

JUST STARTING ?

READ THIS FIRST

10

**STUMBLING
BLOCKS**



ADVICE
SUPPORT
TAX PLANNING
COMPLIANCE
FOR STARTERS

**AN EASY TO READ AND INVALUABLE GUIDE
TO THOSE OF YOU STARTING A NEW VENTURE**



Casson Beckman
Chartered Accountants
& Business Advisers

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PROFESSIONAL ADVICE

A huge number of new entrepreneurs quite obviously ask their friends and family for advice when starting a new business.

The problem can be, though, is that they often ask people who have never started a business; so in reality, these people are not always in a position to offer sound advice!

A little knowledge can be a dangerous thing and to depend solely on a friend's best intentions is to potentially risk your own livelihood.

If you attempt to obtain the correct information from the offset and surround yourself with professionals who possess skills and expertise that you may lack you immediately give yourself an improved chance of surviving.

Teaming up with professionals who can complement your strengths and cover your weaknesses will give you the confidence from the start that you are doing the right thing.

You won't be living with that nagging doubt that you may be just "winging it"

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PLANNING

Planning is essential

Having a business plan really helps... and not one that's done on the back of a cigarette packet! Writing a plan forces you to think through the steps and map out the environment you will be operating in.

Secondly, the plan can be a good communication tool between the parties involved to ensure you're all moving in the right direction.

Spend all the time you need working on your business plan, which should include:

- your mission statement
- your business strategy,
- research on your target market (demographics),
- industry analysis (size, economics, trends, success factors, challenges, etc)
- your marketing plan,
- your financial projections and sales.

Once you have done your first plan start thinking of the next one!





RESEARCH

Failure to do proper research

Starting a new business takes time, money and commitment which are all commodities we may find scarce. It pays in the long run to research the opportunity, industry, domain specifics and competition before jumping in. A bit of work in the beginning can save you a lot of grief later on.

The internet and good business books are a cost effective source to start with but also seek professional advice where needed.

Once you understand all the aspects of your business you should be able to present them in an easy and simple manner to others. If you don't you haven't researched hard enough and you will find yourself pitching your sales story without confidence.

You need to have an efficient 15 to 60 second elevator pitch that introduces you and your business' mission, focuses on the benefits you provide and makes you and your business memorable.





CAPITALISATION

Insufficient capital.

The level of funding required for your venture obviously depends largely on the type of business, barriers to entry and the skills composition of your team. We usually find that many businesses fail because they under capitalise, it is important to understand what the cost requirements are before you start.

A key question to ask yourself is how long will the business survive before making that first sale? If it's not catered for you will be carrying that period as a burden.

Also ask yourself if you have enough capital leftover once you have bought your stock. Do you have enough left for sales & marketing? Will your premises need a refurbishment?

You really don't want to fund these areas of your business from any profits you hope to generate in your first year.

We are much likely to be concerned with the lack of your borrowing than we are if you think you have borrowed too much.





CASH MANAGEMENT

Poor cash management.

Having sufficient funds is essential for any business to stay alive and grow. There's no doubt about that. It doesn't really matter how brilliant an idea is or how clever you are. If there isn't sufficient cash in the bank to pay the suppliers, employees or monthly bills, a business cannot remain operating for long. Even if you are owed a lot of money and the books look good if you can't pay the bills you may have to accept that no one else will.

Apart from ensuring the ongoing survival of a business good cashflow management can enable a business to capitalise on opportunities as they arise.

You may read elsewhere on this Casson Beckman website that we sometimes regard cashflow to be more important than profit and loss and certainly banks will often regard this as so. Poor cash flow is the biggest reason why businesses fail.

Talk to us about producing a cash flow forecast for you.





CREDIT CONTROL

Late billing and collections.

This goes hand in hand with cash management. Concentrating on the product or service a business produces is important but being able to recover the costs and make a profit is essential. After all, cashflow is the life blood of your business.

For new businesses especially, you have to be extra careful and ensure that invoices are raised correctly, billing cycles aren't too long and customers pay on time. Paying for invoice collection at this stage of your development may be a very wise idea if you are inexperienced in this area. Problems can quickly mount if you don't collect what is your's quickly enough.

As they say "invoice whilst the tears are still wet" and NEVER be afraid to ask for your money.



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BUSINESS STRUCTURE

Reliance on a few suppliers or customers.

Running a business is about managing risks. Businesses that rely on too few suppliers or customers are operating under risky conditions. Any change in the relationship or circumstances can significantly affect your performance as a business.

For example, how would a business cope if the primary supplier decides to increase the cost of all products by 5%? Or what impact does it have on a business when its only major customer decides to move their business elsewhere?

There is an old "80/20" rule whereby, as a rule of thumb, an organisation should NEVER have more than 80% of business with less than 20% of its client or supply base.

Manage these ratios well and you are on the way to having a good business base.

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MANAGEMENT INFORMATION

Understanding business data

Most importantly you must be able to prepare and review management information to understand how you are progressing. It doesn't matter in what industry the business operates in, you must be able to identify costs, sales & productivity etc – this is essential if you wish to continue successfully in business. Sometimes what you think is happening can be completely out of synch with reality.

Business plans, cash flow forecasts, sales targetting and cost reviews are all typical of good management information.

Without timely management information it becomes increasingly difficult to make informed business decisions. Casson Beckman are obsessive with giving you management information believing it to be the single most important safeguard against future financial failure.





BUSINESS REALISM

Don't be over optimistic

To clarify, you are going to need all of your optimism and a hugely positive attitude to overcome the likely hurdles in your new business life. However, a misplaced sense of expectation can do more harm than good.

At first, you will have to wear many different hats; you will be the CEO, the general manager, the accountant, the salesperson, the computer technician, the secretary and your own receptionist. You are more likely to work longer hours than you have ever done and you will be the worst paid in the business for a while. You'll be very lucky to be rich quickly.

You must therefore prepare yourself because there will be days when you are disappointed, depressed, or frustrated.

In the vast majority of cases success will not happen overnight. And it may take a year or two before you achieve your hoped for results. If you set realistic sales targets it will be a great motivator when they are met. In short, try to slightly under estimate on sales and over estimate on costs.



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AND FINALLY

Did we mention advice???

Get the correct information from the offset.....

Running a new business on your own can be trying and stressful. However, the rewards can be fantastic too. How successful you are is only limited by your own creativity and hard work. If you run a relatively new business, ask yourself how many of these common stumbling blocks have you encountered? Perhaps more importantly, think about the mitigating actions you can put in place before they occur.

Avoiding some or all of these common stumbling blocks could be the difference between your business surviving or otherwise.

If you have read this far we can assume you must be taking this seriously.

If you are then we must wish you good luck.

And when you make it don't forget to invite us to the party!

