



A GUIDE TO STARTING AND RUNNING A SMALL BUSINESS.

By David Ashdown FIoEE

If you have a great idea, hobby or interest
that you would like to turn into a business,
then this guide is for you.

*DAA Consulting
11 Greenleaf House
Darkes Lane
Potters Bar
Hertfordshire. EN6 1AE*

*01707 527725
office@daa.consulting
www.daa.consulting*

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*“The best way to predict your
future is to create it”
— Peter F. Drucker*

About the Author

In 1974, whilst still at school and at the grand old age of 13, David started his first business. Three months earlier he had started a Saturday job cleaning windows for a local firm and had quickly realized that the company offered little in terms of customer satisfaction.

“The owner simply wanted me to rush from house to house as quickly as possible, so that he could collect as much money as possible”, David recalls. *“Customers often complained and I got the brunt of it as the owner was never around. He would drop me off at the start of the day and then collect me at the end and all he was interested in, was how much money I had collected. When I told him so-and-so were unhappy, he would just shrug it off and say there were plenty more customers around”.*

Disillusioned, David realized there had to be a better way and spoke to one of the full time guys. *“Dan was older than me, had a car, some ladders and the same disillusioned frustration as me but didn’t have the confidence to approach customers and start out on his own”.*

It was a perfect match, David had no shyness in ‘knocking on doors’ so in July 1974 Dave and Dan started their own round. Dan supplied the vehicle and materials and David found the work, and with their combined belief of ‘keeping the customer satisfied’, they gained just as many new customers through recommendation as they did by cold calling.

By 1976, Dave and Dan had built up a solid round *“even though school often got in the way!”* David says jokingly, and had accumulated a *‘tidy sum of money’* simply by offering great customer service. Plans had been hatched to expand into office & industrial cleaning, until his father put a stop to it all and told him to ‘get a proper job’.

Reluctantly, David sold his share to Dan and took a job in Estate Agency in North London but within a few years he had the urge again to *‘go it alone’* and in 1981 he started buying, converting and renovating old houses and selling them on for a profit.



David achieved solid success throughout the 1980's dealing in an impressive portfolio of property transactions, including the development of an early Tesco Superstore and the relocation of an NHS Hospital. During this time, David established himself as a successful entrepreneur and property developer. In 1988, recognizing the vulnerability of the property market, David cashed-in and sold off his property interests before the market plunged into a deep recession.

Through a friend and business colleague, David was offered an opportunity to take over an ailing transport company, which he believed had substantial scope for growth. With little or no knowledge of the industry, David threw himself into it and subsequently grew it by over 1000% in 12 years, expanding into logistics, storage, vehicle hire and distribution. In 2001, David exited the business and set up his own consultancy practice.

Since then, David has acted as a business consultant, advisor and mentor to a number of SME's and is also an approved Chartered Management Institute Tutor, delivering Degrees and Diplomas in Leadership & Management to senior management and business owners and sits on the Board of a number of small businesses as a Non-Executive Director.

He is also an accredited member of the ibd-group, a Fellow of the Institute of Enterprise & Entrepreneurs and a member of The Association of Business Mentors as well as Enterprise Nation.

David is a strong-minded yet affable character with excellent people skills with key strengths in marketing, negotiation, mediation and business development.

Born in 1961 in North London, David has been married for 27 years, is a father to three daughters and a grandfather to one and now lives in Hertfordshire. He is a keen Motor Racing fan and Rugby supporter.

“Everyone has an idea but it's really about executing that idea and attracting other people to help you work on it that counts”.

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Introduction

Hello and welcome to my guide on how to start and run a small business. This guide is intended for use as a short reference and is not in any way exhaustive. There are many factors affecting how you start and run your own business but I hope you will find this book a handy guide to some of the basic principles.

For some, starting a business can be daunting and for others, it's a case of; they can't wait to get started. Either way, it is always good to remember that there is lots of help and advice out there and not only can that advice prove invaluable, it doesn't have to cost the earth. Treat all forms of advice as an invaluable investment into your business.

I believe, that anyone looking at running their own business is an Entrepreneur because Entrepreneurs take resources and make things happen. That is exactly what you are doing by running your own business.

Remember though, it's not just about having an idea. It's about implementing it. I have seen people with great ideas fail, and conversely I have seen others with what appears a poor idea, become a success.

Drive and ambition are key ingredients in Entrepreneurship but that said, it's always good to listen to others. If there really isn't a demand for your idea, there is no point in flogging a dead horse just because you want to prove others wrong.

Entrepreneurs are more innovative, leading to new products and services being created, which in turn leads to lower unemployment and an enhancement of lifestyles. So what makes a good entrepreneur?

It is generally recognised that the Attributes or Traits of an Entrepreneur are fundamentally:

- Ambition (the need to succeed),
- Creativity (always innovative),
- Tenacity (often stubborn),
- Risk Tolerant (being bold),
- Intuition (spontaneous) and
- Personality (the life and soul).



To understand the background to entrepreneurship, let's look a little at where it all started:

The first recorded entrepreneurs were in medieval days (the church, merchants and members of the royal court), who introduced new goods with new quality and value.

Then, people came off the land and into industry with the development of the Cotton Mills and the Industrial Revolution. From this came the Flying Shuttle, Spinning Jenny, Water Frame and Crompton's 'Mule'.

Entrepreneurship led to enterprise, innovation and organisational skills.

Today there are 4.9 million businesses in the UK, employing 24.3 million people with a combined turnover of £3.6 trillion and entrepreneurship is seen as a major future driver of economic growth in the economy.

So whatever stage you are at, by being an Entrepreneur and starting your own business, you are helping to build a future for you, your future generation and the UK.

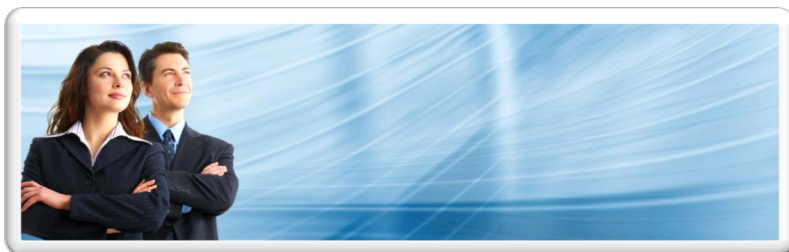
Well done and welcome to the world of business and entrepreneurship. I hope you find this guide helpful.

With special thanks to all those who have contributed to this guide, especially Geraldine Scott for her various blogs and research.

Thank you for reading.

David Ashdown

David Ashdown FIoEE



One - STARTING A BUSINESS



Starting a business can be both exciting and scary. It's a big undertaking and a big step. You have the idea, you have the skill but do you have the time and do you have the finance, and most importantly, have you done your research?

It's a sad fact that most small businesses fail within the first year. Many fail though, because they have not set out their stall correctly nor planned ahead.

This guide will hopefully help you in not making some of the classic mistakes when starting out:

Market Validation – IS there a Market?

It goes almost without saying, but the most fundamental starting point for creating a business is an idea. However, not all good ideas become good businesses. But to begin with, you must ask yourself, **is there a market for this idea?**

If not, why not? Is it because you have discovered or identified a niche, or is it because there is no demand? It is very important to try and identify which one it is. I have met many people who believe that their idea is 'the next best thing'.

They tell me this because they have come up with an idea, which is unique that no one else is doing.

Because no one else is doing it, is not a good enough reason. It may well be that no one else is doing it because there are not enough people who want it.

We all have different views in life and we all like and dislike different things. Just because you believe that your idea is unique and 'something special', doesn't mean that others will and never assume others will feel the same way. That is not to say it won't be in hot demand but the most crucial thing to do here, is to do your research.

New ideas are often very hard to get off the ground and the likes of Facebook and Google are exceptions, so why not look at existing markets and find a way of delivering them in a better way?

Whichever route you chose, research will help. Research comes in a variety of formats and each one of them is important.

- a) Online research is a must, as it will quickly identify if your product or service exists and whether it's in demand. If there are lots of similar businesses then there is clearly a big demand and that is not necessarily a bad thing. If this is the case, ask yourself; "What can I do better? Why will people buy from me?"

If the market doesn't exist, try and find out if anyone has tested it before. If they have, why wasn't it successful? Perhaps your idea is slightly different!

- b) The second form of research is 'real people'. Ask around, would people buy your idea? Why would or wouldn't they buy? What would they pay? Starting with family and friends is the easiest and quickest way but remember, people close to you either want to encourage you and therefore say what you want to hear, or are jealous or envious and tell you things to discourage you.

Don't be put off by this, and whatever you do, don't argue with people if they don't like your idea. Remember, we all like different things!

- c) If you believe you have a good idea, consider approaching a business mentor or consultant. Don't be put off by the title. Sure, there are business consultants who charge extraordinary high fees but these are generally helping large corporations.

There are many, who genuinely want to help small business grow and develop and will work with you and help you to achieve your goal.

A number of them, like [DAA Consulting](#), also offer free mentoring for start-ups. They understand that most people starting out in business do not have an endless source of funds.

They will help you obtain finance or to find grants where available, as well as look at your marketing strategy and direct you to the right sources. Some may even defer part of their fees until the business can support itself. It's always worth asking!



They will almost certainly provide you with an initial free consultation and look constructively upon your idea and give you a genuine unbiased opinion. Remember, these are people who have been there, seen it, done it. Whilst no one has a crystal ball, most consultants and advisors will have a pretty good idea of the potential pitfalls your idea may have and how to overcome them.

Identifying pitfalls and problems, should always be taken constructively. By identifying areas of concern, you can look at ways to prevent them from stopping what you want to achieve before it's too late.

So the first steps in starting your business are:

- ✓ *The idea: - Never start a business, for the sake of starting a business!*
- ✓ *Is there a market for the idea? - Has it been tried before?*
- ✓ *Does the market exist? - If so, can you do better?*
- ✓ *Do your research - Online, friends and family, independent business advisors.*

You will also need to work out what type of marketing, pricing and business model will best attract your target customers – more about this later.

Are you Passionate?

People have often approached me and said *“I'd really like to start a business, but I don't know what type of business to start, can you give me some ideas?”* My immediate answer to this is always the same, *“What do you enjoy doing? What interests you?”* *“Is there anything you are passionate about?”*



When starting out, you don't have to be an expert in your field but it does help enormously if you do something that interests or excites you.

This way, you will not only learn fast, but your passion for your product or service will shine through. These two elements go a long way to helping you become successful.

Many successful entrepreneurs say that making money was secondary and that the reason they started their business was their belief that they could offer their customers something better.

Remember: If you don't share in that passion or believe in your idea, why should your customers? The chances are, they won't and your business is more likely to fail.

Business Model

With your idea and research in tow and before starting out on the road to business, you next need to decide which business structure to opt for. You will need to:

- ❖ *Choose a trading name for your start up*
- ❖ *Decide the way you will trade (sole trader, partnership, limited company)*
- ❖ *Think about where you will trade from, and the costs involved*
- ❖ *Pick who you will bank with*
- ❖ *Notify the relevant authorities you are trading*

Again, research is required to find out what are the pros and cons of the relevant structures in relation to your idea. You could speak to an accountant or, if you decided to consult with an advisor or mentor, the likelihood is that he or she will be able to guide you in the initial stages.

The choice of structure will inform your future growth; therefore, picking the best-suited structure is as imperative as keeping accurate records of your business.

Business Planning

The next step is creating your business plan: this is where you can map out how your business is going to get to where you want it to be in three to five years time.

Without a clear vision, a business is less likely to succeed, yet it is surprising how many people start out without one. Similar to the view that many people have about the advisors, many also think that a business-plan is a daunting and unnecessary.



Simply put, a business plan is purely an amalgamation of your thoughts. You will have already thought why it is that you believe your idea will be a success and why people will want to buy from you. A business plan is a written culmination of those thoughts.

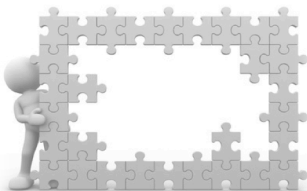
It does however, have two main fundamental advantages:

- Firstly, it focuses your mind on other issues you may not yet have thought of, and as referred to above, it helps you identify how you are going to overcome those pitfalls you previously identified, as well as think about any others. By putting this down on paper, you will have a constant reference to what you have set out to do, to help keep you on track.
- Secondly, a comprehensive plan is needed to persuade other people to provide funding if required. Starting a business will almost certainly need some form of funding, whether it be, a [start-up loan](#), a bank loan, an overdraft or even an investment from a private individual.

Branding

At this point, you need to consider the image of your business; for example the name and logo. These need to stand out and be unique in the increasingly globalised and crowded market. Before starting a business, it's a good idea to incorporate this image on a well designed website, and all this ideally needs to be fully completed before your business goes live.

Not all businesses need a website but most will. Again, discuss this with your advisor. Depending on what your business is, your website could be where most people will come across your business and decide whether to buy your products or services. All very important issues when starting a business.



However, your website is so much more than just a pretty, colourful set of images, graphics and words. If your business is likely to benefit from a website, then it needs to be well presented, easy to read and most crucially, be keyword friendly.

Your website needs to be found. It's pointless having a great looking website if nobody can find it.

It's a bit like printing a leaflet or flyer for your business and then keeping it in your draw. It's pointless - it needs to be out there and be seen.

Positioning your website where it can be found i.e. high on the search engines and directories, does not need to be expensive although it can be time consuming.

However, this is where your passion and enthusiasm for your idea can really flourish. Posting blogs, writing articles and joining in conversations online is great for business and the more authoritative you appear, the more people will be drawn to you.

Cash Flow Management

Finally, before starting out, you need to make sure your finances are all in order.

Cashflow is the number one reason why so many businesses fail so quickly and again this is where planning comes in, which will form part of your business plan.

This will mean getting an accounting and cash flow system up and running ASAP, so that you don't get buried in invoices and receipts and lose sight of the viability of your fledgling business.



Even long established businesses can suffer negative cash flow issues and go under if tight controls aren't kept in place. 'Cash is king' in business and it's all too easy to be carried away with sales and not keep a close enough eye on costs.

As previously mentioned, taking advice at an early stage can help enormously, especially when it comes to forecasting and managing cash flow and it is important to remember that 70% of small businesses that receive mentoring survive for five years or more, which is double the rate of those who don't.

TWO - BUSINESS START UP LOANS

As stated in the last chapter, the first steps into business can be both exciting and scary. They can also be the point where many get lost or give up because, whilst the research shows there is a demand, the bank balance may show a lack of funding.

You have the idea, you have the skill, you have the time but do you have the finance?

Not every business will need a loan to start up but if your business plan has demonstrated that it will, don't get confused or overwhelmed with the options with where to begin.

There are a number of traditional choices, such as bank loans and overdrafts as well as new ones such as crowd funding and peer to peer lending.



These last few years have seen a dramatic decline in the traditional forms of funding and the new sources, such as crowd funding often require fairly inspirational or elaborate ideas to be attractive to investors.

One of the easier and speedier formats available today, is the government-backed Start-Up Loan scheme. Not everyone will qualify but again, a business advisor can help discuss your options and help you with the application process.

How do I know if I qualify for a start-up loan?

Last year over 500,000 new businesses registered with Companies House and this number is set to rise. Many started their journey with the help of a business start-up loan and this is set to continue.

The first thing you need to know is that start-up loans are exactly that: for businesses who are starting up! However, businesses younger than 24 months old are also considered to be start-ups and can qualify.

This is great news for those who didn't know about start-up loans or didn't feel they needed one when they originally started their business, so if this is you and you'd like to apply or know more, get [in contact](#).

So, if you're about to launch a business or have been trading for less than two years, you are eligible and could qualify for a start-up loan.

In order to apply, you will need to put in place a business plan. As mentioned in the previous chapter, a business plan is always needed when applying for any form of finance. As also stated, this is something that most entrepreneurs can start by themselves but if they need help, this is available.

The business plan does not need to be overly complicated but it does need to be as precise as possible and realistic. Preparing a plan for a business with no track record can be difficult as financial forecasts, which are an absolute necessity for obtaining any form of loan, are based on assumptions.



However, with the help of an expert who has experienced the ups and downs of business, a number of sensible assumptions can be made.

A [business consultant or advisor](#) can be a good place to start in simplifying the process as well as offering expertise where needed and very often an arrangement can be made to defer any costs involved until the loan has been granted.



Why does a start-up need a business plan?

A business plan will help an idea come to life, as it helps to predict figures, set goals and provide an action plan showing how your business will come together.

Businesses as well as lenders need solid figures to work towards and a business plan provides this as well as helping to establish whether an idea has got 'legs'. The plan will need to show that the business can make back the money that it has borrowed as well as operate in profit.

All lenders will insist on a business plan, as it is their only way of understanding your business and what is involved in it.

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