

LEARNING MADE EASY



6th Australian Edition

# Small Business

for  
**dummies**<sup>®</sup>  
A Wiley Brand



Plan for profit and  
achieve financial success

Grow a thriving customer base  
and build a great team

Develop a smart business  
model that really works

**Veechi Curtis, MBA**

Author of *Bookkeeping For Dummies*  
and *MYOB Software For Dummies*



# Small Business

6th Australian Edition

**by Veechi Curtis**

**for  
dummies®**  
A Wiley Brand

# **Small Business For Dummies<sup>®</sup>, 6th Australian Edition**

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# Introduction

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Every once in a while, I work as a mentor for start-up businesses. I find it fascinating to sit in a room with half a dozen people, and listen to the hopes, dreams and business ideas of each person. Many people are planning to start businesses that others have done before, such as opening a hairdressing salon or a lawn mowing business; other people have ideas that are new in some way, such as a business specialising in making homes safe for toddlers, or a start-up delivering mental wellbeing training to corporates.

I've realised that no matter what the idea, every new business benefits from strategic thinking. If you're starting a business that others have done many times before, such as hairdressing or lawn mowing, strategic thinking helps define your point of difference and how you can set yourself apart from others. If your new business involves an entrepreneurial idea that nobody else has done before, strategic thinking is the key to safeguarding your business idea, and transforming creativity into practical action.

Despite the challenges of Australia's rapidly changing business environments, with the pace picking up ever faster, I believe that most people are capable of running their own business. With the right software in place, you don't need to be an accountant in order to understand your finances; with a decent product or service and an understanding of what makes you different, you don't need to be a marketing guru in order to make a sale. Instead, all you need is some capital, a willingness to work hard and lots of straightforward advice. This book provides the straightforward advice bit — in bucketloads.

I find small business exciting. For me, being self-employed is about helping other people, having flexibility in my working life, and making a few dollars to boot. I hope you enjoy the journey too, and I wish you the very best of luck.

## *About This Book*

Despite the branding, I don't think you're a 'dummy' — far from it. For me, *For Dummies* books are about a 'can-do' attitude. No matter how inexperienced you are, if you're ready to give something a go, this book is here to help.

The whole *For Dummies* outlook helps me a great deal when I'm writing, reminding me to stay creative and think positive. I can be a little risk-averse at times, worrying more about profit margins and making enough to pay the mortgage, and sometimes, I need that push of encouragement to let my entrepreneurial side flourish. Hopefully, I find a balance between practicality and creativity throughout this book, and you can benefit from that, too.

This book (all 20 bite-sized chunks of it) is designed so you can pick it up at any point and just start reading. Perhaps you want to know about hiring your first employee ([Chapter 13](#)) but you're not the least interested in legal structures ([Chapter 7](#)). That's fine — just skip the first 12 chapters and start off from where you want to be.

One more thing. Throughout this book you'll see *sidebars* — text that sits in a separate box with grey shading. Think of sidebars in the same way as you might do about designer brands: Nice to have, but not essential. Feel free to skip these bits.

# ***Foolish Assumptions***

When you work with small business, you learn to assume nothing. I see everything from clients who time all strategic decisions to fit with the stars (no kidding!) to multimillion-dollar enterprises that have grown out of nothing in a matter of months.

So, in this book I try to assume very little about you. You don't need to know anything about bookkeeping, business planning, marketing or tax, and I try to explain all concepts in the simplest possible way. I focus on the kinds of things I reckon most small businesses are concerned about, combining positive advice about promoting your business and planning for success with practical guidance about the really tricky stuff — such as dealing with unhappy employees or digging yourself out of financial difficulties.

## ***Icons Used in This Book***



**AHEAD OF  
THE PACK**

Want to be streets ahead of the competition? Look for this handy icon.



**MONEY  
STUFF**

Get out your calculator and start doing those sums. This icon flags money stuff, highlighting vital information for anyone with an eye for making a dollar or two.





**REMEMBER** Tie a knot in your hankie, pin an egg timer to your shirt but, whatever you do, don't forget ...



**TECHNICAL STUFF** This icon flags tricky, slightly nerdy stuff that's nice to have, but that you can probably live without!



**TIP** This icon indicates handy advice or insights into how to improve your business or make life easier.



**TRUE STORY** If you can't learn from history, you're doomed to repeat your mistakes. Real-life stories from businesses and people who've been there provide all the history lessons you could ever want.



**WARNING** A pitfall for the unwary. Read these warnings carefully (and then you can't say no-one told you ...).

## ***Where to Go from Here***

*Small Business For Dummies* is no classic work of literature (one day, I promise myself!), and so you don't need to start reading from page one and plough through to the end. Instead, jump in and start reading from whatever section is most relevant to you:

- » New to business? I suggest you read [Chapters 1, 2 and 3](#) before doing much else. [Chapter 1](#) asks if you're ready to run your own business, [Chapter 2](#) looks at how you're going to stand out from the rest of the pack, and [Chapter 3](#) looks at whether to start a business from scratch, buy an existing business, or go for a franchise.
- » If you think you're ready to start, [Chapters 4 to 7](#) are about developing your entrepreneurial spirit — thinking about how big you want this business to be, what risks lie ahead, creating a business plan and choosing a legal structure that best fits your needs.
- » [Chapters 8 to 11](#) talk about planning for profit, covering everything from pricing your goods and services, building your first budget, checking the financial sense of your business idea and establishing your very first marketing plan.
- » You don't get anywhere in business without people skills so, in [Chapters 12 to 14](#), I share lots of advice about developing an exceptional customer service ethos, and talk about being an employer (including knowing your legal obligations and understanding how to recruit good staff) and an effective manager.
- » Need help with money? [Chapters 15 to 18](#) delve into the nitty-gritty, looking at financing your business idea, bookkeeping systems, budgets and grotty subjects such as GST and income tax.
- » Finally, my favourite part of any Dummies title: The Part of Tens. [Chapter 19](#) offers ten tips for what to do if you hit hard times, and [Chapter 20](#) provides a few handy pointers of what to do when you're ready to move on and sell your business.

Thank you, dear reader, for taking the time to read *Small Business For Dummies*. I hope you find something along the way that helps you and your business to grow.

# **Part 1**

## **Getting Started**

## **IN THIS PART ...**

Find out whether you're ready to be a small business owner.

Uncover where your winning tactic lies.

Decide whether to buy an existing business, start from scratch, or purchase a franchise.

# Chapter 1

## Is Small Business for You?

---

### IN THIS CHAPTER

- » Working for yourself — the good things that make it all worthwhile
  - » Working for yourself — the bad things that no-one wants to talk about
  - » Making sure the time is right (now, where *is* my crystal ball?)
  - » Figuring out your business strategy
  - » Digging up government advice, free of charge
- 

I love small business. For me, small business is about believing in yourself, being passionate about what you do and creating opportunities. Our culture of getting up, getting out and giving it a go fits perfectly with this entrepreneurial existence, explaining why so many Australians are hooked on the self-employed way of life.

Although starting your own business can be daunting at first, the everyday challenges don't leave you with much time to regret your decision. Besides, being self-employed is a pretty addictive thing: Working your own hours, being responsible for your decisions and raking in handsome profits (here's hoping) are just some of the attractions of being your own boss.

In this chapter, I talk about what it means to start your own business. I take you on a roller-coaster ride over the highs and lows of small business terrain (for every upside to being out there on your own, a downside

exists, too), through to making the decision *when* to actually ‘open shop’. After all, the success of any venture depends on timing — the best time for the business, the best time for the economy and the best time for you.

So, put on your Stackhat, hold on tight and get ready for the trip of a lifetime ...

## ***Working for Yourself — A Dream Come True?***

If you ask most small business people what they like the best about working for themselves, you’re likely to get a pretty cynical reply — something about the delights of working for peanuts and the thrills of doing bookwork in the wee hours of the night. But dig a little deeper, and most self-employed people warm to the question.

### ***Doing what you love to do***

Doing what you’re passionate about has a lot going for it. If you want to play the trumpet day and night, you’re likely to be happiest as a professional musician. If you love hanging off cliffs on the end of a rope, you’re going to dig being a climbing instructor. And if you’ve never quite gotten over your LEGO phase, you probably need to go and build houses.

Happy people love what they do for a living. Besides, being self-employed is often the only way you can get to do just that. (Nine-to-five jobs tend to be rather thin on the ground for trumpet players or climbing instructors!)

### ***Earning pots of money (here’s hoping)***

With many trades and professions, your income always has a pre-defined upper limit, no matter how hard you work — teachers, carpenters or nurses on the regular payroll, for example, are limited in the amount of pay they can get. However, by setting up your own business, whether you're tutoring private students, building house extensions or doing private home nursing, your earning potential immediately increases.



MONEY  
STUFF

Statistics that compare the taxable income of self-employed individuals with those of employees working in similar industries or professions are hard to come by. However, if you start up a low-risk kind of business — home-tutoring, for example — the financial benefits of becoming self-employed are small but relatively guaranteed. On the other hand, if you start up a high-risk business — say, launching a new invention — you could end up losing everything you have. Or, you could just wind up a millionaire.

## ***Being your own boss***

No-one is going to dispute being your own boss is *fantastic*. And no matter how much you stuff things up, no-one can give you the boot — except perhaps your customers — leaving you with a feeling of security that's hard to beat. Here are some other reasons being your own boss feels so good:

- » **You get to set your own rules:** Your rules may involve anything from setting enormously high standards, to declaring mufti days seven days a week.
- » **You choose when (and how often) you work:** Of course, choosing when you work often means working



24 hours a day, seven days a week. However, in theory you can pick and choose which hours you work and when you take holidays.

- » **You follow your own instincts:** You can do what you think is right, as opposed to doing what someone else thinks is right. I know firsthand how frustrating it is to be forced to do stuff the wrong way, or the slow way, just because the person who is giving the orders happens to be your boss.
- » **You can use your conscience:** You can afford to make decisions that may not be the best from an economic point of view, but are good decisions in terms of your own conscience. For example, a business colleague of mine who recently purchased an electric car was acting according to her principles, rather than seeking to save dollars.
- » **You can take risks:** When you're self-employed, you can take risks that you may not be able to otherwise take. Thousands of successful businesses have been started by former employees who went out on their own because their employers didn't believe in the viability of their new ideas.
- » **You can provide employment for family members:** Being in a business team with your family, and being able to provide employment when it's needed, can be one of life's most satisfying experiences. (Of course, it can also be one of life's most frustrating experiences, but I'm not going there right now.)
- » **You can realise your dreams:** No business book is complete unless it mentions dreams. Nothing beats putting your heart and soul into what you believe in.

***Staying home***

I confess that working from home somewhat lost its shine for me during the COVID-19 lockdown. However, over the years I've really appreciated the flexibility that working from home affords. Generally, I love walking to my 'office', ten seconds down the hallway, rather than commuting two hours by train to the city.

## GRAB SOME INSPIRATION

A whole business community is out there for you to lean on. These links and sites may have changed by the time you're reading this, but here are some of my favourite sources of inspiration:

- [www.flyingsolo.com.au](http://www.flyingsolo.com.au) is not just a website for 'micro businesses', but a community as well, with over 120,000 members, hundreds of articles, lots of free tips and tools, and a busy bunch of forum boards.
- [www.entrepreneur.com](http://www.entrepreneur.com) is a website as well as a magazine, and has more of a start-up, corporate bent. I find many of the articles helpful and a bit of nudge to keep my thinking fresh.
- With an upbeat feel and great info, [www.smartcompany.com.au](http://www.smartcompany.com.au) is an Australian site dedicated to free news and resources for small- to medium-sized businesses.
- A favourite of mine when I'm in the car is the Goal Digger podcast, hosted by entrepreneur Jenna Kutcher ([podcast.jennakutcher.com](http://podcast.jennakutcher.com)). This show is all about setting and managing goals, whether for your side-hustle (how I love that term!) or for your main game.
- When I'm in the mood to refresh my marketing, I enjoy the Strategy Hour podcast, facilitated by Think Tank collective hosts ([bossproject.com/podcast](http://bossproject.com/podcast)). These practical podcasts help with the nitty-gritty details of business, with hundreds of episodes covering all kinds of different topics.



REMEMBER

According to the Australian Bureau of Statistics (ABS), home-based businesses make up over half of all the small businesses in Australia, reflecting part of an international trend towards more businesses

operating from home (a trend presumably partly fuelled by improvements in technology). Home business is the spawning ground from which larger businesses are born, including iconic brands such as AirTasker, Billabong, Canva and Salt Gypsy.

## ***Working for Yourself — Reality Strikes***

An acupuncturist once said to me: ‘When you work for yourself, you work for a real bastard. No holiday pay, no sick pay, no bonuses — long hours, filthy pay and no promotion.’ As I lay on the couch, needles sticking out of my ears and my navel, I reflected on my 60-hour weeks and wobbly bank balance. I had to agree with him.

### ***Teetering on the edge***

As the years have passed by, I’ve developed a sniffer-dog instinct for which businesses are likely to succeed, which are going to struggle and which are doomed to fail. Although I usually wish I wasn’t so chillingly accurate (especially when I predict failure), occasionally life delivers a surprise — the success of an overpriced French restaurant with a mad chef, for example, or the survival of a bed and breakfast in the back of beyond.



**WARNING**

Running a business is an inherently risky game.

Sometimes, this risk makes things exciting and, other times, just plain old scary. Of course, business success is a fantastic feeling but, on the other hand, failure can be quite catastrophic. You can lose your house, your job, even your family, all in the one hit, not to mention the disillusionment of having precious dreams crushed by harsh reality.

How well you cope with risk depends on your age, personality and health. Certainly, investing your life's savings in a new venture is infinitely scarier when you're 60 than when you're 30. I recommend you always minimise risk by keeping a tight control on your finances, a topic I explore in detail in [Chapters 15](#) to [18](#).

### ***Working night and day for little pay***

Unfortunately (or maybe fortunately), the brilliant business ideas that earn \$10 million in the first year are very few and far between. For many people, the only sure-fire way to succeed is to work loooong hours in the first year or so, taking on the roles of bookkeeper, marketing consultant, salesperson and managing director all in one.

These long hours do tend to settle down as your business becomes established, however, and the ABS reports that the average self-employed owner-operator works 42 hours per week. And, at the other end of the spectrum, many people choose to only work part-time in their business, content to choose lifestyle and flexibility over income.



**WARNING**

One of the hardest things about being self-employed is staying motivated. Not just in the first year, where everything is interesting and different, but year after year after year. Of course, as your business grows, you can hopefully employ staff to help. ([Chapters 13](#) and [14](#) talk more about becoming an employer and building an effective team.) Ideally, you can arrive at a point where your business earns money, even if you're not working in it every day of the week.

## ***Weathering feast and famine***

Sometimes, the highs and lows of small business profits make even Melbourne's weather look reliable. A bumper year, and the bank account is rosy. Then you lose a client or two, interest rates go up, and before you know it, you're wondering how to pay the rent.



**MONEY  
STUFF**

In [Chapter 15](#), I talk about creating budgets for business set-up expenses, and share tips for securing business finance. Some consultants advise you not to expect to make any money at all in your first year of business, and to have savings put aside to pay for your living expenses during this time. Such advice is prudent, but the truth is that sometimes businesses take even longer than a year before they make a profit, and even businesses that have been cruising along happily for years can strike hard times.

I used to find the feast and famine of running my own business very stressful, but I'm getting better at

managing this dichotomy as time goes by, even managing to put money aside when things go well. How you cope with the effect of this insecurity depends not only on your personality, but on your family commitments as well.

## *Getting the Timing Right*

Weighing up the good and the bad about being self-employed is tricky enough, but when you add the 'you' factor into the mix, you may decide to rethink some issues. You have to consider not only your own skills and expertise, but also whether you have the timing right: The right timing for the business idea, the right timing for you and your family, and the right timing for the business environment.

### *Timing it right for your idea*

An experienced entrepreneur once said to me: 'If real estate is all about position, position, position, then business is all about timing, timing, timing.' He's right, of course. If you were selling fondue sets in the 1970s, chances are your business would be successful. Try to sell the same fondue sets for a living these days, and it would be slim pickings indeed (although my mother does have very fond memories of cheese and chocolate fondue dinner parties).

If you're not sure whether now's the right time to start your business, consider the following:



» **WARNING Fickle fashions:** Humans are capricious creatures and what's hot today may be ice-cold tomorrow. Whether the latest craze is kids going nuts