Corporatization Plan and Business Strategy

2017

My Company (PTY) Ltd
Four Phase Process

There are four phases to deal with in setting up the business, as follows:

A. **Set up**
   This is a one-time process made up of two parts. The next two phases cannot be dealt with without completing both parts.

B. **Separation**
   This concerns the separation of the self from the business of the self (so to speak) from a practical and cost point of view. It is initiated by considering the basic business operating structure and applying a cost-up approach as opposed to an income down approach.

C. **Administration & Operations**
   This concerns the ongoing process of issues that need dealing with on a daily, weekly, monthly and annual basis. They primarily relate to the actions engaged in to support the business effort and typically may involve such issues as maintaining the schedule, paper traffic and communication between all parties involved, internally and externally.

D. **Exploitation**
   This is an ongoing process of issues that relate to deals on all areas where high income opportunities exist, with particular emphasis the Management Agreement, the Artist Agreement, Collective Management Organizations (CMOs e.g. SAMRO, SAMPRA etc), the Publishing Agreement and others – 5 income sources in total.
Set-up Phase - Part 1

- Setup (PTY) Ltd entity.
- Appoint Book-keepers and Auditors
- Do Corporatization plan
- Tax Advice/Assessment
- Company stamp
- Set up company bank account(s)
Set-up Phase - Part 2

There is a second aspect to setting up, more critical, as follows :-

• Individual employment agreement
• Auditors register as tax payer
• Auditors register for SDL, UIF & PAYE
• Owning social media
Separation

• The Freelance structure
• Separating the skill and the business
• The Corporatized structure
• The basic business operating structure
• The cost up approach
• Corporatizing – deploying the cost up approach
• Deploying the financial tools
• Identifying the income activities
From a Free-lance structure

My Personal Bank account

Income

SARS PAYE/UIF

Notes

• All income to personal bank account
• Business and personal expenses mixed and run off personal account
• Income received either net of tax (PAYE deducted) or gross of tax (SARS is owed)
• Difficult to account and keep track
• Fixing mistakes happens after the fact - np preventative approach
• No proactivity or planning
• Tend to operate top down

Business expense

Business expense

Personal cost

Personal cost

Business expense

Personal cost

Personal cost

Personal cost
Separating the skill and the business

- Start with “In law a person is defined as a ‘natural person’ and a company is defined as a ‘juristic person’” – the two are separate
- The business pays for business costs from income to the business and the skill pays for personal costs from a salary
- The Skill and the Business are separate and dealt with separately
- Skill takes a salary and benefits from the company and such are a business expense
- Skill ceases using personal monies for business expenses
- The business does not use money for personal expenses of the skill, except to pay a salary and defined benefits
- One of the primary purposes of corporatizing is create top line employment for the skill
- Income earned by the company by deploying the skill does mean that all the monies earned are for personal use, there are business expenses to be paid
To a Corporatized Structure

- My Company (PTY) Ltd Bank Account
  - Business expense
  - Business expense
  - Business expense

- My Personal Bank Account
  - Personal cost
  - Personal cost
  - Personal cost

- VAT - SARS
- SARS - PAYE/UIF
Income Structure rules –
All income goes to company

Management Agreement  Artist Agreement  CMOs  Publishing Agreement  other

My Company Accounts
The Income Down approach

• First understand the basic operating structure of a business, it offers its services and/or products to customers, earns income, pays for its expenses and tries to make a profit.

• This is referred to as the “income down” approach. It often is associated with the approach that whatever earned is spent, with nothing left.

• The “income down” approach is also akin to receiving a salary for instance, of a fixed amount. From that amount you must ‘manage’ your expenses and hope there is nothing out of the ordinary happening as far as your expenses are concerned.

• To implement Corporatization, the cost up approach is used i.e. reversing the process from an approach from an approach of “how do I spend?” (income down) to “how do I earn?” (costs up)
Typical company operating structure – income down

- My Company
- Bank ACC
- Artist Agreement
- Management Agreement
- CMOs
- Publishing Agreement
- Other

Income ➞ Profit ➞ Costs

- Business
- Salaries
Migrating

• Tools used for the migration from a freelance structure to an corporatized structure are as follows:-
  • Cost up approach
  • Personal budget
  • Personal and company budget
  • 12 (twelve) month forecast – what you should have in your bank account in 12 (twelve) months
• Employment agreement with the company
• Review asset ownership (car, phone, laptops and other equipment)
• Cease receiving any payment in the personal bank account except from the company
• Relationships with personal bank account redefined and company bank accounts structured
Corporatizing – deploying the cost up approach
Financial tools and method

• Personal budget (before corporatizing)
• Company budget (after corporatizing)
• Twelve month cash flow forecast
• Submission to auditor
• Set-up accounting/bookkeeping structure, rules, financial reporting and method with auditor
• Implement and see auditor personnel monthly
Basic Bank Account Structure for My Company (PTY) Ltd

- Main Operating Account # 1
- Other People money Account
- SARS Account
- Savings Account (Call Acc)
Main Operating Account #1

Direct Income from:
- Artist Agreement
- Publishing Agreement
- CMOs
- Any other sources

Main Operating Account #1

- All Company Debit's
- All Salaries
- All Company Running Costs
Other People’s Money (OPM) Account

Direct Income from:

- Management Agreement income where third party costs must be paid from – i.e. crew, transport etc
- Any other sources

OPM Account

- crew
- To pay third party costs - transport
- Any other cost for which money received must pay for
SARS Account (All SARS receipts and payments ONLY)

Income from:
• Main Operating Acc

SARS Account

ALL SARS payments are made from this account – SARS debit Acc

As VAT is received, it is transferred to this account

All PAYE, SDL, UIF and (Provisional) Income tax is paid from this account
Savings (Call) Account (Any extra cash is ‘parked’ here – it is the Savings Account of my(PTY) Ltd)

ONLY receives monies from:

• Main Operating Acc

Savings Account

Any additional cash (in excess of 1 months operating costs)

SAVINGS

Rainy Day/Sleep Well monies
Costs Structure the income down approach – one pays costs with whatever income one has

From Income

My Company Pays All costs

SALARIES

Salaries
Taxes
Pension
Employee Benefits

BUSINESS COSTS

Vehicle
Cellphones
Office
Clothing
Entertainment
Other
Corporatizing - the cost up approach to the Costs Structure – work out costs and then see where to find the money to pay for such

**To Income**

Calculate Salary costs
- Salaries
- Taxes
- Pension
- Employee Benefits

Calculate Business Costs
- Vehicle
- Cellphones
- Office
- Clothing
- Entertainment
- Other

My Company (PTY) Ltd

Quantify All Costs
Ask where does the income Come from?
Profit Structure

From Income

- My Company Profits
  - Cash Savings
  - Investment in skills, equip, facilities etc
  - Personal Profit Share
Administration & Operations

For the business to run effectively and be in a position so that an implementation strategy to meet and beat the financial needs can be identified and implemented, there are tasks that occur on an ongoing basis and there are tasks that occur in response to demand for services. Each of the bullet points below is a question asked with the aim of seeking efficiency:-

**ADMINISTRATION for e.g.**
- Taking Messages
- Correspondence
- Issuing invoices
- Answering phones
- Issuing biogs etc on demand
- Chasing invoices
- Social Media
- Filing
- Working to budget
- Employee filings
- Employee issues
- Photocopying & dealing with office
- Receptionist
- Bank deposits

**OPERATIONS for e.g.**
- Set appointments
- Maintain calendar
- Deal with inquiries
- Liaise with Mabala
- Liaise w/operations manager
- Co-ordinate transport
- Schedule shows
- Co-ordinate promo and publicity
- Liaise & co-ordinate crew
Practical administration and operation- 3 Phases

• Phase 1
  • Run operations from My Company (PTY) Ltd website using booking forms for all enquiries.
  • Direct social media business enquiries to website
  • Use support from My Company (PTY) Ltd Life to issue paperwork
  • Build company cash

• Phase 2
  • Add an employee – a personal assistant whose task it is to manage schedules and issue paperwork
  • Employee to work for My Company (PTY) Ltd using a My Company email address
  • Build company cash

• Phase 3
  • Consider physical premises and overhead costs….lease etc
Practical administration and operations - Marketing – The internet and social media

• There are two critical aspects to be set up to address the company’s marketing function in the digital world:

  • Website - this is for the corporate customer, i.e. the corporate face of the business and it is where booking forms, biogs, updates etc are located….to be found 24/7 by any person looking for My Company’s world-wide for business purposes

  • Social Media - this is for My Company’s end-user customer for direct communication about anything and everything except direct business – customer feedback and interaction – tell the customer where to buy
Implementation Strategy to meet and beat the financial needs

This concerns the ongoing process of meeting the need of issues that relate to deals on all activities and areas where income opportunities actually exist, with particular emphasis on the three activities or five as the case may be. The term exploitation is the term most often used in respect of ‘sell’, negotiate, deal, license and market the services and products of the business, in the name of the business. The income of the business can be determined as originating from three sources and the strategy for exploitation (dealt with later) is driven by these five sources. As follows:-

1. Management Agreement
2. Artist Agreement
3. CMOs
4. Publishing Agreement
5. other

The challenge is to create consistent and meaningful streams of income from each source, in the right mix, in order that the business may become profitable and valuable.
Strategy: Management Agreement
Strategy: Artist Agreement
Strategy: CMOs
Strategy: Publishing Agreement
Strategy: Other