

# FREE REPORT

## Could you start your own business?

### Synopsis

Establishing your own business can be very rewarding, but there are risks and pressures involved. It is not enough just to have a good, viable idea. You also need to have the right skills and temperament to make a success of the opportunity. This report helps you assess your abilities and resources in relation to what is needed to run your own business.



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## Introduction

There are plenty of people who try to start up in business and then find they are struggling to get their new venture off the ground. Then there are others who do manage to get an enterprise set up, put an 'open for business' sign outside their door or run some ads in their local newspaper, and then are devastated when their customers and orders fail to appear.

It's a sobering fact that the majority of small businesses that start up in the UK will go on to fail inside three years. Many of them fall by the wayside a lot quicker, often within months or even weeks of setting up. There are lots of reasons why small firms fail, but there is one factor that contributes to those that fail early, and to those ventures that simply don't get off the ground at all.

Lack of preparation.

It's been said that people will spend more time planning and preparing their holiday or what they will do at Christmas than they will spend planning their future. Unfortunately, the same applies to many people who try to start up their own small business.

To get any new venture off the ground, there is a mountain of tasks to complete, research to carry out, things to do, and people to contact. You need a thorough understanding of the information you need to find and the contacts you need to make, in order to turn your start up dream into reality. You may already have done a lot of the groundwork, or you may be right at the beginning of your quest to get your new venture started, but thorough preparation will be the key, whatever stage you are at.

Whatever your own starting point, there are some fundamental questions you need to ask yourself about your business idea, your personal aims, and your business skills and know-how.

## Why do you want to start a business?

What are your reasons for wanting to run your own business? Are you hoping to:

- Do something that will supplement your main income?
- Do something that will replace your main income?
- Do something you're good at?
- Do something you really like doing?
- Do something to provide employment for your family?
- Do something that will be an investment, with a view to selling it later on?
- Do something that will provide jobs for your local community?

The answers to these questions will influence the way you set up and run your business, your preparations, and your ongoing aims and targets. For example, if you are starting up a business as an investment opportunity, your main objective will be your exit from

the venture. You will need to concentrate on building your enterprise and maximising its value so that you get the best selling price for it. If, on the other hand, you are aiming to build a family business, you will need to think about your succession strategy. This will mean ensuring your business does not rely on you too heavily, and that your family are prepared for what they will need to do to carry the business on.

## **Are you clear about what your business will do?**

This may seem quite obvious, but many people overlook the importance of this question. You need to be as specific as possible about the kind of business that you are starting. For example, if you are going to open a restaurant, will it be a family restaurant serving good quality, local food at competitive prices in a family friendly environment? Or will it be more up-market, serving gourmet dishes to discerning customers in an intimate setting?

The decision you make about this will ultimately affect every aspect of your business, including your choice of premises and location, the amount of money you need for fixtures and fittings, and the different laws you will need to comply with.

## **Have you got what it takes?**

There is no single 'type' of person who becomes self-employed or runs their own small firm, but there are some characteristics that successful small business owners often have in common. How many of the following can you honestly say apply to you?

- Logical, organised and responsible (good at getting things done).
- Able to communicate and get their point across (will be able to sell).
- Sociable, with the ability to lead (essential if you'll be employing staff).
- Single-minded, but able to take advice.
- Flexible and adaptable.
- Quick to take opportunities (and ready to take risks).
- Hard-working, committed and determined ('get up and go' type).
- Tough-skinned (able to handle failure).
- Individualistic (not afraid to stand out from the crowd).
- Creative and imaginative (always coming up with new ideas for the business).

Don't worry if you do not have all these characteristics, as this doesn't mean you won't be a success at running your own business. The key is to develop and grow your own skills and enterprising habits as you gain more experience.

Other than these personal traits, there are several core business skills that you will almost certainly have to develop, some of which you will need when you are ready to launch your new venture.

## Have you taken or can you find plenty of good advice?

Research has shown that businesses that seek advice and support, particularly during their start up phase and their first few months of life, are far more likely to survive and prosper.

Indeed, the advice and guidance of an experienced business adviser or mentor can prove crucial. They offer advice, a wealth of business knowledge and experience, as well as access to the latest information, management thinking and government support. They can also act as a sounding board for your ideas, and help you spot the potential problems and pitfalls before you hit them.

On the following table, rate yourself according to your present knowledge and experience, and then consider which activities you will need to know more about by the time you start your business. The list is not exhaustive, but you will almost certainly experience and have to deal with most of these issues in your business at some point in the future.

Business activity	None	Poor	Fair	Good
Researching your idea or market				
Finding premises				
Preparing a business plan				
Preparing cashflow forecasts				
Raising start up finance				
Dealing with banks and other funders				
National Insurance, VAT and tax				
Bookkeeping				
Costing products and services				
Designing promotional material				
Writing copy for sales material				
Dealing with customers				
Selling face to face				
Recruiting staff				
Employing staff				
Employment law				
Purchasing stock and equipment				
Stock control				
Writing business letters				
Health and safety requirements				
Insurance and other legal requirements				
Consumer law				

You may find advice and support from the following places:

- Bank
- Accountant
- Lawyer/Solicitor
- Enterprise agency
- Business club or network
- Other small business owners
- Friends and family

## **Do you have sufficient financial resources?**

Before you begin trading, you will require sufficient finance, both to set the business up and cover initial running costs. A big cause of business failure is not having enough cash at start up to last you through the first few months, while your sales revenues are only just starting to build up.

Do you know how much money you need to launch your business? If you don't have enough money yourself, you'll need to approach other sources for funding.

In general terms, businesses are funded through just three types of finance: equity (money invested in return for a share of the business), debt (such as an overdraft or loan) and retained earnings (profit that is generated from trading activities and retained within the business). In addition, there may be grant aid available in certain areas or for certain types of business. It's important to consider all the options, and your bank, accountant or local enterprise agency will be essential sources of help and advice.

## **Have you identified a real market opportunity that you can exploit?**

Thorough market research will help you establish whether there really is a market for your enterprise. The more research you do initially, the better position you will be in when it comes to making future business decisions. When setting up in business you should be able to identify:

- Where there is a market for your business.
- How you will reach your target audience.
- How much demand there will be for your product or service.
- The exact profile of your customers.
- How much they are prepared to pay and how often they will buy.
- Who you are likely to be competing against.

Little or no market research before starting up is one of the biggest factors involved in the early failure of new enterprises.

## Do you have a plan?

Having a business plan is vital before approaching anyone who you think may be able to provide finance for your business. Before anyone invests in your business, they will want to see evidence that you have thoroughly researched your business idea, and that it has good potential.

Your initial business plan does not need to be longer than three or four pages, but it should provide the evidence that your business has the potential to be a success. It should contain:

- An overview of your business idea and the opportunity you have found.
- Details of the business' legal status, key personnel, aims and objectives.
- Details of the products and/or services your business will provide to your target market.
- Details of your target customers' characteristics and estimated numbers.
- Assessment of your competitors' strengths and weaknesses.
- How your business is different from the competition.
- Details of how you intend to market your business.
- How and where the business will operate.
- Financial requirements, including how much money is needed and when it is needed.

## What regulations will you need to comply with?

A major consideration before starting any new enterprise is to make sure that you do so legally.

There are plenty of issues to be considered, many of which are not just for convenience, but are statutory requirements of running a small business in this country. Questions you will need to answer before setting up in business include:

- Are you going to be self-employed or in a partnership?
- Are you entitled to use your chosen business name?
- Do you need any trading licences?
- Are you aware of the health and safety requirements that apply to your business?
- Have you arranged adequate insurance cover?
- Are you planning to employ staff, and if so do you understand how the various employment laws will affect your business?
- Are you aware of the Data Protection Act and its implications for your business?

## Do you know who to contact?

Before you're ready to start your business, there are certain organisations you must inform by law. There are also other organisations and groups of people that you should tell in order to ensure the smooth running of your new venture right from the start.

- You will need to inform HM Revenue and Customs (HMRC) that you are self-employed within your first three months of self-employment to avoid paying a penalty. You can contact the HMRC's helpline for the newly self-employed on 0845 915 4515 or go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk) for further information.
- When your business starts trading it's important that you take advice from, and if necessary register with, the Health and Safety Executive (HSE). Contact the HSE information and advice line on 0845 345 0055 or go to [www.hse.gov.uk](http://www.hse.gov.uk) for more detailed advice.
- Contact your local authority to arrange payment of your business rates unless you are taking space in a shared workspace, in which case the landlord should collect your rates as part of the service charge.
- Contact your local authority to check if you need to register and apply for any trading licenses or apply for any planning permission. You should leave lots of time for the local authority to process applications. This can take several weeks and you won't be able to start trading until the licenses are approved.
- Contact your insurance company or an insurance broker to arrange the policies you require by law.
- Inform your utility providers before you move into your business premises to ensure that all your essential services are provided, and that they are charged on a business tariff. In a shared workspace, check if the utilities are provided by the landlord and included in the service charge.
- If you're running a business from home, contact your mortgage provider or landlord to ensure they have no objections. You will also need to consult your local authority to see if you need to apply for planning permission for the 'change of use' to the premises.
- Tell your bank manager that you are starting your own business, and set up business banking arrangements, including overdrafts if necessary.

Make an appointment with a solicitor who will be able to advise you on the legal aspects of setting up and provide the necessary documentation, such as your terms and conditions of trading. To find a local solicitor or law firm in your area, go to [www.lawyerlocator.co.uk](http://www.lawyerlocator.co.uk).

Inform your suppliers that you're starting your business and draw up agreements covering delivery lead times, credit terms, return of faulty goods, credit notes and so on.

## Key next steps

Write down your initial ideas for your business - why are you going into business? Are you clear about what your business will be? Where do you want to be in three years time?

Find out as much information as you can about your market by reading market reports, trade journals and newspapers, and by searching the Internet.

Make a list of your competitors using your knowledge of your market, business directories and trade journals. Consider your competitors' strengths and weaknesses and list the differences between your products and services and your competitors' products and services.

Outline your objectives and how you plan to achieve them in your business plan. You should include the finance you need and when you will need it.

Talk to a business adviser. They will be able to help you organise your research, find any sources of finance available to you and help you pull together your business plan.

## Useful tips

Be clear about why you want to be in business, and try to be as realistic as possible with your objectives.

Focus on what you want to achieve and don't set too high goals for yourself.

Make time to do your research. It is one of the most important things you will ever need to do. Getting the right type of information now will help avoid problems later.

Be careful if talking to your friends and family and asking for their input as potential customers, as they may offer a biased view.

Take professional advice before making any major business decisions.

## Further information from the publisher of this report

Low-cost, practical factsheets, checklists, guides, market reports and business opportunity profiles covering hundreds of small business topics and ideas: [www.scavenger.net](http://www.scavenger.net)

Free weekly tips, ideas and tactics bulletin for small business owners, covering marketing, legal compliance, technology and topical news and issues: [www.enterprisequest.com](http://www.enterprisequest.com)

Practical, affordable tips for increasing sales and finding more customers, no matter what business sector you are in: [www.ukmarketingbible.com](http://www.ukmarketingbible.com)

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