

An **ESSENTIAL BUSINESS** workbook

Taking **care** of business

Planning and starting your business

Everything you need to know
to help you plan and start
a successful business

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**Everything you need to know
to help you plan and start
a successful business**

The Essential Business series

Essential Business books and workbooks are for people who want to set up and run a business properly.

This **Planning and Starting Your Business** workbook is part of the Essential Business series. It is a very practical workbook that has been carefully produced to take you, in clear and straightforward steps, through the sometimes challenging process of starting your own business.

Every step in this workbook has been read and road-tested by business advisers, accountants and people who have just started their own business. We asked them to be critical about every aspect of it, so that we could make it as useful and valuable to you as possible.

Like all Essential Business publications, **Planning and Starting Your Business** is firmly rooted in the day-to-day practice of the business world. It is built on solid business principles by people who have been there, have done it... and are still doing it.

Now it's your turn.

Our thanks to:

- **Tony Robinson** OBE, Enterprise Rockers & SFEDI Group
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For the attention of our readers

Planning and Starting Your

Business offers business guidance and information, and not direct advice.

If you want more detailed information and guidance, we recommend that you always take advice from professionals.

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& Entrepreneurs



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Who is behind your workbook?

Planning and Starting Your Business is part of a wide range of business publications produced by a team of small business owners and business information specialists with many years' experience and first-hand insight into what it's like to start and build a business.

ABOUT THE PUBLISHER

Your workbook is published by **Cobweb Information**, a leading independent publisher of information describing the risks, rewards, opportunities and facts involved in business start up, micro-enterprise and entrepreneurship.

Our publications cover the 'must know' facts, compliance and trading issues affecting hundreds of different sectors, trades and professions.

THE ESSENTIAL BUSINESS WORKBOOKS

Essential Business workbooks provide plain English, straightforward learning material for people who are considering, or are in the process of, starting their own business.

For over seven years, our interactive workbooks such as *Thinking of Starting a Business* and *Start Your Business Step by Step* have been used by thousands of individuals who wanted to understand the process of planning to start a new business.

Planning and Starting Your Business is the latest in this series and it can be used as a stand-alone workbook that you work through in your own time or alongside more formal enterprise qualifications.

Everyone involved with Cobweb Information and these Essential Business workbooks has years of experience of putting into practice everything you will read on these pages.

We know and understand how it feels to run a business and our team is with you and your advisers every step of the way.



Welcome

Welcome to the *Planning and Starting Your Business* workbook.

The aim of this workbook is to help you avoid the trap of rushing into a business idea without thinking about it first. It is easy to get caught up in the excitement of being your own boss, of making lots of money, and of working the hours you choose...

But the business world can be unforgiving. Customers are fickle and it can be frustrating and difficult to get them to part with their money!

Which is why successful business owners spend time preparing, thinking and researching first. Do this *before* you invest your time and money into your business idea.

With careful thought, research and planning, your business is more likely to be an exciting, profitable and rewarding venture. Getting it right from the start can make the difference between success and disappointing (and expensive) failure. This workbook has been created to help you get it right first time.

We wish you the very best of luck with your business.

Julie *Marianne*



Julie Stanford and **Marianne Whitfield**

COBWEB INFORMATION
Creator and publisher of the *Essential Business* series

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A word about qualifications

As well as being used to help you plan and start your business, this workbook can also be used as evidence for a wide range of enterprise qualifications.

Together, the completed worksheets, business plan and action plan can form part of your 'portfolio of evidence'.

Ask your enterprise trainer or business adviser for more information.



How to use this workbook

This Planning and Starting Your Business workbook is designed to help you achieve two things:

- 1** to set up your business in the way that's right for you
- 2** to put together a practical plan so you know exactly what you're going to do and how you're going to do it.

By following your workbook, each step will help you to record your ideas, add your research results, and capture your thoughts and findings on the worksheets provided. The pack will help you build your own unique business action plan.

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Why do you need to plan?

There are many good reasons for writing a plan before you start a business. Probably the main one is to prove to yourself beyond reasonable doubt that you have an idea that can be turned into a profitable business. Here are just a few other (well-researched) reasons:

- Businesses that have a plan have a better chance of survival than those that do not.
- Businesses that have a plan are, on average, more profitable than those that do not.
- Good planning means you are less likely to waste time and money chasing the wrong customers with products or services they do not need.
- Good planning reduces the risk in many of your business decisions.

Important note Some of the worksheets may seem very thorough. They haven't been given to you just to provide you with more work. It's because **it's necessary to do the work** if you are going to be successful in your business.

You don't want to be one of those start-ups to whom the term *'Failing to plan is planning to fail'* applies!

How long will it take to complete the workbook?

There is no set timescale for completing the workbook (unless you are using it as the evidence to complete a qualification). However you plan to use it, it's recommended that you do not try to complete it all at once. In any case, you will need to take breaks from filling in the worksheets in order to go and find the information to include in them.

If you are completing the workbook with the help of an adviser or tutor then your adviser or tutor may go through a section of the workbook with you, then let you complete the next section before discussing that with you, and so on.

If you are not working with an adviser or tutor, try to discuss your work with people who know you well, and with people you can trust to give you their honest views. Avoid asking people who might simply tell you what they think you want to hear.

Do you have to complete it all?

It depends. If you are working towards a qualification, then your adviser or tutor will tell you which parts of the book are the most important to complete. If, on the other hand, you are completing it in your own time, then you are free to leave out any sections that are not relevant to you.

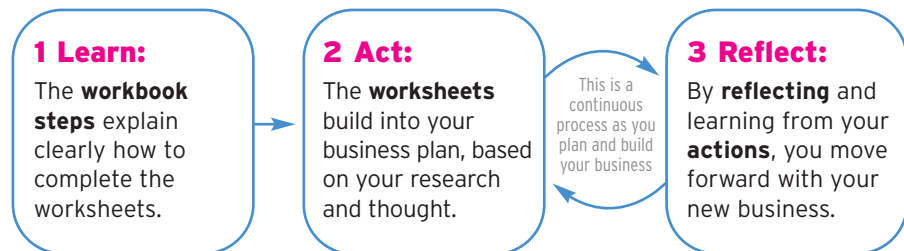
Can you get someone else to do some of it?

Again, it depends how you are using the workbook. But if you are really struggling with one section of the workbook, it may be better to consult an expert, whether this is your business adviser, tutor or a professional, or someone you trust who is already running a business.

You may also be able to find information from outside sources to help you complete certain sections. Organisations such as your local enterprise agency or public library are an excellent source of information.

Getting the most out of Planning and Starting Your Business

Your workbook contains three main elements:



1 Learn: THE WORKBOOK STEPS

Your **workbook** explains, step by step, everything you need to know in order to complete the **worksheets** you'll find in each section. As you go through the sections, fill in the sheets. You'll notice that there are a number of symbols used throughout the workbook.

What do these symbols mean?

Why do this??

The 'Why do this??' symbol explains the thinking behind what you are being asked to do.

WE LIKE...

This workbook gives you pointers towards books, websites, magazines and organisations you might find useful.

Focus on you

Businesses are started by people. Even business investors say that they invest in the person as much as in the idea. At intervals throughout the workbook you are asked to stop for a moment and consider the effect of your business on you, yourself – and on the people you care about.

Jargon text style


Business is full of jargon and sometimes there's no getting around that. From time to time, the workbook uses words or phrases which may be unfamiliar to you. When that happens, the word is **highlighted** and then explained more fully in the **Jargon Buster** on page 148.

2 Act: THE WORKSHEETS

The aim of the **worksheets** is to help you collect your thoughts, your research results and your ideas for the business you're going to create. They are designed to be easy to use and straightforward.


It doesn't matter if any of the worksheets end up looking a bit messy, packed with your ideas and thoughts – you can always rewrite them once you are clear about your ideas at the end. Be creative! Get thinking and writing.

Your completed worksheets will form part of a professional-looking plan that will not only help you launch your business well, but will also make you proud of it from the start.

As well as being printed in this workbook, the **financial worksheets** are also available as Microsoft Excel® spreadsheets with automatic calculations built in. You may find it easier to use the spreadsheets, instead of having to do all the calculations again each time you change the numbers. You will need Microsoft Office® or equivalent software to open and save them, and the spreadsheets carry this icon: 

If you bought this workbook from the Essential Business website at www.essential-business.co.uk, then you will find these spreadsheets in your online account. If you have any problems at all locating the spreadsheets, e-mail support@essential-business.co.uk.

Workshop use

NOTE: If you are using this workbook as learning material for a qualification or as part of a training course then you also have access to a full set of **Microsoft Word® documents** as well as the **Excel® spreadsheets**. This gives you the opportunity to make alterations if you change any parts of your work as you go along. Some sheets require that you complete more than one copy and carry this icon: 

Ask your trainer how you can gain access to these electronic templates or e-mail support@essential-business.co.uk.

How should you use the workbook?

There are a number of different ways you can use your workbook:

- Use it simply to learn about the important decisions you need to make as you plan your business start up.
- Use it to take you step by step through that process.
- Use it to keep a record of all the preparation and research you do.
- Use it to convince the right people that you are serious about your business, and worth considering for a bank account, grant or loan.

3 Reflect: 'TIME TO REFLECT' and ACTION PLAN

As you visualise, plan and start to run your new business, it can be all too easy to lose sight of you as a *person*, because you become so focused on you as the *owner of the new business*.

The **Time to reflect** panel at the end of each section is designed to remind you to take time *away* from your business planning now and again. This is so that you can reflect on what you've achieved so far and what you have learned. In this way, you can make sure that you understand the sections you have completed, and, if you don't, whether you might need to seek outside help, support or training.

Time to reflect is also designed to keep you focused on the specific actions you need to prepare to start your business.

Reflection leads to action

Many people who start their own business do not prepare themselves properly for their new role and their new responsibilities. By stopping now and again as you progress through this workbook, to give yourself time to reflect, and to focus on the actions you need to take to move forward, you will be much more likely to succeed in your business – and enjoy the process. After all, you are unlikely to create a business that will thrive if you are worried, lacking skills, or simply overwhelmed by the whole process. Action planning does not only apply to the business, it applies to you, too.

Learn, act, reflect – then **act** again. By adding items to your **action plan** (**Sheet 34** on page 145), and committing to them on paper, you are far more likely to carry out those actions. Remember, only action is action!

Other publications from Cobweb

THE ESSENTIAL BUSINESS GUIDE

The Essential Business Guide is a user friendly reference manual packed with information about running a business and is an ideal companion to your **Planning and Starting Your Business** workbook. You may find it easier to complete your business plan if you have a copy of the Guide as a reference source to help you make your way through all the worksheets. It is full of additional, practical information on a whole host of subjects – far more than could be included in this workbook.



The Essential Business Guide will make your task easier because you will be able to refer to it to find out more information on each business topic. You will also be signposted to the many additional resources (websites, books, organisations) that are listed in the Guide. These can provide you with more in-depth information to help you complete your plan.

Although we have been able to reproduce some of the key information from the Guide in this workbook, there just isn't enough space to include all of it. Find out more at www.essential-business.co.uk/guide

BETTER BUSINESS

Better Business is a bi-monthly subscription-based journal full of practical tips, ideas and know-how for independent business owner-managers, freelancers, consultants and business advisers.

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ENTERQUEST BULLETIN

EnterQuest is a free weekly e-mail newsletter providing tips and ideas for start ups and small business owners. You can sign up to receive EnterQuest at www.cobwebinfo.com

SMALL BUSINESS GUIDES AND FACTSHEETS

Cobweb's **Business Opportunity Profiles** provide market information and details of the key trading issues for over 300 different types of business and our **Business Information Factsheets** cover all aspects of starting up and running a business.

All these factsheets are available to buy from our business information superstore at www.scavenger.net



First things first

The most important person in your new business is you, so start by taking a moment to consider your vision of yourself as a business owner.

The first of the worksheets, **Sheet 1 > Creating a vision for your business**, aims to get you thinking about a number of aspects:

- what business success means to you
- the importance of having a clear vision for your business
- your business values and whether they fit with your vision
- how you will communicate your vision to the people who need to be inspired by it: your family, your staff, and other important people
- what skills you will need to run the business and how to fill any gaps
- how well you are doing as a business owner, and who can help you to improve your performance.

The sheet (which is on pages 17–22) is designed to work as your own **personal development plan** and encourages you to think about these things *before* you start the business. Plus, by coming back to it as part of your **Time to reflect** reviews, it will keep you firmly on track as you start and build the business.

Work your way through the steps in this section. Complete the relevant parts of the sheet as you work through each step. This process will help you on your way to becoming the best business owner you can be. You may find some surprises as well as some challenges.

Step 1 What makes a business successful?

Why do this??

If you don't know what success means to you, how will you know you've achieved it?

It's a trick question, of course! There is no single definition of success. This is also a serious question, though, because if you don't ask yourself, 'Where do I want this business to go?', then how will you know when you have got there? It is vital that you have a vision for your business.

So, what are the things that will make you class your business as 'successful'?

Turn to **Sheet 1 > Creating a vision for your business** and complete **Part A**.

There could be a variety of answers:

- I will have made enough money to pay off my mortgage/take an exotic holiday each year/buy a new car.
- I will sell my business for a million pounds by the time I'm 40, and spend the rest of my life in the country/working for a charity/writing my book.
- I simply want to be able to live comfortably for the foreseeable future, but I always want to be my own boss.
- I will have supplemented our family income and worked round school hours for as long as the children need me to do that.

In many ways, it doesn't matter how you define success. What matters is that you have thought about what you want, and decided what 'success' means for *you*. Then, you can plan for that success and work towards it. And, when you get there, you'll know you've arrived.

Why do this??

It can be so easy to get pulled off track in business. By having a clear idea of what you want to get from all your hard work, you are more likely to keep working towards what success means for you.

Step 2 What do you want from your business?

People decide to start a business for all sorts of reasons. For some, it's simple: they see a need for a new product or service that doesn't exist and get straight on to it. Others find that something they've been doing as a hobby or a favour for friends grows and grows... and suddenly, they're hiring staff and premises to cope with the demand.

Spend some time thinking about why you want to start a business and what your vision for the business will be. That way, you have a clear idea of why you are starting your business and where you hope it will take you.

Think about how you want your business to have changed your life in five years' time. Then complete **Part B** of **Sheet 1 > Creating a vision for your business**. What do you think needs to happen in each of the five years for your dream to be achieved? Your answers should be things that are measurable (for example: earning £50,000 a year, providing employment for the local community), so that you can check back afterwards to see whether you achieved your aims.

One handy tip: It is better to start with Year 5 and work back from there. If you think about where you want to be in five years' time, you can plan each of the years between now and then as steps towards reaching that point. That's why we've set out the sheet in the way we have! Don't try to put too much detail in Years 5 and 4. Your plans for Years 1, 2 and 3 will have more detail in them, but still not too much – this is only meant as an outline.

Why do this??

If you start by planning Year 1 and then plan forwards, there is a danger that you will just be doing more of the same in five years' time, rather than turning your dreams into reality.

Step 3 What is your business personality?

Turn to **Part C** of **Sheet 1 > Creating a vision for your business** and, with your business idea in mind, think about ways that you can build the business so that it fits comfortably with your own personal strengths and weaknesses.

If you already have a business idea, is it right for your personality? There are some basic questions you should consider. For example:

- Do you get a thrill from taking risks, or does it terrify you?
- Are you thrown into a panic by financial insecurity, or do you relish the challenge?
- Do you like communicating with people, or are you quite shy?
- Do you like to have structured routines in your life, or are you very adaptable?
- Are you happy to work alone and be self-sufficient when needed, or would this drive you crazy?
- Can you do lots of jobs at once, and switch easily between them, or are you a one-thing-at-a-time person?
- Are you optimistic and able to take things in your stride, or do you easily become disheartened if things do not go to plan?

Focus on you

If you set up your business so that it fits with your personality, you are far more likely to enjoy the experience.

Think now about how each of your answers fits with your initial business idea*:

- If you are not naturally a risk-taker, and hate financial insecurity, have you chosen a business idea that will need a big investment at the start? If so, can you find ways to finance it that will not leave you penniless if it all goes wrong?
- If you're shy, can you employ a salesperson or a telemarketer?
- If you love being around other people but would be working alone in your new business, can you join with others who work in related businesses, or rent space in a shared office?
- If you are well organised and good at multitasking, you will be glad of these skills once you start your own business, away from all the natural support structures of many employed jobs. If you know that you are a disorganised person, put structures in place to help you create order (for example, invest in good management software or rent a serviced office).

***If you don't have a business idea yet, don't worry.** We'll be looking into the detail of your business idea in the next section. At this stage we're thinking more about you as the owner of your new business.

Step 4 What will your business values be?

While you may have decided your personal goals for the business, it is important to take some time to consider your values, too. You may have definite ideas about how you want to conduct your business. If you are going into business with partners, staff, or financial backers, it is also important that they know these values, so they aren't shocked when you won't compromise on them.

Think about:

- What will I always do?
- What will I sometimes do?
- What will I never do?

For example:

- 'I will always use ethically produced materials.' 'I will always allow family-friendly working.' 'I will always use a socially responsible bank.'
- 'I will sometimes run training courses, even though my main business is publishing.' 'I will sometimes do wedding photographs, but only for friends.' 'I will sometimes work weekends, but not every weekend.'
- 'I will never take sponsorship from a tobacco company.' 'I will never take on a new client without a credit check.' 'I will never work for my old employer.'

You don't need to think of every possible scenario but, if you have firm beliefs, it pays to make them clear.

Turn to **Part D** of **Sheet 1 > Creating a vision for your business** and make a list of the things that you value. Score them as 'always', 'sometimes' and 'never'.

This step is also a useful sanity check. For example, if your **aim** for the business is to make a million pounds but your personal **value** is always to give your products away for free to anyone who asks for them, then either the aim or the value will need to change.

Revisit your completed list as you build your business to keep on track with your values and your business vision.

Focus on you

By being clear from the outset about what you will and will not do in your business, you're much less likely to end up lying awake at night feeling guilty about a contract you've just signed.

You and your business may be separate but your values are shared.

WE LIKE...

Authentic Business

by Neil Crofts

This book shows that it is possible to start a successful business without compromising your values.

Step 5 What is your vision for your business?

So, you've decided what success means to you. You've decided what you want your business to give you ('To pay off my mortgage in ten years', or whatever you have written in Part A of **Sheet 1**). You have also decided the business values by which you will work. Before we get into the nuts and bolts of how you will set up your business and the practicalities of running it, take a few moments to consider the question:

- What am I in business for and what do I want to achieve?

You may have some definite ideas:

- To make my life more comfortable.
- To make the world a better place.
- To reduce climate change by making greener fuels more affordable.
- To build a family business my children can inherit.

You may have some less definite ideas, too; perhaps you think it will provide challenge and excitement – you're not sure what excitement, but you love the idea that every day will be different.

Turn to **Part E** of **Sheet 1 > Creating a vision for your business** and write your vision statement. Make it inspiring and motivating, to keep you focused on the future and moving towards your vision for the business. Don't worry about getting it exactly right just yet, you can adjust and refine your ideas as your business grows.

Why do this??

Business can be tough. Some days you'll need to remind yourself why you've set out on this enterprise journey.

Having such a visual reminder of your vision always in view will keep you focused and energised.

You might also like to build a **vision board**. A vision board is a collage of images that capture your dreams and desires. Or you may want to choose just one iconic object that for you sums up the essence of what your business is about. Put your vision board or your object somewhere you can see it. As you build your business, it can sometimes be difficult to remember – on a day when you're snowed under with bills, staff sickness and frozen pipes – why you started all this in the first place. Your vision board will remind you why you're doing this, and what you want to achieve.

Your vision statement or board will become your constant 'touchstone', helping you to make sure that you plan and develop your business in line with this vision.

Step 6 How will you communicate your vision?

As a business owner, it is vital that you can inspire all manner of people to 'buy into' your business vision. For example, you may need to explain to your family why it's worth you working such long hours to achieve your goals, or persuade your bank manager that you and your business are worth investing in, or convince your potential customers to buy from you.

We'll look at some of these important skills in more detail again when we focus on sales and negotiation; however, here are the things to remember when trying to communicate your vision to the people who matter.

1 Create a positive first impression

Business is all about relationships with other people. During the course of your business life, you'll meet lots of new people. You have only a few seconds to make a good first impression, so it's worth thinking about the best way to do that. Most of what you need to do is common sense.

There are a number of ways in which you can build good rapport and create a good impression from the start, including:

- be punctual
- dress appropriately (and make sure you are clean and tidy!)
- don't fidget
- watch your body language
- look the person in the eye and smile
- be open and positive
- watch your manners.

2 Build your communication skills – and listen!

We are constantly giving out messages in more subtle ways than we might realise. Here are a few things to consider to make sure you are not saying one thing while giving out completely different – and hidden – signals.

Body language and posture

Your body movements, gestures, eye contact and even your rate of breathing can all reveal your true feelings. To give a confident, open impression:

- turn your body towards the person
- keep your arms open and relaxed – do not cross them in front of you
- keep looking at the person (without staring)
- smile
- speak calmly and clearly.

Why do this??

Business is all about people, whether it's your staff, your clients, your suppliers or your advisers. They all need to believe in you.

**No people?
No business.**

Learning to listen

Good listening skills are crucial for good communication. Here are some ways to become a great listener:

- Look at the person and turn off any negative thoughts you might have about them.
- Start listening with the first word and listen intently. Concentrate on what the person is saying instead of thinking what *you* could be saying.
- Listen with an open mind – guard against the tendency to ‘zone out’ or skip over ideas that you would rather not hear.
- Listen all the way through – do not jump to conclusions.
- Do not interrupt.
- Nod in agreement; use facial expressions and body language to show you understand.
- Ask questions... and listen carefully to the answers.

Focus on you

Great communication skills are not just for your business, they are for your personal life too.

Good communication = better relationships all round.

3 Present your business in a clear way

The fact that you have thought about why you are starting your business, and have taken the time to think about and write down your business vision, means you are well on the way to being able to present your business in a clear and compelling way. Here are some tips to make sure you get the message across simply, yet powerfully:

- **Be concise.** Aim to present your business in as few words as possible.
- **Be clear.** Use straightforward language that everyone understands. Don't use language or jargon that your listener won't understand, or you risk annoying your audience.
- **Be confident.** Choose words that are powerful and engaging.
- **Be genuine and sincere.** Be yourself.
- **Paint a picture.** Use words that create a strong visual image in the mind of your listener. This will help your message stay with them.
- **Tell the tale.** Everyone loves a story and you'll bring your business to life if you talk about it in the same way. Think about what makes a great story and try to build those elements into your presentation.
- **Be appropriate.** Try to match what you say to your audience. You will almost certainly need a different message for each group.
- **Draw them in.** Try to strike a chord with the listener. Use memorable words and phrases to reach them on an emotional level.
- **Keep reviewing.** Over time, your message may need to change and adapt. Keep it current and relevant to you, your business and your customers.

First things first

Now, turn to **Part F** of **Sheet 1 > Creating a vision for your business**. Write down how you could present your business vision to someone you need to have on side as you start and build the business. You could choose:

- a potential financial investor
- a reluctant partner
- your cynical bank manager
- someone you admire who you would love to have as a mentor.

Don't worry if you don't have a crystal clear business idea at this stage. This step in the process is designed to get you thinking about *how* you will tell people about your business and inspire them to believe in *you*, rather than the business idea. We will look into the detail of your business idea in the next section. For now, you need to see how well you can convey your business vision in a simple, straightforward and engaging way.

Once you've decided on your message, you need to check how effectively you're communicating it. Turn again to **Part F** of **Sheet 1**. Note down what you will do to test your communication skills. For example, you could test out some words and phrases on your friends and family to see if you can get them excited; or you might choose to present your vision to a business person you know and ask for their honest feedback; or you could arrange to attend a presentation skills workshop. Whatever method you choose, make sure you get feedback about how well you're getting your message across.

Your business success will depend on your ability to communicate well to all manner of people. It's vital that you acquire and build these important skills.

Why do this??

Be prepared to wow people with a clear and exciting vision of your business.

You never know who you might bump into...



Creating a vision for your business

As you work your way through this sheet, it will become clear that this is your personal development plan. It asks you to focus on what you want for your business and the ways in which you will achieve this.

A WHAT DOES SUCCESS MEAN TO YOU?

Take a few minutes to think about what business success means to you.

We have listed a few of the more common answers people give, but yours may be completely different. It doesn't actually matter what your reasons are; what matters more is that you have thought about it and have a clear idea of why you are starting a business and how you will judge your success.

In other words, where are you going and how will you know you have got there?

I will know that I am successful when:

I have paid off everything I owe

I am employing people and have business premises

I am earning enough money to comfortably pay my bills

I am earning £_____ a year

Add your own reasons:

Continued... 

B WHAT DO YOU WANT FROM YOUR BUSINESS?

How do you want your business to change your life over each of the next five years?

By the end of **year 5**, I would like my business to give me:

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.....
.....
.....

By the end of **year 4**, I would like my business to give me:

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By the end of **year 3**, I would like my business to give me:

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By the end of **year 2**, I would like my business to give me:

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By the end of **year 1**, I would like my business to give me:

.....
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.....
.....

Continued... 

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C YOUR BUSINESS AND YOUR PERSONALITY

Are you and your business a perfect match? This step in the process aims to get you thinking about whether you are the right sort of person for the business you plan to start. It's vital that you start a business that fits with the type of person you are, so be honest!

First of all, what is your initial business idea?

.....
.....

Next, think about what sort of person would be ideal to run this sort of business. List the strengths required to make this business blossom:

For example: *A very good communicator, able to work alone, flexible thinker.*

.....
.....

EXAMPLE MATERIALS

Now, think about your own personality. Is there a good fit? Or do you need to adjust your business idea in the light of what you've discovered? Are there ways you can capitalise on your strengths and work to improve your weaknesses?

For example: *I get very worried if I don't know where the money's coming from but I'm a very persuasive person so I should make sure that I keep focused on selling my services.*

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Finally: it's important that you balance your personal needs with the needs of the business. It can be all too easy for a new business to take over your life, so list here ways in which you can make sure that you get the balance right.

For example: *I will make sure that I am always home by my children's bedtime and will never work at the weekend.*

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Continued... 

D YOUR BUSINESS VALUES

Make a list of the things that you value. Score them as 'always', 'sometimes' and 'never'. Revisit this list as you build the business to keep in line with your values and to make sure that they fit with your business vision.

| | Always <i>✓</i> | Sometimes <i>✓</i> | Never <i>✓</i> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| For example: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <i>Making sure my business is family-friendly</i> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <i>Working at weekends</i> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| <i>Giving away free product samples</i> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
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Continued... 

E YOUR VISION FOR YOUR BUSINESS

It is important to put your business vision down on paper. By putting it into words in this way, it will provide inspiration, energy and motivation to you and to your team. Make your statement big and bold, and focus on the future (at least five, if not 10, years ahead) and describe what success will look like.

For example:

Five years from now, WonderWeb will be a leading web development company serving businesses across the UK. We will provide exceptional website design and development to those business owners who value our skills and knowledge and we will have reached a turnover figure of £750,000 a year.

EXAMPLE MATERIALS

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REMEMBER: Use your vision statement to keep you on track as you plan and develop your business. It will remind you of where you want the business to be in the future and will keep you focused as opportunities and challenges arise. Ask yourself, 'Does this fit with my vision for the business, or am I in danger of getting sidetracked?'

Continued... 

F GETTING THE MESSAGE ACROSS

People are important in business. You will need to inspire them, convince them, and engage their support. By thinking about how you will do this *before* a meeting, a telephone call or an appointment, you're more likely to have a successful outcome.

1 Write down, in as few words as possible, how you could present your business vision to someone important to the business. Always bear in mind, 'What's in it for them?'

For example:

To a partner: *By building this web company I will earn more money and, as soon as I have staff in place, I will have more free time to spend with you and our children.*

To a bank manager: *WonderWeb will be successful because I have 10 years' experience in web development and, at my last job, I was responsible for bringing £230,000 of new business into the company.*

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2 How will you test out how well you are communicating? What can you do to build your confidence and skills?

For example:

I'm going to go on a public speaking course. Then I'll give a short speech about the business to a few friends. I'll ask for their honest feedback (and won't get angry at their feedback!).

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Step 7 What skills do you need in your business?

WE LIKE...

The Institute of Enterprise and Entrepreneurs

www.ioee.co.uk

The ideal mentor is someone who has 'been there, done that'. The IOEE website is a good place to find one. There you'll find people who've been running businesses for years, offering their time and expertise to people who are just starting out.

You may have a brilliant idea for a business, and the determination and drive to make it a success. But can you do all the things you need to do to keep a business running? For example:

- You're a good plumber, but you know that you're not very good at paperwork, so raising the invoices could be a problem.
- Your skills with paperwork are exceptional, but you have never managed people and you worry about this.
- You're a born people manager, but you can't get your head around legal stuff and it has you running for the hills...

Very few people have *all* the skills it takes to start and run a business successfully. The answer is often not to try to learn all the skills yourself (although many people do), but to decide:

- what you can already do
- what you will learn to do
- what you could ask other people to do
- what you will pay other people to do.

Sometimes, you may need to make trade-offs. For example, you might like the idea of having a bookkeeper so that you don't have to do all the work of filling in the figures and keeping track of the paperwork yourself, but – especially in the early days – you might feel unable to afford one.

Perhaps you could get a friend or relation to do the bookkeeping if you exchange a skill that you're good at, whether it's babysitting once a week or rewiring their kitchen. Or you may decide that, to get your business up and running, you really need to employ a professional bookkeeper, so you take less money out of the business for a while. If you're not spending the hours doing something you struggle with, but devoting those hours to doing what you're best at, the business might grow more quickly and successfully, and you can afford a bookkeeper *and* an accountant.

Turn over to **Sheet 2 > You and your business skills**, which is in two parts.

In **Part One**, decide what you can do already and think about who will carry out those parts of the business you cannot do. Not all skills will be relevant at first.

In **Part Two**, rank your skills in order of your ability, and consider how much you will enjoy that particular aspect of business. In this way, you can match your role in the business with your skills and your personality.

Focus on you

We have come across lots of people who give themselves a very hard time over their lack of skills. Please don't do that. You weren't born knowing how to run a business!

Just invest time and care in finding the right people to help you fill the gaps.



You and your business skills

Part One

| | I can do this now | I need to develop this skill | A friend or family member can do this (insert name) | I will need to seek professional advice |
|-----------------------------------|--------------------------|------------------------------|---|---|
| Essential enterprise skill | ✓ | ✓ | ✓ Name: | ✓ |
| Practical | | | | |
| Sourcing supplies | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Production | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Purchasing | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Maintaining equipment | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| IT skills and knowledge | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Monitoring quality | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Dealing with customers | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Leadership | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Negotiating | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Making decisions | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Solving problems | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Administration | | | | |
| Finance and bookkeeping | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Paperwork and admin | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Setting up systems | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Marketing and selling | | | | |
| Selling a product/service | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Marketing planning | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Getting publicity | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Marketing activities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strategic thinking | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Communicating | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Legal | | | | |
| Health and safety | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Business law | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Contract law | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Employment legislation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Employment/HR | | | | |
| Recruiting staff | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Managing staff | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Motivating staff | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Continued...

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You and your business skills

Part Two

Now rank your skills from 1 to 5 to find your strengths and weaknesses.

| Essential enterprise skill | Did I say in step one that I have this skill? | If 'yes', how good am I at doing this? 1 = Not good 5 = Very good | Do I enjoy doing this? 1 = I hate it 5 = I love it | How important is it to my business? 1 = Not important 5 = Very important |
|------------------------------|--|---|--|--|
| Practical | | | | |
| Sourcing supplies | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Production | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Purchasing | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Maintaining equipment | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| IT skills and knowledge | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Monitoring quality | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Dealing with customers | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Leadership | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Negotiating | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Making decisions | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Solving problems | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Administration | | | | |
| Finance and bookkeeping | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Paperwork and admin | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Setting up systems | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Marketing and selling | | | | |
| Selling a product/service | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Marketing planning | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Getting publicity | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Marketing activities | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strategic thinking | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Communicating | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Legal | | | | |
| Health and safety | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Business law | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Contract law | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Employment legislation | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Employment/HR | | | | |
| Recruiting staff | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Managing staff | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Motivating staff | <input type="radio"/> Yes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Jointly developed with SFEDI Group

Step 8 How will you know how you're doing?

If you were working for someone else, your manager would be the one to tell you what you were doing well and highlighting any skills that you might need to improve.

When you run your own business, you need to get that feedback from someone else. Who can you ask to find out how well you are performing as a business owner?

Your list could include:

- a business owner friend
- a family member with business experience
- your accountant
- a member of your business network, such as another business owner
- a professional business adviser.

Turn to **Sheet 3 > Reviewing your skills**. Make a note of the people you will ask for feedback. Keep a note of their comments and list what action you will take to fill any gaps they have highlighted. Decide on your priorities.

Revisit the list frequently. Keep it up to date and remember, in business you have to learn not to take things personally. You need to be ready to hear tough things about yourself and your skills (or lack of them). You must be willing to learn, take action, and move forward.

Be honest with yourself and encourage honesty from your advisers.

If your trusted business support person feels unable to tell you the truth about what they have noticed, or if you ignore their advice, your **customer** is very likely to be the one to let you know... by not buying from you again.

By being open-minded and truthful about the skills needed in your business, and working quickly to fill any gaps you've spotted, you're far more likely to be able to delight your customers, and to run a successful, profitable business.

Focus on you

It can be all too easy to 'stagnate' when you work for yourself. After all, there's no one breathing over your shoulder making sure you're doing it well!

By arranging for a trusted individual to keep you on track and up to speed with your skills, you'll get so much more out of owning your own business.

WE LIKE...

Focus

by Jurgen Wolff

The perfect book to keep you focused and working towards your personal and business goals.

| HOW ARE YOU DOING? HOW CAN YOU DO EVEN BETTER? | | | | | | |
|---|--|--|--|--------------------------------|-------------------------------------|--|
| Who is advising me? Name and how you know them: family/friend/mentor/other | What am I doing well? Be specific about what you have achieved so far | What do I need to improve? Again, be specific and honest with yourself: better skills = better business | How will I do this? Will you take a course, invest in a business coach, self-study? Be clear and specific | Priority 1, 2, 3 etc | By when? Set a firm date! | |
| For example: <i>My business adviser, Susan Urwin</i> | For example: <i>I have enrolled for a bookkeeping course</i> | For example: <i>I know nothing at all about profit and loss or financial statements</i> | For example: <i>Susan has advised me take a course at the enterprise agency</i> | <i>1</i> | <i>30th September</i> | |
| | | | | | | |
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Time to reflect

Take a few moments now to reflect on what you've learned as you've worked through this section. Are there any areas that you need to revisit or ask for help with? Do you need to look for an adviser to keep you on track? Is anything making you feel anxious? Should you be taking action in light of what you've learned?

If you need to take any action, turn to **Sheet 34 > Action plan** on page 145 and make a note of what needs to be done.

Don't forget, if it's written down, you're more likely to actually do it!

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Deciding what sort of business to start

WE LIKE...

Business ideas store

www.scavenger.net

If you're stuck for just the right business idea for you, your skills and your circumstances, you might like to try our business ideas store.

You have decided that you are going to take the plunge and start your business, so... what next? If you have not yet made a firm decision about the sort of business you will start, now is the time to give it some thought. You can always adjust your decision later. If you already know what business you want to start, you can move straight to **Step 2** on page 30.

Step 1 What are you going to do?

Self-employed people have many different motives for starting a business: being in control, being unable to find a job, enjoying the cut and thrust of competition, or enjoying some particular aspect of business. You may already have noticed a gap in the market for a new product or service, and your whole focus may be on filling that gap. This is the mark of a true entrepreneur. For you, the excitement of making your vision a reality is what you love about starting and running your own business.

Many people set up businesses doing exactly the same as they did in the job they have left. This is fine as long as you loved your work before, but it is worth thinking hard about whether this is right for you before you start.

It may be that what you really, really like doing as a hobby is not something you can imagine turning into a business. But with some creative thinking and plenty of marketing research, perhaps it is.

A word of caution here though. Some people find that they lose much of their enjoyment of their hobby when they start relying on it for a living.

For example, if you work in an office and love making systems run more efficiently, perhaps you could set up a business consultancy, advising other companies. Or you may have been producing something as a hobby and find that so many people are buying it from you that you now have a long waiting list of customers.

Focus on you

Don't just set up a business to do exactly the same as you did in your employed job without thinking hard about whether it is what you *really* want to do.

Starting a business to do what you've always done at work might just mean swapping one set of problems for more of the same.

Deciding what sort of business to start

If you cannot think of any way to turn something you love doing into a business, or if your initial research shows you that the idea you have will not make you enough money to be worthwhile, consider carefully whether you should pursue this as a business idea.

Spend some time thinking through other business ideas you may have. When you are certain you have the *right* business idea, proceed to **Step 2**.

Step 2 How will you set up your business?

Should you start your own business from scratch? Could you buy someone else's business? Or have you considered buying a franchise?

Starting your own business from scratch gives you the freedom to develop your own idea into a business. If you have a good, original idea, and plenty of research to prove to yourself that you will have plenty of customers, perhaps starting a business in this way is the option for you.

If you have a business idea and a friend or acquaintance that you're keen to work with, then you might consider **setting up in partnership**. The advantage here is that you can combine forces and money to do more than you might be able to on your own. But going into partnership with someone can be like getting married. You need to be very open and honest with any potential business partner – working through this workbook together can be an excellent way of doing that.

Maybe you've seen something that works in another town, or in another country, and you've thought, 'I could do that!' Some great businesses have come from copying someone else's ideas. **Setting up a similar business** and doing it in your own way could be for you. Just be careful that you don't just do *exactly* the same as someone else. You could be infringing their legal rights, or missing an opportunity to do it better.

Buying someone else's business can give you an existing customer base, and some proof that there is a market for what you will be doing. If you have enough money to buy an existing business, and prefer not to take the risk of starting something completely new, perhaps this option would work for you.

Sometimes you get the opportunity to join someone else in a business that's already up and running. **Buying into someone's existing business** can be great, because you know whether or not something is working already, and you might be able to add that certain something that the business needs to take off.

WE LIKE...**Whichfranchise.com**www.whichfranchise.com

The official online partner of the British Franchise Association. Packed with franchise information and opportunities.

Buying a franchise has the advantage of giving you a ready-made **brand** name, and a certain amount of support. If you have money to invest and want to start a business, but are short of an original business idea, perhaps you should look into the option of franchising.

The guideline grid in **Sheet 4 > What form of business?** (page 34) and the information in 'Decide your form of business' below, will help you to work out the best way to start your business. Think about how each of the forms of business described fits with your own situation, including the originality of your idea, how much **capital** you have available to invest, and how much support you will need with branding and marketing.

It may be worthwhile talking to an accountant or another qualified professional to find out what form of business is appropriate for you. Making the right decision now could save you money in the long term.

Don't let this exercise restrict you, though. It is only a rough guide. The important thing is that you think about the options and choose the one that is right for you.

Decide your form of business

If you choose to start your business from scratch, you will need to consider which form of business is right for you.

WE LIKE...**The Prince's Trust**www.princes-trust.org.uk

Provides help for young people aged between 18 and 30.

The Prince's Initiative for Mature Enterprise (PRIME)www.prime.org.uk

Offers advice and support for people over 50 who want to start or run their own business.

Sole trader

People who work on their own, such as plumbers and consultants, often set up as a sole trader, which simply means that they are a self-employed person working alone. While this is the simplest and quickest way of setting up a business, many small businesses nowadays set up as limited companies from the start. This is because they can make significant savings on their tax bills and National Insurance contributions, even when their profits are relatively low (see page 114 for further information).

Advantages

- You have sole control of the business, allowing decisions to be made quickly and easily.
- All profits from the business belong to you.
- Setting up as a sole trader is relatively easy, inexpensive and suitable for most small business start ups.
- Financial record keeping is usually simple.
- You can always form a limited company at a later date and transfer the business to it.
- A sole tradership is easy to close if or when you no longer wish to trade.

Disadvantages

- As a sole trader you have unlimited liability so if something goes wrong and the business has debts, you are personally responsible for them. This means that all of your own personal assets (such as your house or your savings) are at risk.
- You pay normal income tax rates on your business profits plus any money you take from the business for personal use ('drawings').
- You may have to work very long hours, and if you suffer an injury or illness you might not receive an income during the time taken off.
- It may be more difficult to raise money to finance the business.
- It is harder to sell the business or to pass it on to someone else.

Partnership

A partnership is a way that two or more people can run a business together; it is a legal entity recognised under law. It is similar to setting up as a sole trader, except that the costs and profits are shared. It is essential to draw up a legal partnership agreement so that each partner knows their roles and responsibilities.

Advantages

- You may have more start-up money available.
- You can pool your knowledge and experience.
- You can bring **capital** into the business by introducing more partners.

Disadvantages

- Each partner is personally liable for all the business debts, even if the debt was caused by another partner.
- It is possible for one partner to make business decisions without informing the others.
- There can be legal costs involved in setting up a partnership agreement.

Limited company

A limited company is separate from its owners. It is a legal entity in its own right and is liable for any debts, rather than the individuals who own the company. A limited company can consist of one individual who is the director or it can have many co-directors. You can bring additional **capital** into a limited company by issuing **shares** or allowing an individual to sell or transfer their shares in the business.

Many small businesses are now run as limited companies because, even if they have a relatively small profit, the owner can save money on tax and National Insurance.

What is a social enterprise?

You may have heard the term **social enterprise**.

This describes a wide range of organisations that are run as businesses but that are not set up simply to make money for their shareholders. Instead, they have other goals, such as to benefit the community or the environment.

Social enterprises can take many forms, including co-operatives, social firms, charities, development trusts, and community businesses. Social enterprises do not fit neatly into any particular sector and can span the private, public and voluntary ('third') sectors. In other words, it is what a business does with its profits that determines whether it is a social enterprise, rather than its specific legal structure.

To find out more about social enterprises, visit:

socialenterprise.org.uk

WE LIKE...**Companies House**

www.companieshouse.gov.uk

Everything you need to know about limited companies, including sections which give quick answers to the most frequently asked questions.

You can also search the list of companies already registered.

Advantages

- A limited company has a separate legal identity to that of its owners.
- If something goes wrong, or someone sues you, your liability is limited to the money in the company. Your personal assets, such as your house or car, are not at risk (unless you have signed **personal guarantees**).
- The overall tax bill might be lower. As a company director you may also be able to take **dividends** out of the company's profits. These are payments that do not attract NI as wages do.
- Financial losses are business losses, not personal losses.
- Suppliers and customers may perceive that limited companies have more credibility, which could be a competitive advantage.
- Selling your business as a limited company is easier.

Disadvantages

- Public disclosure of company information means that details about the shareholders and directors, as well as the company's financial performance, are on the public record at Companies House.
- Directors of new companies often have to give personal guarantees to banks when applying for loans.
- National Insurance payments are higher because you have to pay employers' and employees' National Insurance contributions.
- If you decide to stop trading, it can be more difficult and expensive to close the company.

Limited Liability Partnership (LLP)

An LLP is a corporate body with its own legal identity. The trading status is like being both a limited company and a partnership.

Advantages

- LLPs have a legal identity of their own and their members benefit from limited liability.
- It has the flexibility of a partnership.
- It is taxed as a partnership – so tax is charged on the LLP's profits rather than on the money taken out of the business by the individuals.

Disadvantages

- You need to prepare and file annual accounts with Companies House.
- There are other filing requirements with strict time limits.
- Formation is more complex and can be more costly than for an ordinary partnership.
- It is important to draw up a suitable members' agreement.



What form of business?

Here is a rough guide to the form of business to choose

FIRST OF ALL, ask yourself the following questions:

1 How **original** is my business idea?

.....

2 How much of a **risk** (and what types of risk) will I take in my business?

.....

.....

3 How much **capital** (money) can I invest in my business?.....

4 How much help would I need with my business's **image and brand**? Would I prefer for it to be in place already so that I don't have to worry about it?

.....

NOW, transfer your answers to the chart below. For each of the four questions, ask: 'Is my answer a **lot**, **medium** or a **little**?' then tick the relevant circle:

| | 1 How original is your business idea? | 2 What level of risk is acceptable to you? | 3 How much money do you have available to invest? | 4 How much support will you need for image and branding? |
|------------------|---|--|---|---|
| A lot/ high | <input type="radio"/> Own start | <input type="radio"/> Own start | <input type="radio"/> Buy existing <input type="radio"/> Buy franchise | <input type="radio"/> Buy existing <input type="radio"/> Buy franchise |
| Medium | <input type="radio"/> Buy existing | <input type="radio"/> Buy franchise | <input type="radio"/> Own start | <input type="radio"/> Buy existing |
| A little/ low | <input type="radio"/> Buy franchise | <input type="radio"/> Buy existing | <input type="radio"/> Own start | <input type="radio"/> Own start |

FINALLY, add up the number of ticks you have for each of the business forms:

Own start Buy existing Buy franchise

Based on your answers in the chart, and the information on pages 29-33, decide which business format and business status are likely to work best:

Start-up method

- Own start
- Buy existing business
- Buy into an existing business
- Franchise

Business status

- Sole trader
- Partnership
- Limited company

Why do this??

It will focus your mind and help you add some substance to your idea.

Step 3 Summarise your business idea

Now we're beginning to focus in more detail on your business idea... and how to make it work!

Complete **Sheet 5 > Your initial business idea** (overleaf).

Don't worry. It is unlikely that you will be able to answer all these questions at this stage. If you find that you can't answer some of the questions yet, you can return to this sheet later. It will help you to identify the areas where you need to focus your research, or where you might need outside help.

Step 4 Will it work?

We all tend to be too close to our own business ideas to be able to make rational judgements about them.

Imagine you are sitting in front of someone very hard to convince (or even better, find someone who really is, and sit in front of them).

Using **Sheet 6 > 10 reasons for success** on page 38, write down 10 reasons why you can be reasonably sure your business idea is going to work.

If you can think of more than 10, great! Write the rest on another sheet.

Step 5 Get the critics in**Focus on you**

Open your mind and be ready to listen to what your critics say.

As a business owner, you will have to be flexible and quick to respond to the feedback from your customers and the trends in your chosen market.

So you may as well start practising now!

That was the easy bit. Now go through each of your answers on **Sheet 6** and be really critical. Better still, ask a couple of other people to do this with you, too. Try not to be too defensive or upset by the feedback. Their ideas could be very valuable and help you to adjust your idea in ways that could save you time, money and disappointment in the long term. Record your critical comments and theirs on **Sheet 7 > Challenges to your business idea** on page 39.

Ask yourself whether what you have written is enough to *prove* that the business will be a success. Almost certainly, at this stage, it is not.

For example, if you want to open a shop, you may have argued that there was no shop in your area selling what you plan to sell. This may suggest that a shop like yours is needed, but it may also suggest that there is actually no need for one.



Your initial business idea

This is your starting point, how you think your product or service will be created and delivered to your customers. After this, you will use research to find out whether your initial idea works, or whether you need to change any aspects of your initial business idea before you start.

What do you think your product or service should be?

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EXAMPLE MATERIALS

What will your total 'package' include (product or service, plus level of customer service, quality, credit terms, any other 'extras')?

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How will you make it (your product) or create it (your service) and deliver it (your product or your service)?

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Continued... 

Your initial business idea

continued

What makes you think there is a need for what you plan to offer?

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What types of people do you expect to buy your product or service?

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EXAMPLE MATERIALS

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What evidence do you have that they will buy your product or service?

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How will you tell those people about your product or service?

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Sheet 6



10 reasons for success

Here are **10 reasons** why I can be reasonably sure my idea is going to work:

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EXAMPLE MATERIALS
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