

Business planning for owner managers

Unlock your potential



Small Firms Enterprise Development Initiative



Sharing Successful Business Practice

The Small Firms Enterprise Development Initiative (SFEDI), established in 1990 as the Small Firms Lead Body, develops competence standards for small business owner managers and for those who provide them with business support and information.

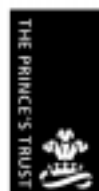
In 1998, SFEDI became a founder partner of the national Management and Enterprise Training Organisation (METO), a government recognised body directed by leaders of commerce, industry and business support.

SFEDI has a major role in increasing the survival and viability of Britain's small firms. SFEDI's main task is to share successful business practice, which will develop owner managers so that their businesses can survive and thrive.

The Owner Manager standards were launched in April 1996 and thousands of owner managers have already profited from them. Starting your own business is a major commitment and the importance of planning to the success of your business can never be overstated. This series of workbooks, developed by Project North East and Shell LiveWIRE, will help you develop a winning business plan and a process to use time after time in the future. It will help you learn the basic skills to start up a successful business, matched against proven SFEDI benchmarks of Owner Manager performance.

At SFEDI, we believe that self-employment should be regarded as a positive career choice and never as a last resort. Owner managers need the same positive, personal development, skills, advice, support and choice of learning as any other forward-looking career option. This programme – "Become a Successful Owner Manager" – is a major contribution to the development of owner managers in Britain and SFEDI is delighted to give it our full endorsement.

This series has been endorsed by The Prince's Youth Business Trust



and is commended by The Prince's Scottish Youth Business Trust



Become a successful owner manager Unlock your potential

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Published by Project North East
Hawthorn House, Forth Banks, Newcastle upon Tyne, NE1 3SG
Tel: 0191 261 7856 Fax: 0191 261 1910 E-mail: books@projectne.co.uk

This book: ISBN 0 947557 24 5

Series: ISBN 0 947557 35 0

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Small Firms *Enterprise Development Initiative*

"We want to enable everyone involved in the management of an enterprise - from the self employed trader to the MD of a multi-national plc - to receive the best opportunities for lifelong learning, employment, career and enterprise development."

Gordon Roddick
Chairman, Body Shop International plc and
Chairman, METO

So you want to start in business . . .

Deciding to start a business is one of the biggest decisions you will make in your life. It's not like starting a new job, there's a lot more pressure. There are great risks and, if you're successful, there are great rewards. Starting your own business is an exciting challenge that could be the key that unlocks your true potential in life.

This booklet aims to help you to think through your ideas for business and to help you to test your commitment before you go any further. Even if you've seen some of the contents before, use this opportunity to get the whole thing into perspective and to make an action plan for the months ahead.

Business ideas

People who come up with original money-making ideas are either geniuses or else just plain lucky.

Not true! You can make your own luck, and it's really quite easy to come up with new ideas. The problem is choosing the right one for you, and making it work. As they say, genius is 1% inspiration and 99% perspiration. If you understand where new business ideas come from, you're a long way towards coming up with one of your own.

Give 'em what they want

Ever been frustrated searching for a product which nobody seems to make? Ever heard your neighbours complaining because they have to walk miles to the nearest launderette? Ever chased about town trying to buy a product that nobody seems to stock? Can you solve the problem? Give people what they want and you could have the beginnings of a profitable business.

I could do that!

Most people are good at something. You might know everything there is to know about the music business. Perhaps you're the confident type, and reckon you could sell anything to anyone, anytime, anywhere. Are bright ideas always popping up inside your head like the proverbial light bulb? Build on your strengths and you will build the beginnings of a profitable business.

Of course, you could let someone else sort out the problems before you get involved. You could go for a tried and tested business that nobody has thought of starting in your area. You could take up a franchise (part of a major group like McDonalds or Dyno-Rod) or buy one of the businesses advertised for sale in your local paper. Often the best ideas have already been tried and tested by others.

Get in there first

Keep your eyes open, something could crop up of its own accord. Local papers are full of opportunities - the council putting another of its services out to tender or a business woman complaining about the lack of proper childcare facilities in the area. A few years ago people who questioned what we did with our rubbish were seen as cranks - today recycling waste paper

is big business. Watch the future - it could be bringing you a profitable business idea.

Once you're in business, many more opportunities to grow and develop will appear. Finding your first business idea is like planting an acorn - nurture it and it could grow into a mighty oak.

Inspiration

Are you the creative type, always coming up with clever ideas? Are you the practical, down-to-earth type who always does the job right? Whichever you are, if you want to run a successful business, you will have to learn how to use your imagination to solve problems. Business is all about solving problems - that's why people are willing to pay money for goods and services. Whilst some people are better than others at this, there are ways to increase your ability to come up with solutions.

Change stimulates the imagination. If you visit different people and places, you may pick up a well tried idea that people just aren't aware of in your area. Tom Farmer spotted "muffler shops" in the USA, came home and started Kwik-Fit. Change also helps to "kick-start" your mind into new ways of thinking. It helps new ideas to flow and makes you less narrow minded about what is possible.

You don't have to go to the other side of the world - you can get stimulation simply by varying your routine. Make an effort to meet different types of people, get out to the countryside for a walk, or just visit a different town.

Brainstorming

One way to open up your mind is to use "brainstorming". Yes, it does sound a bit wacky, but it is also a well tried method of generating ideas and is widely used in the world of business. Brainstorming is an approach which helps you to search out all the ideas lurking in the back of your mind.

You can brainstorm with a bunch of friends, or with your business adviser. If others are involved you can get an atmosphere and a momentum going that throws up more and more ideas.

You can also brainstorm by yourself. Why not try it now?

- Get a pen and paper or a flip chart if you've got one.
- Open your mind and write down as many ideas as you can possibly think of for a business in your area.
- Keep the ball rolling any way you can; pace up and down, talk to yourself, pin things on the wall.
 - don't stop to think!
 - don't reject things that seem impractical - in fact the crazier the better!
 - be positive, don't put yourself down - you can do it!
- Stop after ten minutes, and use a different coloured pen to review your ideas.
 - which are practical?
 - which link to other ideas?
 - which can you reject out of hand?

If nothing comes up, try again another day.



1. Brainstorm now

Do it now. If you don't have an idea for your business, jot down as many as you can think of using the suggestions above. If you can't think of ideas, ask yourself: What hobbies do I have? What have I done at work or at college? Can I see any needs in the community where I live? If you already have an idea, brainstorm more ideas by thinking how you might apply that idea in manufacturing, in service, or in retail.

Perspiration

We all hear about unusual business ideas, but it's often the simple things that work the best, especially if you don't have a lot of business experience to call upon. A complicated, hi-tech enterprise may seem attractive, but it could throw up loads of tricky management problems that you can't deal with. You can make it easy for yourself by learning the basics of managing and running a business before you start aiming to grow.

The big disadvantage with a common idea is that there are likely to be others in your area doing the same kind of thing. It could be hard to attract enough customers to make it pay. Buying a shop is one of the easiest ways to get started - but shops are sometimes sold off because they are no longer viable.

Get interested

It's a good idea to do something in which you have a strong interest. Many successful businesses are based on hobbies such as fly tying, photography or restoring antiques. In the early days you will have to "eat, sleep and breathe" your business - it's a big advantage to know that you won't get bored. You also have to understand your customers, so knowing a few others with the same interest will come in handy.

Easy in - easy out

Don't get in too deep too quick. If your business requires a lot of cash to get it going, you could be taking a big risk. If you're uncertain, it's better to go for something that does not involve buying a lot of expensive equipment and materials. A mobile hairdresser only needs some basic equipment and transport. A freelance journalist only needs a desk, word processor and telephone. If you need a lot of money, can it be easily recovered if things go wrong? A van or a shop can always be sold off if there's a problem.

Have you got vision?

The environment around us is changing all the time. At first sight, changes can seem quite trivial, but in the long run they can end up totally changing everyday life and, in turn, creating hundreds of new business opportunities. Can you spot these trends? Keep your eye on the future. Today's fad could be tomorrow's money-spinner.

- People change

As people grow up, their tastes change. Teenagers who were spending money on themselves end up getting married, having children and buying a house. Their parents become pensioners, and start spending their retirement money.

Attitudes change

Fast food is very popular, but many people now prefer a healthier diet. Companies that used to pump pollutants into our rivers must now deliver “green” products to the supermarket shelves if they want to keep their customers.

Technologies change

Because of the microchip, one person with a desk top computer can do work that once took a whole office and its staff. Cable TV will bring new ways for people to communicate and to do their shopping and banking.

- Environments change

Private contractors now provide more local services than ever before.

Simple yet subtle

Some people seem to have the golden touch - like Richard Branson, who started working from his own home and now runs a huge business empire. Whether they're big fish or small fry, they've all got something in common. They all understand the basic ideas of the business world: you sell something, make a profit and put it in the bank. Anyone can do that!

A balancing act

Yes. In many ways, it is that simple - but it's very subtle too. Business is a balance of many different things - knowing what the customer wants, knowing that you can deliver it, knowing what it costs to make. Each thing by itself is quite straightforward, but they all add up to something quite tricky. The whole thing needs to be watched very closely because it's changing all the time. If the balance is right, you make money. If the balance is wrong, you will lose.

Doing it

There's only one way to find out if you can make the trick work, and that's by doing it. Of course you will need to learn more about those basic ideas, and that's why getting the right training and advice is so important. Business is not like an academic subject where passing exams is the ultimate test. Many have succeeded without any formal education at all!

The best approach is to keep taking training and advice as you get your business established. Some people call this action learning. This way you can select the things that are most relevant to you and put them into practice right away. Many young businesses forget to do this because they say they are too busy - these are usually the ones that go bust! You will have to force yourself to keep listening and learning all the time - it's one of the keys to success.

Give and take

The characteristics of self-employed people depend very much upon their business. A complicated, technical operation requires intelligent, well qualified people - a straight forward business idea (for example one person and a delivery van) doesn't. There are businesses that suit brash, self-confident types and there are businesses run by people who are quiet and shy.

There's no single stereotype, but experience has shown that there are some things that successful self-employed people often have in common. Here are some of them - how do you compare?

- Logical, perceptive, organised, realistic, responsible - good at getting things done.
- Out-going, confident, cocky.
- Communicator - able to get a point across.
- Sociable, good leader - can win people over instead of getting their backs up.

- Single-minded, decisive, independent.
- Open-minded - able to take advice.
- Flexible, adaptable.
- Opportunist, risk taker, ambitious.
- Hard working, committed, determined, “get up and go” type.
- Tough - often the best test of a successful person is their ability to handle failure!
- Individual - not afraid to stand out from a crowd, or of what others think.
- Creative, imaginative - always coming up with new ideas.

Family support, if available, is also very important - if they're not right behind you, you could have a problem. They will be under pressure too, and you will need someone to turn to when the going gets tough. One of the advantages for young people starting up is that they are less likely to have many commitments in the way of children or a mortgage, and so are in a good position to take a calculated risk.

What it gives

If it's tough, why do it? Like anything else, the harder it is to do something, the more satisfying it is to get it done. Recent surveys have shown the following as some of the rewards.

- Independence. To be your own boss, in charge of your own future, is very rewarding. It will also impress many people you meet.
- Job satisfaction. To deliver a quality service to your customer is very satisfying - and you can do it your way. You're usually doing something you really care about, and you will be meeting others with a similar interest.
- Achievement and success. If you make it work well, you will have achieved something worthwhile in life. You could end up making good money too.

- Personal development. The opportunities to grow and develop as a person are tremendous. Young entrepreneurs are often offered well paid jobs as managers - jobs which they frequently turn down!

What have you got?

Starting a business is not like any other job - it's an enterprise, it's an adventure, it's often a once in a lifetime decision. You will be in hundreds of new and often difficult situations. Your future will be in your own hands. Can you trust yourself with this responsibility? Will you give yourself the job?

You will have your own view of who you are. On the other hand your parents, your friends, your colleagues, your workmates, your boss or your teacher...all of them will have a different image of you. You may not agree with that image, and other people often have their own reasons for casting you in a particular role. All the same, is there an element of truth in what they say? It's not easy to get a true picture of yourself. You have to work at it - here's an approach:

- Be honest. You are not selling yourself to an employer. There's no point conning anyone. Face up to what you really are, not what you wish you were. If you don't feel you're ready for self-employment now, perhaps you will be in a few years time, with more experience and qualifications.
- Get an opinion. Different people have different views of you. Talk to your business adviser, a careers adviser or a trusted friend. Get a range of views. Try to sort out when they have a point (even if it makes you feel uncomfortable) and when they are just trying to make you fit in with an image that happens to suit them. Often, it's a mixture of both. If you have a business partner, have a chat about each other - if you don't trust your partner enough to do this, you shouldn't be going into business together!
- Prove it. Wherever possible, look for an example of a quality which you have identified. If you think you are an organiser, what have you organised? Look at all aspects of your life, not just work experience or qualifications.
- Keep notes. Everyone, young or old should have a file on themselves. It's useful for planning, and also for applying for jobs. The great thing about enterprise is that it helps you to grow and develop as a person. You need to keep tabs on yourself, your strengths and weaknesses, what you need to learn. You also need this information for your business plan.

- A profile. Use this checklist to help you to build up an image of yourself.
 - History - What are the key facts about your life? What's happened to you?
 - Experience - What have you done? What are you proud of, in work and play?
 - Personality - What are you like? A character, an individual, a doer, a talker, a socialiser?
 - Potential - What's inside you bursting to come out? What could you do given the chance?
 - Motivation - What makes you tick? What are you after? What gives you satisfaction?

What do you want?

Many people launch into self-employment on impulse or because they feel they have no alternative. They may expect it to bring them a lifestyle that's just not realistic. You might have all the opportunities and abilities, but if it's not really what you want to do, then there's no point in going ahead. You will need a lot of drive to sort out all the problems that you will come across.

If you know exactly what you want, then you are a long way towards getting it. Successful people have often said that they had a clear vision of what they wanted to do, and that they kept it in their mind's eye constantly. It gave them the force and direction they needed to get what they wanted. As a self-employed person you will need this kind of belief too - it's not just another job.

Lifetime objectives

Have you ever thought about what you want out of life? Not just tomorrow, or next year, but the whole thing. Like understanding your own personality, it's a very difficult question to answer. Often we say, "I don't know, I just take things as they come". Being able to at least estimate what you are after is a great help for planning ahead. It's difficult, but it's definitely worth doing. It's such a mega-question you may need to break it down a little:

- Things** - a big car, a foreign holiday every year, a big house, loads of money...
- Qualities** - independence, achievements, good deeds, job satisfaction...
- Social** - respect, fame, status...



2. Lifetime objectives

Try answering those questions now: Be specific - if you want lots of money, try to put a figure on it. If it's success you want, what are the things you'd like to achieve? A good way to bring yourself down to earth is to try to imagine what you expect to be like at a particular age. What will you be doing at 25, at 30, at 35, or 40? What is your "image" of yourself at these stages in life? Write down whatever comes into your head.

It's hard to do this, and it can be slightly embarrassing, but it's just for you, so have a go. With time, the list will change, and you will find that a clearer picture emerges. Keep this list with you and look at it regularly. What's most important to you? Is starting a business the right way to go about getting what you are after? If you're thinking of going into business with a partner, how do their expectations compare with yours? Are they as committed?

Abilities

Many people fear that they do not have the required competencies - knowledge, skills, attitudes - to start their own business. But everyone can do something.

If you already have a business idea, think for a moment about the knowledge you have - okay, you'll need to gain more knowledge about how actually to run the business but that will be fairly easy. Think about the skills that you already possess - from previous experience perhaps - such as selling skills, production skills or design skills. Much of that can be learnt as your business progresses, particularly if you put in place a systematic programme for your own personal development.

Your attitude towards "life, the universe and everything" may be one of the most important factors in making a decision whether or not to progress the option of starting your own business. Think for a moment what attitudes might be important; then compare your list with those shown below:

Attitudes	
Willing	Hard working
Self-motivated	Determined
Positive	Flexible
Believe in yourself	Have a sense of humour
Approachable	Forgiving
Aware	Assertive
Ambitious	Enthusiastic
Organised	Have loads of stamina
Patient	Know your limitations
Enduring	Tenacious
Self-confident	Persistent
Optimistic	Recognise importance of quality

How many of those attitudes do you possess - you don't need all of them. You may discover that you do possess many of them but have never had to demonstrate it before.



3. Assessing yourself

You may find it helpful to assess your abilities, to identify what you are good at and where you have gaps, so that you are better able to plan how you will improve those areas of weakness.

Assess yourself now against each of these abilities:

Key Abilities	non-existent	low	average	good	excellent
Assessing risk and acting accordingly					
Communicating effectively with a wide range of people					
Leading and directing others					
Working hard and diligently on your own					

Working with others
Looking for and finding opportunities
Gathering information from a wide range of sources
Using information to take effective business decisions



4. Can you go through with it?

The diagram consists of two overlapping rectangular boxes. The top-left box is labeled "For" and the bottom-right box is labeled "Against". The boxes are positioned to suggest a comparison or weighing of pros and cons.

Now let's get the whole thing into perspective. Make two lists headed "For" and "Against". Think about what you've read in this booklet. Think again about what you are good at. Think about the opportunities too - your idea might be so promising that you think it's still worth going ahead despite the disadvantages. Think too, about the needs and expectations of your family and others. Will they support you?

Conclusion

With luck, you're still reading. If so, you should have decided by now that starting a business is for you. Getting into business is hard work - but it's good training for the even harder work that will be required later. Hopefully, you also have an idea for what you want to do. Don't worry if it's still a bit vague. As you start to do your market research you will have plenty of opportunities to sharpen your ideas and to home in on an area where you can be successful.

Assignments, business plans and NVQs

Have you completed the assignments in this book? We hope you have, because then you will have not only come up with a sound business idea, but also evaluated both that and your commitment to being your own boss. The assignments will assist you in preparing material for your business plan and, in addition, with evidence for the NVQ3 Business Planning for Owner Managers (OM3) as shown in the table below. Many banks are now recognising the importance of accredited training and offering reduced commission and reduced loan rates to people who achieve OM3.

Assignment		OM3 element	Tick when completed
1	Business idea	1.1(2), 1.2(1)	
2	Objectives	1.1(1), 1.1(4)	
3	Personal action plan	1.1(6), 1.2(2)	
4	Objectives	1.1(1), 1.1(4), 1.1(5)	

Completing the assignments will provide considerable evidence for elements of the NVQ as indicated above. It is possible that your assessor may require further evidence in support.

The authors



Project North East is an enterprise and economic development agency whose purpose is to develop and manage innovative, quality services which offer individuals and organisations the opportunity to realise their potential primarily through the creation and development of business enterprises. Project North East has been writing and running training programmes for people starting in business since 1985 and has been providing further assistance through intensive counselling and through the use of assignments designed to help clients prepare business plans which demonstrate viability and determination.



LiveWIRE, managed by Project North East and sponsored by Shell U.K. Limited, is the national organisation which encourages young people to consider starting their own business as a realistic option and, for those people who wish to pursue that option, it provides support and assistance from start up through to early growth. In all the services it provides, *LiveWIRE* stresses the importance of regular planning, whether formally or informally, as a major requirement for success in running a business.

Become a Successful Owner Manager

This is one of a series of workbooks intended to provide practical information to help you research, develop and implement your business idea. Successful completion of all the assignments will provide you with the information you need for a detailed business plan.

The workbooks are intended to complement a formal programme of training, but will also benefit people who prefer to work on their own or simply with the support of a business counsellor. In addition, with a little extra work, the assignments will provide the evidence required to achieve a National Vocational Qualification at Level 3, Business Planning for Owner Managers.

Unlock your potential

Unlock your potential aims to help you consider the option of starting your own business. At this stage you might be wondering if you are cut out for this, but look at it this way - most people are good at something and by building on your strengths you could build the beginnings of a successful business. You might also identify a gap in the market - something people want and yet no-one seems to supply - and, by giving people what they want, have the beginnings of a profitable business. Many people have been totally fulfilled by the opportunity to be their own boss, but it is not right for everyone. This will help you to think through your business ideas and to test your commitment, so helping you to make an informed decision.

Its objectives are:

- ▶ to help you to think about the characteristics and attitudes of people who start their own business;
- ▶ to offer suggestions to help you find a business idea; and,
- ▶ to help you with your assessment of whether starting in business is right for you.

The Series

- ▶ Planning to start in business
- ▶ Unlock your potential
- ▶ Market research for the first time
- ▶ Marketing for the first time
- ▶ Personal selling made easier
- ▶ Organising yourself
- ▶ Organising your business and keeping it legal
- ▶ Financial forecasting for the first time
- ▶ Writing your first business plan
- ▶ Employing people for the first time
- ▶ Book-keeping and financial control



LiveWIRE™