a market analysis so that you can assess your business idea and establish a way to connect with your potential customers and ensure viability.

An adequate market analysis will include an estimate for the size of the market for your product or service; projected market share; information about your market and examination of your competition.

Your market analysis will help you identify opportunities in the market or market segment. If you find viable opportunities, then the market analysis can provide you with focus and direction so that you can establish the priorities that your business necessitates.

Market research need not be very expensive or complicated as long as you ensure that it provides reliable information that will be invaluable when you are building your business. The data that you will require has to include primary and secondary research.

Primary research is new, raw data obtained through market surveys and other field research. These are crafted and implemented specifically for your company. Secondary research entails compiling pre-existing information that is useful for your purposes.

While you can rely on your own opinions and observations, don't rely on intuitive feelings and resist the temptation to only look for data that confirms your opinions. You need to maintain objectivity. This will enable you to be realistic so that you can gauge the opportunities that you can pursue.

The more thorough your information is, the more thought-through your business decisions will be and the easier it will be for you to convince potential investors/lenders to fund your business. A combination of qualitative and quantitative information will help you assess both the customers' behavioural patterns and provide you with statistical information.

If you engage in primary research, begin by asking your target market for feedback about your product or service. You want to have a thorough understanding of your customers' needs and desires, ranging from demographic information to psychographic data.

Demographic information allows you to provide a basic profile of your customer, including information such as their age, ethnicity, gender, educational level, employment, income, marital status, family structure and location. Psychographic data provides more thorough information about your customers in that it outlines a mental model whereby you can place your customer in relation to the consumer lifecycle. While demographics describe who people are, psychographics describes what they care about.

Psychographic data incorporates elements of the customers' behaviour so that you can have a better understanding of why customers buy your product and the attitudes and personality traits that draw them toward a product. This is more fluid and subjective information, which includes values, opinions, political views, lifestyles, leisure activities, desires, entertainment preferences, usage rate (of a product or service) and social activities. This information is useful if, for example, your business will be launching an incentive program since the incentive will only be effective if it is a reward that the customer wants.

This information will enable you to tailor your service for your customers' needs, or to recommend additional products that your customers may want. It may also enable you to identify which stage of the lifecycle a customer is in and predict their likely behaviour. For example, if a customer buys nappies for the first time, they will likely be buying additional baby paraphernalia. This, adding psychographic information to a targeting strategy could enable you to use more sophisticated marketing tools and satisfy your customers' needs more comprehensively.

Once you know your customers’ desires, you will have to develop a marketing strategy with clear objectives which support your overall business mission, objectives and goals. Your marketing strategy will assist you to:

- Specify the needs of your target market and customers
- Communicate the qualities of your product or service
- Establish your pricing strategy
- Create distribution channels to get your product or service to your customer
- Plan your marketing and promotional materials for your product or service.

Informing potential customers of your business can be tailored to suit your budget. In order to avoid unnecessary expenditures, you have to conduct your marketing activities in a planned, targeted way in order to have lasting impact. You will also need to test the effectiveness of your marketing campaign before you commit to it. Once you have tested your campaign, develop a strategy that will allow you to be impactful whilst ensuring that you can measure the results in relation to your expenditure. Try not to use marketing messages and information that can become outdated quickly.

When you are preparing your marketing strategy, you will have to ensure that you have thought through these four aspects:

The lure of digital marketing is strong, but don’t forget traditional methods to build your business. Social media has made it easy to market to the masses, but you will have to build relationships and remember that it takes time to build an online following. A more traditional form of marketing is direct mail, which can be effective if you ensure that your cards, letters or flyers are attention-grabbing and if you are able to focus on your target market. Google Adwords help ensure that your target market will be able to find you online, and it allows you to measure exactly how effective a campaign is and how much traffic you have generated. Cold calling will allow you to speak directly with customers, but may annoy certain customers. Guerrilla marketing will take more creativity but could be a more effective way to grab potential customers’ attention. This may involve an outrageous idea that is implemented in public spaces.

Ultimately, the best marketing tool is your product or service. If your quality is high enough, you will reap excellent word-of-mouth recommendations and will help you generate repeat business.

FORMING A BUSINESS

KEY NOTES

- Select a business structure that will suit your entity.
- Weigh the pros and cons of all the potential business structures: sole proprietorships, partnerships, private companies and public companies.
- Before you cement your business structure in legal documents, conduct thorough research and consult with a legal, accounting or auditing professional.

You can either set up a brand new business, buy an existing one or join a franchise. In order to determine which structure would help your business thrive, you will have to think through the implication of the laws governing each business structure, the tax implications of each options and how much experience and credibility you (or our franchiser) can bring to the table to allow the business to grow.

Choosing a business structure

One of the key decisions you will have to make when you start your business is choosing a legal business structure to use. This will also impact the way SARS will tax your business. Because it's such an important decision, you should get advice from a qualified independent business, financial or legal advisor.

The structure of your business will depend on the size and type of business that you are establishing, as well as your personal circumstances. If you need more support, a partnership could be what you need. Otherwise you might consider registering as a sole proprietor if you want to maintain decision-making control over the business's operations.

Below, we review the advantages and disadvantages of the different types of businesses, ranging from sole proprietorships and partnerships to private companies and public companies.

Sole Proprietorship

A sole proprietorship is the simplest form of business structure and it is relatively easy to establish and maintain. As a sole proprietor, you maintain complete control of your business and there is no division between business assets or personal assets. This means that your personal assets could be used to pay off business debts.

Pros	Cons
You can maintain full control of your business and run it without the interference of anyone else.	If your business gets into debt, you will be liable which may place our personal financial wellbeing at risk.
You can retain all of the profits of the business.	It might be difficult to raise finance to fund your business or expand it.
Your information will be kept private and the legal requirements and restrictions are less than those of other business structures.	The life of the business can be limited since legally, the proprietorship and the owner are considered one and the same.
As a sole proprietor, you can offer a more personal service which could appeal to potential customers.	Because of a limited customer base, you may be unable to buy in bulk and thus benefit from the economies of scale. This could increase the price of your products or services.
Your business is flexible and you will be able to act on decisions quickly and cater to your customers early.	The success or failure of the business rests on the business owner, which can lead to pressure and a lack of work/life balance.
There is a great sense of accomplishment in knowing that you are working for yourself and over time, you will grow more confident in your abilities.	You will have to assume responsibility for most managerial tasks such as purchasing, selling, financing etc.

If you are setting up a business and you want to keep it small and control every aspect of it yourself, this might be the structure for you.

Partnership

If 2 to 20 people come together to form a business, this is called a partnership. A partnership is not taxed in the same way that a company would be and there are no statuary audit requirements. When forming a partnership, a "partnership agreement" is essential and it will include information about the formation, profit sharing, salaries, banking arrangements, changes of partnership, liquidation and stipulate each partner's responsibilities.

Depending on the needs of the business or the partners' preferences, all the partners can be involved in running the business or there could be 'silent' partners (those who invest money but are not involved in managing it). A partnership may be the structure you want to establish if you can think of people who you trust, who have multiple skill sets and can complement your talents. However, if you are only bringing in a partner because of their financial contribution, then you should be aware that you could also be giving the person a significant say in how the business operates when they become a stakeholder. You will also have to think about how profits will be shared in the future.

When you are establishing a partnership, you will need to have a lawyer draw up a partnership agreement to ensure that everyone is clear about what they are contributing, their responsibilities and how they can benefit from the partnership. This will also help to prevent disagreements at a later stage.

Ultimately, forming a partnership should be based on what is best for the business.

Pros	Cons
Partnerships provide mutual support and companionship. There is always someone to share the burden of the business with.	There may be differences in personal aims and objectives for the business.
You gain access to another individual’s skills, knowledge and experience. In addition, you are able to complement one another’s skill sets.	Decision-making can be slower since you will be collaborating together. Having a business partner to whom you have to justify your reasoning is an excellent way to ensure that you’re making sound decisions.
Having an alternative perspective to an issue in the business, could help you find unique solutions to problems.	You have to ensure that your partner can match your work ethic otherwise you risk developing resentment in the relationship.
A partner could be able to invest financially in the business, thus lessening your personal monetary risk.	A partner will, however, also have to take a share in the profits or gain a controlling stake in the business. A partner will usually expect to be paid more than other staff.
The partners are free to set their responsibilities and benefits as they see fit or as the needs of the business indicate.	If things go wrong, the partner may leave you dealing with liabilities or lawsuits. The business-related acts of one partner legally bind all other partners.
Having a partner enables the business to cope with expansion and you might even consider inviting additional partners as the business grows.	Depending on the nature of the partnership, there could be a substantial amount of paperwork and legalities to deal with when you are setting up the business.
By bringing in a partner, you have access to a new network of contacts, which could help you find more suppliers, establish a solid client base or provide more opportunities for capital.	Being in a partnership can be compared to being married in that you will probably end up spending as much time around your partner as you do your spouse. If that makes you uncomfortable, you might want to consider an alternative arrangement.

There are different types of partnerships, one of which could work best for your business. A general partnership means that each partner is involved in managing the business and is responsible for the liabilities of the business. If one partner is sued, all the partners are liable.

In an *en commandite* partnership, there are one or more general partners and one or more limited partners. While general partners are active managers and are also liable in terms of partnership obligations, limited partners do not participate in management and have no liability for partnership obligations beyond their capital contributions. This means that limited partners are protected against personal liability for the partnership’s debt and other obligations. However, they do receive a share of the profits for their involvement as limited partners. In this way, the limited partner plays the role of a silent partner.

An *en commandite* partnership provides each owner with liability protection against the actions of their partners. Each partner has an equal role in the decision-making processes of the business, and equal shares in the business’s profits and losses. However, it is important to know that *en commandite* partnerships are only available for particular occupations.

Close Corporation

Since the implementation of the Companies Act (Act 71 of 2008), no CC can be registered and no conversions from Companies to CCs will be allowed. However, existing CCs will be maintained.

Private Company

This is the most likely structure for entrepreneurs who want to benefit from the advantages of running their business as a company in that it is essentially a new entity which is separate from the business owner(s). The private company has shareholders who own the business and managers (or directors) who run it – depending on the business's needs, these may be the same people.

Private companies are registered with www.cipc.co.za and must submit an annual return each year, to ensure that they are still trading. Smaller businesses will have an annual accounting review completed by an accountant (which is simpler than an audit).

If your business is running as a private company, you have a more professional image and are able to have several people share ownership of the business. This also makes it easier to sell portions or all of the company to future buyers.

Private companies comprise of between one and 50 members, cannot sell shares to the public and are not listed on the stock exchange. This means that the private company does not need to publish their financial statements publicly.

Pros	Cons
The company has a perpetual lifestyle and can continue even if one of the owners dies.	Private companies have many legal requirements and are difficult and expensive to register.
Shareholders have limited liability, but director are personally liable, if they are running the business in a reckless or fraudulent manner.	At least one director is required.
Private companies can be adapted to both small and large businesses.	Shares may not be offered to the public and cannot be listed on the stock exchange.
The financial statements of a private company are not public.	A minimum of two shareholders are required for a meeting, unless it is a one-person company.
Raising capital for a private company is easier, as long as the business has a track record of profitability or shows potential for growth.	Annual financial statements must be audited.
If you enjoy being a passive investor, you can invest in a private company without having to take responsibility for the day-to-day management of the business.	If you are investing in a private company, your investment is illiquid, which means you will have to wait before you are able to generate an acceptable return on investment.

Public Company

If you have established a private company and it outgrows your ownership, you could consider going public at a later stage. Public companies are owned by shareholders who are members of the public, and are listed on the stock exchange. A public company requires at least seven members with a minimum of two directors.

By going public, a company can raise capital which can increase its potential for expansion, product development, construction, expansion into new markets and acquisitions. Public companies must inform shareholders about and get approval for the company's operations, financial performance, management actions and other decisions. However, it is expensive to change the structure to a public company and there are intricate legal requirements concerning board regulations and responsibilities.

Pros	Cons
Public companies tend to have more prestige and visibility.	Public companies tend to take longer to make decisions since management will require approval from a board of directors or group of shareholders.
Shareholders can diversify their investment portfolios, due to the marketability of their shares.	If shareholders are looking for quarterly performance, management might lose sight of long-term objectives.
If you are a member of management, you will usually be compensated at a higher level than if your company stays private.	Financial disclosures and other announcements could also lead to a loss of secret competitive information.
Shares that are publicly traded are usually more expensive than shares that are not publicly traded. This means that the business's value is likely to increase.	More time is spent meeting regulatory requirements, meeting investors, preparing for conference calls and communicating with key stakeholders.
Gaining access to additional capital assists in enabling the business's financial standing.	The costs related to managing the company increase, in terms of accounting systems and auditing costs.
Public companies are usually large and, thus, can take advantage of the economies of scale and save costs on equipment or materials.	Control of the company and management positions can be taken away from existing management if a dissident investor or group of investors acquires majority control.

This is a very broad explanation of business structures and there are always exceptions to the rules. Before you sign any legal documents, do your research and contract the services of an independent legal, accounting or auditing professional with expertise in this area.

CHOOSING A BUSINESS NAME

KEY NOTES

- Take time to select a business name which reflects your entity's values and offerings.
- Your business name should be short, positive, creative, simple, unique, emotive and easy to pronounce.
- Register your business through the Companies and Intellectual Property Commission (CIPC).
- Open a bank account for the business and register for tax with the South African Revenue Service (SARS).
- If you will be hiring staff, register with the South African Department of Labour.
- You can apply for a patent or trademark through the Companies and Intellectual Property Commission (CIPC).
- Be aware of any permits or licences that your business requires, and apply for these through your local council.
- Get insurance to ensure that you are covered should any incidents take place with your property, vehicles, workers, health and other liabilities.

An effective business name is instantly recognisable, rolls off the tongue and provides a succinct description of your offering. You will want to choose a name that will last and that will embody your values and distinguish your business from competitors. The name of your business will have a tremendous impact on how customers and investors view you. In reality, any name can be effective as long as it's supported by the appropriate marketing strategy.

Some businesses are so concerned about gaining credibility in their field (usually related to financial services or consulting) that they sacrifice an attention-grabbing name for one that is more standardised. As a small business, you will want a name that expresses your brand succinctly. You can also talk to your family, friends and colleagues to brainstorm and come up with a name that reflects your values. Take your time to find a name that suits your business best, and remember that there are no rules dictating how you should name your business.

Here are a few guidelines to help you select the name of your business.

1. **Easy to pronounce and remember**
   Made-up words and nonsense phrases make it difficult for your customer to remember your name. Acronyms, in particular, will probably mean nothing to most

people. You need to have a simple, straightforward identifier for your product or company.

If your business name can be easily misspelled, then it is easily missed too. Once in a while, there is a trend for business names to replace an S with a Z, which could be problematic if the name sounds similar to another entity.

2. **Keep it short**
   This is vital because you want customers and clients to be able to remember your business's name. It also makes it easier to promote your business. You want a name that will fit well on a business card, look good on a sign or an ad, and ideally works well as a domain name as well. If you'll be creating an online equivalent of your business, a domain with fewer than six letters will probably already be taken either by legitimate companies or online squatters.

3. **Keep it positive**
   Many words have both a denotation (literal meaning) and a connotation (emotional meaning). When choosing your business name, make sure that you choose words that have positive connotations.

   Occasionally, business owners will choose a name that has no meaning or will make the name up from scratch (take a look at the likes of Google and Lycos). However, this can be risky – if the company expands into the international market, the owners might discover that the business name has negative or obscene connotations in another language.

4. **Get creative**
   At a time when almost every existing word in English has been trademarked, the optioning of coining a name has become more popular. Coined names can be more meaningful than existing words if you integrate a unique prefix or significant suffix. You could also consider editing the spelling of existing words in order to create your business name.

5. **Keep it simple**
   Avoid using hyphens and other special characters. Try not to use weird spellings unless it's a strong part of your brand identity. This will also make it easier if you establish an online website since users will be able to type the URL in their browser. This will also ensure longevity if someone decides to buy your business and they want to continue using the business name.

6. **Be aware of technicalities**
   If you pick a name that is too similar to a name that is already registered as a trademark, you could find yourself in hot water when it comes to intellectual property rights or be accused of misleading consumers. You also can't use a name that is deemed offensive.

7. **Avoid generic names**
   Business names that are too generic can be difficult to register and trademark. Try not to restrict your business name to a term that describes your products and services, since this does not evoke lasting memories.

8. **Leave space for growth**
   Don't restrict your business name to a geographic location unless you are certain that your business will never grow outside that particular territory. Also keep in mind that you might decide to integrate new products and services into the existing structure – the wrong choice of name could lead to expensive rebranding at a later stage.

   When people are first starting off, there is a lot of temptation to get to market sooner and start building traction. This could result in business owners selecting a literal, functional business name which will end up pigeonholing the business.

9. **Be emotive**
   If your business name has a family history or legacy behind it, tell the story! A comforting or familiar name that conjures up pleasant memories will help customers respond to your business on an emotional level. Having a story behind the name also makes it more memorable for customers.

   Using your family's surname could give the business a sense of heritage and also bring a feeling of prestige to a business. But don't do it haphazardly otherwise it could damage the credibility of your business.

10. **Give it time**
    It can take some time for a new name to feel right, and you may need to use the name for a few months before it starts to feel natural. Put your shortlist of names aside for a day or two and then come back to it with a fresh perspective. You may find that you feel differently about a name that you loved before, or your working list may help you develop a new, perfect name when you review it again.

You will want to have at least two or three great business names because once you've chosen the business name, you will have to register and your first choice may already be taken. If you have a name in mind, you could also test the market to see if customers, investors and co-workers respond well to it. Ask a sample of your target market for feedback – this could also serve as a useful marketing exercise which could result in future sales.

Remember that the name of your business will inform what your website will be, the email addresses linked to it, what you put on business cards, the legalities surrounding your business and whether people will take your business seriously.

Registering your business

Once you have decided on the structure and name of your business, you have to register. Registration involves several steps depending on your decisions, but usually includes some combination of the following:

- Reserving a name;
- Lodging a founding statement;
- Filing the memorandum and the articles of association; and
- Filing the written consent of auditors to act for the company.

Contact the Companies and Intellectual Property Commission (CIPC). They are responsible for the registration of companies, cooperatives and intellectual rights in South Africa. To view the CIPC service fees, go to: http://www.cipc.co.za/Companies_Fees.aspx. To find the forms for establishing your business, go to: http://www.cipc.co.za/Companies_Forms.aspx.

Your business will only be registered after you have completed and submitted these two forms and sent them in together: Notice of Incorporation and Memorandum of Incorporation. Remember to fill in the appropriate form for the type of company you want to establish.

When you apply to register your business name, you can submit up to four name alternatives, your number is required and there is a fee if the registration is carried out online. The form is available here: http://www.cipc.co.za/Companies_files/CoR9_1.pdf.

The complete guide for the process of registering with CIPC and information about necessary documentation is available here.

You will also have to open a bank account for the business, and register for tax with the South African Revenue Service (SARS). You can call SARS at their national contact centre (0800 00 7277) or find the SARS office closest to you here.

If you employ staff, you will have to register with the South African Department of Labour and the Unemployment Insurance Fund and with the Compensation Fund so they can claim compensation for accidents or diseases at work.

Protecting your ideas

In order to get your business idea off the ground, you will have to share it with someone who can help you but, of course, this comes at the risk of the individual stealing it. Hopefully that won't happen, but it's better to be safe than sorry. There are a number of ways that you can protect your innovative product or your concept for improved ways to serve your customers.

Before you are able to patent your idea, you will have to make it tangible and ensure that it is unique. An idea, in and of itself, is just an invitation to create something but until you have actually created the design, process or product, you cannot protect it legally. Write down clearly what your creation is, how it works, how it could be produced in bulk, how much this would cost and how it benefits the consumer.

In order to get your idea to the stage where you are able to register it legally, you will have to work with trustworthy people whom you have researched thoroughly. You could also consider having them sign a non-disclosure agreement which will mean that information that you share with them will remain confidential. This can either be between two parties, ensuring that no third party is privy to information, or it can go one-way (since you're sharing your idea with them).

You can also have your collaborators share a non-compete agreement which prevents the individual or entity from starting a business which would threaten yours. Alternatively, if you hire the person to develop your product, they can sign a work-for-hire agreement and ensure that you own any and all improvements made to the idea. This means they will have no rights to your invention.

Registering your idea

If your business is based on an invention, then you can patent it; and if it is along more 'intellectual' lines then you are eligible for copyright protection. These can be registered through the Companies and Intellectual Property Commission (CIPRO).

A patent is a set of exclusive rights grated by the state to a person (the patentee, usually the inventor) for a fixed period of time in exchange for the regulated, public disclosure of certain details of a device, method, process or composition of matter known as an invention, which is new, inventive, and useful or industrially viable. You can register a patent if you have created a new invention such as a product or process. This will mean that someone else cannot commercially make, use, distribute or sell your invention for up to 20 years – provided that you renew it every year before the third year of expiration and you pay an annual renewal fee to keep it active. Although you can file your own provisional patent application, it is recommended that you work with a patent attorney.

Copyright is a set of exclusive rights regulating the use of a particular expression of an idea or information. At its most general, it is literally "the right to copy" an original creation. If you create an original work that people can see or hear such as a book, painting or music, you do not necessarily have to register in order to secure copyright. Instead you can add the copyright symbol (©) to your original work, the copyright law protects you and your work so that other individuals and businesses cannot use your material without giving you recognition for the work and, in some cases, even paying you royalties. But if you want to copyright a creation such as a film, DVD or video, then you can apply to the Registrar of Copyright using these forms.

You can also register a design with CIPC to maintain exclusive right to the design and prevent others from making, importing or using it. You can either register an aesthetic design or a functional design. The former relates to a unique shape, configuration or ornamentation that appeals to the eye; and the latter refers to a shape or configuration that is necessitated by its function. Aesthetic designs are protected for 15 years and functional designs are protected for 10 years. You will also have to renew the registration each year before the expiry of the third year since the date of application.

Registering a trademark allows a name to become closely associated with a product. By registering your trademark you are able to prevent competitors from using it. Applications for a trademark can be lodged in 45 different classes, depending on the goods and services for which you will be using the trademark. More information about the international classification system is available on the World Intellectual Property Organisation's website and you can register your trademark through the CIPC.

While you are working through the legalities, keep one thing in mind: An idea alone is not worth much. What matters is how you implement it. Getting on with the business is the key to success. Being able to implement the idea and deliver the product, service or information every day is what matters. Get started on establishing your business and creating paying customers.

Registering with SARS

If you are starting a business that is not a legal entity, you can register as a

- Sole proprietorship, whereby you will be taxed on profits in an individual capacity.
- Partnership, whereby each partner is taxed on their share of taxable profits in an individual capacity.

Alternatively, you can register your business through CIPR, in which case you can pay corporate tax in the form of a:

- Listed public company
- Unlisted public company
- Private company
- Close corporation
- Co-operative
- Non-profit company
- State-owned company
- Collective investment scheme
- Other.

If you are a close corporation, co-operative or a private company you could qualify for certain tax incentives and preferential rates in terms of the small business corporation incentive. If you meet specific requirements, you could qualify for the turnover tax system.

You can read the SARS tax guide for small businesses here. Make sure you maintain immaculate financial records because small mistakes can cause big problems in the long run. You need to keep financial and tax records for at least five years, so develop an organised filing system.

You can also call the SARS contact centre on 0800 00 (SARS) 7277 for more information or assistance.

Applying for permits or licences

Business or trade requirements are governed by the National Business Act and are available throughout the country, whereas permits and certificates are usually issued according to local authority by-laws, which differ from municipality to municipality.

Certain businesses need a licence to operate. These include

- Businesses where you will be selling or supplying meals, takeaways or perishable foodstuff.
- Businesses which involve health and entertainment facilities, such as Turkish baths, saunas, health baths, massages, infra-red treatments, male and female escorts, three or more slot machines and electronic games, three or more snooker or billiard tables, nightclubs and discos, cinemas and theatres, and adult premises.

You will also need to have a licence if you are a hawker who sells food or meals.

A business licence permits you to carry out a particular activity in a certain area and ensures that your business and premises meet all of the building, public safety and health requirements. Depending on where your business is located, you will either be liaising with a metropolitan council, a local town municipality or an area district council. Either way, you will be dealing with the licencing office or licencing department in that municipality or council.

Call your local council to confirm whether or not you need a business or trade licence and where you can find the necessary information and application forms. Also find out if your business will need any additional permits or certificates.

A once-off fee is payable at the Business Licence Office when you are lodging your application. Ensure that the licencing department gives you proof of application and payment of fees.

After submitting your application, the licencing department will send a report to the other municipal departments that are involved in the process. Each of these departments has to complete a site inspection to make sure that your business complies with:

- Health and safety regulations
- Town planning schemes which relate to land use rights
- Building control in compliance with the National Building Regulations and Building Standards Act
- Liquor regulations
- Laws related to noise and air pollution
- Public safety regulations.

After all the departments have approved the application, you will be issued with a business or trade licence, which remains valid until ownership changes or until the activity specified on the licence changes. If reports from the departments indicate that other requirements need to be satisfied, then the Business Licence Office will send a notice to the applicant, who much comply with the requirements and then arrange a re-inspection with the relevant officer.

The licence is not transferable from one owner to another or from one property to another, and your premises may be inspected occasionally. A business licence can be withdrawn or suspended if there is a failure to comply with the endorsements.

Getting business insurance

Few things in life are riskier than launching and running your own business. As a small business owner, you need to deal with complex issues such as business plans, accounting systems, payroll processes, employee recruitment, cash flow concerns, marketing and risk management. You will also have to consider a plethora of insurance needs such as property, liability, vehicle, worker's compensation, health or disability insurance.

There is a wide range of insurance products catering for small businesses. These include standard policies which cover theft, fire and vandalism, which can offset the potentially serious loss of buildings, equipment or inventory. It is likely that your bank or lending institution will insist that you have property insurance before approving your loan.

Property and liability insurance are essential coverage for a small business. Property insurance helps protect the property and physical assets of your business, and includes: buildings, furniture, equipment, supplies, leased equipment, inventory, money and securities, records of accounts receivable, machinery, data processing equipment and media, valuable papers, books, documents, mobile property (like cars, trucks and construction equipment), satellite dishes, signs and outdoor property not attached to your building. You can also include intangible property, such as trademarks and goodwill, in your property insurance.

Liability insurance covers four categories of events for which you could be held responsible: bodily injury, damage to others' property, personal injury and false or misleading advertising.

The insurance coverage you choose will make the difference between security against unexpected losses and paying for such losses out of your own pocket. In most cases, a loss can hurt a business beyond the point of recovery and the premium cost is worth the peace of mind. Take stock of everything you want protected: stock, equipment, raw materials, builds, land, fixtures or vehicles registered in the business's name. Then decide how much each of these is worth, and what you want your business to be protected from.

Choose an insurance broker who will help you find the best package to meet your needs. Remember to query exclusions and conditions to ensure that you find coverage that suits you and that you understand what is involved.

Specialised types of insurance are also available. For example, business liability insurance will help protect your business operations against legal action. Certain important assets of the business may be specifically insured against loss or damage. Business interruption insurance guarantees income during downtime. Plans which guarantee a level of personal income in the event of temporary or permanent disability are widely available. Life insurance for key individuals in the business could also minimise the impact on the business in the event of death.

BUSINESS PLANNING

KEY NOTES

- Draw up a business plan which describes your entity's objectives, strategies, market and financial forecasts.
- Your business plan should include an overview, business profile, market research, sales and marketing strategy, operational plan, management and staff structure, and financial forecasts.
- Your business plan will be used to prove the viability of the business, secure funding and ensure that you stay on track with your goals.

Trying to establish a business without a business plan is like turning on your car and driving in the street without knowing where you're going or how you plan to get there.

A business plan is a written document that describes a business, its objectives, strategies, the market it operates in and realistic financial forecasts. Preparing a business plan is one of the most important tasks when starting a new business as you will be using it for everything from proving the viability of the business, to securing funding and measuring the success of your business.

Business plans are inherently strategic. It maps out the resources and abilities you have at your disposal and how you will use these to get to a point in the future when your business will have a different set of resources and abilities as well as greater profitability and increased assets. This is invaluable information for potential sources of funding, such as banks, external investors, grant providers or potential business partners. In this sense, a business plan is crucial because it shows that you have thought through an idea thoroughly and aren't just winging it.

Drawing up a business plan will help you stay on track with your strategy and stay focused on measurable objectives. Over time, you will also be able to use your plan to refine estimations related to your potential market, sales, costs of sales, sales drivers, lead processing and business processes. You will also be able to set priorities and revise them as the business evolves – after setting a solid foundation, you might be able to delegate particular tasks and ensure that the responsible people are on track for success or allow for course corrections. You will also be able to identify potential pitfalls before they happen and structure the fiscal aspects of your business appropriately. Keep in mind that your business plan will need to be updated as your business grows.

Writing and researching for your business plan will provide you with the opportunity to learn about your industry, market and competitors as well as set specific goals with timeframes for achieving them and stipulate how you will measure performance.

Your business plan should include:

- **Overview:**
  - The business name, address, owners and legal status
  - Mission statements and/or vision statements which outline what you want to create
- **Business profile:**
  - A description of your business, property and service; as well as its strengths and core competencies
  - How you want your business to develop in terms of growth prospects
- **Your market:**
  - Insight into the industry and how it is projected to change in the foreseeable future
  - A market analysis which outlines who your target market is and how you plan to appeal to them
  - Information about your competitors and how your offering differs from theirs
- **Sales and marketing:**
  - Details of your sales and marketing strategy
  - Information about how you plan to promote, distribute and price your product or service
- **Management and staff:**
  - Information about your business structure and how you plan to manage your business
  - A description of your management team, including the experience of key team members and previous success
  - You can also include succession planning here to show that you have thought about how your business will work well into the future
- **Operational plan:**
  - A description of your operational requirements including premises, equipment, staff, suppliers, credit policies, licencing, insurance and systems.
- **Finances and forecasting:**
  - Revenue projections and a cash flow projection
- **Summary:**
  - A summary or conclusion (this can also be an executive summary that is outlined at the beginning of the document)
- **Supporting documents**
  - Your appendices will include documents that you have referred to in your business plan, such as brochures, advertising materials, industry studies, copies of leases and contracts, relevant articles, market research studies, detailed lists of equipment requirements and blueprints and plans.

The real value of creating a business plan is not in having the finished product in hand, but rather in the process of researching and thinking about your business in a systematic way. Crafting a business plan usually takes several weeks but it avoids costly mistakes later since most of your time will be spent conducting research and rethinking your ideas and assumptions.

Remember to keep your plan as short and simple as possible and sort your ideas out logically. If you come across any gaps or weaknesses, take time to do the necessary research so your document will be comprehensive. It's a good idea to let a few people read your first draft of your business plan and have it professionally proof read to avoid embarrassing spelling and grammar errors. Ask your accountant, business acquaintances and mentors to read through your business plan and let you know about any inconsistencies or gaps.

There are many internet websites offering template business plans, many without cost. It would be advisable to research the ones that pertain most to your type of business and use it as either a template or as a reference source for your own devised business plan.

SOLVING KEY CONCERNS

KEY NOTES

- Find good staff to contribute their skills for the growth of your business by using GetTheJob.co.za.
- Labour law issues can be handled by the National Association of Employers.
- Ensure that you have healthy, growing relationships with your employees to improve staff retention.
- The location of your business should be easily accessible for customers, employees and suppliers.
- Your property should suit your business needs, which will include financial concerns, furnishing requirements, technological needs, growth potential, health and safety regulations, and the office environment.
- Find potential sources of funding by registering on GetTheJob.co.za and getting details for bank loans, equity financing, property assets, angel investors, venture and mezzanine growth capital.
- Confirm how much money you will need to raise by completing your financial calculations, statements and projections.
- Seek advice from professional advisors to find the appropriate combination of funding for your business.

Businesses are adapting to volatility and uncertainly as a way of life. With the economic outlook and ever-widening range of threats continuing to test even the strongest of organisations, small business owners are facing even more pressure as they strive to find growth, become established and gain on competitors.

Uncertainty is the bane of every small business owner as they try to work towards ensuring that their business will be a success. Being aware of critical issues which face most entrepreneurs will help you troubleshoot when problems arise.

Finding staff

One of the most important decisions you will have to make will be who you select to join you and help you build your business. A business owner simply can’t grow their venture beyond a certain point singlehandedly so you will have to create a team of employees that is competent, capable, compatible and committed to helping you establish your venture. If, for example, you plan to run a restaurant, you will not be able to design it, market the business, buy the food, maintain financial records, prepare the meals, wait tables and wash the dishes all by yourself. So no matter what venture you are thinking of establishing, be aware that you will probably have to work with others in order to ensure that your business will be a success.

Good staff will prove to be invaluable as you work toward your goals because if your business is to experience any notable growth, you will have to have people with skills and expertise to complement yours and commit to your project. You will need to plan ahead if you want to hire employees to ensure that they are aware of their responsibilities and are equipped to fulfil these duties adequately in order to ensure that the business satisfies customers' needs and wants and that you are able to create and deliver a quality product.

If you have decided to hire employees, then you need to be aware that recruitment can be expensive in terms of time and cost. Recruitment fees can range from 12% - 25% of annual salary and usually only come with a 3 month guarantee to replace proven unsuitable staff. Advertising for staff can cost from R500 to R5000 and you will spend substantial hours going through hundreds of CVs most of which are simply "chancers". Job seekers then continually harass you to see if they have been selected, thus wasting more of your precious time.

One way to sidestep this is by using a recruitment website such as GetTheJob.co.za to cut the costs associated with hiring an employee down to only R150 for your selected candidate, if they are so found and selected by you. GetTheJob.co.za uses unique Match + Rank® technology to help you find your perfect candidate in milliseconds. It's a no cost service until you find your ideal person, then it's only R150.

After registering as an employer on GetTheJob.co.za, you will be able to advertise/list your job vacancies for free. By completing the Job Specification form on GetTheJob.co.za this will reflect the roles that the individual will fill, the skill sets required, personality attributes that are important, salary/wage level and any relevant experience they should have. You can fine tune your job specifications so that you can find candidate profiles which match your job requirements.

You will have access to your personal recruiter's dashboard where you can view all the positions you have uploaded with matched and ranked job seeker profiles. Based on the criteria you have specified, job seekers will be displayed and ranked in percentages according to how closely they match your job requirements.

As new job seekers register on GetTheJob.co.za, suitable profiles for your available positions will be emailed to you. Once you have selected a candidate who matched your job specifications, you can download their InfoPack for R150, and gain access to their contact details, personal CV and a one minute introductory video (if the candidate has uploaded one).

Job seekers are unaware of your involvement as an employer/recruiter until you contact them so there is no contact from the job seekers to you until you initiate it. Job seekers are emailed weekly by GetTheJob.co.za to ensure that they are still looking for a job and they are then kept on the job seekers database.

Ultimately, you want to ensure that your search for employees is conducted with optimum accuracy, speed, affordability and efficiency.

Once you have created a shortlist of candidates to interview, contact the job seekers by telephone or via email to confirm that they are still seeking employment, and confirm their availability for an interview. Follow this up by confirming in writing that they have been selected for an interview and informing them of the time, date, location of interview, expected length of interview and the interview process.

It is then time to prepare for the interviews that you have lined up. Take time to develop questions that will help you ensure that you make an informed decision.

Look over each candidate's CV and identify areas that you would like to discuss with them during their interview. Use a consistent set of 10 or 12 questions to maintain a structured interview and offer a sound basis for comparing applicants. The questions that you develop should be based on the required and preferred skills and qualifications. Allow candidates to respond and interview questions. The primary aim of the interview is to determine if the job seeker can perform the relevant duties.

Select your preferred candidate and run a background check to reveal any potential problems that you may not have already uncovered. By using GetTheJob.co.za, you will also gain access to the contact details of verification experts who can be used to validate information in job seekers' profiles. Obtain the preferred candidate's references and call previous employers to ask about their working relationships with the candidate, confirm employment date, the duties the candidate undertook, their absenteeism record and their standard of performance.

Determine whether you will need to run another job search, if there are other candidates who are able to fulfil your requirements to a more satisfactory degree or if you are happy with the candidate that you have selected.

You can then contact your ideal candidate and offer them the job. The information you have collected throughout the process will provide you with relevant information as to the compensation levels and training needs.

Labour law issues can be handled by the National Association of Employers and as an employer/recruiter you have access to their 70 plus dedicated Labour Lawyers countrywide upon joining this Association at a cost starting at R250/month. This is an optional extra and their details are found on GetTheJob.co.za by clicking on Employers/Recruiters and then on the Labour Law link.

You will need to have an employment contract drawn up between the chosen candidate and yourselves which stipulates the prospective employee's probation period, start date and terms and conditions of employment. The National Association of Employers has standard template contracts available to be downloaded

Once you have brought your new team member on board, you will have to manage them in such a way that it frees you up to focus on the tasks that you are best suited for while bringing they bring added value to your business.

A word of caution about using the "word of mouth" approach in selecting an employee. Often it is tempting to ask your family, friends and associates if they know of anyone looking for a job, say a bookkeeper. One or more of them may say "I know of someone who has just been retrenched' or some similar story. Don't be tempted, especially if they are friendly with this person or even worse if it's a relative! If they don't work out and you have to replace them then this will cause major issues with the person who recommended them.

Personal referrals are difficult to put through the same rigorous interview and background check procedures that a complete stranger will be subjected to. The wrong employee can cripple a growing business and jeopardise its survival.

Retaining staff

Once you have gone through all the effort of finding an ideal staff member, you will want to retain them in order to establish a strong workforce and create a team that works well together. Employee retention is essential for the long-term vitality of your business and it often takes more than deep pockets and the occasional office party. It requires a working culture where everyone feels recognised and rewarded.

Usually, retention issues are ignored until people suspect that an employee might leave, at which point it might be addressed by offering the employee some kind of enticement to stay, and then it's back to business as usual. Unfortunately, using this will prove ineffective as a staff retention policy as frustration begins building again.

The truth is people usually don't leave jobs – they leave managers. If you want to cultivate loyalty, you will have to ensure that you are proactive in combatting turnover.

Good employees require careful selection, training and development. Whenever you need to replace a key member of your team, you have to undergo the recruitment process again, which takes time from the day-to-day running of your business and is financially costly in the training and mistakes they might make while learning the ropes. Losing a staff member is also unsettling for the rest of the team, so you can minimise the disruption of employee losses and recruitment by motivating your staff with encouragement and praise, and constructive criticism when required, and trying to meet their needs as well as their own.

In order to retain quality employees, you will have to ensure that they stay motivated, compensate them fairly, ensure that they are working in a good environment and make sure that they are aware of opportunities for career growth. As part of your employee retention programme, you should aim to grow the skills of your entrepreneurs.

To help you in this regard, GetTheJob.co.za has researched as many as possible workplace skills training programmes and courses from numerous skills training providers throughout South Africa. With over 3600 skills training programmes and courses already in our Skills Training Database, we are sure you will be able to find the appropriate course to help you develop your staff so that they can contribute to the growth of your business. You can access this database by registering as a recruiter or job seeker on GetTheJob.co.za.

Please note we do not have any working or business relationship with any of the Skills Training Providers mentioned on GetTheJob.co.za. We recommend that you visit their websites and obtain any other relevant information to fully satisfy yourself prior to signing up for any programme and course. By identifying these programmes and courses we cannot be held liable for any decisions made in this regard.

Employee retention is a measure of the health of your business. If you are losing key employees, you can be sure that other people in their departments are looking for new opportunities elsewhere as well.

What can you do to ensure that you have a healthy, growing relationship with your employees?

1. Show your employees that you trust them by giving them responsibilities that allow them to grow. Encourage them to learn new skills. If possible, provide continuing education opportunities – then hire from within whenever possible. This will keep employees motivated as they feel that they are able to meet their personal career goals in your organisation.

2. Communicate regularly with your employees and make sure that they are all aware of the latest developments in projects and how the business is progressing. That may mean communicating bad news as well as good news. An employee who is kept informed will feel more involved in the running of the business.

3. Encourage employees to engage in career planning so that they have clear direction and goals. This means that employees will also be aware that you are supporting their employment advancement in your business, by helping them to make realistic, suitable career choices. When employees have a long-term vision of personal growth and are clear about how they can advance within your business, they will be more likely to stay.

4. It is also important that employees feel that they are contributing to the greater good. Being able to relate their job to a sense of purpose will help employees feel driven and energised.

5. Compliment employees when they do a great job or when they go above and beyond the call of duty. This will make your staff feel valued and it also models that behaviour for other team members. Be careful not to overemphasise one employee because that could lead to resentment between team members.

6. If managers make it a priority to show outward respect for employees on a regular basis, it will lead to a strong and enduring workplace culture, as well as positive experiences and memories that they will never forget. Remember, people may forget what you said but they will never forget the way you made them feel!

7. Don't hover. If should be obvious, but too many managers tend to be micromanagers. You hired your employees because they're talented, creative and have a unique set of skills and intelligence. You will not gain anything by micromanaging your staff and forcing them to do their work exactly like you would do it if you were in their position. In fact, this will simply undermine the very qualities that you hired them for in the first place. Empower your employees to make their own decisions. Mistakes will happen but treat them as learning experiences and then growth is assured allround. Don't cry over spilt milk. Use the opportunity to ask all concerned how we can all learn from

this and how to ensure it doesn't happen again and what changes can be implemented to grow from this experience.

8. Remember that life is serious enough, so encouraging your staff to have a laugh can create a sense of camaraderie and enable them to work better together.

   Offer a competitive benefits package that fits your employees' needs. If the business can afford it, providing health insurance, life insurance and a retirement-savings plan will go a long way to establishing you as a valued employer. Other perks, such as flexitime and the option of telecommuting will also show that you are willing to accommodate their lives. Salary is often a key driver, and it can be beneficial to offer elements like commissions or bonuses that are linked to specific goals and outcomes.

9. Make sure that employees have the materials and equipment they need to do great work. No matter how talented or skilled your employees are, they will be unable to be effective and will be challenged by basic tasks if they are lacking the equipment they need to get their work done.

10. A word about how to criticise an employee. Firstly only do it behind closed doors and in private, certainly not in any way that it will cause the employee to lose face in front of their co- workers. Secondly, always criticise the event and never the person. For example, if someone messed up and forgot to include a page in a presentation to a new client or customer and the boss/presenter could not perform at their best and lost the deal then blowing up at the person responsible is not going to make the deal suddenly materialise out of thin air. Don't compound one mistake with another one which could be far more damaging to your business in the long run. Talk politely to the person in private and say that unfortunately because the presentation was missing a vital page the incompleteness undermined the credibility of our proposal and this contributed to us losing the deal. Then ask them for suggestions on how to create a system to ensure that these presentations are checked and then double-checked by someone else in the future.

One useful place to get information about how employees feel about your workplace is by conducting exit interviews to find out why staff members are leaving. This will help you plan ahead in order to lessen employee turnover.

Successful leaders understand that there is no single solution for keeping valuable employees. A lot depends on the nature of the organisation, the personalities of the workers and the style of leadership. In light of this, consult your employees and consider their feedback. Together, you may discover a customised approach that suits your business.

Locating the business

Location matters. Whether you sell products or services that depend on customers visiting your offices or whether you just need office and manufacturing space. Choosing the best location for your business will affect everything from the amount of customer traffic, the costs involved, the availability of employees, to your business's growth potential and access to suppliers of raw materials.

Where you decide to locate your business could mean the difference between profitability and failure. Where should you begin building your business? In order to save costs, you might decide to work from home or rent premises. The decision will depend on what your business will need to grow, the type of business you have, your financial needs and where your competitors might be located.

These are just a few questions that you will need to be able to answer satisfactorily – before leasing or buying property:

- Is your business based on the internet or will you need to have access to physical premises for specialised equipment or to service customers?
- How much space will you need?
- If you are able to work from home, do you think you might need to relocate when your business grows?
- Will you lease premises or buy it?
- Will your customers, suppliers and employees be able to access your business easily and find suitable parking?
- Can you distribute easily from your base to all customers and/or regional offices?
- What signs of development are there in the area? Will you reap long-term benefits?
- What businesses do you want to be located near? Will a business park make more sense than serviced offices? Do you need to be visible from other corporate centres?
- Will you need space for stock and storage or parking for your fleet of vehicles or for customers?
- Will the property meet health and safety legislation?
- Will your employees have access to parking spaces, restrooms, kitchens or break areas?
- How would the community respond to new development?
- How much will the property cost, and what rates and taxes will you have to take into consideration? Businesses that pay comparatively less on property have more to spend on other important aspects of their businesses or can pass some of their savings along to their customers in the form of lower prices.
- What hidden costs will you have to consider? Will you need to decorate the property, install internet access or renovate? How much would you need to pay for each of these improvements?
- What operating costs are involved in leasing or buying the premises?
- Is there a generator in case of power failures that could create havoc with your business's production abilities?

If you are in the retail sector, where you position your business is integral to your success. There is no point in basing your business in a place where very few of your target market will be able to access you. If you manufacture products, distribution will be a critical factor so you will have to consider how far you are from cities and transport routes. If you provide a service, you will have think about where your ideal customers are likely to be and how far you are from competitors.

Your office environment and where you locate your business also plays a vital role in motivating and retaining staff members. If it is too far from residential areas or employees face long daily commutes, they might feel that their quality of life is impacted negatively and may start looking for employment closer to their residence. Visitors and employees will also form an opinion about your business based on its location within the first few minutes of a visit.

No matter what location you choose, never purchase a property or sign a lease without being absolutely sure that you will be permitted to operate your business there. For example, if you have opted for rental space in a shopping centre or retail complex, check carefully with management to ensure that you have no contractual restrictions that may inhibit your ability to trade. Also check with the municipality to ensure that you are in the appropriate zoning area.

Consider your space requirements in terms of quality and quantity, and remember that planning ahead will cut costs in the long run. Finally, you will also have to revisit your business plan on a regular basis, to make sure that your chosen location supports your plans for growth.

The rental costs/ownership costs of a business have traditionally been computed at 5 to 15% of turnover. This is a meaningful amount of money especially if a 3 to 10 year lease is signed. Always have an experienced attorney check out the lease for you before you sign.

Financing your business

Finding funding for a business can be a challenge, whether you're looking for start-up capital, or for funds to expand or sustain your business through a particularly rough patch. Most businesses begin with the owner's capital or loans from friends and family. Some are able to obtain a bank loan or use a government-sponsored programme.

GetTheJob.co.za has created a list of potential sources of funding especially for South African entrepreneurs. No matter what industry you are in or how much financing you need, we have drawn up all the contacts that you need. Please note that the sources and types of funding listed in our database have been assembled for ease of reference, however GetTheJob.co.za does not recommend, advise or in any other way intimate that anyone or any more of these businesses should be used to source funding. It is purely a list of funding sources that we have established via Internet searches. We have no business or working relationship with any of these funding sources.

Register on GetTheJob.co.za and you will be able to see exactly what types of funding you can access: whether that is in the form of bank loans, equity financing, property assets, angel investors, venture or mezzanine growth capital. You can also view the precise criteria that you would have to meet in order to be eligible for a loan/investment and the contact details of the relevant person.

To start with, you need to understand that you can fund your business through equity financing or debt financing – and understand the differences between these types of funding.

Equity vs. Debt Capital

Equity capital is money that you and/or your partners put into the business or raise from other investors. While investors share in the profits (or losses) of your business, their investment is not a loan. In order to attract investors or partners, you will have to demonstrate both the profitability and the reasonable risk of your venture.

You can gain equity capital by investing personally, or asking friends and family to invest in your business. You could also find one or more partners who are willing to put money into your venture, which means that you will share ownership of the business. You might consider selling shares to private shareholders or asking employees to take part in a form of profit sharing. You could gain funding through venture capital firms.

Once you have equity capital in place, you can approach lenders for a business loan for debt financing. This would mean that the business borrows money and repays it with interest over a specific time period and with the repayment of the capital borrowed at an agreed to time frame– regardless of whether the business is showing a profit or not.

As a small business owner, you should familiarise yourself with the lender's requirements before finalising the type and source of your debt financing. An attorney, accountant or other professional advisor should assist you in this regard.

When it comes to securing that much-needed cash injection, you have a number of options which include getting a bank loan, getting an angel investor, applying for a microloan, crowdsourcing, using a credit card, venture capital or raising money from your family and friends.

Know the numbers

Your first point of call will be to complete your financial calculations, statements and projections so that you have a clear idea of how much money you will need to raise in order to finance your business until it is self-sustaining. It might be worthwhile to hire an accountant to look over your estimations before you submit them to potential investors.

Whether you are asking for money from a lender or investor, they will want to make sure that you know your numbers thoroughly. You need to know exactly how much you want and what it will be used for, and be able to demonstrate when you will be profitable (based on a credible forecast of your future costs and sales).

You should have this information at your fingertips – the slightest miscalculation will immediately damage your credibility and, thus, their faith in you.

Start-up costs will depend on your business needs but should be able to cover essentials such as:

- Supplies and inventory
- Equipment and manufacturing machinery
- Advertising and marketing: domain name, domain hosting, mailers and website design

- Electronic equipment such as a computer, printer, scanners and IT support
- Office supplies
- Furniture and fixture: desks, lamps, bookshelves, chairs etc.
- Operating space and a security deposit (if you will be working outside of your home)
- Licenses and permits
- Legal fees
- Insurance costs
- Vehicles
- Employee costs
- Tax requirements
- Telephone costs and/or internet access
- Money for you to cover your personal basic expenses each month

Remember, initially the most important thing is to keep your business afloat so that you can earn a profit. You want to get by on as little start-up capital as possible so you need to make sure that every purchase you make is directly related to increasing your profitability.

The way you finance your business will have long-term effect on your wealth. Doing it all yourself could place you under so much pressure that you no longer enjoy running your own business. However, giving away too much of the company could leave you feeling as if you are slaving away to support your investors.

Finding the right balance will mean that you are still excited by the challenge of running and growing your business while managing to meet your financial commitments.

Register here to get access to the full Entrepreneur Funding database on GetTheJob.co.za and make sure that you don't miss out on a potential source of capital for your business. Be sure to consider all the potential funders and seek careful advice from your professional advisors in order to find the most appropriate mix for your business idea.

CASH FLOW

KEY NOTES

- Your cash flow is an indication of your business's financial health.
- Encourage debtors to pay as soon as possible, and delay paying out for as long as possible.
- Cash flow projections will be affected by your operating activities, investing activities and financing activities.
- Improve your cash flow by implementing effective sales mechanisms, using accounting software, avoiding interest and fees, and reviewing the processes and systems of your business.

When it comes to managing the finances of your business, you will discover the truth behind the saying "cash is king". A good gauge of your business's financial health is its cash flow: the money flowing in and out of the business from sales, expenses, investments, debts collected and credit extended.

The lag between the time you have to pay your suppliers, rent and employees and time you collect from your customers will determine if your business is able to stay afloat. Essentially, cash flow management means being able to delay paying out cash as long as possible, while encouraging your debtors to pay you as soon as possible, and preferably, to run a cash only business.

You need cash to start, operate and expand your operations, but many small business owners often have trouble maintaining and managing cash.

Many businesses may continue to trade for a few months even if they are making a loss. This is possible if they can, for example, delay paying creditors and have enough money to pay variable costs. Ideally, your business would develop a cash flow system which allows you to manage funds to cover operational costs and bills, whilst allowing you to anticipate potential problems in the future.

It is crucial to balance your business's inflow and outflow in order to maintain a reasonable balance of cash at all times. This means that you need to put structures in place to ensure that you are running your business smoothly.

The three activities that will impact your cash flow most will be your operating activities, investing activities and financing activities. These will directly affect the projections that you make. You will probably struggle if you try to tackle your cash flow as a hole. Rather segment suppliers, customers and inventory.

Measuring cash flow

You will have to prepare cash flow projections for the next quarter and the next year, so that you have an idea of how much you should have on hand at any given time during that period. However, cash flow plans are not glimpses into the future – they're educated guesses.

Make a list of all the start-up costs or one-time expenses, your monthly fixed and variable expenses, and project your sales to see if the business is feasible. If you do not know your expenses, you will not be able to project how much income you need to receive in order to make a profit. If you got paid for sales the instant you made them, you should never have a cash flow problem. Unfortunately, that is not always realistic so you need to make sure that you manage your cash flow.

In early-stage business situations, cash flow projections are needed to determine how much money is needed to start the venture. You need to know how much is needed in order to kick start your venture and ensure that you will be able to pay your bills on time.

To figure out your cash in and outflows during your first month of operations, you will have to make some estimations about the time periods when you would be expect to receive income and expect to pay for certain products or services. As a start-up, you don't have a sales history to fall back on so you should seek out expert guidance from a professional who has experience in your industry. This can be an accountant or a mentor.

When you research costs and forecast sales, make sure you schedule figures and timings with as much accuracy as possible. Don't just lump in a general cash-in or cash-out total or guess about timings. You need to be as accurate as possible in order to ensure that your business will be viable. If you're unsure when a cash item might move in or out of your business, or how large it's going to be, investigate more and seek expert guidance. Once the period that you've forecasted for is over, go back to the original estimations that you had made and compare the results so that you can develop your precision.

The whole point of having a cash flow forecast is so that you can identify and prepare for hidden opportunities and risks, and make key strategic decisions with confidence.

Use scenarios in your forecasting so that you can prepare for different eventualities. There will be a worst case scenario and a best case scenario for your business – so focus on a middle-ground one that will allow you to take advantage of any windfalls and avoid or reduce the impact of any shortfalls.

A rolling 12-month forecast is the best practice for most companies. If you map things out week by week, you'll see where you can expect surges in expenses ahead of your biggest sales season and where several payments might be due all at once.

Improving your cash flow

The first and easiest way to immediately boost cash flow and profit is by driving your customers to your bestselling (or primary) product or service with the highest profit margin. Look at the terms that you're offering your customers and evaluate if they work will work for you and if your customers will be able to perform to those terms.

The faster your receivables turn over, the more capital you'll be able to spend on growing your business. Use an accounting software programme to schedule your upcoming income so that you can be alerted when money is due and act immediately on overdue accounts. Remember to conduct a credit check on new customers before you offer them payment plans.

Take the maximum amount of time allowed by your suppliers without incurring interest or fees (this is usually 60 or 90 days). This will give you enough time to collect income without spending money from your clients. You might also want to investigate to see how your suppliers stack up against others in the marketplace – see if their competitors are offering discounts or more suitable payment plans.

If you are in a service business, monthly retainers, deposits or prepaid agreements are a useful way to generate cash flow upfront. If you have a product based business, you could do the same with pre-orders, ensuring that a percentage of the final sales price is going to secure the order or a certain delivered-by date.

Look at the volatility of your inventory. Do you have too much cash tied up in products that sell only sporadically? Should you consider using that money for more stable items that turn over more quickly?

Is there anything that is inhibiting customers from paying sooner? If, for example, certain customers pay late, you might discover that there are frequent disputes on their invoices. This means that you can fix this problem in order to present a better service to your customer, and improving their payment period. Be aware that major Corporates and Public Sector bodies usually have a lengthy process to make payments and because of their size are known to delay their payments at the expense of the "small man" businesses. In South Africa this is commonplace especially with Public Sector Bodies and getting refunds from SARS.

Having a line of credit in place to cover short-term needs and emergencies is a more efficient way to manage your cash flow than trying to get a loan in a hurry. It's better to be prepared than face trouble when you can't pay a supplier or cash your weekly wages cheque.

Are you getting the best deals on your regular business expenses? Review each of your insurance policies and get a few quotes from competitors to ensure that you're getting the most for your money. Keep a close eye on price sensitive services such as your phone lines or internet service providers. Don't hesitate to call around to make sure that you're getting the lowest available rate.

Find a high-interest savings account which will allow your business to earn a competitive rate of interest on the cash you have available. Make sure that you are also able to draw funds whenever you need to.

It may seem self-evident, but being able to effectively manage your business's cash flow will bring high returns to the owners and management, and allow you to run your business more effectively and efficiently. Happiness is a positive cash flow!

MANAGING DEBTORS

KEY NOTES

- Manage your stock to ensure that you can consistently serve customers.
- Check the credit health of potential debtors before getting them to sign a contract.
- Create a consistent system to manage debtors, establish a payment policy and invest in accounting software.
- Ensure that customers can pay easily and communicate with your clients before engaging a third party in debt collection.

Now that you understand the significance of managing your business's cash flow, it will be apparent that managing your debtors is integral to your venture's survival. If you plan to give credit to your customers, then you will have to be able to ensure that payment is received when due.

The length of time it takes for debtors to pay their accounts will impact directly on your business's ability to pay suppliers, staff and creditors. Giving your customers time to pay for goods or services already delivered will make it easier for them to make purchases, thus increasing your business's sales.

There are two main areas where cash can be tied up: stock and debtors. You will have to manage your stock effectively in order to ensure that you can consistently serve customers, thus encouraging repeat business. You will then have to develop your debtor management skills to ensure that you get cash in your hands as soon as possible.

Set up credit controls for managing your debtors and improve your chances of payment. Your debtors need to know that you mean business and that you will take the appropriate steps if they fail to pay on time.

1. **Research possible debtors**
   Conduct research to ensure the debtors you are considering establishing a relationship with have a history of paying their debts on time. This can be done by looking at the customer's credit score. Knowing your customer's financial health can safeguard against unreliable debtors and help you avoid difficult customers.

   Discuss your policy and the credit limits up front so that customers know you are serious about your collection program.

2. **Formalise an agreement**
   Once you have decided to supply goods or services to a customer, the relationship should be documented in a binding agreement which specifies the terms and

conditions of supply and indicates the exact deliverables that each party has agreed upon.

Terms need to be established at the beginning of the relationship and followed up with written confirmation. The terms of the transaction should be clearly and boldly stated on relevant documents, including invoices and receipts given on delivery. This should also include a discount policy, if applicable. Terms should be clear, concise and enforceable.

3. **Enforce a clear credit policy**
   Develop and implement a system whereby you will follow up on all slow payers, monitor collections and follow up if payment schedules are not met. Send an invoice the day that the sale is made – delaying paperwork will only contribute to a situation where payment snowballs.

   Send 30-, 60- and 90-day reminder letters to the debtor, followed by phone calls and, if necessary, visits. Set a limit for the amount of credit you are willing to extend for each credit, based on their needs, the quality of their references and their track record.

4. **Develop an accounting system**
   Use an effective accounting software package which will allow you to keep track of upcoming deadlines and necessary paperwork which you need to send out. Make sure you have written order forms and that your invoices are accurate. Your customers should be able to access the relevant details, and your records should be the same. This lessens the chances of miscommunication, in the event that they delay paying you.

5. **Avoid extending credit**
   Extending credit or payment deadlines for a customer could indicate that the individual is experiencing difficulty, which could continue for an unforeseen period of time. Be careful not to become the last priority for a customer who is struggling to meet their financial obligations.

6. **Communicate with your debtors**
   Be proactive. If you call a customer the week before their account is due, you can confirm that you will be receiving payment and you will also have a better idea of who you can expect to receive from and whose payments will be delayed.

   Ensure that you have the correct contact details and addresses, and that these details are communicated from sales to customer services to your credit controller.

7. **Establish a payment policy**
   Whenever you issue an invoice for payment, you have effectively become a money lender. Having a well-documented and practical action plan for delayed payments will enable you to handle your debtors in as pleasant a manner as possible.

If a payment is one day late, a friendly call may be enough to prompt the customer to pay. However, if payment is a number of weeks late, then you have to be firm enough to send professional demand letters on time.

8. **Encourage fast payment**
   Include a provision for adding interest to the outstanding account to encourage debtors to pay on time, or consider offering early payments discounts if they pay within a certain period. Make it clear that if this period lapses, the customer will have to pay full price or additional service fees.

9. **Make payment easy**
   Technological developments have opened up a plethora of options for business people to receive payments. No longer do you have to wait for a check in the mail or wait for the customer to visit your premises to pay you.

   Use the options available to you, from debit order to mobile payments and EFTs. It may also help to outline exactly how the customer will pay when they apply for credit.

10. **Engage a third party**
    If you can see that your cash flow is disrupted to the point where it threatens the survival of your business, or you are overwhelmed with the task of managing your debtors, consider using the expertise and experience of a business finance organisation that has the systems and resources to help improve your cash flow. You could hire an organisation that will collect the outstanding payments on your behalf.

    If you have a serious long term debt, engage a debt collector or lawyer. This is a drastic step and shouldn't be undertaken without consideration because you may alienate your customer, but it is a viable last resort if the customer continues to avoid payment.

Unsuccessful debtor management will place stress on the working capital ratios of your business, which will necessitate capital injections. Be aware that large unpaid debts can pose a risk to your business – especially if you are exposed to large single transactions. To minimise this risk, you will need to manage your debtors in such a way that you can recover monies due, which result from products or services supplied.

Collecting money isn't fun, but you can be assertive without being threatening and civil without being ineffective. It's your money, so there's no reason to feel reluctant about using bold approaches to collect it. Remember, the quicker you get your money back, the more opportunity you have to use it to improve the business.

LEAVING A LEGACY

KEY NOTES

- Once your business is running smoothly, maximise its growth possibility.
- Find a mentor who will keep you on track, inspire new ideas and support your development.
- Maintain your work-life balance.
- Set goals with specific timelines.
- Partner with a similar business and develop new products or services to encourage expansion.

By this stage, you have accomplished the basics of getting your business up and running. You have waded through the legalities, sorted out the technicalities and are selling your product or service to customers. Where to from here?

1. **Find mentors**
   Good mentors help you achieve your dreams. Look for someone who has already accomplished what you are trying to do, and who are willing to help you. They could be in the casual form of friends, colleagues or peers, or in the more formal form of a Board of Advisors or Board of Directors.

   GetTheJob.co.za has a mentorship section where experienced and skilled people are willing to assist entrepreneurs.

   When you are selecting your mentor, make sure there is no conflict of interest. Ethical mentors will be able to navigate this conflict and offer you advice at the same time.

   The best mentors don't need anything from you and will not gain anything by pushing your business in a specific direction.

2. **Set a schedule**
   Maintain your work-life balance so that your business does not consume all of your time. You need to set aside time to spend with your family and friends, and relax. You have to take care of your health if you want to enjoy the success of the business that you have invested so much time building.

3. **Draw up new goals**
   Determine fresh goals for your business and write them down with specific deadlines. Entrepreneurs can get caught up in the day-to-day running of a

business and run the risk of waking up one day and realising that they were incredibly busy, but did not manage to achieve their goals.

Set measurable aims for your business and review them often. This will help you feel that you are making progress. Remember to weigh up your options as new opportunities open up for your business. Are there new markets that you could cater to? How can you improve your business's systems and financial position? Will hiring more staff allow your business to serve more customers? Should you source from new suppliers? Could your business turn into a viable franchise or should you sell it? Look out for areas of growth for your venture.

4. **Diversify**
   Aligning yourself with a similar business can help your venture expand quickly. You could sell complimentary products or services, import or export your services, help others learn about your industry or focus on reaching out to others through speaking or writing about your industry.

   Diversifying will allow your business to have multiple streams of income, and can fill seasonal voids. You could also increase sales and profit margins. Launching new lines of your product could encourage your outlets to carry more of your stock. Offering more services could allow your venture to reach out to an unexpected target market, thus garnering more customers. Just make sure that your expansion is sustainable and strategic.

Ideally, your business will last beyond your time at its helm. You will want your hard work to thrive well into the future, so that your work feeds into future generations. Your vision should clearly indicate the elements that are critical to your company.

You should consider a way to hand over the reins to a successor. Create a system that will allow for a smooth transition to new leadership and be intentional about leaving behind a life of business legacy and living with and on purpose. Your business should be part of the legacy that you leave behind.

Final comments for Vol. 1

Character traits of a successful entrepreneur include: vision, persistence, focus, obsessiveness, continual learning and a tough skin to see rejection as an opportunity to improve and resilience.

Trust is the one character traits above all others. Make sure that you deliver on your promises even if it means that you go without sleep. When people know they can trust you to do what you promised, then you have a client or customer for life. The usual issues of price sensitivity, possible mistakes and other things that will occur will be smoothed over if you have developed the reputation that you are trustworthy and have a high level of integrity.

In closing, make sure that you fully service your existing clients and customers before looking for new ones. You have already done the hard work of finding them, providing for their needs and establishing a payment routine. They may have other sections of their business you can cater for. Your existing customers and clients also provide you with an opportunity to approach other potential clients and customers using your satisfied clients as your references to give you credibility in the market place.

Remember nothing succeeds like success!

Continually use all the resources available at GetTheJob.co.za to assist you in making a success of your business.

Good luck!

The Get The Job Team