

FOUR STEPS TO FORTUNE – DEVELOPING SUSTAINABLE BUSINESSES IN SOUTH AFRICA

By Catherine Wijnberg and Anton Ressel

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Globally SMME's are the lifeblood of an emerging economy, yet despite the best intentions of the South African Government and millions of Rands invested, entrepreneurship levels in South Africa reportedly still rank a dismal 35th out of 54 countries of a similar economic and development standing. Our entrepreneurial activity, at 5.9%, is also well below the average of 18.8% for similar middle to low income economies.¹ Research also shows that while the national rate of business start-ups is quite good, failure rates are extremely high.

These results send a clear but worrying message: if the small business sector is to meet its potential to meaningfully impact on job creation and economic growth, it needs help.

In our experience as business developers with a special focus on working with SMME's, entrepreneurs and emerging organizations, we have come to realise that there are four actions or steps that need to be in place if a new business is to thrive in today's economy. While these four actions are not necessarily the only determinants of business success, those entrepreneurs that pay heed to these four crucial areas stand a far higher chance of succeeding in the long-term.

Four Steps to Fortune

1. Build a strong vision of success (business, individual)

Without a strong and decisive Vision, a business (and an individual) is like a rudderless ship. A clear and heartfelt Vision statement is a rallying cry for an organisation, something that everyone from the tea lady to the CEO can understand and believe in. Moreover, a strong Vision acts as a guiding star for important strategic business decisions, and when it resonates with the heart of the organisation and its people, also supports daily management and clearer long-term thinking.

2. Plan for a Long Business Life (100 years)

Many entrepreneurs are by nature innovative and have no shortage of sound business ideas. However, they often do not plan beyond the immediate rush of needs or place value in strategic planning for long-term business growth and sustainability. Planning a business beyond the life of the current owner/director is a powerful tool to stimulate thought, and a '100-year plan' is a

¹ Global Entrepreneurship Monitor 2009. UCT Graduate School of Business. Monitors 54 global countries, comparing similar countries according to GDP and economic base activity

brehtaking way to eliminate entrepreneurial ego and encourage the building of management depth.

Whilst such an extreme long-term plan is not essential, without a strategic framework you won't know where you are going or how to get there. Planning must encompass all the main areas of business operations, and should be reviewed regularly.

Amongst other benefits, it serves the following three critical functions:

- Helps management to retain confidence in the business, and to see today's downturns as just a bump in the road.
- Encourages leaders to see the business as bigger than themselves. This supports seamless leadership change – an essential part of business longevity, and business value.
- Offers a benchmark against which performance can be measured and reviewed.

3. Prepare for growth (replicable systems)

A major shortcoming of many emerging businesses and entrepreneur-based business models is that the success or failure of the business is dependent on one individual. When that person is incapacitated or absent from the business for any length of time, the business flounders and often fails.

The solution for seamless and effective functioning is to ensure that the business systems are visible to all, not just one individual; importantly, the business systems to manage areas like sales, marketing, HR, production, administration and finance need to be clearly defined and documented, so that they can be understood and followed by all employees and not just the CEO or owner. This ensures consistency and continuity, and also frees leaders to focus on those areas where his or her skills add the most value to the organization. These systems are the building blocks of growth, and essential for business expansion.

4. Create access to Resources (finance, skills, markets)

Whilst many a small business has been built organically, starting with the efforts of one or two people and a small personal investment, to grow rapidly a business needs resources – and the faster the growth, the more resources will be needed. Sadly, the reality is that many entrepreneurs receive their 'dream order' or land a huge contract only to realise that they cannot obtain the necessary cash flow finance, skilled staff or equipment to deliver successfully.

Planning for success includes a plan for resourcing the business in the future, and for this reason forward-thinking entrepreneurs will from Day One take financial record-keeping, a good credit rating and proven track-record seriously, ensuring they are a sound investment for potential funders.

Staff resources too require planning, and internal staff development builds team cohesion and staff satisfaction, and is an investment in future fortune.

There is no doubt that the innovation, tenacity and drive needed to be a successful entrepreneur is in abundant supply in South Africa. Experience shows that a stronger business vision, effective planning, strong systems and access to resources, leads to greater entrepreneurial confidence and improved results. These four simple steps can help the small business sector to realise its potential, and make the kind of meaningful contribution it should be towards economic growth and sustainable job creation.

For more information on Fetola & Associates or the Fetola Foundation, visit www.fetola.co.za or call 021 – 701 7466.