



Your Own Business - setting up and keeping going

Being your own boss is one of those dreams that actually can be realised. Sometimes it starts with an idea that no-one else has thought of; more usually the incentive springs from a feeling that the current employer is taking advantage and not giving a fair day's pay for the dedicated work being done. Whatever the business, if we believe we can make a success of it on our own, that's the motivation. But bear in mind, this is merely an overview. The logistics of starting up a new business, or taking over an existing one, are quite complex and won't always be evident until they need addressing. That's when the initial momentum can stutter to a halt and it suddenly dawns that a boss has far more to consider than the end product.

The main consideration would have to be: what's in it for you? The bottom line I discussed in a previous issue has to be either profit, or at the very least viability. As frequently happens, the anticipated benefits are put on hold while establishing the business. The owner's initial drawings may be considerably less than hoped for because some, if not all of any income has to go back in to keep it afloat; just temporarily, of course. Nothing to worry about, you might think. The general consensus of opinion is that it can take up to two years for a new business to start paying its way. That's as may be, but wasn't this project supposed provide a better lifestyle? If it seems to be detracting from it instead, surely something's wrong. I read some good advice once - always pay yourself first. Everything and everyone else comes after. If a business can't sustain that from the word go, it needs a very serious re-think. That sounds selfish and mercenary, I know, but if it is a philosophy that conscience won't allow you to subscribe to, maybe you should think twice about being your own boss.

Having considered this and still confident that you can make it work, the next stumbling block is likely to be the misconception that selling a product or a service is all that matters and everything else will drop into place behind. It won't! So many small business owners, in particular the one-man-band kind, get bogged down and annoyed by the paperwork. Of course it doesn't make money, but it needs regular attention. Not only will it ensure the bills are paid, both incoming and outgoing, but it is the barometer for success or failure. Even before the business is operational, a trial set of books can be established for detailing income and expenditure. This will eventually be used to calculate profit and loss, tax, plus the all-important on-going viability; but in the meantime it can be employed to project how the business is likely to perform when it does get going. It won't be a wasted exercise. It is a taste of more complex things to come, and anyone who finds it hard going at this early stage should consider bringing in someone who can handle the accounts side for them.

Cash money, or the lack of it, is arguably the greatest cause of businesses failing. There's always something unexpected that pops up and puts a strain on available resources. Without spare cash, loans may have to be extended, or the quality of the end product might need to be reduced to the point where customers become dissatisfied. They'll just drift away, taking with them your dream and your self-confidence. So, make sure you have money in the bank over and above what it costs to get the business up and running. You *will* need it!

No-one knows this better than the person who is trying to go it on their own in the same kind of business that they used to manage for someone else. Maybe they actually bought the company off their former boss. Soon enough, the problems that they were previously able to off-load on a higher authority are theirs alone. More staff needed; extra stock; suppliers screaming for their money; machinery breaking down - the responsibility for all of these, and more, stops with the new owner. Time, money and the right attitude will be needed to fix the problems before they turn a good prospect into a financial disaster. My best advice to anyone contemplating this type of move is to get more involved while still an employee. Check out the accounts to see what's really happening. Follow through the logistics of any changes deemed necessary, noting what's involved to implement them, how long they take, how much the final cost is and the impact it will

have on profits. Also, bear in mind that business premises are often rented and usually under a lease agreement to which you are legally bound for its duration, whether you are still operating or not. If you haven't already, talk to customers and clients to find out if they are satisfied with the existing goods and service provided. These people will be the eventual making or breaking of a new proprietor.

Selling - this means services as well as goods - is an aspect you will probably have thought about and may even believe you have covered. I sincerely hope so, because if no-one knows what you have to offer and how to access it, who will come and buy? Taking over an existing business might seem to guarantee a continuation of the former owner's level of trade. Depending on the type and the reason for sale, this could be the case. It does happen, however, that some customers aren't comfortable with a change of ownership and decide to shop elsewhere. You will need to find ways to bring them back, keep the ones you've got, and preferably win others over from your rivals. For an entirely new endeavour, you will be starting from scratch and will have to come up with a plan to attract people to your product and, hopefully, spread the good word about it. In the meantime, you have to survive - that's where the spare cash comes in.

You may even have to invest some of it in hype. There are numerous ways to advertise, and many agencies are hovering around, claiming to have the right answers. Before engaging their services, check credentials and track-records. Be especially suspicious of endorsements, whether by known personalities or unknown "satisfied customers". How hard is it to type up a list of praises from Joe and Jane Blows who loved the product but don't actually exist? Whichever method you decide may be suitable, trial it in a small way first to ascertain if it is likely to have the impact you desire. And remember one thing - people like pictures. A simple image can say as much as a paragraph of words that most don't have time to read. If your main message takes longer than a deep breath to hit home, you need a better one.

THE FRANCHISE

Buying into a franchise would seem to be an ideal way to cover the advertising aspect because the controllers of the group take care of it. That's only a bonus as long as the company name has a good reputation overall. What should be considered is that you would be one of many under the same banner. Your business acumen and people-skills will, no doubt, help foster localised public goodwill which is good for you and will flow on to the other franchise owners. Conversely, if they are providing a less-than adequate service in their areas, your business is likely to suffer through no fault of your own. Maybe it won't matter, not if the business is the mobile type like an ice-cream van or garden maintenance. As long as you take care of existing customers well, your personal reputation should instil confidence; but you may lose a few at the start and getting them back could be hard if the previous operator did the wrong thing by them. I repeat: do your homework before you take the plunge, and be prepared to give something extra, particularly with your work ethic.

This brings me to a point which will offend some readers. A fair day's work for a fair day's pay just applies to employees. The Boss has to do what needs to be done, when it has to be done, and fair doesn't come into it. So, don't even imagine you can set it all up, then sit back and reap the rewards. Even a business which was chosen because it was thought to be only part-time will require more than a little over the top to make it viable. The odd game of golf might have to go by the board, and an hour or two in the evenings may have to be spent on accounts, invoicing, etc. A business owner must be dedicated, adaptable and prepared to go those extra yards when necessary. Anything less is a recipe for failure!

SUB-CONTRACT

This is when, as an individual, you provide a small part of the whole to someone who controls or assembles the finished product. Maybe you are a plumber, the manufacturer of a specialised component, even a designer. You provide the goods or service, submit your account and wait to be paid. Sounds simple, but many are out there who are still waiting for payment years after the project was finished. Perhaps it never was, the controlling company having gone bust. And if you yourself have employed workers to fulfil your contribution, they will have to be paid out of your pocket. There's no profit in that and sometimes it's better to continue as an employee and let your current boss worry about the final reckoning.

SUB-CONTRACTING

You may decide to provide a service which encompasses a variety of different trades. Building or renovation is a classic example. Although you have all the skills to complete the entire job yourself, you are just one person and the client can't wait that long. So, you sub-contract a plumber, an electrician, a carpenter and a tiler. The rest you plan on doing on your own - before, in-between and after. The job, it would seem, will progress in stages with you as manager keeping the wheels turning - easy. Not always, unfortunately. The plumber can put in the pipes, but he can't connect the sink until the carpenter has built the cupboards; and he's on another job which won't be finished until next week! The tiler prefers to do his part in one go and not have to keep coming back for a bit here and a bit there, so he'll be along once the plumber and the carpenter have done... *and* after the electrician, of course, who is off sick with the flu! No matter how dedicated you are yourself, your sub-contractors will consider their own lives first. The elements you have to juggle will never fit perfectly and you should allow for this. Bear in mind also that your organisational expertise is worth far more than you would pay yourself as a sub-contractor. If you aren't charging your client for this, you are not only selling yourself short, but are creating a reputation for being a cheap soft-touch.

COSTING AND ESTIMATES

The bottom line is the final profit, and it has to be better than the wage you'd earn working for someone else. Keep all of the above in mind, plus cater for delays in the supply of materials and the possible increase in overheads, including repairs and replacement of special tools and equipment. You will also need to factor in a contingency, a percentage charged to cover unforeseen eventualities. Hopefully your client will pay up as soon as the job is finished, but there's always a possibility that they may not, so you'd be advised to levy progress payments to cover expenses incurred along the way that may have to come out of your pocket before the project is finished. Consider all of this when you quote for a job right from the word go, and resist under-cutting. This could lose you a few contracts in the beginning, but with the ones you do get, you won't be working for less than nothing. As your own Boss, you are a business person, not a charity dip!

MANUFACTURING: CUSTOM-MADE

You may have a plan to supply a custom-made product to the specific requirements of the client. Obviously an on-going business needs more than a one-off to survive. The usual idea is to create a market from the original which is of sufficient quality to attract future customers by reputation alone. This kind of specialised trade can command higher prices than the norm and, if the sums are done correctly, higher profits. But let's get back to the prototype, the one that's going to get you known. Whether a surf board or a wedding dress, the rules are the same - time and excellence are money in; expenses down to the last strip of fibreglass or lace are money out - to start with, *your* money. What happens if the customer fails to collect the finished product? A surf board you might be able to sell to someone else, although it would be doubtful that you could recoup the true value; but a wedding dress...? Of course, it might not be that bride and groom have had a flaming row and decided to call it off; maybe she's just put on a few pounds and needs a last-minute alteration. That still means extra work for you, quite possibly a rush job. Did you figure on that? Did you allow for the possibility in the quote? The custom-made client should be prepared to pay up front; the one who's doing the job should insist on it!

MANUFACTURING: MASS-PRODUCTION

This one can be a huge trap. The idea for it is often born of a custom-made success, the conviction that mass-producing an adaptation of the original item for general distribution will result in increased sales. Perhaps it will, as long as the product is desirable and well-advertised. In fact, if your creation is likely to be a crowd-pleaser, one of the larger chain-stores could be interested in selling it for you. I've heard of small manufacturers taking this road and doing well, to start with. As the demand for their product increased, they were under more pressure to supply, but it was worth it. When their buyer wanted more than they could currently produce, they had no option but to expand - new premises, more machinery and staff, a bigger stock of raw materials. That wasn't too much of a problem, not with the bank helping them out, swayed by advanced orders in writing from a major multi-national. Then came the day when the new boy on the block was advised that the price had to come down, or forget it! Despite the fact that there

was a signed contract, the buyer was prepared to break it. What was the little guy to do - sue the fat-cat? Legal costs would be phenomenal, out of the question. He was already way over his head with the bank. His only options were to continue supplying, probably at a loss, or say cheerio and try to find another distributor. Neither was in the dream-plan; but had he considered human nature, especially the business kind, he might not have been so eager to move too far too fast. The advice for anyone contemplating manufacturing on a large scale is: don't get in so deep that you can't get yourself out - there will always be someone who will use it against you.

STAFF

Some businesses can't be run without staff. You need enough of the right kind to help keep the customers happy, especially if you are contemplating a store or something in the hospitality industry such as a coffee shop or restaurant. People don't like to be kept waiting. They expect courtesy, convenience and to know that they are thought of as special. And if they only suspect they are being ripped-off, they won't be back. Maybe you can provide a quality level of service yourself, but can you rely on your staff to do the same? If business starts dropping off, you need to figure out why. Maybe one or more of your staff are undermining your good work with their bad attitude and a sloppy work ethic, but dissatisfied customers won't always voice their complaints. So, you should consider getting a couple of friends who are unknown to your staff and have them visit as customers, reporting back to you later on their findings. Then, get rid of the really bad apples and have a serious talk to the ones you believe you can trust. Once they are seen to be doing the right thing, keep an eye on them in case they back-slide when they think you aren't watching. This may all seem quite devious, but your clientele will benefit and your new venture has a better chance of continuing for long enough to become an eventual success.

SERVICING AND REPAIRS

Maybe you have a flair for fixing things - washing machines, computers, TV's and videos, etc. There wouldn't seem to be much in the way of outlay because all you'll need are a few spare parts bought in specifically for the job on hand. What you are selling here is your time and expertise, and as labour costs are 100% profit, you just need to fix a reasonable price for your hourly rate to make quite a comfortable living. As long as you complete the job to the satisfaction of the customer, there would seem little to worry over. Here are a few considerations you may not have thought about:

Whether you be servicing cars, computers, or someone's books as in accounting, you can't always charge for the total time spent to complete each job. You could take an hour travelling to and from the place where you are doing the actual work - unless you've agreed on some compensation for this, it is sixty minutes you won't be paid for, plus travel costs. You may have to make a trip to the store for a new mother-board which you will be able to charge for, but not the time it takes to get it. Offering a Mobile Service can mean you are only achieving five hours of productive work in an eight-hour day. Bear this in mind when you set your rates.

Should you be in a situation where the customer brings the item needing attention to you, think about levying an up-front inspection fee. This covers you when the problem either seems to have fixed itself in transit, or wasn't a fault at all and was just the owner's ignorance of some simple operational procedure that they had failed to follow. In this situation, the fee is just your safeguard against wasted time; however, should the job turn out to be a genuine repair, whatever has been already paid can be deducted from the final cost. Make sure your customers know this.

One last thing. Goods left with you for servicing only make you money if the client actually collects them and pays the bill. But what if they don't? Find out your legal obligations before this happens. You may have to sell-off the item to recoup some of your costs, and you need to know your legal rights and the correct protocol to follow to avoid future litigation.

PUBLIC LIABILITY

Insurance - it's the bane of everyone's life, but in business you can't afford to be without some kind. If your operations-base is a small office or factory, both building and contents, in particular stock, need covering. So too the van, or car and trailer if your service is mobile. Perhaps the most important aspect is public liability. If anything goes awry, property lost or damaged, or a person is injured and the responsibility can be pinned on you, it probably will be; and some

claims, exaggerated or not, can run into millions and will have to be defended. Pay a reliable insurance company to take care of it and, like your other overheads, allow for the fee in your costing.

These are just some of the issues confronting anyone thinking of starting up their own business. There are many more not mentioned here that are bound to crop up along the way. As long as you are aware that they can, and you have prepared for that possibility, you can look forward to a stimulating and exciting experience, hopefully a profitable one.

There remains one fast-growing industry that is becoming very popular for individuals to dabble in, that being setting up an on-line business. This is something that needs discussing separately, so I will be looking at the Internet market place in the next issue.

Next issue: Your Own On-line Business - Can you build it? Yes, you can!

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