

LEARNING MADE EASY



4th Australian Edition

Getting Started in Small Business

for
dummies[®]
A Wiley Brand



Build a business that's
right for you

Put together a winning
business plan

Spark your
entrepreneurial spirit

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MYOB[®] Software For Dummies and
Bookkeeping For Dummies*



Getting Started in Small Business

4th Australian Edition

by Veechi Curtis

for
dummies
A Wiley Brand

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Introduction

I believe that pretty much anyone is capable of running their own business. You don't need to be a qualified accountant in order to understand your own finances, nor do you need to be a marketing guru in order to sell your wares to unsuspecting victims. Instead, all you need is a bit of cash, a willingness to work hard and lots of straightforward advice. This book provides the straightforward advice bit, along with a pinch of humour every now and again.

Most people have lots of questions when starting out in small business: Are you best to stick with a tried-and-tested model, or instead should you seek to innovate? Should you trade as a sole trader, or incorporate as a company? How do you go about taking on your first employee? What about financial reports, budgets and tax? I try to answer all these questions, and more.

Getting started in your new venture is probably one of the most exciting and creative stages in your life. You get more control over your own life and a chance to create something that really belongs to you. Although small business can be stressful at times, I've met few businesspeople who have regretted the decision to leave the security of their day job.

I hope you enjoy this journey and wish you the very best of luck.

About This Book

This book is designed so you can skim through it quickly, find the answer to whatever you want to know, and then

set aside the book until next time. You can also pick the book up at any point and just start reading.

However, if you're new to business and you're just getting yourself on the road, I suggest you read [Chapters 1 to 4](#) before doing much else. That's because some of the decisions you make when getting started affect everything else that follows, and if you can get off to a good, clean start, your chances of success are going to be that much higher.

On the other hands, perhaps you want to know about hiring your first employee ([Chapter 7](#)) but you're not the least bit interested in legal structures ([Chapter 4](#)). That's fine — just skip the first six chapters and start off from where you want to be.

Each chapter covers a specific part of running your own business, including business set-up and planning, marketing and people management, money stuff and bookkeeping. I mix advice and explanations with anecdotes about my own experiences in small business, as well as some of the experiences of clients and colleagues.

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, marketing, tax or computers, 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 becoming an employer or working with GST.

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 ...



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

Getting Started in 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](#) covers everything you need to know about creating a business plan.
- » If you think you're ready to start, [Chapters 4](#) and [5](#) talk about planning for profit, covering everything from picking a business structure, to understanding costs and expenses, and building profit projections.
- » You don't get anywhere in business without marketing and people skills so, in [Chapter 6](#), I delve into the nitty-gritty of developing your marketing plan, including defining your customers, setting sales targets and

strategies, and expanding your reach — online and offline. In [Chapter 7](#), I talk about becoming an employer, providing some pointers on knowing your legal obligations and creating a safe — and positive — workplace.

- » Need help with money? [Chapter 8](#) helps you track every dollar, looking at bookkeeping and recordkeeping systems, keeping track of — and tracking down — how much you're owed, and budgeting for tax.
- » Finally, my favourite part of any Dummies title: The Part of Tens. [Chapter 9](#) offers ten extra special tips for getting ahead in small business.

Thank you for taking the time to read *Getting Started in Small Business For Dummies*. I hope you find something along the way that helps you and your business flourish.

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 for you, personally and financially (now, where is my crystal ball?)
 - » Figuring out your business strategy
 - » Digging up government advice, free of charge
 - » Having faith in yourself and your ability to succeed
-

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 finding your community, taking advantage of government advice and continuing to believe in yourself. After all, the success of any venture depends on belief — in yourself, your business idea and your abilities.

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 can 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 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.



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 5](#) and [8](#).

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 also year after year after year. Of course, as your business grows, you can hopefully employ staff to help. ([Chapter 7](#) talks 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.

ASSESSING YOUR CHANCES OF SURVIVAL

Australians are a pretty entrepreneurial bunch. With a population of 25 million (give or take a few), almost 2.4 million businesses are alive and kicking. Impressive, don't you reckon? Almost 10 per cent of the population run their own business.

But what about business survival? Are all these businesses fly-by-nighters, starting up one year and disappearing the next? Not so long ago, a business coaching franchise advised a client of mine that 80 per cent of businesses go bust in the first year, and only 8 per cent of businesses survive five years or more.

Pish tosh. Business is tough, but it's not a suicidal mission. The ABS reports that half of new businesses without employees, and 30 to 40 per cent of new businesses with employees, cease trading within the first three years. However, these figures don't shed light on how many businesses chose to cease trading (as opposed to going broke or 'failing'), and how many businesses actually experienced financial loss upon closing their business. In my experience, very few business people rate their overall experience as a negative one.

Weathering feast and famine

Sometimes, the highs and lows of small business profits make even the government railway services 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 5](#), I talk about creating financials for your first year of operations. I differentiate between *financial projections*, where you model your likely profits and possible business scenarios, and *budgets*, where you set targets for sales and limits for expenses. Developing the skills to create meaningful financial projections and budgets is crucial to your business success.

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.

Factoring Yourself Into the Whole Deal

Weighing up the good and the bad about being self-employed is tricky enough, but you also need to consider whether you're ready, personally and financially.

Ask yourself these three questions:

- » Do you have experience in the kind of business you're planning to start? For example, if you're looking at buying a coffee van, have you actually spent a few weeks or months selling coffee in this way? Do you have barista or retail experience? Business is competitive enough without trying to do something that you have little or no experience in.
- » Do you definitely have enough capital to get started? If you're not sure, do you think you may be better saving for a while before you launch your business?
- » Is your partner/spouse supportive? (I remember my (now ex-) husband wanting to start up in business when our first child was just six months old. He was ready to start a new business, but I certainly wasn't.)

If your answer to any of these questions is 'no', I suggest that you try to temper your enthusiasm just a little. And if you still can't wait, then hey, I completely understand.



TRUE
STORY

I recall a client of mine, a highly experienced business manager, who — contrary to my advice — purchased two hairdressing salons as an investment. Despite relatively sound business practices, both salons floundered, simply because my client didn't have any experience in the hairdressing industry. Among other problems, he lacked an understanding of his customers' values, the expectations of his staff, and the importance of hygiene and appearances.

My point? If you've been a musician all your life, you're going to be much better starting a music school than opening a florist shop. If you've always worked as a

landscape gardener, you're probably ill advised to open a bookshop.



GO BACK TO SCHOOL

Just as you wouldn't expect to drive a car without ever having lessons, don't expect to plunge into a new business venture without any practice or instruction. Instead, check out what courses are available.

Probably the most practical approach is your local TAFE. Although the courses on offer vary from campus to campus, look for a particular small business course that focuses on getting a business started, and which includes formulating your very first business plan.

Similarly, you may find something relevant through your local community college, but be aware that the quality of these courses varies. (Community colleges don't always stick to curriculums in the same way as TAFEs do, so the quality of their courses depends on the individual tutors, and whether the course is working towards a particular certification, or not.)

If business management is what turns you on (and this doesn't necessarily mean working for yourself), an undergraduate course at university may be your best bet. For example, I completed a joint major in Accounting and Business Management, and the subjects provided a great all-round understanding for all kinds of things.

If you have a university degree under your belt in a different area, a Master of Business Administration (MBA) is another option. But, be aware — while an MBA is an impressive achievement, it isn't a hugely practical option if you're thinking of running a small one-person enterprise, because the overall emphasis of such courses is on larger enterprises and organisations, rather than on small business.

Staying Safe or Inventing the Wheel?

Businesses fall into three broad categories. The first type of business is one that has been done before, and therefore has been tried and tested. The second type of