

7. Key Issues in Small Business Management

7.1 About this Booklet

Business management involves many complex issues. We asked some of our business customers to identify the most pressing management issues that they deal with in their businesses. We then presented these problems to professional organisations and successful business owners. They applied their expert knowledge and understanding of the small business market to produce the solutions you will find in this booklet:

Booklets to read with this one:

- Considering your own business
- The business plan
- Principles of finance and your business
- Legal issues

7.2 Your business premises

7.2.1 Factors to consider when choosing a location

The location of your business is extremely important in helping you to reach your target market and operate within your budget. Give careful attention to the following when deciding where to base your concern

- Do you rely on passing trade?
- How important is the image of your business?
- Is there safe parking nearby for your customers?
- Do you need factory or warehouse space with the capacity for expansion?

Production facilities can take advantage of low rentals in out-of-the-way back streets, while retail outlets must be where the customers are. An information-based service, on the other hand, can operate out of a briefcase with a notebook computer, a modem and a cellular telephone.

It is important to research your market and the area in which you are thinking of renting premises. This will give you an idea of how many other businesses will be competing for your customers. If you locate your business in a busy shopping mall, for example, you will need to work at making your products or services visible.

7.2.2 What you must know before you sign any documentation

How efficient is the management of the building?

If you are considering premises in an office building or office park, find out who manages the premises. Talk to other tenants to find out whether they are happy with the management of the building. What are the standards of mail delivery, refuse removal and security? Are there efficient evacuation procedures in case of an emergency? How long is the lease period? Only sign a long lease if you are confident that you will not have to move during the lease period. Getting out of a lease contract can be a costly business.

Municipal requirements

Your business must comply with municipal zoning bylaws in the area. A business operating from a residential area may run into problems in this regard. If you employ many staff or your business is very noisy, the local authorities may not allow you to set up shop in an area zoned for residential use.

For example, a small welding business may easily fit into the owner's backyard, but the municipality may consider it unsuitable because of the noise levels. Even if the authorities allow it, your neighbours are likely to complain about any disruption of the peace.

Who is next door?

Look carefully at your prospective neighbours before committing yourself to a location. Offices near to government police or military headquarters may occasionally have to deal with crowds of picketers or protesters. Community centres and schools attract traffic jams at regular intervals. A shortage of parking spaces could also inconvenience your customers.

Any business that involves the care of children has particular requirements for its location. For instance, parents might be reluctant to send their children to a nursery school or day-care centre that is next door to a bottle store or an escort agency.

Look at existing businesses in the area and ask the local municipality whether others plan to open in the area in the future. The town planning and licensing departments are other potential sources of information.

7.2.3 The home office

If you run a small concern that does not rely on passing traffic, you can save on overheads by operating from home. With a home-based arrangement you can save time by eliminating the need to drive to and from work in peak-hour traffic.

A home office also offers increased flexibility if you have family commitments. Also, you can claim for part of the rent electricity, telephone and household insurance of your office on your tax return, (only if used regularly and exclusively for the purpose of trade, employees whose income is derived mainly from commission and his duties are mainly performed in the home study).

It is important to be prepared for potential problems in a home office arrangement.

One of them is the difficulty of drawing a line between work and private life. For an entrepreneur, this is a problem no matter where the business headquarters are. At home, the dividing line can disappear completely.

If possible, particularly if your business is a solo operation set up a separate workroom, with a door that you can lock behind you. Have a business telephone line installed to distinguish work calls from personal ones.

With a home office as your base, you must work particularly hard to promote a professional image of your business. Have business cards made and ensure that the message on your answering machine is appropriate for your business customers. Arrange to meet customers at their offices if you need to project a slick image rather than a homely feel.

7.3 The people who work for you

7.3.1 Recruitment of staff

Finding and keeping good staff is a constant challenge for growing businesses. While large corporations have entire departments devoted to human resources management, the small business owner is quite isolated when it comes to recruiting staff.

If you are a sole proprietor, you may reach a point where you can no longer manage alone. This is when you have to take on the responsibility of becoming an employer.

Knowing when it is necessary to recruit staff is not a simple matter. You may have a need now, but will it still exist six months down the line? What effect will the cost of another salary have on your cash flow? There is a shortage of skilled workers in South Africa today. Consequently, you may find that you have to invest in expensive training for new staff.

Another common business problem is the inability to delegate. A self-made entrepreneur may attempt to manage everything even after appointing support staff. This desire to be in control can sabotage a business if left unchecked.

Methods of recruitment

There are several ways in which you can go about recruiting staff. One of them is to use an employment agency. The advantage of this method is that it takes much of the work out of your hands. In addition, agencies have the necessary experience to research applicants' backgrounds thoroughly and they know what to look out for. Choose an agency that has experience in finding staff for the particular type of position you are seeking to fill.

The advantage of going through an agency is that you can only incur costs once you appoint a candidate to a post. This means that you do not have to pay for unsuccessful advertisements. In addition, agencies usually offer a guarantee period on candidates they place.

Sometimes, you can make a temporary appointment giving the candidate and the business a chance to establish whether the working relationship is likely to be successful.

When choosing an agency, speak to people who have recently employed staff. Ask which agency (and which consultant within the agency) gave them the best service. Look for a consultant who is open about the fees involved and listens to your requirements.

Settle the issue of fees and commission as soon as possible. Each agency has its own fee structure and policy on matters such as guarantees. Sometimes fees are negotiable. It is best to discuss and formalise these issues in advance, since it can be unpleasant if you find the right candidate but cannot come to an agreement with the agency regarding the fees.

An agency requires the following information before proceeding with recruitment:

- A complete job description
- Remuneration and other benefits
- Details of the type of person who would fit into your environment
- Attractive features of the position
- Reasons for the vacancy
- The reporting line (to whom the person will be accountable and which staff he or she will supervise)
- Career path and future prospects.

Try to give the agency a reasonable period in which to find the person you need, and make space in your diary for interviews with candidates. Once the agency has screened an applicant you will receive the curriculum vitae and can set up an interview.

Recruiting your own staff

If you decide to do your own recruitment the best way to start is through personal recommendation. Your customers and other people such as your accountant may put you in touch with the type of people who would fit into your business.

If you do not find anyone by asking around, the most direct method of recruitment is to advertise the position. You can place advertisements in newspapers and trade journals in your field. Try to select the newspapers that your target market would read.

In your advertisement be as specific as you can about the position offered and the type of applicant you seek.

List the following:

- Level of seniority and responsibility of the post
- Particular qualifying characteristics (state whether it is an affirmative action post and whether the candidate would require a particular language, a driver's licence, or a technical qualification)
- In which city or town the business operates
- The closing date for applications
- When the person should be available to start work
- The salary or salary range and the benefits that apply
- Closing date of applications
- How applicants should respond to advert (faxed or posted CVs, telephone, etc).

Bear in mind that any position you advertise is likely to attract many applications. The more specific you are in your advertisement the less work you will make for yourself when it is time to sort through the applications. If you want to avoid tying up the telephone for days, specify that people must reply in writing.

Deciding which applicants to interview

Many applicants will not make it past the first hurdle if their CVs do not reflect the skills, qualities or experience you require. After a thorough examination of applications, list the people you would like to interview.

The format of a job interview depends on the type of post you aim to fill. Prepare a list of questions in advance and make notes during each interview so that you have something on record for future reference. You may need to set up a second interview that includes company directors or senior staff. Applicants for an unskilled job require less intense scrutiny than people applying for the post of financial director, but it is always important to check references.

If the person you appoint will be dealing with money, it is advisable to run a credit check on each short-listed applicant. When recruiting for a post of an extremely sensitive nature, you may require further proof of suitability. This may include a police clearance certificate to ensure that the person you wish to appoint does not have a criminal record.

7.3.2 The letter of appointment and the job description

Put all appointments in writing. You and the new staff member must sign the letter of appointment which should contain details about the salary, benefits, leave, notice period and any other relevant information. Give the staff member a written job description as soon as possible.

This document is invaluable in resolving disputes about reporting lines or areas of responsibility. It also helps to eliminate any misunderstanding about what you and the staff member expect of each other.

You may take someone on at a certain salary with the understanding that you will review it in a few months' time. In this case, put the agreement in the letter of appointment along with dates when you expect the candidate to fulfil any conditions. This will enable you to make a fair assessment of the staff member's progress and protect both parties against unreasonable expectations.

This letter of appointment should also address issues such as whether you will allow the staff member to undertake private work while employed by the business. You may wish to prevent the staff member from revealing sensitive information about the business to external parties. If so, include a clause to this effect in the letter of appointment.

7.3.3 Keeping good staff

Retention of productive staff can be a problem for small businesses. This is often the result of a perceived lack of career advancement opportunities within the business. Skilled workers may feel that they have to change jobs often to achieve career growth. You can help prevent this by identifying key staff members and devising retention strategies. These may include equity participation or splitting the business into several units, each with its own managing director.

7.3.4 Succession planning

When you start out as an entrepreneur, you are your business. Not only do you identify yourself closely with the business, but you perform most of the key functions. Yet if you want the business to survive for more than a generation, you will need to look at succession planning. This requires that you regularly step back a few paces and imagine the business without you at the helm. From this perspective, you can work towards grooming the right person (or people) to fill your shoes when the time comes.

South African businesses face particular challenges in the area of succession planning. The first is that many skilled young people emigrate. The second is that those who remain often hold very different views from the older generation on how to manage a business.

Tips for effective succession planning:

- Grow your people with you. Take the time to inform your staff of your plans for the business, and invest the necessary time and money in training staff
- Be prepared for the need to subcontract work. Find people you trust and cultivate them, not only when you need their services. You may find that your best subcontractors are the first people you consider for full-time appointments once your business is large enough.
- Take the time to tell your staff about your vision for the business. Do not assume that everybody understands what you are trying to achieve. Even your key staff may have only a sketchy understanding of your goals.

7.3.5 The family business

An increasingly common business structure is the family business. Most businesses listed on the Johannesburg Stock Exchange are family-controlled. As jobs become increasingly scarce, the family business is likely to become an even greater force in the local market

However, family businesses face unique risks and challenges, and it is important for business owners to be able to handle these.

The founder of a family business is often an individual with drive and vision. These traits and the founder's commitment to the business do not automatically extend to the succeeding generations, and fewer than 15% of family businesses last longer than three generations.

The informality and familiarity of family relationships can cause many problems in a business setting. The following 12 factors should be addressed to ensure the continuation of the family business into the next and successive generations:

Succession planning

A family-controlled business owner often wants to see a continuation of the business into the next generation. Is the business sustainable? Does the next generation have the necessary ability, commitment and interest to run the business?

Remuneration planning

Despite the financial independence that a family-controlled business offers active family members, the question of fair remuneration is a burning issue. Should family members who work in the business receive different levels of remuneration? What should be the basis for establishing salary levels and job titles for family employees? How do you reward 'sweat equity'?

Equity ownership by family members active in the business

Should ownership be a birthright of family members? As a significant contributor to the family's wealth, can the business ever be sold? If so, can an outsider buy it? To what extent can family members expect regular dividends?

Sleeping partners: family members not active in the business

The owners of a family-controlled business may find that their objectives differ from those of relatives who own shares but are not active in the business. What rights does share ownership confer on family members? Do the active members of the business have absolute control over family business decisions? What about spouses (the 'unelected' shareholders)?

Non-family executives

Family-controlled businesses often provide share options as incentives for key non-family executives. What percentage of ownership should families allocate to these executives?

Should the family have ultimate control over these shares with mechanisms to buy them back when the outsiders leave? How effective are other non-ownership incentives (such as profit share)?

Retirement and estate planning

Inadequate retirement planning can be a major obstacle to succession planning. Until members of the older generation feel financially secure, they will be reluctant to release control of the business to younger relatives.

The next generation

To the family members in power, the entry of a succeeding generation may be a source of hope, fear or frustration. How can the next generation prove their ability to emerge from the shadow of their elders? Should they start on the 'shop floor'? Where do cousins and in-laws fit in? What are the entry criteria for family members joining the business?

Financial structures

How will the bank address the problems, possibilities and preferences of the family-controlled business? Where should the business owners draw the line between family goals and financial prudence?

Strategic planning

It can be difficult to match opportunities for new products and markets with the unique skills and goals of the family-controlled business. Which strategic responses are best for a family-controlled business and its unique culture? Can the business channel sibling rivalry in a positive way?

The family's wealth

While building a sustainable business, the family may have acquired wealth. What is the best way for family members to manage the fruits of this success? Who will share in the wealth? Should the business owners make this wealth available for contingencies or security pledges?

Conflict resolution

When disputes arise, a family-owned business may struggle to separate work issues from personal ones. What mechanisms are in place to prevent or resolve conflicts? A good method of dealing with difficult issues is to arrange a family conference away from the office. An experienced facilitator should be present to handle potentially explosive family dynamics during discussions.

The family creed

Family values can form the basis of a powerful mission statement. How can a family establish a set of core values? When does the family need to revisit these values? It is often helpful to seek advice on these issues from somebody outside the family and the business. Such a person is likely to have a more balanced perspective of the business.

7.4 Using consultants

While some jobs require members of staff who are on your premises all day, your business can accomplish other tasks by calling in consultants. The move towards using consultants is beginning to gather momentum in South Africa as employers see the benefits of this approach.

A consultants fees may seem expensive. However, if you add up the true costs to your business of a full-time staff member (training, medical aid, pension, replacement of skilled staff who leave), then a consultant is often a more affordable option.

7.4.1 What can consultants do for you?

Consultants have much to offer the business owner. Many jobs are best handled by a skilled professional from outside the business. Before you start looking for a consultant however, it is important to know what you want. Work out whether you need:

- advice,
- recommendations,
- expert skills that are not available in-house,
- a product, or
- a service.

7.4.2 Benefits that consultants can offer a business

In the early growth stages, a business can benefit from expert advice and assistance. Consultants can contribute to the growth process in many ways. They represent a short-term cost to the business, since you only need to retain them long enough to supply the service required.

7.4.3 How to evaluate consultants

The basic rule in hiring a consultant is to follow all the steps you would take in investigating a prospective staff member. Ask for a curriculum vitae with contactable references. These would usually be other customers for whom the consultant has worked. Check the references and be wary if people have had problems in their dealings with the consultant.

Even if a consultant has all the right qualifications on paper, your first meeting with him or her may leave you with a feeling of unease. Follow your instincts in this regard. If you do not feel comfortable with the consultant at this early stage, the situation is unlikely to improve.

Many consultants belong to professional bodies that can vouch for the credentials of their members. If you have any doubts about a consultant contact the Institute of Management Consultants of Southern Africa. Other bodies such as the South African Institute of Chartered Accountants can give you information where applicable. The objectives of these organisations are to raise the professional standards of management consulting and to safeguard the interests of businesses that use consultants.

7.4.4 The working relationship

Money is an important aspect of your relationship with a consultant. You can avoid many potential problems by getting everything in writing before starting to work together.

There are several methods of remunerating consultants. One of them is a retainer, which involves paying a certain fixed amount to the consultant on an ongoing basis for an agreed period. This will depend on the length of time for which you will need the consultants services. Alternatively, you may negotiate

an agreement for the cost of the entire job and pay this amount on completion of the work.

You can also arrange to pay the consultant on completion of each section of a job. This is a fair method where a job is to continue over a period of more than a month, since it allows the consultant to draw an income during the job.

Whichever method you and the consultant agree upon, it is very important to get it in writing before work begins. You may draw up a contract that both parties sign, or you may ask the consultant to give you a quotation. By signing the quotation, you agree to abide by it.

Although consultants offer expert services, they do not know everything about their field of expertise. A good consultant will admit when he or she cannot help you with something and will refer you to someone who can.

Most important of all, remember that you are still in charge. It is up to you to manage the relationship with the consultant and to make the necessary decisions.

7.4.5 A checklist for dealing with consultants

Does the contract stipulate exactly what the consultant will and will not do?

Clarify fine points such as whether the fee charged includes travel, telephone costs and briefing sessions. Some consultants will quote a reasonable rate, only to submit an unexpected bill for out of pocket expenses. Work out these details in advance to avoid resentment on either side later.

Can the consultant offer you the time, expertise and attention you require?

Try to establish the quality of attention you can expect from the consultant. Your initial contact may be with the managing director of the consultancy. Ask whether he or she will be dealing with your needs or whether junior staff will handle the job. A less senior person may not have the ability or the authority to deal effectively with your needs.

How good is the consultant's record-keeping?

You have the right to ask for a comprehensive breakdown of the time for which the consultant charges you. Time is an important resource and it comes at a premium. It is in your interest to find out how the time is to be spent.

Once you have an agreement do not change it without good reason

If the job takes more time than planned and the consultant asks for more money, you need to look honestly at the cause of the delay and proceed accordingly. If, for example, the project is taking longer because you have changed your specifications since the initial briefing, you should renegotiate the fee to allow for this.

7.5 Management of staff

7.5.1 Your staff and your customers

In a small business, every member of staff is in contact with your customers. The quality of the contact your customers have with your staff determines how they perceive the business. It is vital that your staff understand that the customers pay their salaries.

As the owner of a small business, you should be able to offer superior customer care with a personal touch. Make the most of this built-in competitive edge.

While encouraging your staff to relate well to your customers, always keep yourself in the picture. Once you start employing people to deal with customers, it is easy to get out of touch. To prevent this happening, make a habit of spending time chatting to customers and keeping up with their news.

No matter how busy you are, do not neglect your own relationships with the customers who are the lifeblood of your business.

7.5.2 Tips for effective staff management

- Set targets for the business and keep referring to them. Measure your progress towards your goals and reward outstanding contributions by your staff.
- Make provision for conflict resolution. Differences of opinion are inevitable, whether among staff members or with suppliers and other key people. A balanced attitude to conflict will prevent disagreements from undermining your business.

7.6 Networking

7.6.1 What is networking?

Networking is a popular term in the business world. In simple terms, networking involves keeping in touch with the people in your community and your field of business. It is all about building your business through ongoing communication.

Networking is especially useful for women business owners, who often feel excluded from the 'old school tie' communication system used by men in business. However, everybody who runs a business can benefit from developing networking skills.

7.6.2 Why business owners need to network

Professional isolation can be a problem for small business owners. This isolation can be particularly difficult to manage if your previous job was in the corporate world. After you strike out on your own, you lose your connection with the office grapevine that previously fed you with vital information. The new demands on your time also make it difficult for you to socialise with people in your field. It is important to prioritise networking to stay in touch with the flow of business communication.

7.6.3 How to find your network

There are many networking opportunities in professional associations related to your work. Join the major organisations or clubs in your field and attend as many of their functions as possible.

The golden rule in networking is never to go anywhere without a supply of business cards. Hand your card to everybody you meet and ask for a card in return. Set up a basic filing system for cards that you receive. Index them according to subject rather than name, since you are more likely to remember the context in which you met someone than their surname.

Make your business card as bright and individual as you like, but resist the temptation to play around with size and scale. Many people store business cards in ready-made folders that take standard cards, and if yours is too big to fit people may discard it. At the other end of the spectrum, tiny cards can be lost too easily to justify the small saving in production cost.

You can create a network-friendly work environment by sharing offices with several people who work in related areas. Not only can you make more economical use of facilities, but you will be the first to hear of work opportunities and contacts.

7.6.4 Getting the most out of networking

Do not approach networking selfishly. If all you want to know is what a person can do for you, it is unlikely that he or she will keep talking long enough for you to learn the answer. Networking is a two-way street and bulldozers simply block the traffic. Always try to think of ways in which you can be useful to the other person's business.

You can learn an enormous amount about developments in your field by talking to your peers at conferences and cocktail parties. However, there are some sensitive issues in networking. Look out for the following networking hazards:

- Be cautious about risking your reputation by recommending somebody for a job because of a networking connection.
- Learn to recognise 'takers' who are only interested in furthering their own aims and will use anybody they can along the way.
- There is a fine line between sharing insights with your networking colleagues and breaching confidentiality (business or private). Guard against being too open with people you do not know well enough to trust.
- Women's networks sometimes appear threatening to male colleagues and customers. If you are a woman business owner, you may find it counterproductive to be associated with organisations that appear too defensive on gender issues or actively exclude men.

7.7 Marketing your business

Once you have a product to sell, you need to persuade customers to buy it. This requires important marketing decisions. First you need to choose the target market for your business. How will you tailor your products or services, and how will you price them for this market? You also have to decide how to let the target market know what you have to offer and how you will distribute your product or service.

Small businesses face particular marketing challenges since they operate with limited resources and are therefore unable to service the whole market. This is where market segmentation can be helpful.

Market segmentation allows for the splitting of the market into smaller segments with common needs and characteristics. Properly done, it will help you to target your selected market (or markets) with greater precision than would otherwise be possible. The success of a business depends on the extent to which it has identified market niches and tailored its products and services to the unique requirements of customers in these niches.

7.7.1 Keep loyal customers in the picture

Growing concerns often make the mistake of focusing on new sources of business at the expense of existing customers. Gaining a new customer often requires great expense and effort. Losing such a customer is an unacceptable waste of resources, since it leads to the loss of future sales and profits.

You can maintain contact with customers by introducing retention marketing. This involves doing all you can to minimise lapses in service, and asking your customers to share their experience of your product or service.

The most important lesson you can learn in this respect is how to recover from an initial product or service failure. In doing it right the second time, you should think of the value of pleasing the customer rather than the cost. If you succeed in this respect, your customers will be even more likely to patronise your business than they previously were.

7.7.2 Be an expert in what you sell

If you know and believe in your product or service, you can market it convincingly. By studying and analysing the market you will discover who else is selling a similar product or service, and your task is to give customers reasons to buy from you instead.

7.7.3 Reaching your market

In communicating with your target market you should always use the most appropriate medium (e.g. newspapers, radio or signage). For example, it would be a waste of resources for a small business operating exclusively from a particular town to advertise in the national Sunday newspaper, since the most likely customers are the local residents. Small businesses should be very selective in advertising to reach their desired target markets at minimum cost.

7.8 Office Technology

7.8.1 How to assess your office technology needs

Even the smallest business operations rely on some form of office technology. You may run a business part-time from your bedroom, but you are still likely to need items such as a personal computer, an answering machine and a fax machine.

When considering what office technology you need to buy, ask whether each item will improve your current situation in terms of turnover, efficiency or speed.

The problem many entrepreneurs have with meeting their technological needs is that they do not really know what those needs are. The best place to start is with a basic breakdown of all the activities that take place in your business. Next, list all the things that you would like to be able to do in your business. Next list all the things that you would like to be able to do in your business but cannot because you do not have the necessary equipment or resources.

Once you have this list take it to your computer dealer. This gives him or her some insight into what you need and what technological solutions would be appropriate.

7.8.2 Computers: new or secondhand?

Constant development in computer technology means that systems soon become outdated as newer and better versions appear. However, equipment is not necessarily obsolete just because it is not this year's model. Many businesses operate very well using quite humble equipment.

To make the correct decisions about office technology purchases, you must know what type of software you require. Is speed an important element in your business? How frequently do you plan to use the equipment? If you only need to perform simple tasks, an older generation personal computer may be adequate.

7.8.3 How to evaluate a computer dealer

The most important thing to remember when buying computer equipment is that price is not everything. It is easy to shop around and find someone who offers to beat other dealers' prices on hardware or software. It is much more difficult to find a dealer who offers high quality merchandise coupled with reliable after-sales support. Many dealers now offer group sessions to give customers support and tips. This reduces the need for labour- and cost-intensive individual consultation.

A good rule to follow in selecting a dealer is to note how much interest the dealer shows in your particular needs. If he or she is only interested in promoting the latest technology, find someone who will look more specifically at your requirements. You need a business system that suits the realities of your work situation.

Your supplier should be willing to help you set up your system if necessary. Even if there is a charge for this service, it is worth paying it to get up and running as soon as possible. You can lose valuable production time by buying cheaper goods without the necessary follow-up and support.

7.8.4 Consult the users

Once you have decided to buy computer equipment the purchase is not the end of the road. To get the most out of computer technology, you have to invest considerable time as well. This means arranging training for all staff who will be using the equipment. Many business owners fail to cost in the downtime that results from a lack of training or inability to use machines properly.

If you will not personally be using the equipment it is vital to consult those who will use it to find out what they require. All too often, the boss buys a new system, hoping it will revolutionise office efficiency, only to find that it is inappropriate to the needs of the operators.

Consult the people in your business who will be using the technology and do not overlook the potential for resistance from staff. This is particularly likely to occur with older staff members who may fear that computers will replace them. Take the time to reassure staff, explaining that computerisation will change the skills required to do the job, not dispense with them completely.

7.8.5 Computer hardware

If you are equipping an office from scratch, the minimum standard you should consider for a new computer is a Pentium III. This will allow you to run all the standard popular packages available on the market. It will also provide the infrastructure you need to do your banking electronically.

However, if you already have less powerful computers that are doing the job well enough, there is no reason to rush out and buy new ones. Talk to your staff however, to find out whether old equipment is causing delays or preventing the business from offering service equal to that of your competitors. If so, you should consider upgrading or replacing your system. It may not be necessary to buy new equipment since it is possible to upgrade most computers at the component level.

7.8.6 Computer software

Excellent software is available to small businesses. At the very least you will need word processing and spreadsheet facilities. Beyond these basic facilities, ask your dealer what else would be helpful to your business.

7.8.7 Accounting packages

There are plenty of good packages from which to choose. A word of warning, however, you should only consider buying locally published packages, since they are adapted for South African conditions (VAT etc).

7.8.8 Printers

You can get by with a simple dot matrix printer if you only use it to print invoices. However, letters and presentations look far more professional if you print them on a laser printer. By paying a little extra, you can get a colour printer, which allows you to place your own creative stamp on business correspondence.

7.8.9 Fax modems

Many business owners are unaware of the benefits of having a fax modem linked to a computer. It is convenient to have an internal or external fax modem to fax directly from word processing documents while a conventional fax machine on a separate telephone line handles incoming faxes.

A fax modem saves you both time and paper.

7.8.10 E-mail and the Internet

An exciting development in information technology is the availability of global electronic mail services for businesses and individuals.

E-mail, at its simplest is really just a postbox facility. The beauty of it is that you can send and retrieve mail at all hours, anywhere in the world, for the price of a local telephone call.

The Internet once the province of academics in universities, offers users access to vast resources of information and expertise on any subject imaginable. More businesses are joining the Internet as access packages become increasingly user-friendly. There are many service providers offering Internet access packages, so it is advisable to shop around for the best rates, software and customer service.

Also, look into the possibility of having an Internet home page for your business. This allows Internet users anywhere in the world to find out about your business and is an increasingly popular form of advertising. You may find that the ongoing cost of maintaining a home page is worthwhile for the additional customers you can attract.

7.8.11 Scanners

Photographic scanners, which 'read' documents for storage on computer disk, are gaining in popularity, especially since they are becoming more affordable to small businesses. They allow you to manage and file important documents on your computer, thus saving on storage space.

7.8.12 Computer networking

Just because you are not part of a large business, it does not mean that you cannot benefit from shared facilities and information.

Today, personal computers can link up in an office setting in much the same manner as computers on a corporate mainframe. Even if you have only two computers in your business, you can share files and data, and link both machines to the same printer.

7.8.13 Copiers

A photocopier is a necessary piece of equipment in most offices. A small business, however, may not require a machine on the property. Find the copying centres in your neighbourhood and ask them whether they will offer you a good price if you use them daily. If you can arrange to do your copying at off-peak hours, this arrangement could work well for both parties.

There may come a time, however, when the volume of copying you need to do justifies investing in a copier. You can lease or buy a machine that suits your business environment. If speed of copying is not crucial to your business, you can buy an inexpensive machine if you do not require the type of heavy-duty, high-output unit used in busy offices. Whatever you decide, the most crucial factor in your choice will be the supplier's written guarantee of prompt reliable attention from service and repair staff.

7.8.14 Your electronic secretary

You can run a small business successfully without secretarial support. If your business does not have a receptionist or a secretary to take calls, an answering machine can help you to create a professional impression and keep in touch with customers.

It is worth investing in a machine that does not tend to 'go on the blink' or lose messages. A good option for a small business is a unit that offers telephone, answering machine and fax in one, allowing callers to leave messages or fax you information.

Give plenty of thought to the message you record on the answering machine. It should be professional and welcoming, supplying the caller with all relevant information. Give your cellular telephone number (if you have one) and avoid gimmicks such as the use of background music. Try not to make too many demands on the caller (such as asking for dates, times, full names and reasons for the call). Only ask for the details that will enable you to reply to the message.

7.8.15 Cellular telephones

Do you need a cellular telephone?

Cellular telephones are now so common in South Africa that it has become difficult to find arguments against owning one. The advantage of having a mobile telephone is that you need never miss an important call if you have your telephone with you.

What you need to know about cellular telephones:

- Find out what guarantee the dealer offers. Some telephones carry no guarantee although they bear well-known brand names.
- You may be asked to sign a lengthy airtime contract to get a special offer on the telephone instrument. Read the conditions of the contract carefully to ensure that the rates and monthly rental are market-related.

- Ask about insurance. Many household policies will not cover mobile telephones and the airtime contract is binding even if the instrument is lost or stolen. Your best option may be to insure your telephone through the service provider.
- Some cellular telephone batteries do not deliver the advertised number of hours' standby time. You may need to carry a spare battery or switch to a bulkier and more expensive battery that has a longer standby time. Make sure that you use the battery saving option if your telephone has one.
- Follow the instructions regarding battery maintenance and be sure to discharge the battery fully on each occasion. It is surprisingly easy to destroy a battery or shorten its standby time by handling it incorrectly.

Cellular telephone etiquette

Mobile telephones make it possible to take your office with you wherever you go. Unfortunately, they also increase your chances of getting into awkward situations or offending people.

As a rule, it is advisable to apply the same etiquette to your cellular telephone as you would to the telephone in your office. For example, if you are in a meeting with someone and the telephone rings, do not interrupt your meeting to take the call.

Record a voice mail message so that you can switch your mobile telephone off when you are in meetings. You can retrieve messages between appointments.

If you find that your business requires that you initiate many calls from your mobile telephone, you may decide to charge customers for the calls you make. If this is the case, it is advisable to warn customers in advance.

7.8.16 Business continuity and disaster recovery plan

No matter how small your business is, it is essential that you make provision for continuity in case of disaster. Store all important data on backup disks in a separate fire-proof area, and carry appropriate insurance for your business equipment and stock. Various insurance companies offer provision for disaster recovery and certain consultants specialise in advising on business continuity.

If your business is computerised and you operate on a network system, you might consider installing a tape streamer for backup data. This does not cost much and can be invaluable in storing data securely.

7.8.17 Information security

The protection of information is a discipline that you should begin early in the life of your business. Unfortunately, industrial espionage does occur and vital information can leak out to your competitors unless you train your staff to be vigilant about protecting the confidentiality of information. Use a paper shredder to dispose of sensitive documents. Also, do not allow an 'open door policy' in your office unless you can guarantee that you will never leave confidential information where visitors can see it.

Computer viruses are another security risk. Install the necessary anti-virus software on your machines and do not allow staff to bring their own software to the office. This includes computer games that staff may want to play during their lunch hour.

7.9 Your suppliers

Cultivating reliable suppliers is an important part of running a business. You are probably already familiar with the Catch-22 position, of the small business sector: to pay your supplier, you first need to sell the goods - but you cannot sell them until you have paid the supplier.

To get good prices and extended payment terms, you need to build up relationships with your suppliers. There is no substitute for mutual trust which you can only establish over time.

Small business owners may struggle to get good service from suppliers who do not take them seriously because of their size. Many suppliers demand cash upfront and treat small orders as less important than large ones. Yet it is possible to work well with your suppliers, whatever the size of your business.

7.9.1 Tips for dealing with suppliers

- Put your money where your mouth is

If you are buying from a new supplier, make a point of paying promptly. Few suppliers will consider requests for credit from unknown buyers. Later, once you have become a valued customer, your supplier may offer you easier terms.

- Make good enquiries

Do your homework before making an enquiry. It saves everybody time if you have taken the trouble to get to know the market. Also, avoid making promises that you cannot keep. Unless you are absolutely certain that you are going to place a large order, do not say that you will.

- Negotiate credit in advance if you think you will need it

Anybody can run into a cash-flow crunch, but if this happens to you, do not wait until the agreed payment date is upon you before calling the supplier. An over-optimistic approach to your ability to pay can backfire if you do not keep your word. If you encounter problems, you can maintain a good credit rating with the supplier by explaining your situation and saying when you will make the payment.

- Get beyond the sales clerk

Although your first contact may be a member of the sales staff you should get to know the more senior staff of the supplier. Make an effort to meet the people with authority in the business and to negotiate transactions with them. The warehouse manager and distribution staff are also crucial to the customer-supplier relationship. They will be able to tell you how soon your order will be ready.

- Do not overreact to an incorrect invoice

If you have negotiated a certain price and the invoice states a different price, do not withhold payment completely. Pay the amount that you agreed to pay. Then remind the supplier in writing of the amount you negotiated. This way, the supplier is more likely to be reasonable, since he or she has received a substantial portion of the invoiced amount as well as your assurance of good faith.

- Be prepared to follow up your order

You are probably only one of many customers on your supplier's books. When you are a new customer, you should be willing to take the initiative in tracking the progress of your orders on the first few occasions. This does not mean that you should nag or threaten. However, it is your responsibility to communicate with the supplier and explain your requirements.

- Do not accept faulty goods

If goods are substandard or incorrect deal with the situation politely but decisively. If possible, arrange for the supplier to deliver the correct goods and pick up the wrong ones simultaneously. This is where a friendly relationship with the warehouse staff will be very useful.

- Check out the supplier before you part with money

It is your responsibility to research the business from which you are considering buying goods. Find out what sort of reputation they have, how long they have been in business and whether they are growing or declining in size. If you are not sure of the supplier, try to avoid paying large amounts of cash up front.

- Do not store goods for the supplier

Sometimes, a supplier will attempt to persuade you to buy in bulk to free up warehouse space or to liquidate assets quickly. Provided that you have the necessary storage space and are sure that you can sell the goods, this may be a beneficial arrangement. However, be very wary of buying goods for which you have no orders, even if the price seems good.

- Buy at the correct level

It is not always a good idea to buy direct from the manufacturer. Many manufacturers stipulate minimum orders that suit larger buyers and you may do better to buy from a wholesaler initially. Gather comparative information about prices and conditions of purchase before committing yourself.

7.10 Disclaimer

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