

STARTING YOUR OWN BUSINESS

The Jewellery Council of
South Africa





WHAT'S THIS ABOUT?

Putting together the bits and pieces that make up a business.

The *Starting Your Own Business* series – kindly supported by the Mining Qualification Authority (MQA) and the Jewellery Council of South Africa (JCSA) – focuses on the business side of setting up and running a jewellery business.

While you might have the skills and expertise and creative *joie de vive* to make eye-popping jewellery, do you have the skills and understanding to make money at the same time? In this series, we are not talking about creative techniques and negative space and useful ways to hold a pencil; here, we talk about putting together the bits and pieces that make up a business. Welcome to the third installment.

As with anything worth doing, there is always some sweat involved. The perspiration in this case involves sitting down and thinking and recording. There

are exercises at the end of every month's input. It's my suggestion that you keep all of your answers and your completed exercises together and then, at the end of this series, you will have the beginnings of a good business plan.

The series is loosely based on the New Venture Creation Qualification. This qualification has over 160 minimum credits. Your completed exercises as well as your well-researched and well-argued answers will provide you with a solid portfolio of evidence towards achieving this qualification.

Despite trying our best to cover all aspects of business, we won't be able to do so in this series. Everything will be considered and some will be dropped because we don't think they are relevant or important enough. Having said that, you might want more information on an

aspect that we have covered quickly, or perhaps you would like to know more about something we just mention in passing. We are more than happy to try to accommodate questions and queries. Sometimes we will deal with them separately; sometimes they will be covered in an upcoming piece. So, if you have a question, I'll try and answer it. Email your questions, comments (both the good and bad) and suggestions to articles@spi.org.za.

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NOT ALL VEHICLES HAVE WHEELS

Simplifying the legal vehicle when starting up your business venture.

This month, we are going to delve into parts of business that are related to the world's oldest profession. No, not that profession! However, the one I am thinking of is closely related ... the legal profession. If there is one group of specialists that has developed a core competence of making simple language more complex, it is the legal fraternity.

In last month's issue of *SA Jewellery News*, I said that we would be looking at the legal parts of opening a business – but, here, you will read about vehicles. This might sound a bit confusing, but understand that this is just “legal-speak” for the different forms of businesses that can be opened.

I like the idea of vehicles – cars, motorbikes, trucks, vans, SUVs. Different types of vehicles for different purposes. Buses transport lots of people at the same time. Motorbikes weave through traffic jams. Trucks, vans and bakkies carry goods and people. The mode of transport you choose often reflects your needs at a particular moment in time.

I think all of us have a favourite car or truck, whether it was something we have driven in the past, or whether it is something we want to drive – you know, those cars that we all drool over. It might be the “skedonk” that carried us to and from school. Or it might be a special memory that is tied to a particular car – such as the road trip that you did one summer that you will never forget.

I have a few favourites. I think first place goes to my first car. It was a proper mini, not one of these new “fan-dangled” jobs made by BMW (although, I must admit, I have driven one of those, too, and it made my pulse race). My mini took me everywhere I wanted to go, although not always without drama. In spite of these more dramatic moments, it retains a special place in my heart. Eventually, another driver took (legitimate) ownership and I hope that it served her well, too.

I also have a soft spot for MGs. A friend

had one and offered to let me drive it. I felt so sophisticated at the time. Impractical, perhaps, but that did not detract from its appeal.

The third soft spot I have is for an old Ford Escort. It belonged to another friend who lived on the South Coast. It took us to friends, to parties, to beaches, to mountains every summer. Its sound system consisted of an old radio with a tape player. To hear anything on the system, you had to turn the volume up which was not the fault of the sound system, but rather the fact that the Escort was not the quietest of cars, especially at 120km/h on the highway. Each summer had a favourite set of songs, as well. I still have flashbacks when driving along certain sections of the N2 and hearing snatches of those songs.

Now I am beginning to sound like a character from a *Monty Python* skit, reminiscing “when I were a lad...” – let's get back on track.

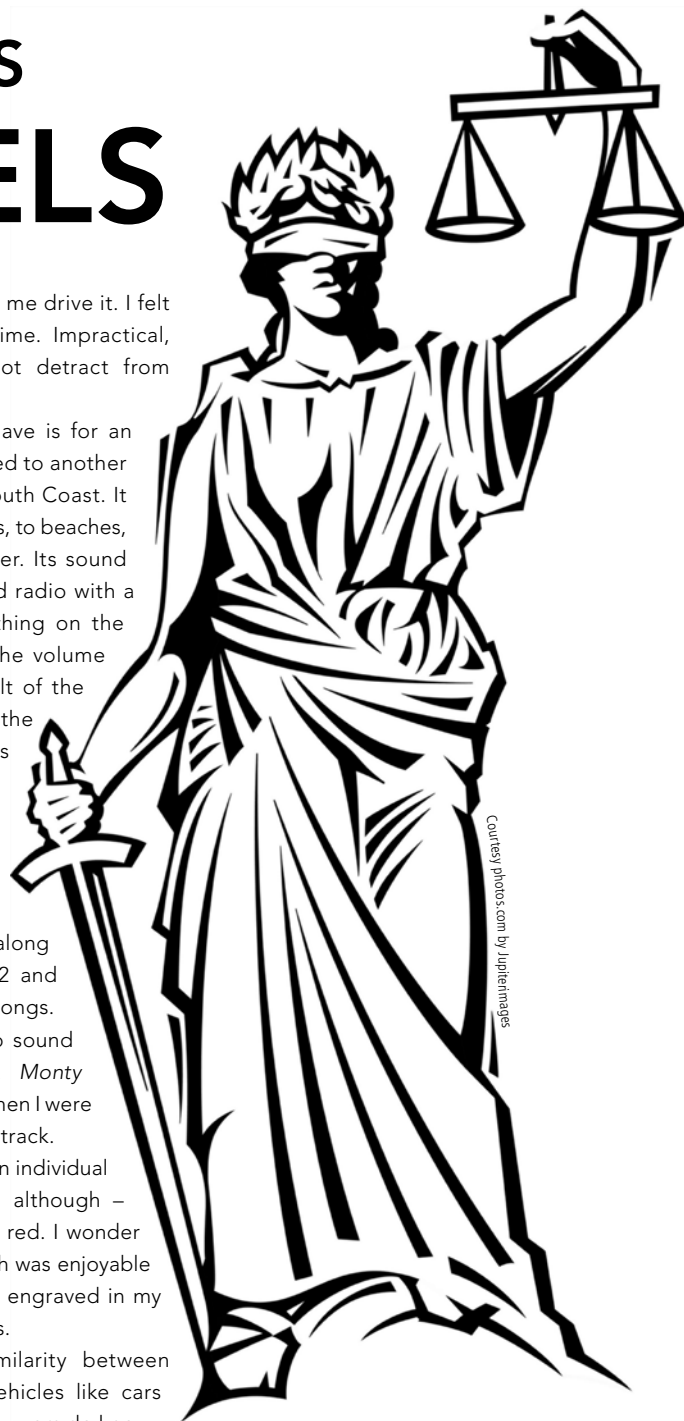
Each of these cars had an individual purpose and use for me, although – funnily enough – each was red. I wonder if that means anything. Each was enjoyable in its own way and each is engraved in my memory for various reasons.

This is where the similarity between legal vehicles and real vehicles like cars comes into focus. Maybe lawyers do know what they're talking about ... just as cars have different purposes (you wouldn't, for instance, go motocross riding in a bus), so, too, do varied legal vehicles.

In the next chapter, we look at the variety of companies and businesses that can open up from a legal perspective. ■

***Incomprehensible
jargon is the hallmark
of a profession.***

– Kingman Brewster,
president of Yale.



Courtesy photos.com by Jupiterimages



Courtesy photos.com by Jupiterimages

MINING QUALIFICATIONS AUTHORITY

“DIGGING WITH SKILLS AND KNOWLEDGE”

Vision

A competent, health and safety orientated mining and minerals workforce.

Mission

Ensure that the mining and minerals sector has sufficient competent people who will improve health and safety, employment equity and increase productivity.

Values

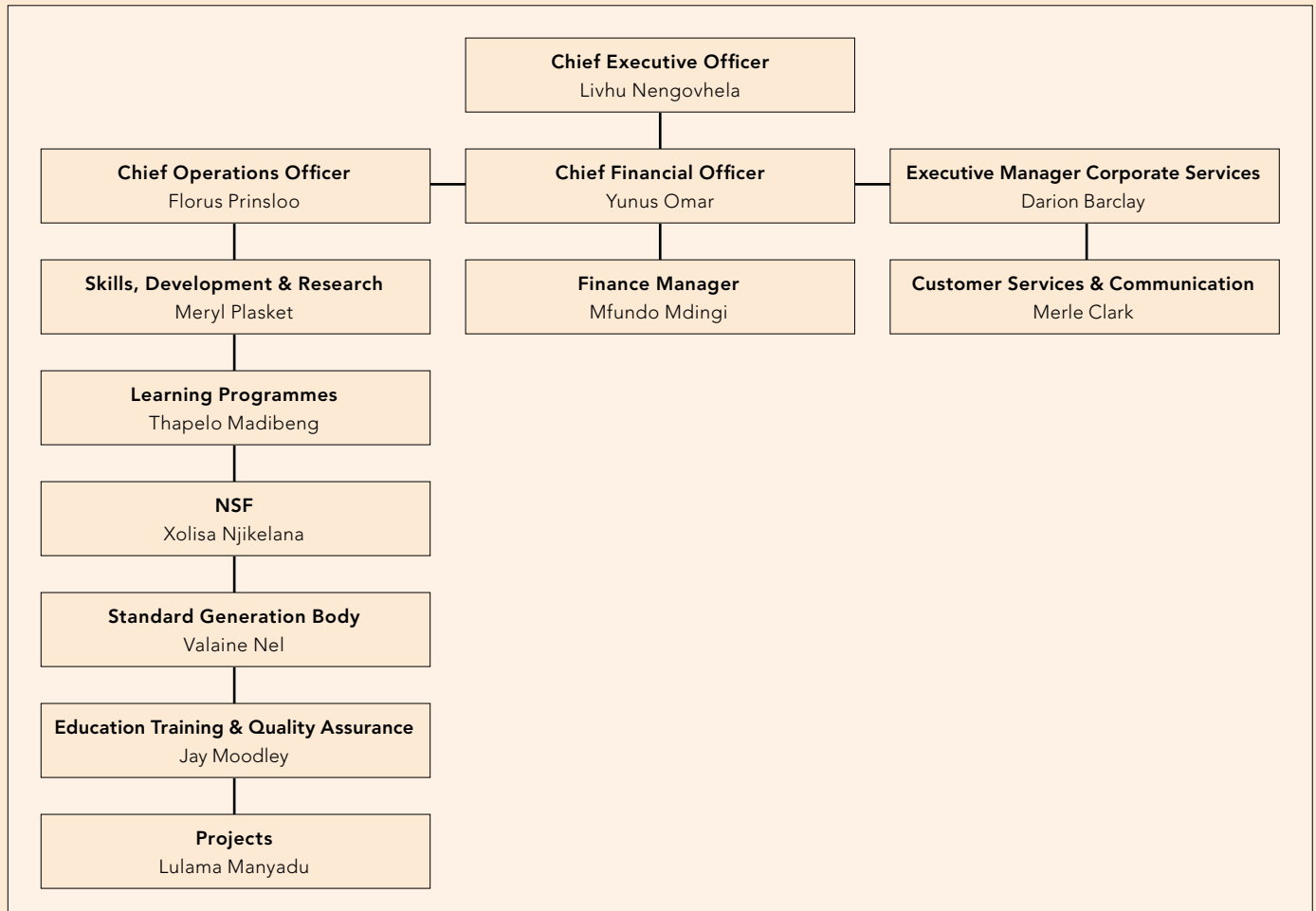
Continuous learning
Empowerment
Professionalism
Honesty and mutual respect
Service excellence

Strategic themes

1. Transformation of the sector through skills development.
2. Health and safety training and development.
3. The development of our current workforce and new entrants to the labour market.
4. Re-skilling of employed/unemployed for sustainable employment.
5. The delivery of quality training and development.



MINING QUALIFICATIONS AUTHORITY



DEVELOPMENTS IN THE AREA OF BENEFICIATION - Jewellery

	NAME OF QUALIFICATION	LEVEL	STATUS	REGISTERED LEARNERSHIPS
1	National Certificate: Intro to Jewellery Manufacture in a Production Environment	2	Awaiting registration (at SAQA)	
2	National Certificate: Jewellery Manufacture in a Production Environment	3	Awaiting registration (at SAQA)	Registered Level 3 Learnership Exist
3	FETC: Jewellery Design	4	Registered	Jewellery Design
4	FETC: Jewellery Setting	4	Registered	Jewellery Setting
5	FETC: Jewellery Manufacture	4	Registered	Jewellery Manufacture

SKILLS PROGRAMMES UNDER DEVELOPMENT

	NAME OF SKILLS PROGRAMME	STATUS
1	Administer a jewellery workshop	In the process of development
2	Administer jewellery sales	
3	Identify and grade a gemstone	
4	Evaluate and appraise jewellery	
5	Polish and plate jewellery	
6	Quality control jewellery	
7	Clean up castings and assembling of jewellery components	
8	Perform lapidary procedures	
9	Manufacture jewellery by utilising machine operations	
10	Computer aided design	
11	Mechanically surface finish jewellery	
12	Manage the distribution of metals and alloys	
13	Produce master models for re-production	
14	Make moulds, wax inject, invest and cast	
15	Jewellery design, quote and price jewellery	
16	Manufacture indigenous jewellery	
17	Pavé set gemstones into jewellery	
18	Channel set gemstones into jewellery	
19	Tube set gemstones into jewellery	

SO WHAT'S ON THE SHOWROOM FLOOR?

A wide range of company types are available, so which one will work for me?

I don't know about you, but when I'm shopping for a new car, I have a vague idea of what I'm looking for. I don't necessarily know the exact car that I'm looking to purchase. What I do know, is what I need the car for. It's this idea of purpose – or use – that helps me narrow the choice.

Sometimes I might have an idea of the brand of car that I'm looking for. I also might know the specific model I am looking for. So I take this criteria, and – using it as a guide – call numerous car dealers and ask them to help me find the car that meets my needs. Usually, their first questions relate to how much money I have to spend and whether I am making a trade-in. The salespeople bingo through their catalogues of vehicles and choose a number that they think I would like and often invite me to come for a test drive.

The process you need to go through to choose the correct company structure for your new business is very similar.

Firstly, decide what your needs are. Are you planning on going into business by yourself? Or are there a couple of friends or colleagues with whom you'd like to open a business? Are you planning on growing your business or selling a part or all of it in a few years time?

Last month, we asked several questions. Where does your business begin? Where does your business end? What is "your business"? If you have done your homework, answers to those questions will help you identify what type of legal vehicle your company needs to be.

Let's see what's on the company showroom floor and deal with them, one by one.

A wide range of company types are available, but four of them are particularly popular. These are the (1) sole proprietor; (2) a partnership; (3) the close corporation; and (4) the limited company.

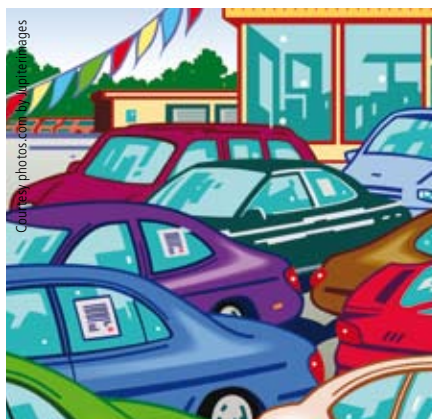
The sole proprietor

This is the easiest form of business to open. You literally don't have to do anything except

open your doors for business. It is cheap because it doesn't cost anything and is easy. The one legal requirement is to make sure that all your business stationery has your name on it, followed by the term "sole trader".

A disadvantage of this type of business ownership, however, is referred to in its name. It's called a sole proprietor. In other words, the only proprietor. So, if you opt for this type of business, no one else is allowed to take ownership in your company.

Another disadvantage is that it does not encourage you to separate your business life from your personal life. This is probably one of the most difficult lessons that the new business person has to learn. Whilst you might live and breathe your business



every waking moment, your business is not you. Your business is separate; it has its own assets, its own debts, its own processes and its own value. People trading as sole traders or sole proprietors sometimes struggle to make the separation.

The partnership

The partnership is a step up from sole proprietor. Legally recognised, it is strongly recommended that partners entering into this type of business have a partnership agreement drawn up. This agreement should reflect things like who owns how much of the business, who owns what, who is responsible for what and what will happen if the partnership comes to an end. Other than following this recommendation, there are no other legal hoops that you have to jump through.

In terms of obligations, as a member of a

partnership, you are exposed to very similar business risks as a sole proprietor. Except your risks are multiplied by the number of partners you have.

Another disadvantage is that it can be quite difficult to sell a business, simply because there is no legal obligation on the business person to separate personal income from business income and personal debts from business debts. As a result, it is often difficult to tell how much a business is worth.

Companies

The limited liability company and the close corporation are what are called legal persons. The company has its own legal identity and – just like a real flesh-and-blood person – a legal person needs its own upkeep. It costs money to register a company, to maintain it and look after it. In return for all this investment, the company comes with its own identity, can hold its own assets, enter into its own contracts, rack up debt, own property and do almost anything that a normal, natural, living, breathing person can do.

The disadvantage is the companies – by having their own identity – can also incur their own debt. While this doesn't necessarily mean that the owners are risk-free from company debt, it does provide some protection.

Both these types of companies have to be registered with the Companies Office. The members of the directors of the company also have to be registered.

What's the difference between these two different types of companies?

• The close corporation

This type of company is uniquely South African. In many cases, it's a smaller, simpler version of a limited liability company. It's cheaper to register a close corporation and is less expensive to maintain than a limited liability company.

• The limited company

It is more expensive to set up a limited liability company than a close corporation. It is also more expensive to maintain. However, membership extent is up to 50 shareholders rather than the 10 second part ownership of a close corporation. ■

GOING FOR A TEST DRIVE

Unfortunately, when it comes to “trying on” a company, you don’t get to take these vehicles for test drives.

Before anyone buys a car, they generally take it for a test drive. Some people ask that the car be taken for a service and for a test by an independent authority. It is these tests that the “takkie meets the tar”. It is on this occasion that the person looking to buy the car either feels, “This is my car” or “I think I could do better”.

During my last car-buying experience, it was a toss-up between two different makes and models of cars. Although one of the cars was slightly more expensive than the other, the dealer had offered to drop the price to the equivalent of a cheaper model. So price was not a matter for consideration. Magazine reviews of both vehicles were good. My personal enquiries to friends that had driven both cars also

came back positive. There really was nothing between the two cars in terms of performance, price or feedback. So, I took the two for a test drive.

The answer was obvious. The one car was very comfortable to drive; everything on the dashboard was within easy reach and easy-to-use. It was a great car. The second car was a completely different affair. As soon as I got into this car, I knew that this was the one that I wanted. It fitted like a glove. It felt like I was putting on a well-worn, comfortable jacket. Buttons, controls, switches, dials – everything was where it should be, intuitively. So, I signed on the dotted line for the car that best suited me.

Unfortunately, when it comes to “trying on” a company, you don’t get to take these

vehicles for test drives. But that doesn’t mean that you’re stuck with one company for life. You can quite easily start off as a sole trader, just to see if you like this whole business idea; and then when you find your business growing, move on to a close corporation. In the event that your business grows and you want to take on extra partners or you want to create a different business structure, it is relatively inexpensive to convert your close corporation into a (Pty) Ltd. This is, of course, not to say that this is the path to follow. If you’re sure that you want to go into business (and I strongly recommend that you feel sure in this before you even take this first step), you might want to register a close corporation from the very beginning. I would suggest, in fact, that a close corporation be your first step in registering a business, unless you have a very specific reason for opening as a sole trader or in partnership. ■



Are you considering entering the market as a sole trader or in partnership?

So, how do you actually go ahead and take that leap of faith? How do you go about “getting into business”? It is relatively easy if you want to open a business as a sole trader – you simply start a business that trades under your own name. Similarly, it is just as easy to open a business in partnership. You and your potential partners must agree on a partnership agreement – and there you have it, you’re in business.

A note on partnerships

You are strongly advised – if you are going to go into partnership with someone – to get a lawyer to draft a partnership agreement. Sit down with your partner or partners before you meet with a lawyer. Decide on what you want the partnership agreement to reflect; who is going to be responsible for what; how much each person is going to invest in the company; whether this investment is in movable assets or in property; and, perhaps most importantly, what you are going to do when the partnership comes to an

end. Remember that all partnerships come to an end. Some come to an end amicably with the partners agreeing to separate. Some partnerships come to an end where the partners are fighting and cannot possibly do business with one another. Other partnerships come to an end through the death of one of the partners. But understand this – all partnerships come to an end. "Let him who desires peace prepare for war." In other words, before you are all involved emotionally and financially in this business venture, decide how you would like it to end. If you cannot decide now on who should get what when the partnership ends, there is no way you will be able to decide when it really matters.

What about the close corporation?

The process of registering a close corporation is slightly different from that of opening a sole trader or a partnership. One of the reasons for this is a close corporation is registered with the Company Information Office.

One of the first things that you need to do if you are interested in opening the

close corporation is decide what you want to call it. At the beginning of this series, one of the pieces of homework that you had to do was think of a name for your business. I suggested that your business name should not include either your name or your initials. If you did this exercise, go back and find what you decided to call your business. Now brainstorm around that name and come up with five variations of it.

When you go about registering a close corporation, you're asked to give six different names that you would like to register. The reason for this is because sometimes the first name you've chosen has already been taken. In other words, it's already been registered by someone else. The Companies Office – instead of coming back to you to ask what other name you would like – simply goes down the list and tries to register number two. If the second name on your list has been taken, they move on to number three, and so on.

Once you've come up with your six different names, you apply to the Companies Office to reserve the name. You do this by

completing a form called a CK7, which is available from CIPRO.

Once you've managed to reserve your name, you then ask the Companies Office to register your company. You do this by completing another form called a CK1.

This form is easy to complete. The most important thing on it – other than your company name and your own name – is the name and address of the person you appoint as your accounting officer.

Costs for registering a close corporation change from time to time, but, currently, it is about R200 for the entire process. If you don't want to register the company yourself, you can buy what is called a "shelf company". This is a company that has already been registered, but not used. Attorneys often have a number of shelf companies available, and there are a number of companies on the Internet that have them available as well.

You can download the CK1 and a CK7 forms from the companies office website (www.cipro.co.za/registration_forms/reg_forms.asp). ■

HOMEWORK FOR THIS MONTH

1. Have a look at the homework you should have completed in the January issue. Have a look at the name you selected for your company. Are you still happy with this name? Are there other names that you thought of in the meantime? Do these names still reflect the type of business you want to run? Do they reflect your talents, your creativity and, most importantly, the type of customers you want?

Once you are satisfied with one name, write it at the top of a blank piece of paper and come up with five or six variations of the same name. These will be the six names that you submit to the CIPRO office on your CK1 form, when and if you decide to register a company.

2. Find a CK1 and a CK7 form. You can find these forms in almost any stationery shop or you can download them from CIPRO's website.
3. Complete both the CK1 and the CK7 form. Don't submit them as yet and keep them on file. Find out from the CIPRO office how much it costs to register a close corporation.
4. Find at least one company – either through an attorney's office or one of the online companies – which can sell you a shelf company. Find out how much it costs to buy a shelf company.
5. Go to the information counter at a bank and tell them that you're interested in opening a bank account for your new business. Ask them what type of documentation you need to be able to open the account.

NEXT MONTH

In the series next month, we're going to start looking at the basics of market research. You have come quite a long way since our first series in the January issue of *SA Jewellery News*: you've gone through a self-assessment; you've decided where you think your business fits; and you've got the basic information on registering your business. Now it is time to start looking at what needs your business is going to meet.

Remember, if you've got any questions or queries on the articles so far or perhaps just business questions in general, send them through to articles@spi.org.za.