

'STARTING YOUR OWN BUSINESS'

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Pages is based on 120-140 Companies per year which seek help from I.P.C.
Talking here about small businesses under the following headings:

1. The promoter
2. Type of Business (Manufacturing, Agency, Service etc)
3. Business Opportunities
4. Forming the business - introduction to funding.
5. Sources of finance & aid
6. Business Form
7. Statutory Matters
8. Strategic Decisions
9. Reasons for company failure.

1. The Promoter - What Can You Offer?

Important to have the following:

Health: A lot of stress involved & you must be in good health.

Decision Making Ability: necessary to make fast & correct decisions

Business Acumen: Must be able to call a spade a spade - have a good eye for opportunity (like a bargain hunter)

Management Expertise: Training in management is important. Without it, you could be weak and exposed.

Motivation: normally, you set up business for security & independence
To set up because you have received a lump sum and have no job is a bad reason on its own. Doubt survival.

Experience: in relation to behind-the-counter sales, in stores, in despatch - ...

Timing: Important to make the right move at the right time
e.g. Fast food outlets in 1978. Training can never give the answers in this area.

Although some succeed, those who haven't got the above qualities eventually fail e.g. agricultural equipment: firms weren't able to change and adapt in changing times.

2. What kind of Business?
There are essentially 3 types of business:

- Manufacturing
- Buying & Selling
- Providing a Service

In practice, all three may be intermingled.

Manufacturing Goods:

- Requires a high level of technical experience
- involves high investment in plant and equipment
- requires training and developing skills making use of outside training programmes.

Buying & Selling:

Maybe getting the agency for a product. Importing and distributing under license or franchise (e.g. Mc Donalds). With franchising, you get more assistance (financial or otherwise)¹

- Requires a high level of skill in buying & selling
i.e. right price, right quantity, right product, right time.

- highly skilled in selling

- must have marketing experience. Very important in relation to

Packaging

Selling & Distribution

Promotional Aid

Advertising.

- requires a thorough knowledge of the product e.g. in relation to an industrial detergent

- price

- manufacturing ingredients

- properties of the product.

Providing a Service:

The easiest business to get into and the most popular.

- It doesn't require much capital. (Do it from home?) e.g. Customs Clearance Service provided from own home. 2 marks
- A high level of competence is required. Poor performance

on the job could give rise to an unfavourable reputation & possibly adverse publicity.

- Must give proper attention to detail (poor in Ireland).

3 Finding Business Opportunities:

This is more difficult in recessionary times. When the economy was growing a few years ago, the construction business was doing very well. So well that there was a shortage of supplies and services. This gave rise to the formation of new companies such as mechanical services, electrical contractors, building materials etc. When times are good, luxury goods is a good market.

To find a business idea, you could make use of the 'Brainstorming Technique':

INTERESTS, EXPERIENCES,
SPORTS, HOBBIES ETC.

BUSINESS
IDEAS

Leisure Activities e.g. Cooking
Decorumaking
Football

Café
Clothing/design
Sports Shop

School Subjects/Qualifications

e.g. accountancy
languages

Accounting firm
Tutorials, Bands

Business Experience

a welder
a Marketing Manager
working for a successful co.
& know all about it

Subcontracting shop/Engineering
marketing consultancy firm
start a similar business

Growth Industries

e.g. frozen foods
Health foods

frozen food distributor
Health food shop

Government Legislation

e.g. Seamers tax introduced
Waste Water Standards

Farm consultancy
Waste Water Treatment Plant.

There is plenty more. Put down everything. Review the list of ideas. Rule some out straight away. Never confine yourself to one idea because after research it may not be viable. Research a number of possible options. Give yourself 12 months. Companies usually give 12 months from identifying a new product to adding it to their range.

Other Sources of business opportunities:

State Services - Innovation Centre

Irish Goods Council - hold exhibitions. Hold lists of goods imported which could be made here.

IDA } both have sections which deal with new
IIRS } products & ideas.

Failed Companies - Find out where they went wrong.

Embassies - commercial section. One of the best agencies came through an embassy. Product is in 50% of households. Plenty of information available e.g. Export directories on products available for export.

Reading Material - 'Handbook of Successful Financing'
Coed St Library
Trade fairs, Exhibitions abroad.

You could be left with 3000 ideas. Put the proposals together and substantiate everything to assess the viability of the product for government assistance, bank assistance etc.

4. PROPOSAL TO SET UP BUSINESS

(i) Principals : give details of your background & experience

(ii) The Product / Service - description
- raw materials used
- USE.

(iii) Market - the market size
- segment aimed at
- characteristics of the market (i.e. seasonal, etc)

(iv) Management : This is the most important aspect

- management experience & qualifications
- management structure - show how the organisation and responsibilities will be delegated
- training and development of staff (inhouse / external)
- administration of the business e.g.
accountancy
taxation
invoicing (3in1, Computer Business etc)

(v) Production :

- Buildings - size, suitability & location
- Plant & Equipment - described in full
- Production facilities planned - give details of loading bay, stores and factory layout.
- Manning levels
- the system of production planning & control
- quality control.

(vi) Profitability of the venture :

Give a monthly P&L A/c for the first 2/3 yrs.

Must estimate & substantiate

- Sales Volumes
- Pricing strategy
- Prime costs - materials, labour, factory & warehouse etc
- Indirect costs - e.g. P.T. charges, audit and legal fees

(VII) Cash Flow (monthly 2/3 yrs)

Cash In: From debtors
Other sources

Cash Out: Supplies
Wages
Overheads
Banks

You know now the profitability & the cash requirements of the venture.
Next:

5. Fundings

- Owners Equity - must provide some
- Long Term loans - utilize as far as possible for buildings, plant and equipment. HEDGE BORROWINGS. Get a 5 yr loan for plant that will last 5 years.
- Leasing & HP. Interest can be as low as 8% where grants and capital allowances are utilized by the banks.
- overdraft facilities. Must negotiate. This is where the strength of the proposal lies.
- State aid depending on location
45% on cost of eligible Plant & Buildings
(provided no more than 35% of equipment is on lease).
Grants available from BIM, ANCO (teaming), ICC.

7. Matters to be Attended to When Starting

Note: Enlist Professional help:

- Register a company (cost £185)
- Register a trade name if such is being used
- Register for VAT (must not claim back if not registered)
- Register for PAYE RIGHT FROM THE START.
- Open a bank account FOR THE BUSINESS
- Comply with the Factories Act. The Dept. of Labour in Merril Road advise here.

8. Strategic Decisions:

- (a) Choice of location: Can be very important in relation to the market and distribution network. Location must be cost effective
- (b) Manufacture or Purchase?
those with a technical background tend to manufacture. If the product can be imported then do so as the cost of manufacture is very high in Ireland.
- (c) Concentrate on one product or supplement with other ranges of similar products. Perhaps supplement with an agency.
- (d) What distributive channels to use?
Get to deal with one good wholesaler who will get your product listed in all trade journals as being available from him.
- (e) Management and administration re: personal, staffing, accounting.

P.T.O.

9. Examples of Company Failures in the last 12 months.

(i) Engineering business:

Product: General fabrication plus an agency.

Performance: Very good growth & a viable business

Reason for failure - no control of costs. Quantity Surveyors work ignored
- no planning, just interested in sales
- no understanding of finance
- bad management.

(ii) Clothing business

Failed because:

- Poor cost control. Only costed their orders
- very bad management
- very poor marketing

(iii) Replacement Windows

Failed because:

- Complete lack of management
- once unsuitable

(iv) Engineering business

Product: Upmarket durable product

Performance: well planned, financed & organised.

Failed because: Demand fell far short of expectations

(v) Cleaning Service

Failed because: dabbled in other businesses & services (e.g. painting).
Badly organised.

(vi) Engineering Business

Failed because: although run by good, innovative people, they had no knowledge of marketing and finance. They market was there, but they failed to service it.

(vii) Manufacturing business:

Product - decorative product

Failed because: chose the wrong productive equipment. Not enough productive expertise.

Summary of Failures:

- 1 poor demand
- 1 Production difficulties
- 5 Bad marketing and management.
- 7.

Always a good idea to draw up a START UP PROGRESS CHART.

e.g. scheduled to go into operations in 12 weeks

ACTIVITY / Week No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Purchase of Buildings	_____														
Modifications to bldgs							_____								
Lead time on delivery of equipment			order	_____				delivers							
Recruitment		_____													
Services, ISB, P&T		_____													