

STARTING YOUR OWN BUSINESS

The Jewellery Council of
South Africa



This series of articles, kindly supported by the Mining Qualifications Authority (MQA) and the Jewellery Council of South Africa (JCSA), focuses on the business side of setting up and running a jewellery business. The series is loosely based on the New Venture Creation Qualification, a qualification with over 160 minimum credits. By keeping all your completed exercises – and all your researched and well-argued answers – you will have the beginnings of a solid portfolio of evidence towards achieving this qualification.

This is the seventh instalment in a series that will run until the end of this year. The content of the series is not to increase or improve your technical skills in jewellery manufacturing design, as I know very little about that. The series focuses on business skills that you will need to be able to successfully design and manufacture jewellery for profit.

At the end of each instalment, there are a number of questions for you to consider and record your answers. Store these with all your other answers. At the end of the series of articles – if you've completed all the exercises and answered all the questions – you will have the beginnings of a good business plan.

Despite trying to cover all aspects of business, we won't be able to in this series. 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 mentioned in passing. If so, we are more than happy to try to accommodate your queries.

Please feel free to e-mail your questions, comments (both the good and bad) and suggestions to: articles@spi.org.za. I might not be able to tell you the melting point of an alloy, but I will be able to tell you the ins and outs of turning that alloy into a saleable product.

This month we'll be looking at systems within your business. Every business has them; however, not every business has thought them through. Successful businesses are usually those who have things well set up and streamlined.

If money is the lifeblood of your business, and design and manufacture is the soul, systems are the skeleton. Whether the systems are there by default or by design, the structure and ability of your business to stand and work within a business environment depends on them.

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. He is a founding Trustee of the Platinum Trust of South Africa and managed the planning and set-up of the SEDA Platinum Incubator (www.spi.org.za), an initiative of the Platinum Trust, supported by the SEDA Technology Programme. He now works for Insight Strategies (www.insightstrategies.net). ■



WHAT'S THIS ABOUT?

Welcome to the seventh instalment



INVITATION TO THE MINING QUALIFICATIONS AUTHORITY Annual Consultative Conference 2009

The Mining Qualifications Authority (MQA) will once again host the Annual Consultative Conference during the month of October 2009. The conference serves as a forum to give feedback on the MQA's annual report, look back at the achievements and challenges of the 2008/9 financial year, the successes of NSDS 2 and plans for NSDS 3. Other issues pertinent to skills development and transformation in the mining and minerals sector will also be discussed.

The MQA is inviting all its stakeholders in the mining and minerals sector to attend this important event.

The theme for the 2009 conference is:

“Harnessing skills growth in the mining and minerals sector”

The conference details are as follows:

-  Date : Friday, 30 October 2009
-  Time : 08H30 to 14H30
-  Venue : Indaba Hotel, Fourways

Admission details

Admission is free to all mining and mineral sector stakeholders. Admission is subject to delegates confirming. Seats are limited so book early.

Registration details

Delegates can register online by visiting www.mqa.org.za

Contact persons for information

For more information please contact Amanda Masilo on 011 630 3546 or Baitse Mokiti on 011 630 3550

PLEASE NOTE: THE MQA WILL NOT BE RESPONSIBLE FOR TRANSPORT AND ACCOMMODATION ARRANGEMENTS TO THE EVENT.

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THE VALUE CHAIN INSIDE YOUR BUSINESS

This might be a good time to have a look at where your business is in the greater value chain.

In the February issue of *SA Jewellery News*, I introduced the concept of a value chain in business. The purpose behind February's article was for you to decide exactly where in the value chain your business should be located.

Close your eyes and visualise a chain. It can be any type of chain: silver or gold and in any type of design that your heart desires.

Take this imaginary chain and identify its characteristics. Whether it is light or heavy, hand- or machine-made, a jewellery or an anchor chain, it will have one characteristic common to all chains. It is made up of links.

Now imagine the jewellery value chain – not one that you wear around your neck, but one that is similar to the sandwich chain. What are the various steps involved in making a piece of jewellery? For the experienced jeweller, this will seem like Jewellery-Making for Idiots 101. However, remember that this is not to illustrate how a piece is made, but rather to identify the steps in the manufacturing process. – February 2009

I now want to look at the value chain within a business. This might be a good time to

take out your notes from February – you did make notes, didn't you? – and have a look at where you decided your business was in the greater value chain.

Your business adds value to the raw materials that are coming in on one side and leaving on the other side. Whether you do this by adding more raw materials, manipulating the raw materials or by simply providing a service to pass the materials along, is not important. What is important is understanding each step of the process.

A standard value chain within a business looks like the diagram below. Only three processes are identified here, although there might be more processes involved. This flow-chart diagram only illustrates the processes of steps involved in a single product, and your business might have numerous products, meaning that you might have a number of these value chains running simultaneously.

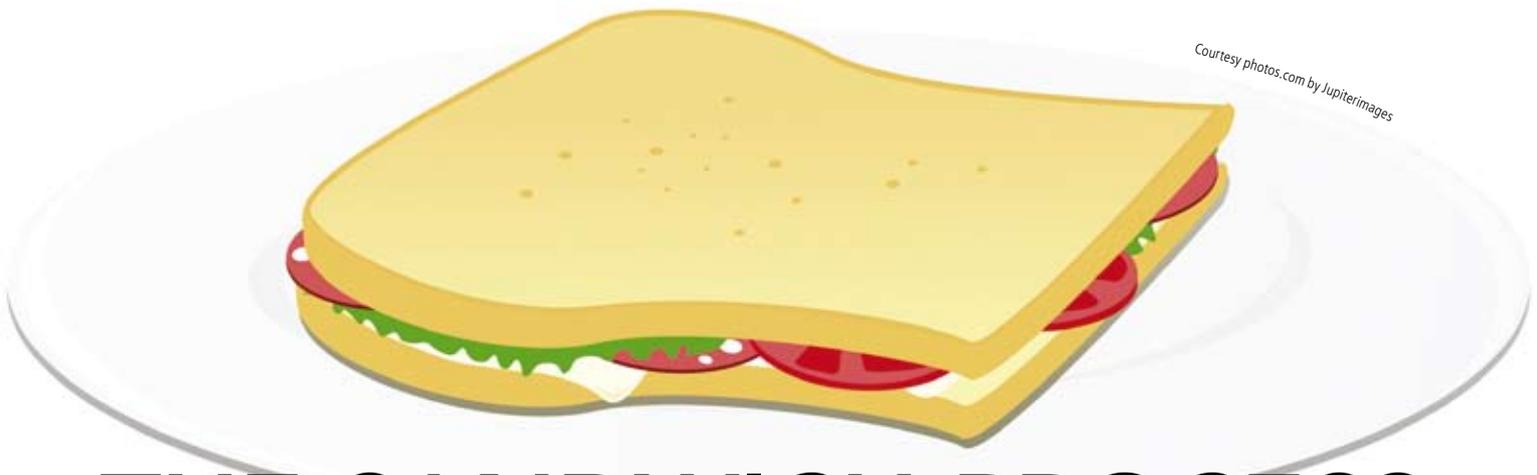
At this stage you might say: "So I have processes in my business, which means I have systems. So?"

At the beginning of the article, we already mentioned that you had systems in

your business. One of the problems might be that you did not know these systems existed, or perhaps even if you did know that they existed, you haven't taken the time to examine them and record them. Remember, the whole reason behind this is to help you be more organised so that you can spend more time working on your business. If you are the only employee, you want to make sure that your time is spent doing things that earn money, rather than looking for that lost telephone number, invoice, bank statement, stapler or design.

The rest of this month's articles will be looking at ways to help you develop systems in your business that are appropriate and easy to apply. The last thing we want to do is to bog you down in processes and procedures that are not relevant to your situation. There are many "How to" business books out there that will tell you that processes are totally inappropriate for either your sector (jewellery) or the size of your business. We also do not want you to have to read a manual every time you want to institute or follow a system. The processes and systems that we want to develop must be natural and, most importantly, value the people in your business (which also means you), over everything else. ■





THE SANDWICH PROCESS

Everyone has to find a system designed to suit them and reflect their specific needs, concerns and capacity.

A colleague makes a show with lecturers in a presentation he does. He uses it to illustrate that the same result can happen using different processes and the result is equally valid, no matter which process is followed.

In other words: different systems are used, but produce the same result.

To illustrate this, I'm going to refer back to February's article again where we used a sandwich to illustrate the value chain.

Because the choices are so wide and tastes are so varied, I have decided to be dictatorial in its exercise. We're going to have a turkey sandwich with tomato, onion and lettuce and a smear of cottage cheese on rye bread. – February 2009

For this month we'll be looking at the value chain and processes involved in making an actual sandwich.

How do you make a sandwich? You would be surprised at how many different ways there are to lay together a few pieces of bread and some miscellaneous ingredients.

Imagine there are two people, Anne and Abigail, at a kitchen table, each making their own meal with the same ingredients. Let's watch them put their creations together.

Anne starts by taking two slices of bread. She arranges them side by side on the plate in front of her so that they are both facing the same direction. She then opens the tub of margarine, picks up the knife and carefully applies margarine to both slices of bread – making sure that all the corners are reached and that the margarine is evenly spread.

She then takes a few slices of turkey and spaces them evenly on one of the pieces of bread. She picks up an onion and, on a separate plate, cuts two slices. Anne then separates the slices into rings and places the

onion rings on top of the turkey. She performs a similar operation with the tomato and finishes by balancing a washed piece of lettuce on top. As a finale, Anne opens a tub of cottage cheese and spreads some evenly on the other slice of bread, grinds some black pepper on top of it and gently places the second slice on top of the lettuce, pressing down gently. She cuts the creation into four pieces diagonally.

Abigail's system for creating the sandwich is slightly different. She starts by placing both slices of bread on the plate, one on top of the other. She then spreads margarine on one slice of bread, takes it off the top, places it next to the second slice of bread and then spreads margarine on the latter. Abigail then spreads cottage cheese on both slices of bread and sprinkles black pepper over the cottage cheese. She then lifts the tomato and, holding it in one hand, cuts a few thick slices directly onto the sandwich. She repeats this process with the onion. Abigail prefers chunks of turkey, and tears some pieces off the turkey leg, putting them on top of the onion, before covering the turkey with the second slice of bread. She holds the sandwich with one hand before cutting it to form two rectangles.

The result is two sandwiches made with exactly the same ingredients. Do they look the same? No. Were they made in the same way? No. Was the objective – to make a sandwich – achieved in each case? Yes.

If we were to design a system for Anne to make a sandwich, it would look something like this.

What? To make a sandwich using the ingredients.

When? Whenever I want to eat a sandwich.

How

- Gather all the ingredients in one place.
- Get three plates, two sharp knives and two normal knives.
- Take two slices of bread and place them on the first plate, side by side.
- Spread margarine over the whole surface of the two slices of bread evenly, using one of the normal knives.
- Take enough turkey to evenly cover one slice and place this on the slice.
- On the second plate, using one sharp knife, cut two slices of onion.
- Separate the slices of onion into onion rings.
- Place the onion rings on the turkey.
- Using the third plate and the other sharp knife, cut two slices of tomato.
- Place the tomato slices on top of the onion.
- Use the second normal knife to evenly spread cottage cheese on the second piece of bread.
- Grind some black pepper onto the cottage cheese.
- Cover the first slice of bread with the second, placing the cottage cheese directly onto the tomato.
- Press gently on the top slice of bread while cutting the whole sandwich along both diagonals.

No-one goes into such detail to make a sandwich – unless they are willing to die of hunger. But if someone were to follow these directions, they would be able to make a sandwich just like Anne.

Which are you? How do you make a sandwich? Are you an Anne or an Abigail?

This is the point we have been making – the systems in your businesses need to be designed to suit you. They need to reflect your needs, concerns and capacity. To do this, only you can design them. ■

PUTTING IT INTO PRACTICE

A system should be in place for all your money-related processes. It will make your life much easier.

Now that you know what we've been trying to achieve within a business, it is time to put in place systems and processes so that you don't have to think through every single step of a business every day. Some aspects of your business have developed over time and these things are done in the same way every day. This means that you have a system in place. However, is this system the best one for your business?

We are not talking about making sandwiches or coffee. We are talking about you getting in raw materials, adding value to them and then selling them.

I am sure you have a system in place for buying and storing precious metal and stones. You probably have a safe of some description that contains all these valuables (if you don't and just leave them lying around, I strongly advise that you re-examine your business system). I might not know whether it's the best system for your business and if it's particularly effective because there are so many types of businesses involved in the jewellery sector. It would be impossible to dictate a perfect system. However, we do know that you have one thing in common.

If you've been reading through all of these articles, you will know that money is central to any business. That's why I would suggest that you look at the money-flow as one place where you might need systems.

Money flows in and out on a daily basis – hopefully more in than out. Are systems in place regarding your money? Let's look at one aspect of this money flow – your monthly bank account.

How do you sell your goods and services?

Do you run a strict cash-only practice? Do you allow clients to pay off an account? Do you allow clients to pay instalments on a lay-by? Do you send out invoices or ask for deposits up front? What do you do with all the pieces of paper that reflect what people have paid you over the period of a month? Many businesses stuff the deposit slips in a drawer where they are safe. But what happens when your bank statement arrives? Do you open it, wonder why the closing balance always seem less every month and then file it? (I'm not going to ask

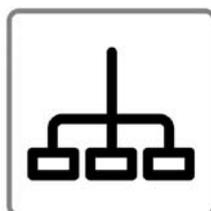
about your filing system.) Do you put it in the same drawer with all other banking "stuff"? Do you, like someone we know, never open the envelopes and just leave them on the workbench, gathering dust and acting as impromptu coasters for coffee cups? Do you put them in a box and hand it all over to your "accounts person" who handles all the numbers?

Many small businesses opt for the last option. However, I would like you to consider doing something before handing over the box. After all, this is your business, not "the account person's". You need to understand and take responsibility for your business.

To illustrate why your business needs systems and how to develop them, I would suggest developing a system for reconciling your



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Courtesy photos.com by Jupiterimages

bank statement every month. In this way, you will know how much money you are getting in, how much is going out, how much you are still owed, how much you owe, and how much you are paying in banking fees. This will give you a little bit of insight into your business every month.

Start off by deciding how often you should do this. Systems are developed for things that happen on a regular basis – every month, every week, every day. Given that a bank statement arrives about once a month (or you can download it from your bank's website), I would suggest doing this once a month, perhaps just before you hand over "the box".

Decide why you want to do it, as a system has to have a purpose. It has to add value to your business. A system that does not add value in some way is pointless and should be tossed. In this case, the purpose is to check that all deposits, withdrawals and transfers you have made are reflected correctly on the account and that the bank has not overcharged for its services.

Simply design a step-by-step process for implementing this system. It might look something like this:

- After making a deposit, withdrawal or transfer, put the record slip into the yellow box.
- If a client makes a deposit, ask them for a copy of the record slip, write their name on it and put it in the yellow box.
- When the bank statement arrives, open the envelope and put the statement into the yellow box.
- The day before all accounts are due at XYZ Accounting, make time to reconcile the bank statement.
- Take the record slips and separate them into deposits, transfers or withdrawals.
- Check, in turn, that all the deposits, transfers and withdrawals are reflected correctly on the bank statement.
- Mark off the correct items.
- Highlight the incorrect items, or items for which you have no record.
- Query these items with the bank unless you know what they are for.
- Check bank charges on each item.
- Staple all slips relevant to the statement and put them into the box to take to XYZ Accounting.

This is a very simple example, but how many other money-related processes do you have in your business? All of them, including your policy on how you sell goods (cash, account, lay-by, deposit) should have a system in place. It will make your life much easier. ■



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YOUR HOMEWORK FOR THIS MONTH IS THE FOLLOWING:

Do you want your business to grow? Then now is the time to start planting the seeds to make sure it grows and prospers.

Designing systems can be a soul destroying process in itself, if you are not careful. I would suggest taking one area of your business and looking at the different processes involved. The example I used was bank reconciliation. Other areas might be offering credit, pursuing debt or taking deposits. All of these revolve around money. Maybe you would prefer to start with an area that you are technically familiar with, like preparing metal for casting, spruing or finishing.

Always remember, a system has to have a purpose and has to reflect how you do business.

As always, there is some homework for you. Take your time to think through these questions – there are no correct answers

– and write down your responses and ideas. Keep these in a file with all the other homework you have completed.

1. Choose an area that you want to systematise.
2. Identify all the different processes in this area. You can add to this list even if some things overlap.
3. Choose one process and write it up in a manner similar to the bank reconciliation example.
4. Repeat this the next day with another process. However, don't try to do more than one a day.
5. Put the processes into practice and see if they make a difference to your business. Do you have more time? Are you more focused?

NEXT MONTH

Next month we will look at the ups and downs of other aspects of a business. Remember to send questions and queries to: articles@spi.org.za. ■