

Running a business

Have you got what it takes to deal with the downside?

Lots of us love the idea of having our own business – in fact recent research showed that last year, one in five people made this one of their New Year’s resolutions. And at this time of life, it not only makes sense for all sorts of economic and practical reasons, self-employment also has the appeal of letting you continue to work on your terms, doing what you want, for as long as you like. Perfect!

Unfortunately, as many people find to their cost – often after they have committed huge amounts of time, money and other resource to their endeavour – having your own business can result in a lifestyle which is far from perfect. Not only are some people just not cut out for the intrinsic nature of the lifestyle, many embark upon self-employment with scant knowledge or awareness of the myriad pitfalls which every small business faces.

So before you either resign from your current job or commit your savings to developing your business idea, take time out to think through some of these questions. **Answer honestly.** If you don’t, the only person who will suffer in the long term will be you.

Do you have a clear vision of what having your own business will be like?

Frankly, a lot of people go into business without a clear idea of where it will take them. Of course, no one can predict exactly how things will turn out, but what you can do is design a vision of how you want things to be – right down to the smallest detail.

Imagine your life two years from now when you have your own business. When will you be starting your business day? Where will you be situated? What exactly will you be doing? Where will your business have come from? How long will you have to work that day? What equipment or facilities will you have? Who will be helping or supporting you? How will you feel? What will you be worried about? What will you be happy and satisfied about? What will you have lost and what will you have gained?

If you can’t see yourself clearly, then experience shows that you probably aren’t ready to make the leap. You need to think more about the options open to you and the reasons why you want to be self-employed.

Do you have realistic goals?

Regrettably, just setting up a business is no guarantee of its future success. If and when you do have your own business you will soon come to realise that part of the hype surrounding it is that everyone else who is self-employed is always ‘doing really well’ and business is ‘great’; people are always ‘incredibly busy’.

In reality, the truth is far from that. Statistics show that xx% of small businesses fail within xx years, xx% within xx years. Only xx% survive for more than xx years. And these are all people – perhaps like you – who had talent, ambition, and good business ideas.

There are many reasons why their businesses may have failed, but for some it was pure lack of business sense and realistic goals. They went into the business thinking it would magically make a fortune, when from the outset any experienced analyst could see that it simply couldn’t happen.

So, concentrate on setting realistic, achievable goals for your first years of trading. If it all goes well after that you can build and become more ambitious – but at the outset your goals should focus on steady growth and staying afloat.

How much do you know about your competitors and potential customers?

If you’re setting up a business which will be basically be a continuation of your previous working life i.e. you will be doing the same thing as you previously did for your employer, you may think you know everything about what you do, who your competitors are, and who will buy from you.

Wrong! It’s true that you will have much better knowledge than if you’re entering a completely

new field, but don't let this fool you into becoming complacent.

You need to realise that you are now entering a new market – a market made up of customers who buy from self-employed people – not the large company that was your previous employer. And as such, your competitors will be different also. For example, if you were an accountant who used to work for a large firm and are now considering setting up your own accountancy practice, you won't be in competition with the large or medium-sized firms but with the High St one-man bands. How much do you know about them and how they operate and the people who use their services?

Of course, if you're entering a completely new field of endeavour, your research needs to be exhaustive. Perhaps you're setting up as a garden designer because you've always done it as a hobby and you've had a few friends who have paid you for it. Great – but what do you actually know about garden design as a **business**? There's lots to know, and the time to find out is well in advance of committing to a business launch.

How clear are you about your personal SWOT?

If you haven't already done so, now is the time to undertake your own SWOT analysis (Strengths, Weaknesses, Opportunities and Threats). Be exhaustive and realistic. What particular strengths do you have in relation to this business idea? What are your real threats? Be honest and keep revisiting your list until you know with absolutely clarity what the situation is and what you can bring to the party.

Do you have a workable plan?

The old saying 'failing to plan is planning to fail' is never truer than with start-up businesses.

Many people think that they only need a plan if they want to raise money from a bank or other financial institution. Not so. Having a plan of a quality that would convince a third party that you are a worthwhile case for investment is a good discipline and a great way of facing up to reality before it's too late.

What are your overheads actually going to be? How much are you going to need to make each month to stay afloat? How much profit will you be able to generate? What's your contingency plan? Who are your competitors? Where will your customers come from?

You may think you have all this information in your head and that writing it down is a waste of time but it's surprising how much you realise you don't

actually know and haven't thought through when you come to committing it to paper.

How good are you with money?

Now's not the time to kid yourself. If the answer's 'not very', you need to work out whether you can start to change your habits. The unfortunate fact is that most businesses fail because of cash flow problems, so being financially astute and keeping on top of money is absolutely crucial to your future and ongoing success.

Another key factor is to have a built-in cash cushion to keep you going until the business starts to generate income (which usually takes far, far longer than originally anticipated). But equally important, have a cut-off point at which you will say 'no more'. At this time of life particularly, running yourself into bankruptcy is not a good idea.

How good are you at sales?

As with financial acumen, if the answer's 'not very' you have to consider how you're going to get round this problem. Like it or not, the world probably isn't going to beat a path to your door simply because you've decided to set up in business. You have to go out there and sell yourself – and the bad news is, you will have to continue to sell yourself for as long as you are in business, through good times and bad, busy times and slow.

Perhaps you might want to think of taking a sales course, or joining forces with someone who is good at sales? Or maybe a franchise would be good for you? Marketing and sales does get easier over time, but avoiding the issue won't make it go away.

Do you have true grit, self-belief and dogged determination?

There are enormous and wonderful advantages to being self-employed, but the downsides can be equally huge. It can be lonely, depressing, and soul-destroying. At times, it may seem no one wants what you have to offer and yet you will find yourself working harder than you ever did when you worked for someone else.

Your family and friends may not be as supportive as you wish if suddenly you have no time to take holidays or have time off. You may find you have to do absolutely everything for yourself, including dealing with computer problems, typing your own invoices and worse – and often, there's no one to ask for advice.

But if you are prepared for this at the outset, it too will pass. For those who have made the transition, self-employment is truly 'the best job in the world'.