Create Your Own Wealth

Prepare for the rest of your life with these pointers from the pros

BY MAYA FISHER-FRENCH

In the US, there's a growing trend for men to change careers in their forties and fifties. This career shift is seen as retirement from a hectic corporate career and a move into something they can build into their own business and do for the rest of their lives. There are intellectual, emotional and even psychological reasons for it.

In South Africa, the trend is picking up as more men opt out of the corporate rat race and start their own businesses. Stephen Rothgiesser, MD of The Coaching Company, which specialises in corporate change management, says there is a definite trend towards men wanting to move out on their own. "Men want more of a challenge. They want to apply the skills they've learnt to a new adventure."

And the driving force behind this trend? Men want to feel they've done it for themselves. "It's about making your mark," says Rothgiesser. "There's a need to challenge the boredom and monotony of corporate life." According to Rothgiesser, the brain drain and resultant skill shortage has meant that men find themselves in a position of authority earlier in life. This also brings financial reward, freeing them up to leave earlier. "Because we hit a success threshold earlier, we have a chance at a second career. Men are reaching a pinnacle by their mid-forties."

Successful wives are a contributing factor. "Men are no longer sole breadwinners. This provides them with the emotional and financial cushion to make the changes," says Rothgiesser. Then there's also the so-called "midlife crisis". Rothgiesser believes that at this stage men start to wonder about their legacy. This is referred to as authenticity and it's about giving back, creating something that reflects your values and what you believe in. "Men take up a primary career to follow parental requirements or what is socially acceptable. In their mid-forties, men step into authenticity: they want their work to reflect who they are."

BE A RISK-TAKER

As much as these ideas may strike a chord, running your own business is not for everyone. It takes a certain personality type to go it alone. Jo Schwenke, head of Business Partners, a company which funds and supports small and medium-sized businesses, points to four critical factors.

First, you need to be a risk-taker. Schwenke has a client who saw an opportunity when the factory he was working in closed down and the staff were retrenched. He believed he could make a go of it and hocked everything he had, including his home, to fund the buyout. With your own business, there's no guaranteed salary, especially in the beginning, and you usually have to find some form of funding. But it was the belief that the business would succeed that allowed the new factory owner to take those risks. Schwenke calls it vision. This is the second vital ingredient. You need to know where you want your business to go and believe in it passionately.

On top of this, you need chutzpah. This really translates to sheer determination. "Hundreds of problems will come your way and you have to have the determination to get through it," says Schwenke. Finally, you need to have energy. You will work harder than you ever have in your life, especially at the beginning stages. You will sleep, eat and breathe the business and you need energy to get you through those difficult times. But Schwenke says this energy comes from being truly passionate about the business and a belief in the vision. When you speak to business owners about the demands of their business, they all agree that, while it's tough, every minute they're putting into it is for themselves and not to make someone else's profits. That makes it worth all the hard work and sacrifice.

PINNACLE OF SUCCESS
In your mid-forties, your work should reflect who you are.

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CASE STUDY

As Valme Stewart, managing director and owner of Swift Micro Laboratories, says, "If you do it well, rather do it for yourself than for someone else." In 2001, Stewart bought Swift Micro Laboratories from the government-owned Council for Scientific and Industrial Research (CSIR).

In 2001, CSIR decided that, as Swift was a commercial laboratory, they would sell the business. Stewart saw an opportunity for a management buyout. "Rather than working for other people, it was time to work for ourselves." With staff support, she bought out the business, which has since grown from 12 people to 65 and increased turnover from R2.6-million to R22-million in seven years.

"Finding finance was the hardest part," says Stewart. Traditional financial institutions weren't interested. "No one would come and visit to understand the business." Stewart found a funder in Business Partners, which was more open to entrepreneurship. However, she does note that the banks have changed and her experience may have been different today.

What kept her awake at night was the realisation that she was now responsible for her staff's livelihood. She started off with a zero bank balance. Cash flow was going to pay the staff. "Suddenly it's about real money and cash flow. It's up to you to pay your staff. These are people who trusted you," says Stewart, but adds that there was not a moment of doubt

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that it wasn't going to be a success. "The key to success is to treat your staff well. They will then treat the company well." Stewart ensures that everyone feels part of the success and says it's important to reward employees.

Sticking to the company's core competency has also been a factor in its success. "We were under pressure to expand into other areas, but we decided to stick to what we were good at, doing it bigger and better rather than going into something we were not skilled in." And she doesn't allow herself to be dictated to by her competition. "We see ourselves as the leaders and don't follow the competition; they follow us." It's important to keep your eye on the ball and not what your competition is doing. "I can talk forever about my business. I really enjoy what I do," says Stewart, which is probably the real key to her success.

CONSIDER FRANCHISING

Valme Stewart bought into an existing business she knew well. For many would-be entrepreneurs, starting from scratch is a daunting task and going the franchise route can make the transition easier. Franchising is a softer entry into owning your own business. If you sign up with the right franchiser, they will provide you with guidance and assistance. The brand and processes have already been tested. With back-up from head office, the business is operational from day one and suppliers are comfortable dealing with you. You may also find funding easier to obtain.

Erik Parker of Franchise Plus, author of several books on small business and founder member of Nando's, says there are four key aspects to buying a successful franchise. First, read the trends of the market. There's no point going into a franchise that is in decline; rather get into franchises that operate in growing markets. Secondly, have a passion for the business. Don't get into food if you hate monitoring a kitchen. It has to be a business that inspires you. Thirdly, discriminate and make sure you are buying into a good franchise opportunity. There are over 400 franchises in the market, but many come and go and you need to be careful about who you're getting into bed with. Parker estimates that there are only around 60 franchises worth looking at; of that, about 20 can't be bought for love or money, like Kentucky Fried Chicken.

You also need to understand the rationale behind the franchise operation. Some franchises make money out of their central kitchen or warehouse. This means they make money selling products to the franchisee, so whether or not the franchisee is making the profit, for every additional store opened, the franchiser is selling more products. Find a company that makes money only if you are successful.

Finally, something that is true for any business is location, location, location. No matter how great the franchise is, if you can't get a decent spot, it will fail. Find out which spots are still available. More established brands may already cover some of the best spots. Think outside the box. According to Parker, there are shopping malls opening up in Soweto that could provide excellent opportunities, but you need to keep in mind that the first year of a new centre can be tough. It takes time to change shopping behaviour and you need to be prepared to tighten the belt until that happens. But shopping centres aren't the only place to be. Parker's sons, who own the Seattle Coffee Company franchising business in South Africa, have found that having coffee shops in offices is far more profitable than shopping centres where rentals are higher. ■

GOING IT ALONE Five tips to be successful

1 Integrity The difference between an entrepreneur and a criminal. It's not just about the law, but about doing what is fair. Otherwise people will find you out and you will fail.

2 Skills You must have experience or skills in the area you are going to do business. "You must have practical experience. Even becoming a good bricklayer takes several years of experience," says Schwenke.

3 Planning We spend a month creating a strategy and take just an hour to change it. Spend time creating an investment strategy that meets your needs. If you want to make changes to it, ask why. Is it because your circumstances have changed or are your emotions taking over? If you knew today that the market would fall by 10 percent next week, would you sell your investments? If the answer is yes, either you are incorrectly invested or you don't fully understand the nature of your investment.

a) Cash flow Functions can be outsourced, but you need to keep your finger on the pulse of your business, which is your cash flow. Tally up your tills every day and understand your turnover. Compare sales figures on a daily basis and have realistic targets: a target to survive, a target to stick to your plan and a blue sky target.

b) Compliance This can close your business down in this country almost as quickly as bad service. Compliance includes PAYE, VAT, labour laws, compensation funds and UIF. The list goes on. Rather fork out money and get some good advice on what you need to comply to.

c) Administration Collecting the money. Make sure you have an up-to-date invoicing or till system.

4 Selling Business is all about selling and selling at the right price. It takes skill to determine what that price should be. Make sure your business plan is realistic in its pricing of services or goods compared to the market and make sure your gross profit is right. Then ensure that you know how to sell. If you go into fast food or other impulse sales, think about location. No one is going to drive to a low-rent backyard dive for a hamburger. If you offer specialist services, maybe they'll make the trek, but your costs will be on advertising and knowing where to advertise to attract your customer. Google is a good place to advertise, but your company should always pop up on the first page.

5 The golden rule Turnover is vanity, gross profit is sanity, cash flow is reality.