ADMIRAL BUSINESS SYSTEMS (PVT) LTD

The Entrepreneur's Guide to Starting a Business in Zimbabwe

Simplified Guides to Business Series

PHILLIP CHICHONI

This guide book will tell you all that you wanted to know about starting a real business in Zimbabwe but didn't know who to ask.

Introduction

Zimbabwe is a land of entrepreneurs. Well before independence, Zimbabweans have been running businesses: in the form of grocery stores, bottle stores, grinding mills, bus companies, haulage companies and many others.

After independence, black Zimbabweans started entering the mainstream manufacturing and services businesses, which had previously been the domain of whites and foreign owned conglomerates. Although some succeeded in the mainstream sectors of the economy, the majority remained in the retail and informal trade sectors. Real economic power remained in the hands of a few individuals and foreign owned companies.

The 21^{st} century started with major transformations in the social, economic and political environment in Zimbabwe. Economic productivity declined significantly. The major manufacturing firms shifted to other countries in the region. Hyperinflation, price controls, foreign exchange controls and shortages of both local and foreign currency made most business activities unviable.

In the midst of the chaos, informal traders thrived. They came in all colours, black Zimbabweans, white Zimbabweans, Indians, the Chinese, Nigerians, Somalians, the Congolese; you name them they could be found in the streets of Harare. The shortages and controls had created a heaven for traders to make a quick buck from a black market that supplied everything from commodities to household goods, industrial machinery, fuel, foreign currency and everything in between. Wealth was created for the street-wise and those prepared to take risks and cut corners.

In 2009, laws and policies were put in place to normalize the business environment. Foreign currency restrictions were relaxed and businesses could now sell their products at market prices. Hyperinflation stopped with the adoption of multiple foreign currencies for use in Zimbabwe.

A new generation of young Zimbabweans can now start businesses knowing that the playground is even and fair. The old ways of doing things have gone. Change is now among us. The real battle is no longer between business and the law, it is now between businesses competing for a share of the customer' mind and hopefully his dollar.

Young entrepreneurs can now get up and start filling the productivity gap that resulted from the national decline. Zimbabweans need to start again producing the goods that had been replaced by imports, some of which are of questionable health and quality standards.

This guide book is aimed at young entrepreneurs, not necessarily young in age, but those who stay young in mind, think big and want to always innovate. It provides information to help you plan and start a real business: how to assess the viability of your idea; how to develop a business plan; where to look for finance, how to write winning business proposals and how to comply with the tax and licensing authorities.

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1. Are you an entrepreneur?

"Many of life's failures are people who did not realize how close they were to success when they gave up."

-Thomas A. Edison *US inventor (1847 - 1931)*

Why do some businesses succeed and some fail under exactly the same circumstances and in exactly the same business? The difference is their point of view about what a business is, and what one isn't. The difference is that successful business owners were all **entrepreneurs**, and that the vast majority of the people who go into business aren't.

It is important to know the traits of entrepreneurship, so that you can assess yourself and find out if you are really an entrepreneur. You need to know this so that you can see how likely you are to succeed in business.

Sometimes it is assumed that you need to be born with certain characteristics in order to make it as an entrepreneur. People look at Bill Gates, Steve Jobs, Steve Masiyiwa or Oliver Mtukudzi and say "I don't have a larger-than-life personality, so I will never be a successful entrepreneur."

True, if you were in a room full of entrepreneurs, they would all look and sound, in many ways, alike. If you put professional wrestlers in a room, don't they also look and sound alike?

The characteristics of entrepreneurs develop over time; they are shared as a result of the similar challenges faced by all entrepreneurs- the struggle to survive in business.

What makes an entrepreneur?

Entrepreneurship is first and foremost a mindset. You are not born an entrepreneur; you develop the mindset over time. Entrepreneurship is the art of developing solutions to problems, in a profitable way. Every successful entrepreneur, every successful businessperson has been someone who has been able to identify a problem and come up with a solution before someone else did.

An entrepreneur is a person who habitually creates and innovates to build something of value around perceived opportunities.

Entrepreneurs have developed certain traits: huge ambition, imagination, persistence, passion and conviction. The level of your personal ambition and imagination will determine the heights that you will scale. It is your vision that sets your limits. Without vision you do not have a business, you just have employment.

Persistence is a necessary trait because business ownership is not a sprint, but a marathon. You have to stay in the race for a long time in order to win. Most business ventures will only start realizing a profit after a number of years. You have to take a leap of faith when you believe in your business, and stick with it through the tough times. Without conviction, many people give up too soon; and the sad part is that most people give up just when they are about to strike the gold seam.

Successful entrepreneurs are passionate about their business. Their passion drives them to endure the rough patches and to build their businesses. When you are passionate about your business, you commit yourself fully, with true conviction. You throw away any personal tendencies towards equivocation and self-doubt. You know that the business represents your personal ego, and you have to make it succeed. Such conviction generates tremendous confidence that shows through to your customers, bankers, suppliers and employees. It becomes the greatest marketing message you will never pay for.

The art of innovation

Innovation is the food of entrepreneurs. Being creators, entrepreneurs are always bringing up new things. They turn problems into opportunities, overcoming obstacles that could stop most people.

Innovation is the art of creating new things, and changing or improving on the old. "Creative destruction", a term that was introduced in 1942 by the economist Joseph Schumpeter, describes the process of industrial transformation that accompanies radical innovation. In Schumpeter's vision of capitalism, innovative entry of entrepreneurs was the force that sustained long term economic growth, even as it destroyed the value of established companies that enjoyed some degree of monopoly power.

There are numerous types of innovations that have been applied by entrepreneurs:

- New markets or products
- New technology
- New equipment
- New sources of raw materials and labour
- New methods of organization or management
- New methods of transportation and communication
- New methods of advertising and marketing

With their big imaginations, entrepreneurs can think of ways of changing or improving anything. Opportunities are everywhere. They are just waiting for you to seize them. Who ever thought cell phones could be used to send and receive money, or to make payments, like with credit cards? Or that Africans, let alone Zimbabweans, could manufacture lap top computers?

The best chance of creating something very profitable is to start with an important problem, an unsatisfied need. The nice thing about those problems is that they exist in every economic climate--and that means constant opportunities for the entrepreneur with enough foresight and conviction to nab them.

The personality and background factors of entrepreneurs

Some people become entrepreneurs by necessity, as when they lose jobs or suffer some economic problem. Others become entrepreneurs by seizing the opportunity, the true Schumpeterian types. Those who were forced by circumstances had to learn the behaviours necessary to succeed in business.

The behavioral characteristics of entrepreneurs are: a spirit of independence; being competitive; thriving on challenge; desire for wealth; perseverance; determination; orientation towards clear goals; need to achieve; opportunity orientation; creativity; persistent problem solving; risk taking; integrity; honesty and internal locus of control.

Entrepreneurs have to be risk takers; not careless or irresponsible daredevils, but takers of calculated and manageable risks. Their success lies in caution, learning, flexibility and being able to change at short notice.

Most people are risk averse. They prefer to stay in their comfort zone, doing the same things that have worked for them over the years. How many times have we heard people grumbling about their jobs, how they are underpaid, how the boss mistreats them and how the company stinks? Yet, very few of the grumblers take action to change their lot in life. To be an entrepreneur, you have to learn to be risk tolerant, and be able to successfully manage risk associated with creating and growing a business without the security of a pay cheque. Successful entrepreneurs have dared to leave their nice desk jobs and started small companies without any safety nets, just their belief and conviction that they will make it.

Learning the traits of entrepreneur is the key to success

No entrepreneur made it without learning what it takes to succeed. Many learned the hard way, from experience, while the fortunate ones learned from others.

As a young entrepreneur, you are also fortunate in that the traits for being a successful entrepreneur have been studied and are now known; you just need to honestly examine yourself to see which parts you have already mustered and which ones you need to learn. Adaptation is the name of the game. If you wish to shave your beard, you better get your face wet.

You must read and study in business, especially entrepreneurial business, all the time, in order to learn from others' successes as well as their failures. Read books and magazines about the type of business you want to venture into, and enroll in business training classes and workshops. Take the advice of those who have been through the path you want to embark on. Get the advice of the wise and the experienced.

2. Is yours a real business idea?

"Opportunity is a haughty goddess who wastes no time with those who are unprepared."
-The Richest Man in Babylon- George Samuel Clason

If you have read this far, you likely have much of what it takes to be a successful entrepreneur. And chances are you already have a number of business ideas in mind. True entrepreneurs have several ideas going through their heads at any given time. Some ideas are more likely to be profitable than others.

It is important that I point out at this stage that we are talking of innovative productive business ideas, not just the copying of what someone is already doing. Copying an existing business without innovative value addition does not create real value and will rarely make you rich. All it does is to give you a piece of the same cake that existing players are already sharing. If you manage to gain market share from someone, without any price reduction, you are simply redistributing existing wealth.

Zimbabweans had for a long-time gotten used to idea copying. When John opens an Internet Café which seems to be bringing in the cash, Steve, Tom and Mary all rush to open their own Internet Cafés. Same when Mrs. Moyo starts selling biscuits at a dollar for two; soon every street corner has someone selling biscuits at a dollar for two. Competition is good, but if there is no value addition, all the players are just sharing the same market, no additional wealth is created.

Here is a hypothetical example: Let us say the property insurance market in Zimbabwe is worth $100 million in premiums per year. When there are ten brokers in the market, the average premium income for each is $10 million per year. If five new brokers enter the market, the total premium income remains at $100 million, but is now shared by 15 brokers, giving each one an average of $6.66 million. Twenty players reduce the average to $5 million for each one. An innovative entrepreneur will only enter the industry if he has some new value adding ideas that will make him win market share from existing brokers. The only way of winning is when someone else is losing.

The aim of this chapter is to help you, the young and innovative entrepreneur, screen ideas for viability and assess the likelihood for success.

The need for screening ideas arises from the way entrepreneurs use imagination to bring about innovation. Some of the ideas they come up with, although brilliant, are not viable for one reason or another: some ideas are too far ahead of their time, like the video-phone which failed to take off two decades ago but is now acceptable. Other ideas are not completely understood by customers, or do not satisfy a real customer need, or do not add value as perceived by customers. Some business ideas are good, but there are not enough people who need the product to make it profitable. Sometimes the concept is just bad, the product has an awful name or the marketing and advertising are poor.

The museum of failed ideas is crammed with some interesting innovations, some of them conceived by well established companies. Here are a few: bottled water for pets; Kellogg's cereal and milk combo called Breakfast Mates; beer shampoo; Ben Gay Aspirin; Microwaveable Hot Fudge Sundae; Premier smokeless cigarettes. I bet you can think of a number of Zimbabwean business ideas and products that failed to make it beyond the first year.

Idea screening is important in an economic sense. Developing a new product is time-consuming and costly. Look at some of the figures from Market Intelligence Services (USA):

"Texas Instruments lost $660 million before withdrawing from the home computer business, RCA lost $500 million on its videodisc players, Federal Express lost $340 million on its Zap mail, Ford lost $250 million on its Edsel, DuPont lost an estimated $100 million on a synthetic leather called Corfam, and the British–French Concorde aircraft will never recover its investment.

R. J. Reynolds Tobacco Company spent a decade and $425 million developing a smokeless tobacco, only to discover that smokers liked smoke, and nonsmokers did not smoke.

Bringing a Business Idea to Life

How many "million dollar" ideas have you come up with in your life? By now perhaps you may have found that the idea is the easy part - the hard part is finding ideas that will make money based on your skills, experiences and interests. Is the idea really an opportunity? Ideas do not have any value until they are put into a workable form and show that they will sell at a price the consumer or end-user is willing to pay. Marketing is the most critical aspect of your business, if no one buys your product or service, there is no business.

What is Market Research?

Market research is a simple process of gathering information. It allows you to forecast what level of sales the new product will generate, at what profit and how best to optimize the sales. If you do not carry out any research, you would not know whether you were developing a product that was already on the market, whether there was a demand for such a product, or if the product could be profitable. On the other hand, if research indicated that a product met a certain need and could be produced and sold for profit, there could be a potential demand for your product idea.

Some questions to determine how much of the product you could hope to sell at a profit and the best way to sell it are provided below: What do you plan to sell - a product or service? What need does the product or service meet? How does it meet that need? Who needs this product or service? How many people will buy this product or service? What advantage does this product have over other similar products? What price will customers pay for the product or service and how often will they buy it? Can it be produced at a profit? These questions should be reasonably answered in order to assist you with attaining your goals. Answering these questions objectively will help you to determine a potential market for your product and build a marketing plan. On the other hand, if your research results are not favorable, you may wish to reconsider before proceeding further, and drop the idea.

What is viability?

Viability refers to the ability of a business to exist, be profitable and grow. To establish whether your project or business idea is viable or not, you need to carry out an analytical analysis called a feasibility study. You make use of research, experience and business principles to determine the probability that the project will be able to sustain itself, grow and meet the expected returns of the investment.

There are two main viability categories: the business or operational viability and the entrepreneurial viability. The latter refers to the entrepreneur and his ability to run the business successfully. This includes your ability to apply sound business principles and your technical expertise or tricks of the trade.

The operational viability consists of various components:

- **Technical viability** refers to the products or service that will be offered. Will the product do what it is supposed to do? For example, if the claim is that a pool chemical will clean the pool within one hour, will it? Was the product tested? Will it last? Is the material durable, toxic or are there apparent dangers in using the chemical, such as causing eye irritation or even blindness?
- **Financial viability:** What investment amount is required - the cost of the product, the margin and the expense structure? At what levels (both in dollar value and in volumes such as number of units) will the project break even and when? How much profit will be made or what is the expected loss after a period of time? What gearing can the business afford and can access to finance be gained? What returns will the project offer? The entrepreneur will use costing exercises, sensitivity analysis, cash flow forecasts and income statements as tools to answer some of these questions.
- **Market viability:** What is the size of the market? What percentage of the target market needs to be captured to achieve expected turnover levels? Will the product or service sell? Why will they buy it? How will the target market know about the product or service? (Marketing strategy) We refer to the 4P's of Product, Price, Promotion and Place.
- **Legal viability:** This refers to contracts and agreements such as leases buy and sell agreements, franchise agreements and statutory conformation such as registration for VAT, as employer, for income tax purposes and NSSA.

You can now see that a viability analysis, especially for a new business, is a comprehensive exercise. Very few new entrants to the business world have the skills and expertise to cover all these aspects. This is why experts in the field, such as business consultants, be called in to assist.

What is a feasibility study?

A feasibility study is a due diligence or evaluation process that enables you to determine whether the business you want to start will be financially viable, that is, will it generate profits. It also gives you the opportunity to assess the cost of starting the business and what it will cost to sustain it for at least the first year. It is probably the most important exercise you will do in the whole process of starting a business. If your business is not viable you will know before you've spent any money and you will have saved yourself a lot of heartache and debt.

A feasibility study is not limited to starting a new business. You should also conduct a feasibility study when buying an existing business - the target business should be able to afford the funding requirements placed on it, afford you the income required to live and be able to operate as a profitable concern. In order to determine this, you need to conduct a feasibility study which will address similar issues to the feasibility study of a new business.

The feasibility study is essential if you need to apply for finance from a financial institution. We will take you through a consolidated due diligence process that has been compiled using the assessment criteria of the various SME lending institutions.

You would need to formulate a feasibility questionnaire relevant to your business or industry as this will lay the foundation upon which you will receive the answers needed to make your assessment.

Questions to ask

You must first and foremost determine the nature of your business. What are you selling and where will you operate from? Will you manufacture your own products or buy from a supplier. Other aspects to be addressed within this framework include:

a) Evaluate your target market
   Who else is selling this type of product or service?
   What price will you charge?
   What are your competitors' prices?
   What will make you different from your competitors so that people will buy from you and not them?
   What will be your basic promotional mediums? Pamphlets, adverts in newspapers, sign boards, sales staff, etc.
   What will that cost you?
   How much turnover do you expect to make every week or month and are your products/services seasonal?
b) Evaluate what you need to run your business
   Do you need a license or permission to operate your business?
   How much space do you need for your offices/factory?
   Will you rent or buy premises? Costs?
   Check how much electricity and water you will need and what the costs will be.
   Machinery, equipment, vehicles, furniture, computers and telephones – what do you need and what are nice to haves? What are the costs?
   Research your suppliers of your products. Compare prices and look at storage requirements.
   Where do your competitors purchase stock from?
   Are your suppliers reliable?
c) How will you run your business?
   Who will manage the business from day to day?
   What qualifications are required?
   What salary do you need to pay them?
   What other key positions need to be filled and who will fill them?
   Will you allow family to be involved and who will they be? Set out strict guidelines for all employees, including family.
   Develop clear job specifications and salary structures so that you know how much your labour costs will be.

The most important thing in this whole process is to avoid guessing. Take the time to make those phone calls and research every aspect of your business thoroughly. These answers will be very useful when you start developing you business plan. There are so many questions you need to ask and the above is certainly not exhaustive of all the aspects that should be researched but it does give you a guideline as to the kinds of questions you should be asking and answering.

As an entrepreneur you will be investing your very valuable time and skill, perhaps giving up formal employment and then taking on financial risk to achieve your dreams. You owe it to yourself to make sure that you are reasonably certain of your investment decision.

The idea screening and development process

Here is an outline of the idea screening and development process:

Step 1: Idea generation. Of the many ideas you can think of, decide which ones are worth pursuing.

Step 2: Idea screening. Is the product or service idea compatible with your objectives, strategies and resources?

Step 3: Concept developing and testing. Can we find a good concept for the product that consumers would like? Consumers do not buy product ideas, they buy product concepts. A product can be turned into several concepts.

For a food manufacturer thinking of producing a powder that can be added to milk to increase its nutritional value and taste, the concept will be developed from answering three questions. First question: Who will use this product? Infants, children, teenagers, young adults, middle aged adults or older adults? Second: What primary benefit should the product provide? Third: When will people consume this product? Breakfast, midmorning, lunch, dinner, or ate evening.

- Concept 1: An instant breakfast drink for adults who want a quick nutritious breakfast without preparing a breakfast.
- Concept 2: A tasty snack drink for children to drink as midday refreshment.
- Concept 3: A health supplement for older adults to drink in the late evening before they go to bed.

Step 4: Marketing strategy development. Can we find a cost effective, affordable marketing strategy?

Step 5: Business analysis. Will this product meet our profit goals?

Step 6: Product development. Have we developed a technically and commercially sound product? The product is tested by consumers, test drives for technical products, and as samples for home testing for consumer goods.

Step 7: Market testing. The company seeks to estimate four variables: trial, first repeat, adoption, and purchase frequency. If product sales meet expectations, then the product goes to the commercialization. If not, the idea is either sent back for product development or dropped if it is hopeless.

Step 8: Commercialization. Are product sales meeting expectations? If not, would it help to modify the product or the marketing program?

Entrepreneurs without access to a lot of capital generally start on a small scale. If the product is good and popular enough, production can be increased. Starting small minimizes the financial risk. It also enables you to refine the product and your processes.

Market research is vital in ensuring that you produce products that customer actually need and want and are willing to buy them at a price that will bring you enough profit to meet your return on investment goals.

Many inventors and entrepreneurs make the mistake of producing products that no-one really wants. I have seen it in the creative industries; you see sculptors and crafts people producing loads of products and then struggling to sell them. The era of production orientation passed decades ago. Of course Henry Ford could afford to say "you can have any colour you want as long as its black," because his was the only show in town. Now there are hundreds of products competing to satisfy each customer need. The customer is the king. First, find out what the customer wants, and then make it. The best products and services are those that solve real and existing problems. If you offer a good solution to customers' problems, they will gladly pay for it.

Why didn't I think of that?

There are so many ideas around. You have probably thought of millions of them but never got round to analyzing and pursuing them. Some of the ideas that have made some people rich are so simple that I wonder why I never thought of them. Here are some not so extraordinary ideas from entrepreneurs around the world and what they are now worth, courtesy of Forbes Magazine:

U.S.A. $1.1 billion

Idea: Put a coffee shop on every corner of America.

Voila! Starbucks, the King of Caffeine. Son of blue-collar parents raised in housing projects in Brooklyn, Howard Schultz studied and played football at Northern Michigan University. He moved back to New York and sold pots and pans for a Swedish house wares maker. Later, he landed a marketing gig at small coffee-bean store called Starbucks.

While travelling to Italy, he became obsessed with opening an espresso bar. Bosses said no. So he started a rival store in 1985, making his java with Starbucks beans. Two years later, he bought the company for $3.8 million, tapping the late 1980s health craze. In 1992, he took it public. Today, Starbucks boasts 12,000 stores worldwide, serving 40 million customers weekly.

Italy $10 billion

Idea: Make chocolate a part of the morning meal by selling a chocolate hazelnut spread that is delicious with breakfast toast.

Led by matriarch Michele Ferrero, the Ferrero family is one of Europe's largest chocolate makers. Brands include Ferrero Rocher, Nutella, Tic Tac and Kinder Eggs. Ferrero is determined to expand in Asia, particularly China. The company is rumored to be a potential acquisition target for Kraft Foods after it is spun off from Altria in March 2007. Michele Ferrero lives in Monte Carlo, Monaco. Her sons live in Belgium.

U.S.A. $5.3 billion

Idea: Put up a bunch of lockers off a highway somewhere. Sell to the masses.

Brad Hughes' Public Storage is the United States' largest self-storage company, with more than 2,000 locations around the country. Brad Hughes, a former exec at real estate syndicate Property Research, started his storage business 1972. He supports cancer causes, particularly childhood leukemia. He donated $200 million to Parker Hughes Cancer Center in St. Paul, Minn., named for his late son.


U.S. $5 billion

Idea: Take a polo shirt. Add a little horse decal. Price at $50. Watch it sell like crazy.

The Bronx-born son of Russian immigrants, Ralph Lauren worked day jobs at department stores and clerked at Brooks Brothers. He left business school in 1967 to design ties for Beau Brummel and launched Polo later that year with a $50,000 loan. In 1994, he sold 28% of the company to Goldman Sachs for $138 million. He took the company public in 1997. Lauren owns a Colorado ranch and a Jamaican island retreat.


U.S.A. $4.4 billion

Idea: Sell books over the Internet--saving customers the enormous hassle of going to a bookstore.

The founder of Amazon.com, the world's biggest "virtual mall," Jeff Bezos was raised in Texas and Florida. He became a computer whiz at Princeton and worked on Wall Street after graduation. That life was over before his 30th birthday: He left to sell books on the Internet from a Seattle garage and took his new company public in 1997, which made him a billionaire. He later survived the dot-com bust with discount pricing and free shipping. Bezo's passion is space, and he is transforming a Texas ranch into the headquarters and testing facility for a commercial space-travel venture called Blue Origin.

U.S.A. $4.5 billion

Idea: Create stuffed bean bags shaped like cute animals with precious names. Put out a limited amount, so collectible value skyrockets.

Ty Warner is the press-shy man behind Beanie Babies. This son of a salesman dropped out of college and took to the road selling plush toys. He started his line of stuffed animals 1986. Beanie Babies ruled the lunch-box set for years, with a buying mania created by limited production runs, but sales have lately been down sharply as the popularity of the bean-filled cuties wanes. Good thing he plowed his profits into real estate. Recently, Warner built the world's most expensive hotel room at New York's Four Seasons Hotel, a 4,300-square-foot suite with onyx walls and heart-stopping views of Manhattan skyline. One night's stay: $30,000.

Thailand and Austria
$3.1 billion, $3 billion

Idea: Concoct a super-caffeinated carbonated beverage heavy on the B vitamins. Market to athletes and the party crowd.

Chaleo Yoovidhya and Dietrich Mateschitz created Red Bull energy drink and marketed it to young people using cheeky advertising and extreme sports sponsorships. Red Bull now has $3.4 billion in sales. The company (each of them controls 49%) also owns a Formula One team and two soccer teams, Red Bull Salzburg and the New York Red Bulls. Yoovidhya also owns $170 million (sales) TC Pharmaceuticals, a producer of energy drinks in Thailand, and part of a private Thai hospital chain. Mateschitz keeps busy with his many other interests, including a new construction company and Hangar-7, the event center situated on the grounds of Salzburg's airport that houses his historic aircraft collection, the Flying Bulls.

Italy $3 billion

Idea: Make shoes with tiny holes in the sole that release sweat--thereby eliminating stinky feet.

Repulsed by smelly feet, Moretti Polegato is the founder of Geox shoes. He came up with the idea in 1994 to put tiny holes in shoe soles to release sweat. Initially, he tried to sell the concept to Nike, which turned him down. Now publicly traded, his company sold 16 million pairs of shoes last year; even the Pope is a customer. Polegato enjoys his success: He owns two Lamborghinis, a Ferrari 360 Modena Spider, five Arabian horses (one named Geox) and six antique Moto Guzzi motorcycles. Another hobby: He makes his own eyeglasses.

U.K.
$1.6 billion

Idea: Invent upright device that sucks dirt off the floor.
Mastermind behind the super-fashionable and functional Dyson vacuum. Grew up studying English and playing the bassoon, went to art school to study design and engineering. Ran through 5,127 prototypes until he perfected G-Force in an upright vacuum that uses spinning technology to maintain constant suction. He introduced his vacuum in the U.K. in 1993, and it was an immediate hit. This year, Dyson's DC12 became Japan's top-selling vacuum, besting competitors Sharp and Sanyo. This year, he announced plans to open the Dyson School of Design & Innovation in 2008.


Germany $1.5 billion (each)

Idea: Sweet, chewy candies in all sorts of shapes.
After World War II, Hans and brother, Paul, set about rebuilding their family's candy company. The brothers still run the now $2 billion (estimated sales) confectioner Haribo. Hans is often the one to concoct new products and is credited with inventing more than 200 confections, including Goldbären, Vademecum sugar-free gum and Maoam fruit chews. Apparently gets his inspiration from reading comic books and watching movies for children.

3. What's your plan?

"Now the general who wins a battle makes many calculations in his temple before the battle is fought. The general who loses a battle makes but few calculations beforehand. Thus do many calculations lead to victory and few calculations to defeat: how much more no calculation at all!" *-Sun Tzu in Art of War*

If there's one thing life teaches us, it's that you can never plan for everything. But that doesn't mean you shouldn't try. Having a well researched and logical business plan will not only get your venture off the ground but keep it on track when it is up and running.

The importance of a good business plan

In the first instance, unless you have a strong plan, you'll be unlikely to secure any funds and your idea will fall at the first hurdle. Your plan will serve as a structured form of communication to your investors, whether it is SEDCO, the banks or even family and friends and it will provide reassurance as well as a means for everyone, yourself included, to measure your business' performance.

This aside, it can assist you in a number of other ways. Firstly, writing a business plan will help you to priorities what exactly needs to be achieved and by when. Do you need to find premises for your business before you hire staff? Should you be talking to wholesalers before your product has been finished? The answers will be different for each business but it certainly helps if they are clear in your mind. If objectives are clearly flagged up then they are more likely to be achieved.

Of course, by using your business plan to priorities key tasks, it will also help highlight how to plan your cash flow. It's vital to establish just how much you intend to spend and when. Whether it is to buy stock, order uniforms, lease equipment or whatever, unless your finances match your requirements at the right moment, your business could stall.

What to include in the business plan

On a basic level the plan should at the very least give a description of what your company will sell or the service it will offer, the buyers you will be selling to and just how you'll be filling a gap in the market by touching on pricing and existing competition.

For your own benefit, as well as others, it must contain details about how exactly you intend meeting your key objectives as well as sales forecasts, target dates and who, apart from yourself, is to be responsible for this.

Then comes the boring, but just as necessary part. Include a financial analysis which shows clearly where your sources of a finance will be coming from (be honest) a profit and loss forecast, cash flow and balance sheet projections.

The key to all this will be striking a balance between covering your business in enough detail, while at the same time keeping the plan, clear and concise enough for it to be useful. The most successful business plans will be the ones you refer to time and time again, and not just sit on a shelf gathering dust once you've begun trading.

The size a business plan will depend on its purpose and the needs of your target audience. A plan for internal use should include all the information that you, the entrepreneur, require in order to start your business on a solid footing.

Your business plan must contain certain basic items that are fundamental to every plan that works. These are as follows:

a) Problem/Solution- What your business will solve or opportunities you will take advantage of.
b) A marketing plan.
c) Industry and competition analysis.
d) An operational plan- What you will do and how you will do it.
e) Your team.
f) Financials, including key assumptions and growth targets.

Some of these content areas may be more or less important depending on the kind of business plan. There is no fixed content for a business plan. Rather the content and format of the business plan is determined by the goals and audience who will be shown the plan. A business plan should contain whatever information is needed to decide whether or not to pursue a goal.

Section	Title
I.	**Executive Summary**
	Overview
	Products/Services Offered
	Mission, Goals & Objectives
	Funding Requirements/Proposal
II.	**Introduction to the Company and its Management**
	Introduction and Background
	Legal Structure
	Management
III.	**Products & Services**
	Introduction
	Product Description
	Price and Pricing Strategy
	Production Costs and Gross Margins
IV.	**Market & Industry Analysis**
	Market Overview
	Target Market Description
	Market Growth Trends
	Competitive Business Strategy
V.	**Marketing Plan**
	Marketing Plan Objectives
	Marketing Strategies
	Marketing Mix Strategy
VI.	**Sales and Distribution**
	Selling Strategy
	Distribution Strategy
VII.	**Production Strategy and Structures**
	Human Resources Plan
	Production Structures
	Production Strategy

VIII	Financial Analysis
	Introduction
	Assumptions
	Risks and Contingencies
	Financial Projections

For step by step guidance in developing your business plan, please see the book "Business Planning Simplified", published by Admiral Business Systems (Pvt) Ltd.

Developing your own business plan is useful as you will be involved in all its aspects, thus giving you ownership of the plan. Ownership of the plan will help you succeed in its implementation because you will be aware of all the assumptions and reasoning behind them.

A plan that you developed yourself gives you confidence when talking to financiers, suppliers, potential partners, employees and other stakeholders about your business. It will also make it easier for you to change the plan to suit changing circumstances.

Business plan vs. Business proposal

Although most people interchange the usage of the names, a business plan is different from a business proposal.

A business plan is mostly used in helping you to run your company and to raise capital or loans. A business proposal is a bid for business, which could be solicited or unsolicited.

A business plan is usually larger than a proposal, as it contains all the information about the business, its management, products, marketing plans, financial projections, visions, missions and values. On the other hand, a proposal is a shorter five or so page version which communicates what you are selling, who you are selling it to, and how you are going to make money and the business proposition. See Chapter 5 for complete information on how to write a business proposal.

4. How are you going to finance your business?

“Money isn't the most important thing in life, but it's reasonably close to oxygen on the "gotta have it" scale.”

-Zig Ziglar

The most important challenge that entrepreneurs face is probably raising enough capital to get the business up and running until it is able to fund itself. Most financial institutions are hesitant to fund start up projects because of the inherent risk associated with start ups. One bank manager said it was prudent to risk depositors’ funds on a business project that has not been proven to be successful and that has no track record.

Sources of start-up finance

a) **Own savings/personal funds.** The best and hassle-free way of financing your business is to use your own savings. These come with no conditions and expectations except what you decide to impose on yourself. It may take several years of disciplined saving in order to accumulate enough money to start a business. Mortgaging your house is another way of raising funds. Some people have used their retrenchment packages as startup capital. A word of caution is necessary if you are thinking of using your life-savings or mortgaging your house in order to start a business: new ventures are risky and you can lose all your money if the business fails. Remember that it may take several months before the business starts generating positive cash flows. You need to set aside some money aside to take care of your personal needs until the business starts generating cash. It is important to have a well thought-out plan with realistic cash flow projections so that you won’t be struck by the major catastrophe that hits new businesses: running out of cash.

b) **Funding from relatives and friends.** Relatives and friends can provide some of the start-up cash that you may need. However, this money usually comes with conditions and expectations which if not met, may destroy your relationships and friendships. People need to be reminded that business ventures are risky and they should not lend what they are not prepared to lose.

c) **Venture capital and equity financiers.** Venture capitalists provide funding to entrepreneurs with business ideas likely to grow big within a few years. You have to cede part of your ownership and control of the business to the financier in exchange for funds. This means that you will be sharing whatever profits and capital gains the business will generate. Venture funding has been used by some of the most successful start-ups, such as Yahoo!, eBay and others in the high technology sector. A number of venture capital firms operate in this country, including the state-owned Venture Capital Company of Zimbabwe.

d) **Bank loans.** Although banks are wary of funding new ventures, if you have a good relationship with your bank and adequate security, you may be able to get funded. The funding is more like a personal loan that you can use for business purposes.

e) **State funding.** The government of Zimbabwe has in place a number of institutions designed to assist entrepreneurs. The Small Enterprises Development Corporation has assisted many entrepreneurs to get their businesses going. The Infrastructure Development Bank as well as special funding schemes such as that run by the Ministry of Youth Development are also active financiers of entrepreneurial business ventures.

How to start a business with minimum capital

Capital is one of the most important things one must have access to in order to start a business. There are many potential business owners out there; the only thing stopping them from getting their brilliant ideas up and running is the lack of capital.

A certain amount of capital is required in starting any type of business. Businesses that make products usually require more start up investment than service businesses. This is because a manufacturer needs equipment, premises, raw materials, packaging and employees before starting operations, whereas service provider can start as one person, operating from home and without much equipment. However, while service companies risk less start up investment, they also generally generate less money than product firms.

Raising startup capital has never been easy. Even before the economic recession only a small percentage of potential business people managed to raise the money they required in to start their businesses. As money is a finite resource, there is just not enough of it to go around all who need it. The best method of financing your new business is to use your own funds, from savings or sale of assets. The truth, however, is that not many of us have significant enough savings to start a business. Nor do we have assets that we can afford to sell and risk the money in starting a business. Most entrepreneurs hope on external finance to fund their projects.

I know a number of people who for years have been repeating this sad cycle: write a business plan, apply for funding, wait for something to happen, and repeat. Such people usually do not do much but dream. You do not have to wait for finance; get started, find a way of bootstrapping your business and get going.

How to bootstrap your new business

Bootstrapping refers to the practice of starting a new business without start-up capital, outside investors or financiers. It involves innovative ways of funding the operations of your business. Here are a few ways of bootstrapping:

- **Factoring**: this involves selling the invoices on your balance sheet to someone at a discount. Say you get an order for $200 from a reputable customer; you then approach a finance house or some other party to give you cash, say $180, which you use to procure the products. The third party will collect the $200 from your customer as per agreed credit terms. This practice, which had been made difficult by the hyperinflationary environment, has been made possible again by the adoption of stable currencies for use in Zimbabwe; already a number of leading banks and other companies are offering it. Factoring comes at a price; for it to work, your business must be able to generate margins that will cover the financing cost and leave you with some profit to cover your overheads.

- **Contract production:** this has been done by some large manufacturing companies, whereby they supply farmers with agricultural inputs or cash to buy the same, in exchange for the delivery of the harvested products. The same arrangement can be applied other types of business. The essential thing is to develop a good relationship with potential partners. You may need to write a convincing proposal and submit it to such potential partners, outlining the benefits to them to enter into such an arrangement with you. Once you land the first deal and deliver as planned, it becomes easier to approach other firms as you will have a track record.
- **Starting on a small scale**: some entrepreneurs have found out that the only way to get their business idea up and running is to start on a small scale and build up their business as they go. I know someone who started her food manufacturing business at home a few years ago, making peanut butter and selling it to people in the local neighbourhood. Her operations grew gradually and today her medium sized company operates from a decent factory and she supplies major supermarket chains with several lines of products. I read a more spectacular example in Forbes magazine about young Doherty from Scotland who started making jams from his grandmother's recipes at the age of 14. Originally, his customer base was limited to neighbours and friends from his church, but business picked up quickly, and by age 16, he left school to work on his jams full time. He tweaked his recipes and came up with a name for his product: SuperJam. Orders picked up faster than he could produce the jam--made from only fruit and fruit juice--in his parents' kitchen, so Doherty started renting out a factory a few days each month. In early 2007, Waitrose, a high-end supermarket in the U.K., approached Doherty hoping to sell his SuperJam products in their stores. Within months there were SuperJam jars on the shelves of 184 Waitrose stores, hoisting Doherty and his business to new heights.

There are numerous ways of structuring your business so as to start with minimum capital. It must be agreed, however, that bootstrapping is much harder for product businesses than service businesses. You need to work hard. You must have a clear business idea that you can convincingly sell to potential partners, suppliers or customers.

Most importantly, your idea must be for a product or service that customers really want and need and are willing to pay for. It greatly helps if you have a business plan. This will show your potential partners that you have seriously thought about your proposal, done the proper market research and that you know what you are talking about. Having realistic financial projections will convey to your potential partners that you have analyzed the financial aspects of the proposal and that they will not lose out financially if your business is profitable.

On the small scale start-up, a plan will guide you along the long road, helping you to set targets, correct course when you stumble and basically keep your target in sight. This way you will be able to stay on the right path.

So, what are you waiting for, go on and start now!

5. How to write a winning business proposal

"You can get everything in life you want if you will just help enough other people get what they want."

-Zig Ziglar, *"Secrets of Closing the Sale", 1984*

There may be times in your small business life when your company will have to submit a business proposal to gain business from a larger corporation or government contract. You therefore need to know how to write a business proposal.

What is A Business Proposal?

Unlike a business plan, which is written to run your company and raise capital, a business proposal is an unsolicited or solicited bid for business. There are two types of business proposals that can help you gain more business to grow your company.

a) Solicited Business Proposal: A corporation or government body is seeking a business to fulfill a project or complete a task and thereby, allows companies to bid for the project. An open bid is placed on the market with other companies competing for an interview spot. The winning candidate is offered the project.
b) Unsolicited Business Proposal: At some point, your small business may want to do business with a larger company or forge a joint venture. A well-written business proposal can win the hearts and minds of your target audience.

If you need to write a business proposal to win a bid, you will need to know the key winning elements of a successful proposal. Make sure your proposal stands out in the stack of competitor proposals by including the following 5 elements:

5 Key Elements of Winning Business Proposals

i. **Solutions:** After you have written a lead paragraph on the company's needs and problems, follow up with a solid presentation of how your business can provide solutions. The key here is to promise solutions you can deliver.
ii. **Benefits:** All winning business proposals clearly outline for the company the benefits to be gained from doing business with you. If your small business can offer complete confidentiality and meet tight deadlines state it in your benefits section.
iii. **Credibility:** This is often the overlooked portion of a business proposal but all winning proposals glow with credibility. If you have worked with clients in the same field or have an award-winning business, then third-party endorsements will build credibility.
iv. **Samples:** A business proposal with samples and evidence of your ability to deliver is vital to gaining the winning bid. A small sample of your work can show your ability to do the job.
v. **Targeted:** A winning business proposal is all about communication. Speak in a language spoken by your intended audience. If the proposal evaluators are from an engineering background or financial department use the appropriate jargon.

Ultimately, the best business proposal is none. When your company is well-positioned and unique in the marketplace then it is only you who can meet the needs of the company requesting the bids. If a retail craft chain is looking for a web design firm and your company specializes in web creation for the crafts industry you might be able to circumvent the proposal process. In the end, you may not win all bids, but will win business that best matches your company to the prospective business. A win-win for all parties involved.

Why you need to know how to write a proposal?

There may be times when your company will have to submit a business proposal to gain business from a larger corporation or win a government contract. Sometimes a potential client will approach you to see if you can handle their project and request that you prepare a proposal. Or you may need to respond to an "Invitation for Tenders" or a "Request for Proposals".

To prove yourself before the client and gain their confidence that you are capable of meeting their requirements, you need to develop a winning proposal. If you are responding to a request for proposal or a tender invitation, the client usually provides detailed guidelines for you to follow when writing the proposal. However, sometimes there is no guideline to follow, or you need to make an unsolicited business proposal. In this case, you will benefit from knowing how to write a winning business proposal.

What is a proposal?

A proposal is a solicited or unsolicited bid for business. Although often confused, it is different from a business plan which is written to guide you in running your company and raise capital.

How to write the proposal- a step by step guide

1. **Create your front cover**. This may sound obvious but is often neglected in the rush of trying to complete the proposal before the deadline. The front cover should show your organization name, logo, project name and submission date.
2. **Copyright statement**. When you hand over the result of your carefully considered hard work, make the client aware that you don't want it to be shown to a third party. Ideas are easily stolen. Emphasizing that you want your proposal kept private and confidential tells the client how much you value it. [Example: THIS PROPOSAL CONTAINS INFORMATION THAT IS PROPRIETARY TO
   ADMIRAL BUSINESS SYSTEMS (PVT) LTD. NO PART OF THIS PROPOSAL MAY BE DUPLICATED OR USED FOR COMMERCIAL PURPOSES WITHOUT THE PRIOR CONSENT OF ADMIRAL BUSINESS SYSTEMS (PVT) LTD.
3. **Executive summary**. Explain your understanding of the client, their business and the industry they operate in. This will form the platform that is your starting point for a project so you need to show the client that their objectives are clear to you. When going through numerous proposals, decision makers first look at the executive summary and the price. Decision makers rely on the executive summary to make sure *you* understand what they are trying to accomplish. Fail to include that executive summary, even in short proposals, and you run the risk of having your proposal put at the bottom of the pile—if it's read at all. The Executive Summary shouldn't be more than about three or four paragraphs.
4. **Client's Situation**. Start every proposal with a focus on the client's issues and objectives, not your firm's illustrious history. Proposals that begin with a recitation of your firm's background and qualifications are a fast track to oblivion. You may need to do some research to find out all you can about the client. You need to work with the client in every part of the proposal process: pin down their objectives, potential benefits they expect, scope, and approach and fee structure. Tender invitations usually cover all this; however you may need to consult the client for clarification of any point which is not very clear. Showing that you thoroughly understand the client's needs will give them confidence that you can fulfill the proposal.

5. **Solution**. After you have written a paragraph on the company's needs and problems, follow up with a solid presentation of how your business can provide solutions. The key here is to promise solutions you can deliver. Your solution should focus on what the client wants to achieve. You should prove to the client that you can help them meet their objectives. All winning business proposals clearly outline for the company the benefits to be gained from doing business with you.
6. **Technical Strategy.** Depending on the type of project and how much you think the client will understand, describe the technical details of how you will deliver the solution. Often the Technical Strategy is governed by budget constraints so it's a good idea to offer two or three options, each of which vary in price.
7. **Implementation Process.** Explain the process of how you will implement the solution. List the various steps of the process and give descriptions of each one. Describe the full list of deliverables so there are no nasty surprises for either you or the client. Manage their expectations by stating explicitly what you will and what you won't be providing. Give timelines of the implementation and delivery process. It is important to show that you are focused on reaching a goal and a deadline.
8. **Implementation Budget.** Bear in mind that as this is a proposal, the implementation Budget should be followed by the caveat that further discussion will be necessary to determine a final cost which would be detailed in the Project Brief. At this stage it's enough to give an estimate, showing the cost structures and how they build up.
9. **Team Biographies.** Mention the key personnel who will be involved with the project, giving their names and job titles. Give a brief professional biography for each team member concentrating on relevant previous experience. Make it clear which member of your team is the primary contact for when the client has general queries. For specialist queries - such as design or development - you may want to point out who they should contact.
10. **Contact Details.** Give every possible method of contact - postal address, office 'phone, email and Web address. Include mobile phone numbers if they are the easiest way to reach you. Even after I've provided what I thought to be a concise proposal covering every possible scenario there have been clients who have had further questions or wanted clarification. When this happens to you, don't brush them off - if they're taking the time to call you then you're still in the running.
11. **References. All winning proposals glow with credibility. If you have worked with clients in the same field or have an award-winning business, then third party endorsements will build credibility.** If you have any case studies that are relevant to the client's industry or to this project you should include them here, but no more than three or four. Each case study should be no longer than a single page. If applicable, you may include a small sample of your work to the proposal. This will show your ability to do the job.

When you have completed writing the proposal, make sure of the following before you send it:

a) Check spellings.
b) Get someone to proof-read it and double check all the details. It is easy to place wrong names, dates etc in the document.
c) Write a covering letter.
d) Finally don't forget to meet the tender deadline!

6. How to comply with the regulatory authorities

"A wise and frugal government, which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government."

-Thomas Jefferson

Business organizations have since ancient times been controlled and regulated by the authorities in one way or another. The history of companies stretches back to Roman times, and deals principally with associations of people formed to run a business, but also for charitable or leisure purposes. A corporation is one kind of company, which means an entity that has separate legal personality from the people who carry out its activities or have rights to its property. Originally, corporations were solely able to be established through an act of the state, for example through royal charter or an act of Parliament. It was only in the mid nineteenth century, that private individuals could through a simple registration procedure be considered to have established a corporation, the first being through the Joint Stock Companies Act 1844 in the United Kingdom. Companies today dominate economic life in all developed countries and in the global economy.

This does not mean, however, that one cannot run a business without being incorporated. Individuals can operate as sole traders, as is commonly done by local shop owners or grinding mill operators and commuter omnibus owners.

Two or more people can form a partnership for the purpose of carrying on business, while a group can run their business as a co-operative.

I will look briefly at each of these entities and look at their advantages and disadvantages.

a) Sole trader

A sole trader (or sole proprietor) business is one which is fully owned by one individual. Although the owner can employ other staff, the owner retains full responsibility and ownership for the business. Legally, the person and the business are one and the same. All financial risks are taken by that person and all that person's assets are included in that risk.

The sole trader has four advantages, namely that the owner makes the decisions; all the profit is kept by the owner; the business is easy to set up and there are relatively few regulations to be complied with.

There are some disadvantages, though. These are that: capital must be raised by the owner either from savings or a loan; sole trader businesses have unlimited liability, the owner is personally liable for the business' debts; unless the business has employees, it will be unable to run if the owner is ill or on holiday; the business has a lack of continuity- if the owner dies it closes.

b) Partnership

If you are going to start your business with one or more other people you could form a partnership. In effect, this is the same as a sole trader with all the partners sharing responsibility for managing the business. The same applies to any debts of the partnership, in that each partner is personally liable.

In some cases, it may be necessary for a 'Deed of Partnership' to be drawn up. Whilst this is not required by law it can be useful to resolve disputes or where, for example, the profits of the business are not to be shared equally. You may also consider the option of establishing your business as a limited partnership.

A partnership has the following advantages: work is shared; the business continues if one partner dies or is unavailable; sleeping partners can help set up the business.

The disadvantages are that profits have to be shared between the partners; disagreements may occur; and there is still unlimited liability.

c) Cooperatives

A cooperative is a business organization owned and operated by a group of individuals for their mutual benefit. A defining point of a cooperative is that the members have a close association with the enterprise as producers or consumers of its products or services, or as its employees.

In Zimbabwe, cooperatives are governed by the Cooperative Societies Act (Chapter 24:05). Cooperatives must register with the Registrar of Cooperatives and must comply with local bye-laws.

d) Companies

There are four main types of company:

- Private company limited by shares - members' liability is limited to the amount unpaid on shares they hold.
- Private company limited by guarantee - members' liability is limited to the amount they have agreed to contribute to the company's assets if it is wound up.
- Private unlimited company - there is no limit to the members' liability.
- Public limited company (Ltd) - the company's shares may be offered for sale to the general public and members' liability is limited to the amount unpaid on shares held by them.

By far the most common limited company established by new businesses is the first example, a private company limited by shares. Whilst you can form a limited company yourself, the easiest way is to purchase one 'off the shelf'. Ready-made companies are available from company formation agents whose names and addresses appear in numerous advertisements in daily newspapers.

The Companies Act (Chapter 24:03) governs companies in Zimbabwe. Since the private limited liability company is the most common form of business structure, we shall deal with the procedures of setting up one in more detail.

Procedures for Setting up a Private Company in Zimbabwe

The following are the procedures for setting up a company in Zimbabwe, which were applicable at the time of writing this book in January 2009.

Procedure 1.

The first step is to register the company name with the Chief Registrar of Companies. It takes about seven days for a submitted form to be ready for collection. The reservation is valid for 30 days and can be extended for another 30 days for an additional fee.

Procedure 2.

File memorandum and articles of association with the Registrar of Companies This takes about 21 days and you need to pay the registration fee of 20% of the nominal capital of the company.

The law provides for model articles of incorporation. Within a month from the date of incorporation, the Registrar of Companies must be notified of the appointments of the company's directors and secretaries. This is done by filing the particulars of the directors and secretaries and any changes therein or a list of directors and principal officers (Form CR 14). These documents must be accompanied by a duplicate original or a printed notarized copy.

In practice, companies usually start up with a low amount of capital to avoid the high stamp duty. A company may also issue shares at a premium to circumvent the requirement.

Procedure 3.

Register with the Zimbabwe Revenue Authority for income tax, VAT, and PAYE. Upon formation, a company must register at the regional Zimbabwe Revenue Authority Office. A copy of the company's certificate of incorporation is required for the authority's records, along with the memorandum and articles of association and a certified copy of the identification of the assigned public officer. The company will be issued with a registration number, as well as the current tax tables and the pay-as-you-earn (PAYE) receipt books. The ITF 16 Form must be completed in consultation with the Income Tax Office. According to Zimbabwe's Finance Act (as amended), companies must now budget to pay all their company tax within the trading year. The tax must be paid as follows: 10% by the 25th of March, 10% by the 25th of June, 40% by the 25th of September, and the balance of the estimated tax for the tax year by the 20th of December.

Firms with a turnover of more than US$60 000 per annum must register for VAT with the Zimbabwe Revenue Authority (ZIMRA). An application must be made on an Application for Certificate of Registration (Form VAT 1), which, along with Forms VAT 2 and VAT 3, is found at ZIMRA Web site (www.zimra.co.zw). Firms with a turnover of less than that amount may apply for voluntary VAT registration.

Procedure 4.

Register with the National Social Security Authority for pension and Accident Prevention and Compensation Scheme

The employer and the employee must each contribute 3% of employees' salary, with no maximum.

Procedure 5.

Register with the Manpower Development Fund

Employers must register with, and contribute 1% of their wage bill to, the Manpower Development Fund. The fund allows employers to recover expenses when employees complete training.

Procedure 6.

Pick up the form of license application notice from the City Health Department.

Procedure 7.

Advertise in a local newspaper the application for a trade and business license. This takes about 4-four to six weeks to complete, simultaneous with procedure 3.

A trade and business license applicant must publicly announce the proposed application twice in a local newspaper. The form, Notice of intention to apply for the issuance of a new license, is available from the City Health Department. The first notice must be published no more than 6 weeks, but at least 4 weeks, before the application will be heard by the licensing authority. The second notice must appear 7 days after the first notice. Any objections to the application must be submitted in writing to the licensing authority within 7 days of the second notice.

Procedure 8.

Submit an application form for issuance of new licenses to the Licensing Office in Harare Municipality

Two copies of the application forms are submitted and proof of both publications in a local newspaper of a notice of intention to operate a business. On receipt of the application, the Licensing Office requests a police report on the applicant as well as a report on the person who will be in actual and effective control of the premises to which the application relates, if that person is not also the applicant. The Licensing Office also seeks a report from the Harare Town Planner to ensure that the application is consistent with the zoned use of the premises.

Application for the license can start once the Registrar of Companies grants its approval of the company name. It is also possible to apply for a temporary license pending the grant of the full license, which can take up to a month or longer.

Procedure 9.

Licensing officers visit the company site

Officers inspect the company site to check if the intended premises are suitable for the intended use. The criteria used by the officers are specified in the relevant bylaws.

Procedure 10.

Obtain the trading license

The Licensing Office submits the application and supporting documents to the Harare Licensing Committee (comprised of City Councilors), which hears any lodged objections and rules on the application. The committee may grant the application conditionally or unconditionally, or it may refuse the application. The committee meets monthly. Under law, decisions must be made within 45 days; in practice, the minimum time is 10 days. Licenses are renewable annually. Licensees are subject to an inspection to ensure compliance with the conditions of the license and payment of the annual fee.

Dealing with taxes

The Zimbabwe Revenue Authority collects taxes on behalf of the government in Zimbabwe. The taxes payable by business operators fall into the following categories:

a) Income tax for individuals
b) Corporate Taxes
c) Value Added Tax
d) Other Taxes

It is not the purpose of this book to provide authoritative advice on tax matters; the general information provided here should not be used as a basis for ascertaining the liability to tax in your specific circumstances. Every business decision has tax implications.

Corporate Tax

Corporate bodies, which include Companies and Private Business Corporations, pay tax on the profit they make from trading activities. Individuals who make profit from trade, investment or other activities, which is not income from employment, also pay a similar tax. The rate is 25% in 2010, plus 3% AIDS levy to make it 25.75%.

It is important to note that not all company expenses are deductible for tax purposes; non-deductible expenses include fines and entertainment. Tax planning is very important; tax experts may help you to take advantage of tax laws to legally minimize your tax payments.

Presumptive Taxes

Presumptive taxes are payable by operators who do not keep records therefore do not submit income tax and value added tax returns. These include hair salons, tax operators, haulage trucks operators and driving schools. Fixed amounts are set, which are payable annually or quarterly.

Informal traders, or any other business operator or individual who is in business but does not have a tax clearance certificate suffer from withholding tax. The amount is 10% of the invoice value for the supply of goods and services exceeding US$250. This is tax on the gross transaction, not just on the profit.

It is therefore in the business operator's interest to register and pay all the applicable taxes so that they do not suffer from the withholding tax.

Value Added Tax

VAT is not a cost to the company. A business just collects it from the buying public and forwards to the Zimbabwe Revenue Authority. The standard rate of VAT is 15%. The compulsory registration threshold is US$60 000 per annum. Companies whose turnover is below the threshold may register voluntarily. .

Other Taxes

There are other taxes that entrepreneurs have to pay. These include customs and excise duties, carbon tax and levies, capital gains, stamp duties, statutory fees and others. We have not covered all the taxes in detail as this book is not meant to be a tax guide, but a business planning guide.

More detailed information on taxes that affect small businesses in Zimbabwe is available in the booklet "A simplified guide to taxes for small businesses and informal traders", published by Admiral Business Systems (Pvt) Ltd.

7. Contact Us

Admiral Business Systems works with new and existing entrepreneurs who need help in planning, managing and growing small to medium sized businesses.

Other handbooks published in this series are:

- *Business Planning simplified*
- *A simplified guide to taxes for small businesses and informal traders.*
- *If you manage nothing else, manage your cash (A guide to cash flow planning)*

If you would more information about our services, or just to have a free consultation to see how we can help you improve and grow your business, please contact us on. Our telephone number is 04-581230, cell 0733 145 146, 0912 854 301. You can also email: **chichonip@gmail.com, or visit the blog http://chichonip.wordpress.com.**

Our website is coming up shortly.

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