

BEE offers many roads to business ownership

FOR businesses that want to maintain and improve BEE rating under the general codes of good practice, securing black ownership is the key.

One of the objectives of the Broad-Based Black Economic Empowerment Act is to facilitate a change in the racial composition of business ownership.

In line with this, ownership holds the second-highest weighting on the generic scorecard in the codes.

Under the codes the target for black "voting" control of an entity is 25 percent plus "one vote". This is a magic number in corporate governance because many decisions which affect the ownership structure of a company need approval by 75 percent of the voting rights.

Therefore the "one vote" is a swing vote.

The target for black economic interest under the codes is 25 percent. A black person holding 25 percent of the ordinary shares in a company or

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members' interest in a close corporation should be entitled to 25 percent of the dividends.

There are many ways for black people to take up an ownership stake in an existing business.

For example, a form of discretionary family trust may be used. A family trust is useful for estate planning. Selected assets are handed over to the trustees to administer for the benefit of the estate planner's family. The family members are taxed individually on what they receive.

Another means permitted by the codes is a business trust in which the beneficiaries have

fixed interests and the trustees have to distribute income according to the fixed proportions.

Although the trust is treated as a separate person in some ways, the beneficiaries are taxed individually on income received through the trust.

Some businesses might want to move a division of their operations into a new entity which is fully or partly black-owned and satisfy the ownership element of the codes in this way.

The codes provide formulas for the selling entity to be given points for ownership even though the black ownership will be in the new entity, not the

selling entity.

The aim must be to create an independent, sound and sustainable new entity.

Where a business wants to incentivise its employees it can form a trust for the benefit of certain employees and transfer an ownership stake to the trust.

Likewise, if a business operates within or near a community, it can form a non-profit company or community trust and transfer an interest for the benefit of the community members.

These entities must satisfy stringent criteria to be recognised for ownership purposes.

Under the codes, black ownership is discounted if the black owners are permanently indebted.

If the cost of acquiring ownership is not paid off in increments from day one and steadily over 10 years then the business stands the risk of being automatically dropped a full level on its BEE rating.

Black ownership of business is becoming imperative across the board. Provided the codes' requirements for different ownership vehicles are met, there are many roads to securing it.

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Boost sales in tough period

SALES staff often need to change their sales approach during tough economic times. Selling in a tight economy is very different from selling in a robust one.

The dynamics between a salesperson and a customer changes when the economy is slowing down, resulting in salespeople needing to work harder for each sale.

So the trick to surviving is to work out which the best sales tactics are to use. We'll explore some of these options that should arm you with the tools to keep the sales flowing.

Analyse sales activities.

Check your sales activities and identify what's working and what's not. If you haven't put monitoring systems in place, then this is a good time to start. It's really useful to analyse sales data from a variety of perspectives. For example, do you know which of your customers (or groups of customers) consistently buy from you and whether that buying pattern has changed recently? This information helps you know where your key focus should be.

Have you checked the sales cycle time for the various customer groups?

Most companies have customers that fall into different sales cycles. For example, government clients take a long time to conclude a sale, but other clients make decisions far quicker. You certainly don't want salespeople to only focus on government work as this doesn't help your cash flow. When times are tough you want to make sure that you are allocating resources correctly to ensure a consistent and steady income.

Robynne Erwin and Paresh Lakha set out ways to drive up sales

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What about the different ways you sell?

Which method is proving to be the most effective now? Face-to-face calls are expensive and time-consuming for both you and your customers. This is a delicate area, since maintaining excellent customer relationships is critical during economic downturns.

However, it is possible to keep in regular contact with a client by making regular phone calls and reduce the visits.

Bear in mind that some clients expect face-to-face calls, so you will have to weigh up the costs of servicing such clients and see how you can retain the business in a cost-efficient way.

Increase your activities.

In an economic downturn, customers can take longer to make decisions and this increases your cost of doing business.

Ultimately, sales are about numbers. So the question to ask is how can you cost-effectively reach a larger target market.

Areas to consider here are whether there are strategic partnerships you can put in place to bundle your product with that of another synergistic business.

For example, if you sell paper, then perhaps partnering with a company that focuses on printers could be useful.

Are there cost-effective ways

Build your team and make the customer the key focus.

Everyone has a role to play in convincing customers to buy from the business, so involve everyone, set targets, get them motivated to all do their bit to increase sales.

Become essential.

Everyone cuts down on non-essential products and services in tough times. During such times, you must be able to show the customer that you are doing one of the following or both:

Helping them to increase their revenue.

Helping them to increase their profits by offsetting other expenses.

Find a way of showing customers the value and saving they will experience when they buy from you. Promises and empty gestures don't work.

Think about the future.

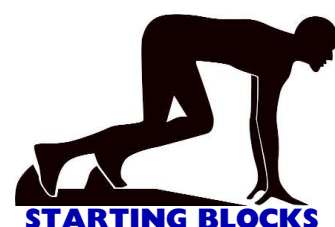
Don't make the mistake of focusing only on the current period. While we all learn a lot from weathering storms, it is equally important to keep an eye on the future.

That way you'll always be in a position to quickly change tack when the economy improves. There isn't enough space to cover all possible tactics, so the next column will continue this discussion.

Just remember one thing: if it isn't broken, don't fix it. Keep doing whatever is working and remind everyone that persistence is the key to survival, especially when customers take longer to make important buying decisions.

Thank you for the positive comments received over the past few weeks.

Kindly drop us an e-mail if you have any questions at: office@smmediagnostics.co.za



THIS column is intended to inspire the entrepreneur in you and help experienced business people grow. While the columnists will vary, each will have the same brief: to offer practical and useful information on how to start or improve a business and ensure its success by guiding you through the pitfalls. Send feedback or comments to businesskzn@jnl.co.za

you can automate parts of the sales cycle? Or can you reorganise the flow of work for sales to release good salespeople from time-consuming administrative tasks?

Do you need to review how your product or service is positioned in the market?

Bear in mind that an economic downturn makes people well aware of the difference between a want and a need.

Consider whether the messages you use to market resonate with your customers.