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Starting a Business in  
Britain  
Brian O'Kane

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# ABOUT THE BOOK

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Thousands of new businesses are set up each year in Britain - and many of them fail. But Britain is a breeding ground for new companies and entrepreneurs - consider the drinks company Innocent, Yo! Sushi or The Iron Bed Company. Starting a Business in Britain will help increase your chances of emulating their success, whether you're a first-timer or starting again.

This inspirational guide takes you through the whole process of setting up your business step by step, including:

- Deciding if you have what it takes
- Researching your ideas
- Writing a business plan
- Raising finance
- Getting your business up and running

This revised and updated edition, including a comprehensive directory of organisations and sources to help you on your way, is an indispensable guide for anyone wishing to branch out on their own.

## ABOUT THE AUTHOR

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Brian O’Kane is the managing director of Oak Tree Press, an international developer and publisher of enterprise training and support materials.

A chartered accountant by training, Brian has edited the professional member magazines of the Institute of Chartered Accountants in England & Wales and the Association of Chartered Certified Accountants.

With Ron Immink, Brian has written *Starting Your Own Business: A Workbook*, *TENBizPlan: Dynamic Business Planning for Start-ups* and the *Steps to Entrepreneurship* series, as well as many magazine articles.

# **STARTING A BUSINESS IN BRITAIN**

2<sup>nd</sup> edition

**Brian O'Kane**



# DEDICATION

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Although the work of writing is essentially a solitary act, a book is never written alone. For their contribution to **Starting a Business in Britain**, I would like to thank:

- Robert Craven, Kirstie Addis and Gareth Fletcher, at Virgin Books for championing this project
- Ron Immink, my co-author on many other projects, for his unfailing cheerfulness and advice
- My wife, Rita, without whose constant support and encouragement little would be possible - or worthwhile.

# FORWORD

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For many people, setting up a business and going it alone can seem pretty scary.

Starting your own business can be massively rewarding and enjoyable, but you can't run a successful business without taking risks. And the possibility of failure can be enough to put some people off. But every setback should be an opportunity to get back up and have another go and learn from the experience. I never dwell on mistakes or failures - I just put my energy into moving on to the next project.

Risk-taking is an inherent part of being an entrepreneur. If I hadn't taken a risk and started Virgin Atlantic in the face of overwhelming criticism, or taken a chance and signed an unknown group called the Sex Pistols, then I wouldn't be where I am today. But there's a difference between taking a risk and jumping blindly into something without planning it properly first.

**Starting a Business in Britain** will remind you of everything you need to consider - from your market research to raising money - when planning to branch out on your own. There's even a handy questionnaire to help you decide if you really have what it takes to be an entrepreneur (but I'm not going to tell you my score!).

So, while I haven't always relied on books to help me make decisions, nobody can start a successful business without some careful planning first. This book will help you take your first steps towards an exciting future.

Good luck.

**Richard Branson**

# PREFACE

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**Starting a Business in Britain** is based on my best-selling book, **Starting a Business in Ireland**, which struck a chord with the Irish public right from its launch in 1993.

I met Robert Craven, series editor for business titles at Virgin Books, at an Institute of Business Advisers conference in Coventry in late 2001. It was he who spotted the opportunity to adapt a successful formula to UK needs. With Kirstie Addis, commissioning editor, he championed the project to fruition.

## THE BOOK

Starting a business is frustrating, time-consuming and difficult - I know, because I have done it, and spend a great of my time now helping others to do it - but it can also be highly satisfying and enjoyable.

This book is designed to do two things:

- To take you step-by-step through the stages in going into business for yourself
- To help you to identify, from the many organisations that provide assistance to entrepreneurs, those which are likely to be appropriate to your needs.

The chapters are arranged to take you through the various stages in starting a business:

- Deciding whether you have what it takes ([Chapter 1](#))
- Researching your idea ([Chapter 2](#))

- Writing a business plan ([Chapter 3](#))
- Raising money to set up your business ([Chapter 4](#))
- Getting help from EU, Government and other agencies ([Chapters 5, 6, 7, 8](#) and [9](#))
- Getting your business up and running ([Chapter 10](#)).

The **Directory of Sources of Support** provides information (including contact details) for the many organisations identified in the text that may be of use to you as you go through the stages of starting your own business.

## **THIS SECOND EDITION**

This second edition is an update and extension of the original book.

In many cases, contact details or other information for the organisations listed in the **Directory** have changed - these have been brought up to date. In other cases, organisations have ceased to exist, or are now not traceable, or have changed their focus away from supporting start-ups and small businesses - again, these changes have been reflected in this new edition.

The biggest change that I noticed in updating the **Directory** was that the category eBusiness, already depleted due to the dotcom crash, has disappeared, while Social Economy has greatly expanded from the token few entries in the first edition. Both of these reflect the changes in our society and in entrepreneurship - eBusiness is now mainstreamed, while the social economy is emerging as a distinct and valuable business sector in its own right.

In addition, I have extended the book to include a new chapter on Strategy for Start-ups, a critical area often overlooked. From my experience of working with start-ups, I know that seemingly innocuous decisions can have far-

reaching strategic implications, while understanding the link between strategy and sales can put a business on the path to success.

I have enjoyed writing and updating this book. I hope it is of help to you, the reader, as you take your first steps on your journey. Good luck!

**Brian O'Kane**  
**October 2006**

# 1

## GETTING STARTED

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FOR SOME PEOPLE, starting their own business is as obvious as the nose on their face. For others, it is a risk not to be contemplated.

For you, it is an idea in the back of your mind, one you cannot get rid of. You may already know what kind of business you want to be in. What you want from this book are a few short cuts to help you get there faster and with fewer problems.

On the other hand, you may simply be toying with the idea still, unsure of which direction to take. You are hoping that this book will present you with a ready-formed solution. In fact, you must provide your own solution but this book can help by showing you how to research an idea to make sure that it is viable and then to develop a strategy to take it to market and, last, to write a business plan for it.

The important thing is to take the time to plan your start-up carefully. Over half of all start-ups fail within the first three years - mainly due to lack of planning.

**Starting a Business in Britain** gives you a proven structure for your planning.

### THE STAGES IN A START-UP

The stages involved in starting a business include:

- Deciding whether you have the right temperament to start (and persevere with) your own business

- Finding an idea
- Developing a strategy that will take you from a business idea to a successful business ([Chapter 2](#))
- Doing the market research – this involves finding out about your customers, your competition, how you will make your product or deliver your service, what price to charge, where your business will be located, how to market your product/ service, what staff you require and with what skills and so on ([Chapter 3](#))
- Writing a business plan – this draws together all the work you have done ([Chapter 4](#))
- Finding the necessary money – since it’s likely you won’t have enough of your own capital to start, you’ll have to raise money elsewhere ([Chapter 5](#))
- Identifying and accessing sources of assistance – as [Chapters 6, 7, 8, 9](#) and [10](#) and the **Directory of Sources of Support** show, there are hundreds of organisations dedicated to helping small businesses get started
- Implementing your plan – this is where you put your plan into action ([Chapter 11](#)).

Sometimes, in practice, these stages will not follow in the order above; in other cases, you will have to double back, perhaps even several times, to adjust the results of a stage because of new information you find out later.

For instance, your idea might be to make a product and sell it in your own neighbourhood. After doing your market research, you develop a strategy that allows you to combine your business with your other responsibilities – for family, perhaps. You write your business plan and look for money on this basis but, as you proceed, you find that there is a national demand for the product. To supply it, you need to revise your strategy and plan on a larger scale.

## STAGES IN STARTING A BUSINESS



But, even if you don't complete them in the order above, all the stages must be completed - skip even one and you risk failure!

## ARE YOU SUITED TO LIFE AS AN ENTREPRENEUR?

Sadly, there is no fail-safe method of becoming a successful entrepreneur. However, international research shows that successful entrepreneurs have:

- Strong needs for control and independence
- Drive and energy
- Self-confidence
- A point of view of money as a measure of performance
- A tolerance of ambiguity and uncertainty
- A sense of social responsibility

and that they are good at:

- Problem-solving
- Setting (and achieving) goals and targets
- Calculated risk-taking
- Committing themselves for the long term
- Dealing with failure
- Using feedback
- Taking the initiative
- Seeking personal responsibility
- Tapping and using resources
- Competing against self-imposed standards.

How do *you* measure on these criteria? Be honest with yourself. Use the exercise on the next page to help you assess yourself.

**YOUR SUITABILITY AS AN ENTREPRENEUR**  
**Score yourself on these points - from 1 (weak)**  
**to 10 (strong)**

	1	2	3	4	5	6	7	8	9	10
Need for control/independence										
Drive and energy										
Self-confidence										
Money to measure performance										
Tolerate ambiguity/uncertainty										
Sense of social responsibility										
Problem-solving										
Setting (and achieving) goals										
Calculated risk-taking										
Committing for the long term										
Dealing with failure										
Using feedback										
Taking the initiative										
Seeking personal responsibility										
Tapping and using resources										
Self-imposed standards										

Very few entrepreneurs can lay claim to all of these characteristics. Making the most of your best characteristics and using ingenuity (including the skills of others) to bridge the gaps is perhaps the most frequently encountered entrepreneurial characteristic of all!

However, despite the great variety of people who end up as business-owners, probably the most important personal characteristic for an entrepreneur is determination.

It's easy to start a business; it's more difficult to keep it going. When you are faced with long hours, with working

through nights and weekends, with extended periods away from your family, and with financial worries, the thought of a secure, permanent, and pensionable job is tempting. Determination is what will see you through these lows, until you break through to success!

You should also consider your general state of health. Both the physical and mental stresses of running your own business can be very great. If you are driven to a state of collapse by the experience, you may leave your spouse/partner and family much more exposed financially than would be the case if you were in a secure job with benefits attached.

It is important to be aware of the part your spouse/partner and family will play in achieving your ambition of becoming an entrepreneur. Are they as committed as you are? Are they as willing to accept the lows as the highs? Without their support, you will find it difficult to start and develop your business. If they are actively pulling against you, quit now!

Part of the experience of running your own business is learning to apply the appropriate personal resource at the right time. For example, deciding to become an exporter at a time when your resources - foreign language skills, contacts, and finances - are not adequate is to misuse an opportunity that might lead to success in other circumstances. A touch of realism instead would have revealed the impracticality of your plan.

So the first thing you should do when thinking about starting a business is to conduct a rigorous self-assessment:

- What skills and experience do you have?
- What training do you need?
- What characteristics do you have that help (or hinder) you?
- Why do you want to start a business?

Write down the answers - it's not as easy to fudge uncomfortable answers in writing.

Then write your own application for the position of managing director and general *factotum* of your proposed business. Give your application to a friend not noted for their tact and wait for the laughs. You need to be able to see yourself as others see you.

Are your keyboard and literary skills really up to sending out customer letters and writing marketing blurbs? Perhaps you excel in production and technical innovation? Maybe you need to acquire other skills? If so, can you get by with a little training for yourself or should you buy in these skills from a professional on a freelance basis as and when required?

Will you need a management team, or are there family members who are sufficiently committed to help (and capable of doing so)? What will hiring all these people do to your costs?

Salaries usually represent a high percentage of costs in a small business. You need to be realistic about how many people you need, and how many you can afford - and what you do about the difference.

In terms of your business skills, you should consider, in addition to management experience, actual contacts and sales leads, as these are the concrete beginnings of your trading. If you plan to supply other retailers or manufacturers, you may be hoping to establish several guaranteed sales contracts before you finally start trading. If you are leaving employment to set up this kind of business, check that your employment contract allows you to canvass business on your own account (and time) while still an employee.

You should read this chapter again in a year's time. Why? Because you will only begin to discover the extent of your personal resources as you go along. Starting your own business will not only lead you to find hidden resources

within yourself, but will build up existing strengths. It may also, of course, cause you to recognise unsuspected weaknesses, but recognising them is the first step towards correcting them.

## **START YOUR OWN BUSINESS COURSES**

This book is designed to help you through the early stages of starting a business. For further guidance, or for the comfort of meeting like-minded people who are about to embark on the same adventure, consider a Start Your Own Business course.

These courses can be useful because they draw together all the aspects of running a business - it is often easy to ignore those tasks that bore you or for which you feel ill-equipped. Another advantage of attending a course is that you get to know advisers who may be useful to contact later with queries.

Many adult education centres run Start Your Own Business courses during the winter evenings. Other courses are available commercially. [See Chapters 6](#) (England), [7](#) (Scotland), [8](#) (Wales), and [9](#) (Northern Ireland) for course providers in your region.

### ***How Do You Choose the Right Course?***

Before you book a place on a course, meet the organisers. Ask about the backgrounds of the presenters. Those who run their own business or who, like many accountants and other professionals, make their living from advising entrepreneurs are the best bet.

Ask about the success rate of the course in establishing new businesses. Ask about the success rate of those businesses after two or three years. Remember that the average failure rate of new businesses is very high. But, it need not apply to you, if you plan your start-up carefully.

Make an effort to find people who have completed any courses you are considering, and talk to them. They are in the best position to know whether what they learnt on the course actually was of use in practice. Their answers will tell you whether you should take up a place on the course.

### ***If You Can't Attend a Course***

If you cannot participate in a Start Your Own Business course, try to attend some of the seminars on specific aspects of small business development and management presented from time to time by the banks and other organisations. These are aimed at reducing the fall-out rate of business start-ups and are usually open to the public (sometimes for a fee). Watch the newspapers for details.

Otherwise, read as widely as you can in the area of enterprise and business start-ups. There are plenty of good books, and newspapers and magazines regularly publish special features that give useful advice.

## **INCUBATORS**

Perhaps, instead of merely a training programme, what you need is a push-start. Here an 'incubator' can help. An incubator is a programme/facility, usually focused on technology businesses, that encourages the faster development of a new business by providing a range of supports from workspace to finance to administrative assistance (and training, where necessary) in order to free up the entrepreneur to concentrate on the business alone.

Sometimes, the term 'incubator' is used loosely to cover mere provision of workspace - if you're offered incubation workspace, check what else (if anything) is included. [See \*\*Chapters 6\*\*](#) (England), [7](#) (Scotland), [8](#) (Wales), and [9](#) (Northern Ireland) for incubators in your region.

## **START EARLY!**

You're never too young to start thinking about enterprise and running your own business. Even if you're still in school or at college, there are programmes designed to attract you towards the notion of self-employment and to help you begin to gain the necessary skills.

These programmes are useful whether you ever start your own business, because they help you to think entrepreneurially - increasingly, something that better employers look for.

[See Chapters 6](#) (England), [7](#) (Scotland), [8](#) (Wales), and [9](#) (Northern Ireland) for programmes in your region.

## **START-UP ALTERNATIVES**

Of course, it's not always necessary to start a business from scratch. Company brokers can help you to identify and buy a suitable business, whose owner lacks the capital or enthusiasm to develop it further. This way, you acquire readymade products, customers, staff etc - which may be a plus or a minus - your research into the business will tell which.

Another alternative is to buy into a franchise - replicating an already-proven business model. McDonald's, Domino's Pizza, Budget Rent-a-Car and O'Brien's Irish Sandwich Bars are examples of well-known franchises, though there are many more.

Although franchises have a higher success rate (up to 90%) than other business start-ups, you will be required to adhere closely to the franchise format, and this may make you feel more like a manager than a business owner. They're not for everyone but are a useful way of reducing the risk of getting into business.

If you do go down the route of buying an existing business or a franchise, make sure that you take professional advice before making any financial or legal commitment. And continue to read the rest of this book, since you will still need to plan for the development of your business. [See Chapters 6](#) (England), [7](#) (Scotland), [8](#) (Wales), and [9](#) (Northern Ireland) for sources of information on franchising in your region.

# 2

## STRATEGY FOR START-UPS

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THE FIRST QUESTION any would-be entrepreneur must answer is “How will I get customers and sales?”.

In over a decade’s experience in writing about, teaching, advising and helping would-be entrepreneurs start and grow their businesses, I have found this to be the most important factor that determines the success or otherwise of a new business.

So, where do sales come from?

Sales come from customers. Customers come from marketing. Marketing comes from strategy. And thus, the starting point in understanding sales is, in fact, strategy.



### STRATEGY

Most people who are thinking about starting a small business have little time for strategy. They think that it doesn’t apply to small businesses, or that it’s too

complicated or that it will wait unless they are successful. They're wrong!

Almost everything that happens in a business either comes from and/or impacts on its strategy. For example, whether a business opens at the weekend is determined by the kind of customers it wants to attract – people who work from 9 to 5, Monday to Friday only have free time to visit a garden centre at weekends. If you own a garden centre, and are prepared only to open from 9 to 5, Monday to Friday, then you must find customers who work the same hours as you do – professional gardeners and landscapers perhaps.

Setting up a website to sell your products, on the other hand, also determines the kind of customers you will have – those who are computer-literate and have a credit-card to enable them to buy online. But these customers may include people in other countries, where you might not have expected to find them. If you decide that you want their business, you will have to put into place delivery services, earlier or later opening hours, language capabilities etc, to cater to the needs of these new customers. As a result, your business will change from being a purely local one to an international one and grows beyond your expectations – all because of a simple decision with strategic consequences.

## **THE STRATEGIC BOX**

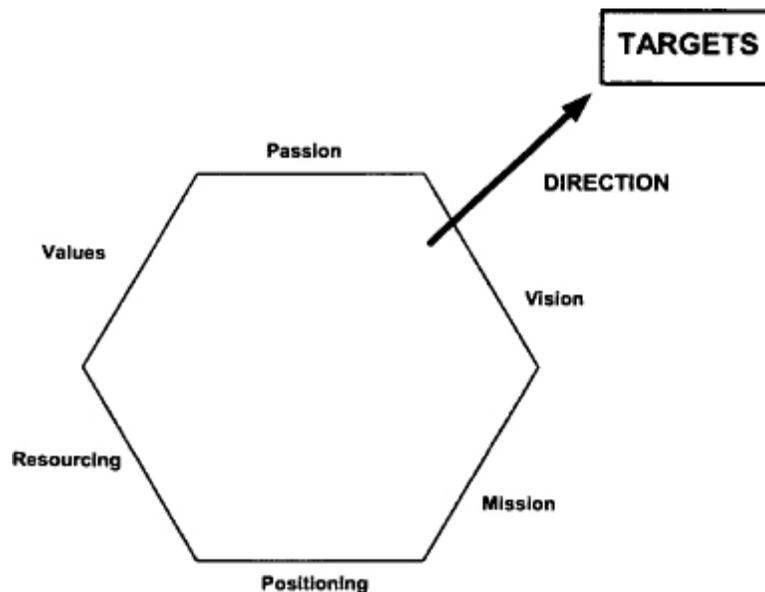
So, if strategy applies to start-ups, how do you go about developing a strategy? I suggest that you use this simple model – the Strategic Box.

The shape of the Strategic Box created by your business depends on seven factors. The first six are:

- **Values** – what do you believe in and stand for?
- **Passion** – what do you *really* want to do?

- **Vision** - where do you really want to be?
- **Mission** - how do you describe what you are doing?
- **Positioning** - how do other people see you?
- **Resourcing** - what resources are available to you and what do you need?

And then you need a seventh, **Targets**, to get momentum.  
Let's look at each in turn.



## ***Values***

Values are deeply personal. What you believe in, what you stand for, how you treat other people - your way of thinking, your way of life and your values will be reflected in your business. If you are uncomfortable with the way in which you must do business, or with the people or circumstances with which you have to deal, you will not be successful at your business. Therefore, you must make sure that the business is true to yourself, your beliefs, your ethics and your principles.

Unlike big businesses, which have to impose a set of corporate values on their staff in order to achieve uniformity, a start-up begins with the values of its founder -

their own personal values. What the founder stands for – and what they won't stand for, too!

Values are about things like integrity and honesty in business, customer service, how you treat staff, and so on. Hard to write down – often only seen clearly when you are faced with difficult choices – but very important.

## ***Passion***

Passion is what separates successful businesses from the also-rans and failures.

If you know any entrepreneurs, or have seen them on television talking about their business, the one thing you will quickly notice about them is how driven they are, how caught up in their business, how passionate they are about their product or service. It's what sets entrepreneurs apart – the passion they bring to their work (which very often they don't regard as “work”).

Ask yourself this question: “If I didn't have to earn a living, what would I do with my life?”. The answer may tell you what your own passion is. If it doesn't, think again. Try to find a passion that drives you. Unless you are passionate about what you do in life — or in business — you will neither succeed at it nor enjoy it. There is a clear link between passion, drive and success: The more passion, the more drive, the more success.

Note that “making money” is not a passion (or, at least, very rarely) – it's a consequence of a passion. Because you are passionate about something, you put extra effort in, this shows in superior products or services and is rewarded by the market-place – and you make money. But more often, the passion itself is your reward. Doing something you enjoy is rewarding in itself. And success is measured in more ways than just in money.

Start-ups usually come into being because of the passion of the founder – to do something different, to go beyond