

STARTING YOUR OWN BUSINESS



A structured approach to jewellery based on the New Venture Creation Learnership



FOREWORD

From The Jewellery Council of South Africa

Jewellery ... the mere mention of the term conjures up images of beauty, wealth, romance and riches; but it is so much more than the image. At its core, the jewellery industry is every bit as demanding and intricate to navigate as any other business, more so in many cases. Many people have the misconception that a set of skills as a jeweller will guarantee your success as an entrepreneur; we forget that the jewellery industry is still an industry. From a Council perspective, we see many newcomers and even established small businesses suffer and close down due to a lack of understanding of the basic principles of running a business.

Too many small jewellers misjudge their markets, struggle with the legislative requirements of running a business, fall short on pricing of products or fail to plan properly for a changing environment. As a joint initiative between the Jewellery Council of South Africa (JCSA) and the Mining Qualifications Authority (MQA), with the assistance from Gordon Freer: project manager of the SEDA Platinum Incubator, we are proud to launch this series of 11 articles in *SA Jewellery News* aimed at increasing knowledge and understanding

of business principles in the jewellery industry. The range of articles is based on the New Venture Creation Learnership and will guide the reader through a host of topics ranging from recognising if you are a budding entrep-reneur to the finalisation of a business plan.

You will be afforded the opportunity to correspond with experts in the industry on the various topics via the JCSA's website and will be informed of different avenues you can take to find assistance in establishing or expanding your business armed with a business plan.

We hope that these articles will assist you in your business and encourage you to approach your own business in the industry in a responsible, well informed manner.

From Gordon Freer (the writer):

I think it's important that the readers know upfront that I am definitely not a jeweller. I do, however, know about small business. I know about starting up small businesses running small businesses, cash flow of small businesses, marketing of small businesses, and perhaps, most importantly, for the bits that I don't know, I know someone who will be able to help.

I was dragged, kicking and screaming, into the jewellery world about six years ago. For the last two years, I have learned more about jewellery design, manufacture, wholesale, retail and marketing than I think is healthy. In the introduction, it is said there is a certain mystique about jewellery, a certain romance that the purchasers of the end product have bought into. This mystery and romance of jewellery manufacture and design that I had was when I was an ordinary member of the public has been leached from me over the last few years, but not by the jewellers – a wonderful group of people. The culprit behind the loss of the mystique has been the world of business in which the jewellery design and manufacture finds itself.

Individuals within the jewellery trade want to regard themselves as artists and often their creative talents perfectly match this description. However, if they are looking to do business as a jeweller, they have to match their creative and artistic talents with business knowledge and savvy. There are lots of questions to ask and answer on the way.

Are there any real advantages to having to fight your way through the legislative labyrinth, to bending your mind around strange terminology, to open a vein and blood let every month to creditors, staff and assorted others?

This series of articles will explore whether there are any advantages and if there are, what these advantages might be.

The articles are loosely based on the New Venture Creation Qualification. This particular qualification has over 160 minimum credits. There are definitely going to be things that I will miss out in writing these articles. If, however, there is a specific topic or question that you definitely want me to cover, I'll be more than happy to try and do so. Please feel free to e-mail your questions, comments (both the good and bad) and suggestions to articles@spi.org.za.

Gordon Freer has worked in the field of small business development for the last 10 years and has a slightly irreverent yet realistic view of the field. Gordon currently manages the Seda Platinum Incubator (www.spi.org.za), an initiative of the Platinum Trust supported by the Seda Technology Programme. ■





TECHNICAL EXPERTISE IS NOT ENOUGH

The business of jewellery does not work within a vacuum. We know that your technical expertise is the reason your business exists in the first place, but that the business principles underpin the profitability of your business.

How many people out there have technical expertise? Put up your hands! The answer is, almost everyone. Almost every person has specific expertise in a particular technical field. Some are plumbers, some can diagnose what's wrong with the car engine from 50 paces, some people bake mean chocolate gateaux, some people are doctors, dentists, IT specialists, lawyers, engineers and chauffeurs. Some people are jewellers.

However, having all the technical expertise in the world and being a specialist in your field does not necessarily qualify you to be able to run your own business.

There is a need for technical experts to realise that their technical expertise stops as soon as they walk out of the workshop,

the surgery, the courtroom, the kitchen, the classroom or the consulting room. When these people walk out of their arena of technical expertise and walk into the office, they need to take off their technical titles, to put down their toolbox and to hang up their robe. Instead, they need to be equipped with a new set of skills, a new armoury of weapons and a new suit of armour – all of them suited to the world of doing business.

Generally, the principles of doing business are quite simple. The underlying mantra to every business decision is simply; sell it for more than it costs you. This is the principle that applies whether you are a mechanic, a lawyer, a chocolate cake maker or a jeweller.

There are a number of business principles

that apply specifically to different technical fields. The cake maker will want to know where to buy the freshest ingredients. A car mechanic will want to know which supplier of spare parts will offer him the best terms. The chauffeur will want to know which mechanic has the shortest turnaround time and a jeweller will want to know the latest, most efficient way of finishing a piece. However, all of these quests for information, while requesting information for a specific field of technical expertise, relate back to underlying business principles.

What we're not going to do in this series of articles is tell you how to best cast a piece of jewellery, or explore the latest technology in computer aided design, nor tell you how to more efficiently restore an antique piece of jewellery. However, the business of jewellery does not work within a vacuum. We know that your technical expertise is the reason your business exists in the first place, but that the business principles underpin the profitability of your business. So, what we may do is give you the answer to these and other issues that relate to you running your jewellery business more effectively. ■

YOUR OWN BUSINESS? YOU'RE INSANE!

To start your own business, you have to be just a little bit crazy.

There are so many articles out there about opening your own business. Amazingly enough, all of them seem to have a positive spin to them. Open your own business! The time is now! Jump from the corporate ship! I've never been happier since I trusted my instincts! In response to all of these articles, I simply want to say – GET REAL! All of these articles seem to miss out on one very important, central component – to start your own business you have to be just a little bit crazy.

So where does this craziness come from? Is it genetic? Do you inherit it? Can you learn it? Or let's pose the question in a slightly more acceptable manner: "Are entrepreneurs born or made?"

The answer to this question is important because a lot of any country's economy depends on its entrepreneurs. It is the entrepreneurs that are the risk takers; it's the entrepreneurs who are the manipulators of resources; it's the entrepreneurs who are facilitators of deals; it's the entrepreneurs who are the engineers of wealth creation; and it's the entrepreneurs who are a little insane.

Insane? Don't you think this is a little harsh, you might ask? Let me pose a simple choice to you. Which would you prefer?

Choice A: Wake up bleary eyed, after only a couple of hours sleep. Drive to work. Check on staff and deal with any issues. Make sure you have been paid by your customers. Make sure your suppliers have been paid. Check on staff and deal with any issues. Check your balance to meet anticipated expenses (like salaries). Hope that there might be money to meet unanticipated expenses (like machinery repairs). Check on staff and deal with any issues. Negotiate with suppliers for more time to pay. Negotiate with customers for them to pay over a shorter time. Check on staff and deal

with any issues. Make sure orders are in place for all the stuff you need tomorrow (or next month). Negotiate with the suppliers to pay the deposit tomorrow. Do a little bit of the work that you are technically good at, like making widgets. Wave goodbye to staff. Check on cash flow for the day. Sign off on authorisations that have waited for

The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.

- George Bernard Shaw

your okay for the last week. Fill in forms for legislative compliance for your business (like tax, skills development, manufacturing licences, labour requirements, VAT returns, export licences, etc). Get home, ready to fall into bed and wake up bleary eyed after only a couple of hours sleep. Repeat.

Choice B: Wake up bleary eyed, after only a couple of hours sleep. Drive to work. Make sure you get into work before the boss. Do what you're required to do for eight hours, officially interrupted by two tea breaks and lunch break and unofficially interspersed with occasional smoke breaks and chats to your colleagues. Enjoy the evening with friends, complaining about how hard you work, how little you get paid and how rich the boss must be. Get home, ready to fall into bed and wake up bleary eyed after only a couple of hours sleep. Repeat.

The choice seems obvious. So why do people make the choice to open their own business? Why do some people opt for the first path, while others are quite happy to be an employee? Is that the lure of riches? Is it the freedom to be "the Boss"?

Deciding to open your own business is not a choice to be undertaken lightly, but taking that step will definitely put you on the path less travelled. There is one guarantee, while you travel on this path, and that is – it's definitely more exciting than the other one.

In many cases, it is a path travelled by people because they have no alternative – these are the entrepreneurs that are made. In some cases, it is a path travelled by people because they recognise that it's the only way they could be happy – these are the entrepreneurs that were born.

if you would like to know more about the distinction between these two types of entrepreneurs, a good starting point is the *Global Entrepreneur Monitor Report* for 2004. It's available from UCT's Centre for Innovation and Entrepreneurship.

Whether you're born an entrepreneur or a manufactured one, we will walk you through the process of setting up your business, albeit in a slightly tongue-in-cheek manner. ■



UNDERSTANDING YOURSELF & HOW YOU APPROACH LIFE



Assessing and taking on risk, as well as managing risk, is an integral part of starting your own business.

I was recently a passive participant in an Internet forum conversation (thanks to www.businesswarriors.co.za for this insight). The conversation was based on a real-life observation, which went something like this – two skateboarders are practising various tricks in a car park...

- Skateboarder A displayed thoroughness and patience in preparing and executing each trick. While his tricks were not the most spectacular or technically difficult, he would continually repeat his performance, until he was 100% sure that he was able to perfectly execute the routine.

- The performance of Skateboarder B, on the other hand, was completely different. He tried to perform technically complex and magnificent tricks. He was not always successful in his execution and often failed dismally in trying to carry out his audacious routine. When he did succeed, however, it was breathtaking.

A central theme of the conversation was which personality type represented by the two stakeholders was more likely to succeed in business. Following on from this, which personal characteristics are most important in business? Is it important to be methodical? Is it important to be patient? Is it important to be dynamic? Is it important to take risks? It's a question that has kept students of entrepreneurship in conversation and debate for years. It's a question that revolves around an individual's ability to assess and undertake risky behaviour.

Assessing and taking on risk, as well

as managing risk, is an integral part of starting your own business. What does this mean in the real world? Does it mean that you have to put everything on the line for a one-in-a-million chance that you might succeed? Risk-taking is one of those terms that hide a whole host of scary hairy monsters behind it.

So let's take apart this idea of risk-taking.

What does it mean to take a risk?

How often do you actually take the risk?

Risk-taking is an inherent part of life. Risk-taking is something we do everyday. However, in our everyday life, we've devised and applied routines that made this risk-taking easier. In applying these routines, the effect of the risk decreases. In business terms, this is called risk mitigation.

For example, every time we drive a car, we take a risk. We risk a flat tyre, we risk running out of petrol and we risk having an accident. We apply routines to reduce this risk by making sure tyres are the correct pressure, filling up with petrol and obeying the rules of the road and hoping that everyone else obeys the same rules (for those of us who drive in Johannesburg, this risk is considerably higher than for those of us driving in other cities in South Africa).

For the most part, the risk of driving on the roads depends on you and how you drive. What type of driver are you? Are you a driver with a personality similar to that of Skateboarder A? You drive with patience and are methodical, you never accelerate

to go through a red traffic light and you've heard of things called speeding fines, but they must be very rare as you have never seen one. Or are you Skateboarder B driver? It's always better to get to your destination faster, the local Metro police know your ID number by heart and greet you by name and you have the regular debit order on your bank account to pay for your traffic fines.

No matter which type of driver you are, you will have applied risk mitigation strategies and routines. The chances of the second driver being caught breaking the law are probably a lot higher, so the risk mitigation strategy for the second driver will have to be very different to that of the generally law-abiding first driver.

This is exactly the same as running your own business. Running your own business is risky. You need to apply risk mitigation routines and strategies. Your difficult choice is deciding what type of business person you are and what type of risk mitigation strategies you need.

Are you a Skateboarder A business person? Methodical, patient, aiming towards perfection? If you are, there's definitely an opportunity in business for you. Or did Skateboarder B touch a familiar chord in your heart? Again, there's definitely an opportunity in business for you, too. Only you will be able to answer the questions as to your personality type. You might be able to ask people close to you who know you well to help you decide.

Whichever personality you are, there's an opportunity in business for you. But make sure you know who you are first to ensure that the strategies and routines you choose are correct. ■



WHERE ARE YOU HEADING?

It's worth thinking about right now, before you even start your own business:
where do you want your business to take you?

One initial area where many business people seem to short change themselves, is trying to be all things to all people and failing to build up a network of excellent, reliable service providers.

In many cases, a bootstrap entrepreneur – that is a business person who is starting out using all of their own resources in cash – tries to do everything on their own. This means that they are the technical expert; in our case, a jeweller, designing and making the product. It also means that they have to be a bookkeeper, issuing all the invoices and following up on all outstanding debt, keeping petty cash, checking on bank statements and paying bills. They are also the marketing and public relations department of the business. Oh, and let's not forget two of the most important positions – they also make the products and clean up the

workshop afterwards.

There is absolutely nothing wrong with doing all of these jobs on your own when you're starting a business. You often don't have the cash flow to employ other people, either as employees or as outsourced service providers. However, when the business reaches a stage where there is not enough time in the day to manufacture product, issue invoices and make tea, many businesses make a mistake of trying to continue to do all of the jobs all at the same time. This doesn't work. Something will fall through the cracks.

It's worth thinking about right now, before you even start your own business: where do you want your business to take you?

Are you looking at a business that will employ you? A business where you will be able to sit and design and manufacture individual handcrafted pieces for a select group

of very rich clients, who will come to your door at regular intervals to buy new pieces reflecting your magnificent creativity?

Are you looking for a business that will employ you and then employ others to manufacture your designs? Or perhaps you're looking for a business where you will start off doing everything, but then will employ someone to design pieces, which you will manufacture to the highest standards?

These are just three variations of an infinite number of possibilities of you starting your own business. Take five minutes, sit down with a piece of paper and a pencil and write down, draw or doodle what you think you want your business to be. It doesn't have to be a permanent fixture, but at least we'll get you thinking about where you want to go and what you want your business to be. ■

ARE YOU UP TO THE CHALLENGE?

It is definitely a risk to undertake such a venture, but then so is staying in a salaried position when you have almost no control over the direction, expenses or strategy of the company.

While there is considerable debate between what makes up an entrepreneur and what makes up a business person, there are a number of characteristics that are common to both (for a quick, easy to understand distinction between these two classifications, I would suggest you read *Cash Flow Quadrant* by Robert Kiyosaki). In fact, a business person may become an entrepreneur and, on occasion, an entrepreneur becomes a business person.

As already identified earlier in the series of articles, opening your own business is not an easy step to take. Nor is one that should be considered in a light-hearted manner. It is definitely a risk to undertake such a venture, but then so is staying in a salaried position when you have almost no control over the direction, expenses or strategy of the company.

Business owners require a number of personal characteristics:

- They tend to be action oriented. In other words, successful business people tend to be driven to achieve results.
- They tend to make decisions quite quickly. While this doesn't mean making decisions on their own (see the bullet points below), it does mean that a successful business person will tend to make a decision rather than hesitating in making a call. The reason for this is that:
 - They know how to spot an opportunity. They are also aware that opportunities have a limited shelf life – so if you're going to take advantage of an opportunity, you need to do so within a reasonable period of time.
 - Tied directly to spotting an opportunity, business people take risks. As mentioned earlier, this does not mean gambling everything on an once-in-a-lifetime opportunity. It does mean assessing the risk, addressing the risk by weighing up potential losses

against potential gains, putting in place any possible strategies to lower the risk. And finally, taking that leap of faith and facing the risk.

- All the points above tend to manifest themselves through a person that has strong opinions and voicing them. That does not mean they argue loudly and often. They can quietly state their opinion and remain steadfast in that belief, no matter what goes on around them.
- Successful business people also tend to be optimists. They see the hassles and problems in daily living, but they often look forward to the next day, where "things can only get better".
- They know what they're good at, but they also know their limitations. Successful business people will seek advice from professionals, from people that are respected in their fields, from competitors, from individuals that they admire. Even if these people are involved in fields quite foreign to the core area of business.
- Together with seeking advice, they also tend to build up good teams around them. This doesn't mean hiring lots and lots of employees, but it does mean building up a good network of service providers on whom you can rely.

Don't get disillusioned if the list above does not describe you to a T. Not all business people have 100% of each of the characteristics identified above. You will find some business people that are more hesitant in making a decision and some that will seemingly see an opportunity and grasp it with both hands. Some business people are relatively conservative in their risk-taking, in comparison with others who will leverage resources, money and skills far beyond their apparent personal wealth.

What's your motivation?

One of the things that you will need to

consider, if you're thinking of starting your own business, is the reason that you want to take this step. Internal motivation can be a powerful driver and this would include that "gut feel" that many people talk about. It's a feeling or uneasiness inside you where you know you will never be truly satisfied working for a boss.

External motivators can include things like looking for more money, looking for greater work flexibility or not currently being employed.

Sometimes these two areas of motivation can reveal themselves in an external situation as a result of an internal motivation. A good example of this is where a person is constantly questioning the corporate authority but continuing to deliver quality work. The demand for the work or type of work is not in question, but the way it is being requested or managed or reported on that irritates and unsettles the person. Of course, a once-off occurrence of this is not a reliable indicator, but if it happens repeatedly ...

Generally, internal motivators are stronger indicators of potential success than external ones. This is simply because external situations change. If you are motivated to start your own business because you want to earn more money, what will happen as soon as you start to earn more? Will you be satisfied or will you set your sights on a higher figure? If you are motivated because you are unemployed, what will happen if you are offered a job?

By identifying your motivation, you will be able to plan the path for your business more effectively. Just because you are externally motivated does not mean you should NOT open your own business, but it may mean that you should be aware that this "own business" thing is a stop-gap measure until something better comes along.

Do you have what it takes?

In deciding whether you want to open your own business, you may want to consider asking a few pertinent, probing questions. Answering them honestly might be difficult, but it will give you an idea of your personal opportunities and challenges that lie ahead.

Take this (very unscientific) test and complete the instructions to get a preliminary (and very unscientific) idea of whether you have what it takes. Score a 5 for an answer that is "YES! Definitely" and a 1 for "NO! Not a chance".

Questions about YOU – Internal

Do you like making your own decisions?	1	2	3	4	5
Do you enjoy competing with others?	1	2	3	4	5
Are you self-disciplined?	1	2	3	4	5
Do you plan and consider what could happen if things go wrong?	1	2	3	4	5
Do you look for advice from others but make up your own mind?	1	2	3	4	5
Total:					
Multiply total by 4					

Questions about YOU – External

Are you prepared to work 12-16 hours a day?	1	2	3	4	5
Are you prepared to lose money?	1	2	3	4	5
Are you physically fit?	1	2	3	4	5
Are you mentally and emotionally fit?	1	2	3	4	5
Are your family supportive of your decision?	1	2	3	4	5
Total:					
Multiply total by 4					

Questions about YOU – Skills

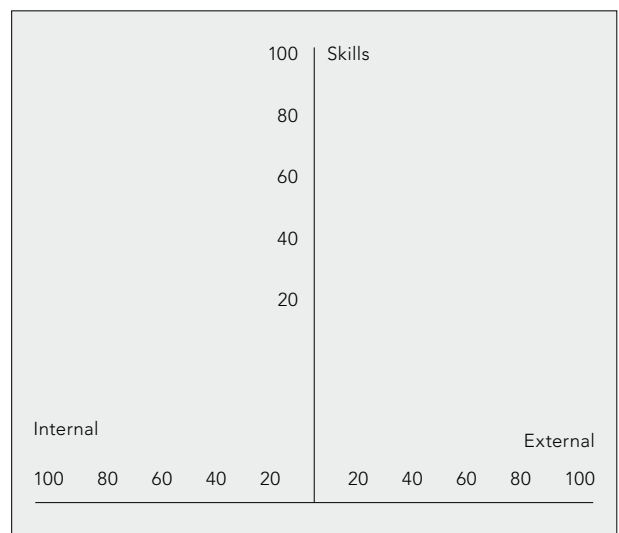
Do you know what business is about, legally and financially?	1	2	3	4	5
Do you know what you don't know about business?	1	2	3	4	5
Have you managed others?	1	2	3	4	5
Have you had business training?	1	2	3	4	5
Do you have the jewellery skills you need to open a business?	1	2	3	4	5
Total:					
Multiply total by 4					

Take your scores from the three tables above and plot them in the table below. Mark your Skills score on the vertical line; mark your Internal score on the left hand line; and your External score on the right hand line. Now draw lines between the three marks.

What shape is your triangle?

A score of 100 in each of the areas would give you an equilateral triangle. A flattened triangle means that you might want to improve your skills before venturing out into business. A squashed triangle, from the left or right, means that either your internal or external factors may cause a problem if you are in business and you should examine this.

There are many variations of these questions available on the Internet. Go to a popular search engine – like Google – and type in "entrepreneur test". Some are short and sweet, some are long and complicated, some are free, some are not. If you take a few of them and collectively review the results, you will get a fair picture of your entrepreneurial strengths and weaknesses. ■



HOMWORK FOR THIS MONTH

1. If you have not already done so, do the Triangle Test outlined earlier above and go onto the Internet and find some other examples. Fill in a number of tests and compare the results to get a composite picture of your entrepreneurial profile.
 2. Complete the exercise at the end of "Where are you heading?" Give yourself five minutes to think of what you want your business to do, why you want to start your own business and where you would like this adventure to lead to.
 3. Think of a name for your business – any name – but you are not allowed to use your own name or initials.
- Next month, we will look at defining your market. Your homework will be to do some market research – so be prepared!