

Finding the right financing for your business

In the past five years, financing to start or expand a small or medium enterprise (SME) has become a lot more accessible, as both private and public capital has been made available to fuel the sector's development. Many existing or potential entrepreneurs, however, either do not know how to go about applying for financing or do not know how to draw up a business plan, which is an essential part of the process. Some don't feel confident about which institution to approach and how to go about it, while others don't feel they have the necessary skill to put together that all-important road map for their business.

"This really needn't be the case," says Jo' Schwenke, Managing Director of Business Partners, one of South Africa's leading investment companies for small and medium enterprises.

"The first step is always to speak to specialists when applying for business financing. Business Partners, for instance, operates specifically and only in the small and medium enterprise sector, so if you're thinking of

starting or expanding an independent business, we have the systems and experience to provide you with the best solution for your needs.

"And, at Business Partners, you don't have to worry about which department or person to contact either. We have 22 offices nationwide, and anyone with a viable business plan can apply for financing by contacting the branch nearest to them. Our reception staff are trained to assist in directing initial queries through to the relevant people at local level."

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As far as business plans are concerned, Schwenke says his company isn't looking for 'bells and whistles', but for good concepts supported by a solid plan of action that will ensure long-term viability and success.

To assist entrepreneurs, Business Partners offers a

free business planning model on its web site (www.businesspartners.co.za), and anyone can follow the user-friendly step-by-step process. More business tools can be downloaded free from the SME Toolkit (southafrica.smetoolkit.org).

When assessing applications for investment, says Schwenke, portfolio managers look for the following basic elements that make a plan count:

- An outline of the business concept or, in other words, a description of the idea behind the business

- An accurate description of the product or service the business will offer, and of the benefits it will provide to potential customers

- Details of the entrepreneur or entrepreneurs, focusing specifically on the skills they have and how these can and will be used to set up and run the business

- Details of intended staffing

- An indication of where the business will be situated

- Details of the nature and extent of direct and indirect competition

- Details of the market in which the business will be operating

- An outline of how the business will be marketed

- Details of set-up or expansion costs

- Financial projections, focusing specifically on expected revenue based on sales and expenditure based on the business concept

- An indication of the business's strengths and possible weaknesses, as well as the opportunities that may present themselves and potential threats to business success, especially in the competitive or regulatory environment

Once this is done, it's vital that the key points be summed up in a one- or two-page executive summary, which should appear at the start of the document. This is what investors look at first, and a good executive summary should pique their interest and want to make them find out more.

"A good business plan is the first step on the ladder to success, and vital not only to obtaining financing for your business, but to building a successful enterprise," concludes Schwenke.