



Fiona Bevan
Financial Management

presents:

your guide to... starting a small business



your guide to starting a small business

so you want to start your own business?

Running your own business can be the biggest thrill you will achieve in your working life, or the most stressful and demoralising experience you can imagine. On some days it is both!

Given the stresses involved in running your own business, don't even think about starting one unless you are passionate about your product or service. Let's face it; it is easier to make it through those difficult days if you are well motivated. It is also much simpler to engage with potential customers if you can show passion for what you do.

However, you need to ensure your passion for your product/service doesn't get in the way of making sound commercial decisions. After all, the business needs to make money if it is to provide you with the lifestyle you want.

So how do you set up your business to give yourself the best chance of success?

your guide to starting a small business

are you business owner material?

Running your own business is tough and the buck stops with you! If you are not ready to take on that type of responsibility, don't start a business.

In fact, statistics show that most people do not make successful business owners. So give serious thought as to whether it is really what you want before you go any further.

what are your motives?

It is important you are honest with yourself about what your motives are for being your own boss. If you are going to go through the pain of starting your own business it is vital you are doing it for the right reasons.

Do any of these common reasons for starting a business apply to you?

your guide to starting a small business

- “I have been made redundant and don’t know what else to do”

Many small businesses are started by people who have been made redundant. They may have redundancy money and think that starting their own business is the best way forward.

The truth is though that unless you have demonstrated particular business acumen in your previous life, you will probably struggle to start and run your own business. Even if you were a managing director, running a small business on your own is a completely different ball game.

However, if running your own business is something you have always wanted to do, you have a clear business idea (and the skills to implement it), now may be the right time to start a new and rewarding career.

your guide to starting a small business

→ “I want independence”

Being your own boss can be very freeing. You answer only to yourself and can make decisions quickly.

But answering only to yourself has its downsides. Having no one to be accountable to can mean nothing gets done - so you need to be very disciplined.

→ “I want a better work life balance”

Many small businesses are started by people looking for a better work life balance. Working for oneself, often from home, can be the way to achieve this.

However, running a small business requires hard work and long hours, particularly in the early days. Even once the business is up and running, it can be difficult to have a clear demarcation line between business and family life.

The result can be that your work life balance is worse than when you were employed. Preventing this requires discipline and understanding from all parties.

your guide to starting a small business

➔ “I want more job satisfaction”

Because self-employment allows you to do the job YOUR way, you may find you get more job satisfaction.

However, it is worth remembering that being a business owner does not mean you do just one job. You have to make sure ALL the jobs in the business are done - probably by you.

There is nothing so unsatisfying than doing a job you have no interest in - badly.

➔ “I want the kudos of running my own business”

Being a business owner can bring a degree of cache in certain circles. However, starting a business because you are concerned about what others think of you is probably not going to be enough to get you through the difficult early days.

your guide to starting a small business

→ “I want more money”

There are certainly many wealthy businesspeople.

But it is worth considering that most small business owners earn less than they would do if they were employed doing the same job. On top of that they may be in debt because they needed to take out a loan to start the business in the first place.

So doing it for the money is not usually a big enough motive in itself.

your guide to starting a small business

ready to go?

So, you are happy that your motives are right and you are still sure you want to be your own boss.

You have a clear idea of the product/service you want to sell and have cleared space in your back bedroom.

Surely, all you have to do is just start?

Well, not quite.

Wise business people wait until they have a clear plan of action before they proceed.

your guide to starting a small business

the need to plan

50% of small businesses fail in the first year and 95% fail within the first five years. Why?

One of the main reasons is that prospective business owners fail to plan. You would not build a house without a set of architect's plans and yet many businesses are started without even a basic plan of action.

Business owners are often knowledgeable about their product or service, but avoid those business areas they struggle with - often marketing, sales or finance.

The process of creating a business plan will force you to review ALL the areas of your business crucial to its future success.

Here we are talking about a plan for you the business owner - not your bank. This means that if, at the end of the process, you do not like the outcome you can throw the plan away and start again. Far better to do that than to go into business full steam ahead, only to find out later that the risks involved are not to your liking.

your guide to starting a small business

Give yourself the best chance of succeeding in your new business and spend the time needed to properly investigate all aspects of it. The more unknowns there are the riskier your new venture will be.

For more about business planning you can download 'your guide to business planning' by clicking on the books on the front page of www.fionabevanfinancialmanagement.co.uk.

In the meantime, here are the key sections you should cover in your planning (incidentally, it doesn't matter in which order you cover these areas as long as you cover them all):

company description

It is useful to start your planning with a review of what your company is about. You need to think about:

- ➔ Your mission statement (if you have one)
- ➔ Your company ethos
- ➔ Your aims/goals - these should be aligned to your personal goals. After all if your business is not delivering against YOUR goals how can it be deemed a success?

your guide to starting a small business

market analysis

What is your market?

Without a clear idea of the market you are going to operate in, how can you ensure you meet the needs of your customers? Think about:

- The overall market
- Who are your customers?
- Where are they?
- Customer buying decisions - why buy from you?

competitive analysis

To compete in the market place you need to know about other operators in that market. Think about:

- Primary competitors
- Competitive products/services

your guide to starting a small business

product or service

You need to be very clear what you are delivering. Focus on customer benefits and ask yourself why they would want to buy from you. Think about:

- ➔ Product/service description - in detail
- ➔ Positioning
- ➔ Competitive evaluation
- ➔ Doing a SWOT analysis can be very helpful here as it looks at the strengths and weaknesses of your business and the opportunities and threats from the market you are in.

your guide to starting a small business

Marketing and sales

How are you going to market and sell your product/service? This is key to reaching your customers. Think about:

- ➔ Marketing strategy
- ➔ Sales tactics
- ➔ Advertising
- ➔ Publicity

operational plan

How are you going to deliver what needs to be delivered? Be specific about:

- ➔ Key personnel, including third parties
- ➔ Product/service delivery
- ➔ Customer service/support
- ➔ All the other areas of your business and how you will cover all that is required.

your guide to starting a small business

financials

The nitty gritty! Look to produce at least 5 years of projections and get help if you need it. You will need:

- ➔ To be clear on your assumptions
- ➔ Profit and loss projections
- ➔ Cash flow projections
- ➔ Balance sheet projections
- ➔ What/if analysis to explore the effects of different scenarios

Once you have finished your planning you will be in a great position to move forward - or not.

A word of warning: It is very important that you prepare your plan as objectively as you can. The reason for having a plan is to test if the business will be successful or not. It is not for anyone else but you. So be honest with yourself.

If the plan says don't go ahead - DON'T!

your guide to starting a small business

Finally, business planning is not something you just do when starting a business. Successful business owners revisit their plans regularly and update them as the business grows.

your guide to starting a small business

checklist

Now that you have a robust and well researched plan you are ready to take the next steps to getting your business up and running.

Below is a practical checklist to help you (the section on 'Call the professionals' will give you an idea where you can go to for help):

Financial/legal

- ➔ Set up the correct business structure. Should you be a sole trader, partnership or limited company? Have appropriate legal agreements in place.
- ➔ Have a separate bank account for your business - even if you are a sole trader.
- ➔ Have sufficient finance in place.
- ➔ If appropriate become VAT registered.
- ➔ Register with the Inland Revenue.
- ➔ Have a bookkeeping system in place.

your guide to starting a small business

marketing

- Have a marketing plan.
- Have a defined brand - a congruent look and feel to your business. This will include company name, logo, website, marketing material, the way you present yourself etc.

sales

- Have a sales strategy.
- If you are not confident selling consider training, or outside help to get you started.
- Have a clear idea of who your customers are and what they need you to deliver.

your guide to starting a small business

location

- If you need premises make sure to be in the right location. Are you located where your customers can find you?
- If you have to sign a lease make sure the terms are right for you. Get advice on what is appropriate to sign up to.
- If you want your customers to find you on-line make sure your website is attractive and easy to find. Sites such as LinkedIn can also help your customers to find you.

staffing

- Have the optimum number of staff to do the job without over burdening your finances - this may be only you to begin with.
- Have contracts of employment, handbooks and HR policies in place BEFORE you employ anyone.
- Set up a payroll system.
- Provide training were necessary.

your guide to starting a small business

other

- Be appropriately insured.
- Do a health and safety risk assessment.
- Protect your business idea through patents and copyright if necessary.
- Register under the Data Protection Act if you hold information about third parties.

your guide to starting a small business

call the professionals

Consulting professionals to help in areas you are not expert in is wise. Very few of us are instinctive business people and there will be one or two areas we struggle with. Interestingly it can be more cost effective to get an expert in to do an efficient job than to try and do it ourselves.

Below are some areas where calling in a professional may well be smart:

marketing and image

Great marketing is vital in any business. You may know all there is to know about your product or service, but how are you going to let the rest of the world know?

Marketing is much more than putting a couple of adverts in the paper. Great marketing starts with the company name and finishes with a new customer walking through your door.

your guide to starting a small business

Because marketing is so important - particularly when a company first gets started - it is advisable to get professional help to ensure you attract the right type of customer.

sales

Very few of us are born salespeople - in fact most of us would not aspire to be. However, it is a fact of business that we must sell, and sell effectively, if our business is to thrive.

One of the best things you can do for your fledgling business is to get professional to help you hone your sales technique. This does not mean becoming an aggressive, pushy, door to door salesman. It means acquiring strategies which help you sell your product/service professionally and effectively.

your guide to starting a small business

finance

Many businesses struggle because of poor cash flow and this is particularly true in the early days.

New businesses need to spend on equipment, marketing, salaries, premises etc. before they earn any income.

Remember, it can be a year or more before your business starts making money, so how are you going to live in the meantime?

Your business plan should have flushed out how much 'getting started money' you need and if you are lucky you have enough saved. However, it is likely you will need some sort of funding from your bank.

Engaging a professional who can help you put together the financials in your plan, and advise you on how to effectively manage the money in your business, can help enormously.

They can help you to find the right bank and present your business effectively so you get the funding you need - whether it is from the bank, grants, asset finance companies, venture capitalists or factoring.

your guide to starting a small business

They can also help you put systems in place to monitor your cash and profitability, help you with pricing, and ensure that you are master of your business finances, rather than your finances being master of you!

Finally, unless you have the time and expertise to keep day to day track of your business receipts and payments, you may also find it useful to engage a bookkeeper. They can help with invoicing and debt collection and ensure your suppliers are paid on time. An experienced bookkeeper is worth their weight in gold.

your guide to starting a small business

other professionals

Other professionals you may find useful are:

Business coach/mentor

A business coach/mentor is someone who is trained to help you with a particular area of your business. They can be particularly helpful in the early days when running a business is new to you.

HR consultant

When your business is big enough to require staff, engaging an HR consultant to draw up staff handbooks, policies, contracts etc. can help ensure you don't have staffing issues.

Commercial lawyer

If you are going into business with someone else it is important that everyone's interests are covered. A commercial lawyer can help with deciding on company structure and draw up shareholder/partnership/director agreements make sure your interests are protected.

your guide to starting a small business

Networking organisations

Networking can be a particularly effective way for small businesses to become known in their local communities. It can also be very helpful in finding great suppliers for your business.

Insurance

Most businesses will require insurance and it is vital that you do not underestimate the level of insurance your business requires.

Health and safety

Businesses ignore health and safety law at their peril. Make sure you have all your risks identified and covered.

Reading

You can learn a lot about being a successful business owner by reading widely. Books such as Steven Covey's '7 Habits of highly successful people' can give you invaluable insights into what it takes to be successful. Also books such as 'Good Small Business Guide' can help you to understand the range of things a business owner needs to consider.

There are many other types of professional out there to which you can delegate those jobs you are not proficient at. The key is to understand what you are good at and what you are not!

your guide to starting a small business

and finally...

Good luck!

Starting your new business will be a real challenge, but hopefully you now have a good idea how you can get on the right track.

Remember there are lots of people out there who can help you, so don't think you have to do it all on your own.