

SMIME

Success takes determination



In a Machiavellian way, the many obstacles to establishing a small to medium sized enterprise (SME) can have the laudable function of filtering out those who shouldn't be attempting to go into business anyway. The red tape of setting up shop and finding financial backing, often ensure only those who should be going into business for themselves, actually succeed.

Almost 95 percent of businesses in South Africa are SMEs, a percentage in line with international norms. It's a sector that is well developed, though its ownership is not representative of the country.

However, progress to improve representation is being made as more and more infrastructure is developed in previously disadvantaged communities, and many of the loan applications being received by Business Partners are for black-owned infrastructure and sub-contracting businesses.

Jo Schwenke, Managing Director of Business Partners, says infrastructure and capacity spending has replaced consumer spending as the principle stimulus to the economy, with more than R600 billion in

capex imminent, a positive scenario currently acting as an inspiration to entrepreneurs.

To change the demographics of SME ownership, as well as the regular encouragement of the sector, mentorship is vital. "Often, an individual has a good business idea but no experience of running a business. It could be things as simple as time management, administration and procuring new business."

Everything that a large company does, the entrepreneur has to do personally on a smaller scale. There are a vast number of regulations to be complied with when establishing a new business. Schwenke expresses two views on this. On the one hand, he warns against a tendency prevalent in South Africa to pick up every law implemented in developed countries such as the UK, US, Australia and sometimes even the likes of Russia.

"Small business has mobility – an entrepreneur will simply go elsewhere to another town, province or even country where it's easier to establish his business. However, by global standards the red tape of establishing a new business in South Africa is easing, and not as bad

as many suppose.

"We're quite lucky – we have fiscal predictability, exchange rate and inflation as good as it gets in an emerging economy, and we have enforceability of rights. Labour laws could still be liberalised, and security remains an issue, though we have a relative absence of corruption compared to even some developed economies," he says.

"On the other hand, mastering all the regulations does test one's determination, and we have found that people who cannot surmount all the red tape most likely would not survive the rigour of business anyway."

In analysing the common denominator of successful entrepreneurs, Schwenke says one factor stands above all others: determination to succeed. He's seen people with everything in their favour fail, where uneducated, unskilled mousy little ladies succeed.

It is also seen in the process of loan applications. Business Partners analyses each business plan in detail, and where they don't meet the standard it often advises on how to improve the plan. Yet many of these applicants never return.

Out of 1 000 applications,

only 50 are readily approved and another 50 overcome initial resistance to eventually get approval. The other 900 lack either the business skills or determination to push through.

However, even without adequate business skills, some people make it to the next level. For these, Business Partners provides mentorship.

What this all means for the aspirant entrepreneur is that there is an opportunity for the individual who has an original business idea – and determination to succeed.

"To be successful in this market which is currently less conducive to new business start-ups than even six months ago, you still need to establish a world-class business properly constituted, and ensure you have already acquired the right skills. As a business owner you cannot afford to make a mistake – because you need world class technical skills in today's environment just to survive. To thrive, you also need business skills. That's the benefit of working with Business Partners – we understand these factors and can mentor our clients' businesses during the critical early stages," says Schwenke.