Yorkshire Business Mentor

The 'Do's and Don'ts' of Starting Up a Business
The following are all based on real life experiences and are offered as suggestions.

Family
1. Do consider the impact of your proposals on your family and other commitments: have you family support?

2. Do clearly agree the terms if you're borrowing money from family and friends at the outset: make sure they understand the terms and manage their expectations.

Skills
3. Do be honest when assessing your own strengths and weaknesses

4. Do identify any particular skills which your business needs

5. Do identify what skills are missing e.g. sales and how you are going to fill that gap

Planning
6. Do plan properly before starting to trade: prepare a timeline and stick to it

7. Do manage the transition from paid employment to starting up with care and patience: starting a business whilst in full time employment is very difficult. If necessary, consider bringing in an outsider to give impetus to your new business

8. Do listen to the feedback given to you by others about your business idea

9. Do identify the type of market that your business will operate in. Is it a proven market with established demand or a proven market which is to be supplied in a new way or an unproven market with no established demand? The type of market in which you operate will influence the time it will take to generate revenue and, consequently, the working capital you will require

10. Do write a business plan but for no more than the first three years. Writing a plan will help identify problem areas and may challenge previous assumptions made by you. In the plan, state where you want the business to be in three years time and set targets or milestones for the business – keep checking if these are being met

11. Do identify the issue or problem which your product/service will resolve for your target market: ask yourself the question, why will the target market want to buy my product/service – and then answer it

12. Don't plan on the basis "if we capture just 5% of this market, this will generate £x": instead, identify and focus on the reasons why that 5% will buy your product/service

13. Do identify possible barriers to take up by your target market and how you'll overcome them

14. Do identify whether your target markets are niche or mass markets since this will shape your sales/marketing strategy

15. Do identify your routes into those markets: is it direct via, say, a website or is it indirect via distributors or retailers and what is the likely impact on your cashflow? In either case, calculate your gross margin.

16. Do prepare an elevator pitch or strapline for your business

Financial Projections

17. Do prepare financial projections and concentrate on the cashflow forecasts

18. Don't be over-optimistic when forecasting sales volumes: a common mistake is to predict too high a volume of sales too quickly. Target clients work to their timescales, not yours. Carry out a risk and sensitivity analysis by discounting your projected sales by, for example, 50% and then note the effect on your cashflow forecast

19. Do keep your initial operating costs low: find ways of minimising/eliminating these costs e.g. use your investors' skills instead of paying market rates to third parties, perhaps trade some equity in return for those skills. Do include a wage for yourself in these costs: you can always forego/defer payment of it if the cash position becomes tight. Establish what your average monthly operational costs will be

20. Do be realistic when deciding how much working capital your business needs: new businesses often run out of cash before they achieve the stage of breakeven where monthly income is covering monthly operating costs

21. Do make achievement of breakeven your primary objective and keep this objective in the forefront of your mind

22. Do recognise that your management of cash is critical: you only have a quantifiable amount of working capital available, unless you raise further funds from investors or elsewhere. Do avoid capital becoming tied up in slow or non-moving stock

23. Do try and protect your cashflow by spreading costs as best you can

Investors, Business Angels, Mentors

24. Do insist on confidentiality/non-disclosure agreements being signed: do protect the assets of your business, notably intellectual property rights. However, don't retain the intellectual property rights in your own personal name if you intend to trade through a limited liability company in which you want third parties to invest

25. Do take care when choosing investors/backers: attracting investors is a 'two way street' so ask questions, check them out and explore what role/contribution they can play, apart from investing money

26. Do raise sufficient working capital, especially if your business is in an unproven market since it will take time to win over your target market. If possible, avoid 'salami slicing' your investors i.e. calling on them to inject further funds at a later date

27. Do ensure that a shareholders agreement is put in place, agreed and signed

28. Do give serious consideration to having a mentor, especially if you feel lonely or uncertain

Commencement of Trading

29. Do constantly keep a handle on the financial state of the business

30. Do decide on the internal culture that you want to instil into your business before you start trading and also the image that you wish to convey to the outside world – and instil these into everyone working in your business

31. Don't keep your investors/backers in the dark: communicate with them

32. Do take note of how your target market reacts when you start up your business: be flexible and willing to execute sharp changes in the direction of your business. Don't develop an obsessive conviction in the merits of a particular product/service

33. Do commit to your business and don't get distracted by other business ideas

34. Don't recruit too early and don't recruit too many

35. Do invest time, and take care, when recruiting: prepare a detailed job description and also a profile of the person that you want to employ. Take up references. The people in a small business are very important – 'good people are your greatest asset, bad people are your greatest liability'. Be wary of people who have worked in large corporates since they often struggle to adapt to a small business environment

36. Do exercise extreme caution if you propose to outsource your sales function: sales are the lifeblood of your business

37. Do exercise extreme caution when recruiting sales people – their quality is variable. Don't let them write the sales/marketing strategy: devise this strategy yourself, perhaps in conjunction with others. Set your sales people targets which incentivise and motivate and then micro-manage them by monitoring their progress on a weekly basis

38. Do have belief in the merit and value of your product/service and project that belief to your target markets: use every opportunity to promote, or talk about, your product/service and do so with conviction and enthusiasm

39. Don't take rejection of your product/service personally: they reject the message, not the messenger. Listen and take note of their reasons for rejection. Be prepared to change that message and, perhaps, adapt your product/service

40. Don't cut corners in the presentation and delivery of your product. When selling on the internet, presentation and delivery of your product is, for your customer, the first physical manifestation of your online business – in effect, the 'front of house' of your business

41. Do avoid unexpectedly large bills from your suppliers e.g. professional fees: when appropriate, set budgets and impose caps with suppliers. Initially, negotiate hard with suppliers then look after them, don't mistreat them

42. Don't bury your head in the sand if a cash crisis is looming – take action. Do recognise that your creditors will only give you one chance if you hit trouble. Don't make promises to creditors that you can't deliver

43. Do a risk analysis when entering into long-term contracts: second guess what can go wrong and then build protection into the contract to guard against those risks

44. Don’t beat yourself up when you make mistakes: learn and move on.