

How to set up your own business

Self-employment: Why do it?

Self-employment is sometimes the only option if you wish to pursue a specific career path. Journalism, certain legal occupations, and the creative and performing arts are all sectors where self-employment is a common form of work.

For some people, it is a lifestyle choice achievable by:

- setting up a business, either on a full-time basis or alongside a part-time job;
- working as a freelancer or contractor;
- buying into a franchise.

Reasons why people choose self-employment may also include:

- the desire to sell their skills and/or expertise;
- the desire to prove an idea;
- because they relish the challenge;
- wanting to generate a second income stream;
- reaction to an ill-informed first career decision;
- peer or family pressure;
- a feeling that there are no other options.

Self-employment has its benefits and risks.

The benefits

- Being your own boss
- Earning more money (become rich?)
- Working fewer hours
- Independence
- Variety and choosing work you enjoy

The risks

The more glamorous aspirations attached to self-employment take years of hard work and commitment to achieve. It is this realisation that provides the biggest shock to most people who decide to work for themselves. This may cast some light on why only one in three business start-ups in the UK succeed in the first three years of business.

So, in the early days you may need to consider the following:

- You do everything yourself and are responsible for the day-to-day running of the business. You will rarely have the resources at your disposal that are available to an established business owner. This may mean doing tasks that you dislike.
- Large salaries or income are rare in the early days. Need for personal financial investment in the business, competition, economic fluctuations, and changes in consumer markets may occur.
- It is not unusual for newly self-employed people to have a second job to help provide

- a guaranteed source of income for day-to-day living costs.
- You need to offer a product or service for which there is a demand. This may depend on projecting a certain image, perfecting a technique or making a product unique.
- You alone are accountable! Taking an unwise decision could reduce your income.
- Expanding too rapidly or, conversely, not being quick to seize a chance, might be detrimental to your business.
- Working from home is most effective when you have the space and facilities to do so. If you work out of other premises, you will have to pay rent and other overheads
- It is impossible to escape some pressures, especially those that come from clients and customers, who will often dictate your working hours.
- By not being employed, you risk losing a range of benefits and a support infrastructure.
- Setbacks may impact on your confidence and profits. Be realistic and learn from your mistakes.
- You will have to make your own tax, pension and health insurance arrangements.

Self-employment: Skills and qualities

The first thing to recognise when starting your own business is that your degree rarely has a bearing on your ability to succeed. While qualifications may be essential for some self-employed professionals, such as dentists and barristers, it is personal drive, attitude and confidence that generally define key entrepreneurs, and self-employed individuals with qualifications need these attributes, too.

Essential qualities include:

- total commitment to hard work;
- acceptance of uncertainty;
- self-discipline;
- originator/investor characteristics;
- planner/organiser characteristics.

Dame Anita Roddick, Sir Richard Branson and Sir Alan Sugar are all examples of successful business people who possess these traits but don't have a degree.

Have you got what it takes?

In terms of your attitude to this way of life and working, you should ask yourself the following questions:

Could you be a (calculated) risk taker? No business is risk free, so you need to judge the level of danger correctly and then be sufficiently well prepared to live with the consequences.

What is your response to uncertainty? Do you find this exciting rather than worrying? Are you prepared for changing markets, competition, and economic fluctuations?

Do you see change as a challenge? Can you minimise its downsides by careful thought and planning?

Are you opportunity aware? Given even half a chance, do you take it? Better still, can you see it coming before anyone else does? Or are you too cautious or over-analytical?

How hard can you work? Being self-employed is not an easy option, especially if you are working on your own. Results are often only produced by working long hours and doing routine tasks rather than bringing off high-powered business deals.

Are you a realist? Can you gauge in practical terms what can be achieved or produced within a certain period? In business terms this translates into:

- being aware of limitations;
- striving for speed, efficiency and quality;
- pricing your output so that it appeals to clients but at the same time pays you a realistic wage.

Can you see the consumer's point of view? Are you able to visualise the product or service you are offering through your customer's eyes?

How well organised are you? You will have to be an excellent time manager. If you do not already possess this skill, it can and must be learned. How else will you

- juggle tasks;
- meet multiple deadlines;
- prioritise conflicting demands;
- cope with basic administration such as sending out invoices?

Do you plan ahead? You need to do this to minimise uncertainties and maximise your chances of success.

Will you be able to network? It is essential to be able to market yourself and your business, often in social situations. Constantly putting yourself in a position to meet potential customers or contacts is a prerequisite.

Are you literate and numerate? What is your relationship with computers? If you are not totally familiar with any of the admin functions you need, you may have to pay other people to help with bidding for funds, doing the accounts and dealing with IT.

Do you have commercial awareness? Do you know how to:

- attract and retain customers;
- make a profit;
- corner a share of the market?

How committed are you? Do you believe in yourself and in your own business idea? Self-employment is not always a comfortable option or an easy alternative to finding regular work. Doubts or a half-hearted approach can be disastrous.

Are you self-motivated? Running a business can be a lonely occupation. No one is going to motivate you other than yourself.

What does professionalism mean to you? Will you:

- turn up to meetings on time;
- present a businesslike image;
- do the necessary homework?

It is essential to make a realistic assessment of your talents and work out whether you lack any of the skills essential to the success of your project. You may discover that you are in fact temperamentally unsuited to self-employment, or that there is training you need to undertake before you begin the venture.

Self-employment: Common areas of work

The number of sectors and occupations where self-employment opportunities can be found is almost limitless for new graduates. Here are some of the more common examples.

Information technology (IT)

Home computers, small businesses that cannot afford full-time IT people, and organisations that need to augment their computer staff for different projects, present fantastic openings for those who want to be self-employed. Opportunities for new graduates are reasonable, especially in web design/development and IT training, but less so in contracting. See the [case study](#) for further information.

Job roles include:

- [IT consultant](#)
- [IT trainer](#)
- [Web designer](#)

The visual arts

Graduates in fine art, craft, visual and design disciplines sometimes become self-employed by choice, more often through necessity. Examples of jobs include:

- [Graphic designer](#)
- [Illustrator](#)
- [Printmaker](#)
- [Metalwork/silversmith designer](#)

Income from sales and commissions may not be enough to live off. Many people take part-time jobs to support their practice.

Health and exercise

This category consists of:

- practitioners who could stay within the National Health Service (NHS) but prefer to work for themselves, all or part of the time;
- practitioners outside the mainstream health service who combine part-time NHS work and private referrals;
- providers of complementary therapies;
- providers of sports-related therapies.

The range of jobs is wide, for example:

- [Dentist](#)
- [Counsellor](#)
- [Osteopath](#)
- [Podiatrist/chiropractist](#)
- [Sports therapist](#)

Jobs covered by the Health Professions Council usually require a year in the NHS before setting up on your own.

The media

A significant number of people working in media industries are self-employed, freelance or on short-term contracts. The sector is extremely competitive and it is common to have to 'pitch' for work. Job areas include:

- [Film/video editor](#)
- [Magazine journalist](#)
- [Make-up artist](#)
- [Runner, broadcasting/film/video](#)
- [Writer](#)

The performing arts

Self-employment is the norm for performers and some technicians. They need to be proactive, approaching venues or putting together ensembles.

Examples of jobs include:

- [Actor](#)
- [Musician](#)
- [Theatre stage manager](#)

Luck, and being in the right place at the right time may play as big a part as talent and hard work, but getting a foot on the ladder can be a lengthy process.

Business and the law

Self-employed consultants provide expertise across a variety of commercial services. Locum work (short-term cover for time-bound periods) is also possible. Job roles include:

- [Chartered accountant](#)
- [Barrister](#)
- [Human resources officer](#)
- [Management consultant](#)
- [Environmental consultant](#)

It is rare, but not unknown, to make an impact without a previous professional background and postgraduate qualification.

Other occupations

Examples include:

- photography;
- language translation;
- freelance teaching;
- wine importing;
- sub-aqua diving instruction.

This list is only limited by your imagination!

More information about the occupations mentioned can be found in [explore types of jobs](#).

Self-employment: Types of business

How do you want to establish a business?

Businesses can take a variety of forms, ranging from sole traders to public companies trading their shares on the stock market, or from a group of friends operating as a partnership to a formally established cooperative with rules and guidelines.

When choosing the format of your business you may wish to consider:

- the types of customers you want;
- whether you want people to invest in the business;
- the risks involved in providing your products or services;
- how many people are involved in the business.

Sole traders

Most people who start in business do so as sole traders, working on their own, often from home. They alone receive the income and they alone are therefore liable for any losses or debts. Having no colleagues can be liberating, but may equally be isolating with no one to provide motivation or inspiration.

Partnerships

You could set up in business with one or more colleague(s), relative(s), or friend(s). This form of business relationship is usually known as a partnership. All may be equal partners or some may have a larger share of the business than others. Your income and liability are proportionate to your share in the business.

Limited companies

As a limited company, the business is registered with Companies House (<http://www.companieshouse.gov.uk>). There are more regulations associated with running a business this way, but these are generally offset by tax advantages. Those directing the company have shares proportional to their involvement.

Franchises

Franchises provide a way for individuals to start their own businesses with the backing of an established brand and business process. Well known examples include Body Shop, Clarks Shoes, McDonalds restaurants and Prontaprint.

These companies expand by getting other people to buy into their business, making an initial payment which secures equipment, raw materials, training and a well-known commercial name, and then running a branch of the business to make an individual profit. The British Franchise Association (BFA) (<http://www.thebfa.org/>) provides information and advice on buying a franchise.

Cooperatives

A cooperative is a group of like-minded people with similar aims and business interests. Often community based, 'co-ops' are owned and run democratically and everyone has a say. Profits are returned to members and typically involve employee share schemes. Co-ops are frequently creative, practical or founded on ethical values.

Buying a business

Taking on an existing business may cut out some of the legwork involved in starting up on your own. But try to find an established firm with a solid customer base and a motivated workforce, rather than one with liabilities or a poor reputation. You can find a business to buy through the local press, estate agents, trade associations and websites dedicated to this sort of provision.

Medical and legal practitioners

The medical and legal professions have specific structures of employment. If you enter one of these careers, you will need to consider what sort of practice suits you best. For example, barristers work from chambers, medical general practitioners (GPs) and dentists may set up their own practice or go into partnership. Opticians may opt to take up a franchise. These are all alternatives to being salaried employees.

Freelancing

Freelancers offer a skill or service to other businesses which employ them as needed for particular projects or for set lengths of time. They may be given office space or work from home, delivering work to (often tight) deadlines.

Some freelancers actively market themselves. Others obtain work through agencies or by a direct approach from employers.

Social enterprises and charities

This is an expanding area and has evolved from a desire to help the disadvantaged, providing much needed resources or services and sometimes offering employment to those who would otherwise be unwaged. A well-known example is The Big Issue (<http://www.bigissue.com>) newspaper.

The Charity Commission for England and Wales (<http://www.charity-commission.gov.uk>) can provide advice and you will have to register with it to qualify for certain tax advantages. Certain trading activities are barred to organisations with charitable status.

The UK Government has recently introduced a number of policies to support the growth of charities and social enterprises. Visit the Office of the Third Sector (http://www.cabinetoffice.gov.uk/third_sector) to find out more.

Self employment: Getting started

Your business idea and proposal

The business proposal is a document that describes your business idea and sets out the reasons why you think that it will succeed. It may be a single sheet of A4 or a file of business reports, scribbled notes and calculations that you have been collecting, but all will help you to streamline your ideas.

Your first consideration should be whether:

- you have a skill or an idea (service or product) to sell;
- there is a market for what you can offer.

In the process of putting your proposal together, you will need to ask yourself a number of questions:

- What relevant skills do I possess?
- Could I adapt or add to my existing skills?

- Where will I work from?
- What goods or services are needed locally?
- Could I sell (resell) services or products made by other people?
- Can I spot new ideas?
- Can I sell existing ideas in a different way?
- Should I buy into an existing business?
- Do I need a business partner(s)?

This list is not definitive: it is merely a starting point. Write down a summary of your idea(s), carry out some initial research and then organise your notes and findings. Once you have completed your proposal summary you will be ready to move on to creating the essential business plan.

Remember that you need not be proposing something original, but putting your own stamp on a well-represented trade, such as translating, or running a restaurant.

If you are proposing a new invention or concept, or crafting something creative such as a play or a design, take steps to protect these from being copied, used without permission or exploited. The key factor is to keep tangible, dated evidence that will confirm your ownership – in court if necessary.

A patent can be taken out, which gives you exclusive rights to make, use and sell your idea or invention and prevents others from misusing it. A trademark entitles you to further protection. Copyright and design right (covering content and appearance) are automatic in the UK, but are notoriously difficult to prove legally. Always add the copyright symbol to work that you send out, keep any originals and mail yourself copies via recorded delivery. Consider paying to register your design. The website of The British Library (<http://www.bl.uk>) has a section devoted to this topic, as do websites of organisations such as Intellectual Property Office (IPO) (<http://www.ipo.gov.uk>).

Working with others

Collaborating with a partner(s) can be a good way to get your business off the ground and is especially useful if you each have different skills to bring to the enterprise. Regardless of how well you know each other, ask a solicitor to draw up a tailored agreement about how the business will be run and what will happen in certain eventualities.

Doing your research

There is groundwork to be done on practicalities such as funding, legal considerations, markets and competitors. Don't neglect this as it is the foundation on which your successful business will be based. Searching the Internet will provide useful information, but local businesses and university libraries will have a wealth of market information available for free that may otherwise carry a charge if you access it online.

Business name

Your business name may be your own name accompanied by an indication of your role, e.g. 'Jane Smith, Advertising Consultant'. Alternatively you could adopt a memorable title and perhaps a logo. If it is a limited company, it must be registered in a name of its own. You will have to check whether the same name or something similar is already in use. Companies House (<http://www.companieshouse.gov.uk>) is the main source for information about this and about the wordings that are permitted and appropriate.

Your business and IT

You will need an up-to-date computer and a dependable internet connection, plus a dedicated and professional sounding email address. A website may be an optional extra at first, unless you need it for e-commerce, i.e. taking payment over the internet.

Your website URL should not replicate or resemble anyone else's. Ideally, it will reflect the nature of what you are providing. You can register at Nominet (<http://www.nominet.org.uk>), which has information on suitable and available internet addresses.

Registering as self-employed

When you start working on your own behalf, you have a few months to register as self-employed for tax and National Insurance (NI) purposes. Contact the local tax office. You can register as both employed and self-employed if you have a second job.

Premises

There are several different types of locations from where you can run a business - it is important to think carefully about what type will suit you best. Before agreeing to rent premises, identify all possible setting up and running costs (e.g., installation of machinery, refurbishment, business rates, electricity, gas, water, heating, service charges, legal agreements, survey, removal costs).

- *Choosing business premises:* Plan your space carefully. What will the insurance cost you? Is it convenient for customers to find you? Speak to other tenants re: 'hidden' problems. Are any subsidies available?
- *Health and safety:* If you are in external premises, they must conform to health and safety laws with regard to features such as: fire hazards and escapes; planning consent; ventilation; environmental issues. The list becomes longer if you are employing staff or allowing access to members of the public. More regulations come into play with particular types of enterprise, such as construction or food related businesses. The Health and Safety Executive (HSE) (<http://www.hse.gov.uk>) supplies guidelines on these matters and they or a local environmental health inspectorate may make regular checks.
- *Working from home:* Do you need planning permission? Will it affect your house insurance? Check neighbours' potential reactions. Is it professional enough for client visits? Will you feel isolated? An alternative is working out of a communal space (such as artists' workrooms or a clinic shared by several therapists) where all expenses can be shared. Cheaper options include workspaces rented out to small businesses by enterprise agencies, charities and, increasingly, by universities. Visit UK Business Incubation (UKBI) (<http://www.ukbi.co.uk/>) for more information.

Advice and help

- *University sources:* If you are a student, your college or university may run sessions on setting up in business and your careers library should contain some information on this.
- *Local authorities and adult education colleges* often provide classes on self-employment.
- *Jobcentres and local careers services* may have advisers who can deal with start-up queries.
- Business Link (<http://www.businesslink.gov.uk>) is probably one of the most comprehensive and authoritative resources you can use.
- *Banks:* Every bank on the high street gives free information on this topic.
- *Websites:* For a comprehensive overview of everything you need to know, go to Business Link.
- *Charities and similar enterprises:* The Prince's Trust (<http://www.princes-trust.org.uk>) is an example of an organization that nurtures intending entrepreneurs and supports them in developing their ideas. Some businesses run competitions and events for this purpose: the best known of these is Shell LiveWire (<http://www.shell-livewire.org>).
- *Membership of professional bodies, trade associations and unions:* There is very likely to be a professional body relevant to the work you intend to do. For example, the National Union of Journalists (NUJ) (<http://www.nuj.org.uk>) can tell you about freelance rates of pay. The The Chartered Society of Designers (CSD) (<http://www.csd.org.uk>) will help with copyright issues.
- *Sector Skills Councils:* Some sectors have their own careers services, which that are fully clued up on matters relating to self-employment. Skillset: The Sector Skills Council for Creative Media (<http://www.skillset.org>) is a prime example of this.
- Other relevant bodies and sources of advice are listed in [contacts and resources](#).

Gaining business skills

Gaining relevant work experience is one of the most effective ways of preparing for self-employment. Observing how any small business works first-hand is invaluable in providing an insight into:

- the skills you will need to run your business;
- the workload and stresses you will be under;
- the level of commitment you will be making.

If you are looking to 'sell' knowledge or expertise, previous and often prolonged work experience will be essential for you to develop the necessary knowledge, contacts and professional credibility.

There are numerous initiatives aimed at students and some may be available through your university.

- Look into joining a Student Entrepreneurs Society or even start your own.
- The National Council for Graduate Entrepreneurship (NCGE) (<http://www.ncge.org.uk/>) offers a range of programmes.
- SIFE (Students in Free Enterprise) (<http://www.sife.org/>) supports social enterprise activities.
- Graduate Young Enterprise is another option.
- Check whether any mentoring schemes are available.

Self-employment: business plans

Why write a business plan?

Your business plan is the framework for your business idea. You need a business plan in order to:

- gain credibility;
- obtain funding;
- be able to plan effectively and manage risk.

Your business plan describes the aims and objectives of your business, its market, strategies and financial forecasts. Without it there will be few who will take your ideas seriously. Generally, a plan highlighting your intentions and ambitions over the next three years will suffice to begin with.

The process of preparing the plan will enable you to evaluate the feasibility of your idea and focus your mind on how to make your business a success. It will become a sales tool, help raise funding, attract potential business partners, suppliers and clients or even persuade reluctant parents. Your aim is to persuade readers that your idea is a viable, and that you (and your partners?) have the necessary motivation, skills and business acumen to succeed.

What should it include?

There are many different templates for business plans, and terminology varies, but generally you should include the following:

Executive summary: an overview where you can capture the people's interest without making them wade through all the detail. Whilst the rest of the plan will change frequently over time, this summary should remind you of what you set out to do and why.

Business concept: a summary of the following:

- What are you actually going to do?
- What is the business providing?
- What are the core products or services?
- How will you sell and deliver the product to your clients?

Business ownership: what form does it take - e.g., sole trader, partnership? List all of the key people involved in the business and their relevant experience, knowledge and accomplishments.

Market summary: evidence that a market exists for your product or services. Describe three key areas of the market place – its history, current performance and forecasts. Review changes in market share, leadership, market variations, costs, pricing, competition and related opportunities relevant to your company's success.

Competition: a summary of your competitors, their reasons for success or failure. Demonstrate how your business will be different, i.e. outline your company's competitive advantage.

Goals and objectives: demonstrate that you have clearly defined SMART goals that are:

- Specific;
- Measureable;
- Achievable;
- Realistic;
- Time-framed.

Include short, medium and long-term goals that describe specific measurable objectives such as market share and revenue/profitability. Break these down further to highlight how you will achieve these objectives.

Financial plan: definition of relevant financial factors, including pricing assumptions, cash-flow, expected sales and profits for at least your first three years of trading. Include any financial assistance the business needs (loans, overdrafts, director's capital) and demonstrate your business's ability to repay any borrowing required.

Resource requirements: details of what the business needs to start and grow, including:

- technology: machinery, photocopier, tools, computers;
- personnel: business skills, specialist staff, operatives;
- external resources: products/services outside the company
- other: e.g., financial, distribution, promotion/marketing.

Risks: all successful entrepreneurs are able to identify, understand and plan for the risks they face in running a business. Examples include competition, changes in technologies and legislation, lack of funding and skills shortages. Describe such risks and their potential effects on your business and propose a response to mitigate possible damage.

Annex: any additional details you think will add value to your plan, such as:

- full CVs of the management team;
- promotional material;
- market research results and reports;
- competitor materials;
- details of premises and equipment sought;
- details of previous/current business success.

It is important that you are comfortable with and understand the terminology you use. This is crucial for gaining and maintaining confidence in your stakeholders. Asking questions at the beginning will significantly increase your chances of success.

Self-employment: Funding

What sort of funding will I need?

Start-up costs are a priority for the majority of new businesses. The sorts of resources that you may need will vary, but would generally be required for some or all of the following:

- equipment: anything from a laptop computer to heavy plant or industrial standard tools and machinery;
- accommodation: renting or buying a work place;
- furnishing and decoration;
- utilities: heating, lighting, water;
- training: additional course(s) to give you the skills and knowledge you need;
- infrastructure: setting up systems and processes to move the business forward;
- marketing: promoting and advertising;
- administrative costs: phone calls, postage;
- employing staff;
- general development: you may need time and/or money to do further research or develop products/services.

The necessity for extra funding does not stop when the business is up and running. You may need to expand your activities, but lack the capital needed to do so.

Are there any other costs?

It is recommended that you obtain various types of insurance: buildings and contents, professional indemnity to safeguard you against legal action, health cover in case you are ill and cannot work, public liability if your premises are accessible to people not connected with the business. You also need to think about setting up a private pension.

Where can I do research and get advice?

Business Link (<http://www.businesslink.gov.uk>) has links and signposts to all types of funding opportunities, regionally, nationally and across Europe. It includes a facility where you can type in details of your background and business proposals and generate lists of possible sources of support.

What kinds of funding are there?

Funding comes in four main types:

- you have to pay back, often with interest i.e. a loan;
- equity that is put into your firm and may give the investor a say in the way it is run (this includes sponsorship);
- matched funding, where another agency supplies part of the cash needed (typically half of the amount) and you have to obtain the rest;
- grants, awards and scholarships that do not have to be repaid.

Where are the main sources of funding?

Many high street banks will consider lending money for business purposes.

Grants, awards and matched funding can be accessed from local, regional and national agencies that back enterprise. Contact your local enterprise agency (details available from the National Federation of Enterprise Agencies (<http://www.nfea.com/>)) to see what types of funding they have. Charities provide grants, awards and matched funding. They may have a specific remit for business start-ups, like the Prince's Trust (<http://www.princes-trust.org.uk>), or this may form just a part of their brief.

Some business firms and professional bodies offer grants and sponsorships.

Business angels and venture capitalists are constantly on the lookout for potentially large-scale commercial opportunities in which to invest.

Private loans and investments from friends and family are likely to be made with minimal interest rates, but friends and family may not provide the on-going mentoring and support available from other sorts of funders. If you go down this route, get a legal contract drawn up in case disputes arise later.

How do I apply for funding?

Almost any organisation offering funding will want proof that you will use the money wisely. They will want to see your business plan and discuss it in detail before handing over any money. Unsuccessful applicants who nearly make the grade may be encouraged to re-apply when they have done more research or acquired additional evidence. You may occasionally be asked to enter some form of competition or selection process.

Are there strings attached?

Most providers like to see evidence of personal investment as this shows your commitment.

Funders may specify certain uses for the money such as projects with a social enterprise bias.

Many lenders and investors monitor how you use the money, perhaps by setting targets and outcomes. Some funding is staggered and later payments are dependent on how well you have utilised the first tranche of cash.

Self-employment: Sales and marketing

You will need a marketing plan to help you to:

- identify potential customers;
- decide which customers to target;
- plan for retaining them.

A common approach is to work out an appropriate marketing mix based on the five 'P's of marketing:

- *Product*: making it attractive to customers: design, technology, or materials used;
- *Place*: how and where to sell: retail, wholesale, the internet, business-to-business, or business-to-consumer;
- *Promotion*: reaching your customers: advertising, PR, mailings, or personal selling;
- *Price*: e.g., sell high numbers of units with low margins or sell low numbers of units with high margins, matching the competition;
- *People*: training your staff and/or analysing your customers.

Know your customer

Who are your customers, in terms of age, location and income? A gut feeling that there is a niche for your product will not convince lenders and business advisers. You should be able to give an overview of the competition and potential product demand.

Useful formal statistics include:

- government data;
- electoral rolls;
- consumer surveys, sector reports (e.g., Mintel (<http://www.mintel.com>));
- information held by trade and professional bodies.

The Data Protection Act and commercial considerations require that you may have to pay to access this. Try local or specialist libraries for access to subscription-only websites.

Carry out your own investigations by:

- desk research;
- visiting potential stakeholders;
- visiting competitors and collating trade literature;
- observing similar businesses;
- visiting and/or surveying potential customers;
- visiting trade association websites.

A list of websites valuable for market research and statistics is available from RBA Information Services - statistics (<http://www.rba.co.uk/sources/stats.htm>). Use this as a basis for your:

- sales forecast: how much you can expect to sell, where and at what price;
- marketing plan: how will you develop your activities at set stages in the foreseeable

future?

Promoting your business

Concentrate on the basics. Business cards and matching headed paper are cheap and can do a lot to establish a professional image in any context.

Some suggestions for networking:

- exhibitions, trade events and conferences: take a stand or just mingle with potential clients;
- structured opportunities provided by Chambers of Commerce, Business Network International (<http://www.bni-europe.com>), professional associations and institutes;
- Business Link (<http://www.businesslink.gov.uk>) to help you locate certain types of business or business people.

Some organisations offer marketing strategy mentoring, which may cover factors such as pricing, branding and media mix.

Go to Business Link for links to online marketing courses.

Advertising your product

Blowing your entire budget on advertising may not produce the biggest return. Think carefully about which publications or websites to use. Find out about their coverage, circulation and target audience. Do they reach your intended customers? A mix of media can be particularly effective, e.g., radio and the Yellow Pages (<http://www.yell.com>).

Cheaper methods include:

- leafleting (door to door, high street);
- sending out press releases or arranging free 'advertorial' features in the press;
- asking professional bodies to place your details on their websites;
- an easy-to-navigate website.

The best advertisement is you. If you deliver good products, excellent service and original ideas, word will get about and you'll hear from new clients.

Tendering for contracts

You may be asked to bid for work and contracts against competing suppliers. Business Link provides comprehensive guides.

E-commerce

If you intend to trade via the internet, take professional and legal advice to ensure you meet acceptable and required standards. Issues to cover include:

- computer capacity - a website that constantly crashes will lose customers;
- data protection/security for customers and yourself;
- branding, domain name and a user friendly site that is easily accessed by search engines;
- reliable systems for online payment;
- compliance with legal requirements such as the Supply of Goods and Services Act.

Business Link can point you to e-marketplaces that match up manufacturers, distributors and others in the chain.

The Office of Fair Trading (<http://www.offt.gov.uk>) provides excellent advice and tips on

how to keep your customers happy.

Whichever way you decide to market or sell your products or services, make sure you stay within the law.

Self-employment: Managing finances

Your personal finances

Before considering how much money your business needs to generate in order to thrive, you need to think about how you are going to survive while you wait for customers to pay you. The amount of research, and market and product development that may be needed could mean it will be months or even longer before the business is able to trade effectively and provide you with a full-time income. Answering the following questions will help you to understand how you might manage during this period:

- Will I be working full time in the business?
- Will I have another source of income, or savings to fall back on?
- Do I need the business to provide a full-time income from the start?
- What is a full-time income?
- How much do I need to live on every month?
- Do I know anyone who can give or lend me money?
- Do I know someone who has money who might join me or buy into the business?
- How quickly do I think I can generate sales?

Once you have understood your personal financial needs, you need to work out how you will control the finances that directly affect your business.

Cashflow

One of the most stressful aspects of self-employment as compared with being employed is that you cannot rely on a regular salary being paid into your bank account. Good cashflow is defined by a pattern of income and spending that allows a business to have cash available to pay bills (and wages?) on time. Never spend or buy unless you have to (consider leasing).

Profits

Check whether your prices are sustainable. Is it better for you to work with higher margins and fewer customers? Know your break-even position and how it changes with differing volumes of different products and services.

Overheads

Keep overheads to a minimum. If you need stock, hold the minimum needed. Paying out for stock is a rapid way to run out of money.

Credit

Only give credit when it cannot be avoided. Beware of new customers asking for credit: check their credit/ payment history with other suppliers and credit reference agencies.

Invoicing

Create a system that ensures invoices are correct, sent to the right person and followed up 'before' they are due for payment. Know when you can expect payment into your account.

Bank accounts

Maintain a good relationship with your bank by keeping them informed. This may help if you need to raise money urgently or go overdrawn at short notice.

Taxation

As a business owner, you may be liable for several different taxes, including: income tax; corporation tax; VAT; stamp duty; and business rates. Go to HM Revenue & Customs (HMRC) (<http://www.hmrc.gov.uk>) to find out more about what taxes will apply to you, how to calculate them and when to send your tax return to them.

Items such as travel, telephone costs, postage, office supplies, accommodation and equipment can all be set against tax, and this often applies to heating, lighting and other utilities, too. One of the main reasons why even the smallest businesses hire an accountant is to ensure that tax payments are minimised and benefits fully exploited.

Registering for VAT

If you supply goods and services with a value above an annual threshold (currently £67,000), you must register straightaway for Value Added Tax (VAT) and pay it throughout the year at fixed intervals. Failure to do so incurs a fine which accumulates the longer the tax is unpaid. You may gain a tax advantage by registering voluntarily, even if your turnover is below the threshold.

Additional VAT is payable on imports and exports. Levels vary according to the nature of the goods and the countries involved.

Book-keeping and accounting

Meticulous record keeping is vital both to keep track of your business finances and to provide related evidence to HMRC, who will then calculate taxes you need to pay. HMRC and Business Link (<http://www.businesslink.gov.uk>) run short courses across the country covering most finance-related issues. You will also find many simple templates both on these websites and on the websites of several high street banks that you can easily adapt.

Getting in and out of debt

It is likely, but not inevitable that you will need to take out loans both to start your business and, later, to expand it. If you follow the suggestions above and in the section on Starting up, you should avoid the worst problems. If you get into difficulties, seek help straightaway, not when you are going under. Banks, accountants, tax personnel and business advisers may all be able to come up with strategies to get you out of trouble or avoid it altogether.

Self-employment: Employing people

Employing people is one of the biggest steps you can take when growing your business and it should not be taken lightly. Seek independent advice before making any key employment decisions.

Be aware that there are regulations around subjects such as minimum wages, hours of work, sick pay, flexible working, annual leave, maternity leave, employers' liability insurance, repayment of staff members' student loans and redundancy. Also, as your business grows, you may need to put in place formal pay scales and promotion structures.

The rules surrounding all this are extremely complex, so it is vital to seek professional advice from your accountants, solicitors and HM Revenue & Customs (HMRC) (<http://www.hmrc.gov.uk>) before setting up a payroll system and maintaining necessary records.

Making job offers

If you are advertising a post or deciding who to employ, you must pay due regard to anti-discrimination laws. With few exceptions, it is illegal to deny anyone a job on the grounds of their gender, race, religion, sexual orientation, disability or age.

Pre-employment checks

Before you confirm a job offer, you should take up references and check that both these and the candidate's CV/qualifications are valid and truthful. Their previous employment history and any convictions may also be followed up. Care is also needed to make sure that you are within the law when employing children under 16, young people under 18, or workers from outside the EU (including students), who will require work permits and visas.

If any member of your staff is likely to come into contact with children or vulnerable adults, a Criminal Records Bureau (CRB) (<http://www.crb.homeoffice.gov.uk>) check is mandatory.

Job contracts

When you do find the right candidate, they should be given a formal contract of employment, clearly laying out the terms and conditions under which they are employed, including pay, annual leave, hours, notice and any probationary period. Most solicitors can advise on this and draw up a standard or customized document.

PAYE and National Insurance

If you are paying anyone for the work they do, it is your responsibility to ensure that their tax and National Insurance (NI) obligations are met. Staff on your payroll must be covered by the Pay As You Earn (PAYE) system by which tax and NI are deducted at source from their wages. They are entitled to an itemized pay slip, as well as other documentation, such as a P60 at the end of the financial year. If you employ freelancers, you should advise them that they are responsible for making their own arrangements for this.

Pensions

A range of options is currently available to employers and their employees regarding occupational pensions. You should advise any employees of your business about the arrangements you have in place for them, or discuss their entitlements to make their own arrangements. There are different types of schemes and various levels of employer/employee contributions to these. You will receive tax benefits for making contributions to your employees' pensions.

The Pensions Regulator (<http://www.thepensionsregulator.gov.uk>) and the Department for Work and Pensions (DWP) (<http://www.dwp.gov.uk>) can advise on provision, registration and other issues.

Disputes

If you have selected your staff wisely and treated them well, it is unlikely that major problems will arise. If there are disagreements, or if you need to discipline or dismiss one of your employees, there are rules in place to ensure that this is done justly and properly. The Advisory, Conciliation and Arbitration Service (ACAS) (<http://www.acas.gov.uk>) can provide support on this and may also mediate to prevent matters from escalating. Both ACAS and the Chartered Institute of Personnel and Development (CIPD) (<http://www.cipd.co.uk>) have useful tips on employing people and on what constitutes a model workplace.

Business Link (<http://www.businesslink.gov.uk>) provides an extensive range of guides and checklists for anyone looking to employ people, and more help is available from the

Employment pages at Department for Business, Innovation and Skills (BIS) (<http://www.bis.gov.uk>).

Self-employment: Case study

Brothers Mike (25) and Tom Ashworth (27) created NuBlue Web Solutions (<http://www.nublue.co.uk/>), a web design business, in 2005. Mike graduated in 2005 (BA Film Production), Tom in 2003 (BA 3D Animation). Less than four years on, they now run a well-established web agency with clients across the world and employ ten members of staff. The NHS and Toni&Guy are amongst their client list. However, like many business start-up stories it hasn't been plain sailing as Mike explains.

'Once we'd drafted our business plan, we looked at several commercial premises and decided to base ourselves within a business incubation centre (see UK Business Incubation (UKBI) (<http://www.ukbi.co.uk/>)) at Lancaster University with the aid of a small loan from our family. We needed premises as we wanted to give a professional appearance from the day one, so we needed a smart and dedicated place of work to meet our prospective clients and customers.

We took the rather optimistic view that '...if we build it, they will come.' It quickly became apparent that this would not be the case and we had to start concentrating on who would be interested in our product and where would we find them.

The biggest pressure at the start was cashflow. A substantial debt from university and owing money to someone really made it all suddenly feel very real. I was working three nights a week in a local video-rental store and then at least 60 hours (including weekends) developing and trying to run the business. In the first year we turned over £17,000 but after paying rent and running costs we were living on as little as £100 month each. Our business cards may have read 'Managing Director' but beans on toast was frequently the only thing on the menu.

Being my own boss was always one of the main attractions of being self-employed, but my previous bosses had been replaced by several new bosses, i.e. customers who each had deadlines and demand on my time. Initially we both did everything ourselves but as we began to grow, we developed our own roles.'

What are the best aspects of working for yourself?

'A feeling of accomplishment and self-worth. There is a real sense of pride now that we have achieved what we originally set out to do.'

Less attractive aspects of self-employment?

'Getting our first client was really stressful and there was a six-week gap between attracting the first and second clients. Being a relatively young business owner, it's also frustrating sometimes as potential clients may not take you seriously because of your age (especially at the beginning when you have no trading history). Also, I didn't take a holiday in the first two years. It's still difficult to relax away from work as there's a fear that it won't be here when I return.'

What have been the key turning points during the last four years?

'The realisation that customers wouldn't simply come knocking on the door and that we'd have to work harder than we ever had before just to attract clients.

Attending business networks (see Business Network International (<http://www.bni-europe.com>)): this really provided our first taste of how small businesses operate and gave us our first leads and clients.

Employing staff: At the end of year one, we could barely support ourselves. Now we're responsible for the livelihood of others and the source of income for their next holiday!

What have you learnt that you would pass on to others?

Get one or two years' work experience before taking the leap. Learn from other people's mistakes instead of making them yourself.

Definitely get your ideas down on paper in the form of a business plan and be as detailed as you can about your intentions and needs.

Go to business networking events to learn from others, develop contacts and meet potential clients.

Finally, make use of the numerous business support agencies and subsidised resources out there. Being short of money is really stressful in the first few years so you don't want to be spending money needlessly.'

Self-employment: Checklist

The checklist below is designed to remind you of the key points to consider when becoming self-employed and to highlight action points that should be taken.

The business

- What are your reasons for becoming self-employed?
- How feasible is your idea and why?
- What's the unique selling point of your business?
- What knowledge, skills and qualifications are needed in the sector that you have chosen?
- How will you keep your knowledge, skills and qualifications up to date?
- How do you intend to 'grow' the business?

Your research

- Which areas of research will you need to tackle first?
- Where, specifically, will you find the information?
- Desk research only goes so far: who should you talk to?
- Who will you need to help you – inside and outside the business?
- With which professional organisations and associations should you register?

Funding

- How much money will you need to start the business?
- What resources and equipment will be required?
- What IT facilities will be necessary?
- Where will you be based and what will this cost?
- Which sources of funding will you approach first?
- How will you support yourself while starting up the business?

Marketing

- Look closely at two competitors: what can you learn from them?
- Where can you network?
- List five outlets for your products or services.
- What's a competitive price for your product(s)?
- Which three promotional methods will best suit your business?

Practicalities

- What type of business will you run, e.g. sole trader?
- Have you found out how to pay income tax?
- What can you set against tax?
- What mandatory regulations must you follow?
- What pension arrangements will you make?

Don't forget to check with [your university careers service](#) to see what help is already available through your university.

Contacts and resources

Publications

Other publications

Starting a Business for Dummies, [Wiley - John & Sons Ltd](#), 2007

Working for Yourself, Which?, 2007

Websites

ACCA (Association of Chartered Certified Accountants), <http://www.accaglobal.com>

Advisory, Conciliation and Arbitration Service (ACAS), <http://www.acas.gov.uk>

Arts Council England, <http://www.artscouncil.org.uk>

Arts Council of Wales, <http://www.artswales.org.uk>

The Big Issue, <http://www.bigissue.com>

British Chambers of Commerce (BCC), <http://www.britishchambers.org.uk/>

British Companies, <http://www.britishcompanies.co.uk/>

British Franchise Association (BFA), <http://www.thebfa.org/>

The British Library, <http://www.bl.uk>

Business Gateway, <http://www.bgateway.com/>

Business Link, <http://www.businesslink.gov.uk>

Business Network International, <http://www.bni-europe.com>

The Charity Commission for England and Wales, <http://www.charity-commission.gov.uk>

Chartered Institute of Personnel and Development (CIPD), <http://www.cipd.co.uk>

The Chartered Society of Designers (CSD), <http://www.csd.org.uk>

Companies House, <http://www.companieshouse.gov.uk>

Crafts Council, <http://www.craftscouncil.org.uk>

Criminal Records Bureau (CRB), <http://www.crb.homeoffice.gov.uk>

Department for Business, Innovation and Skills (BIS), <http://www.bis.gov.uk>

Department for Work and Pensions (DWP), <http://www.dwp.gov.uk/>

Ecademy, <http://www.ecademy.com/>

Federation of Small Businesses, <http://www.fsb.org.uk>

The Health and Safety Executive (HSE), <http://www.hse.gov.uk>

HM Revenue & Customs (HMRC), <http://www.hmrc.gov.uk>

Institute of Patentees and Inventors, <http://www.invent.org.uk>

Intellectual Property Office (IPO), <http://www.ipso.gov.uk>

ITWales, <http://www.bigwales.com>

Lawyers for your Business (LFYB),

<http://www.lawsociety.org.uk/choosingandusing/helpyourbusiness/foryourbusiness.l...>

Make Your Mark, <http://www.makeyourmark.org.uk/>

Mintel, <http://www.mintel.com>

National Council for Graduate Entrepreneurship (NCGE), <http://www.ncge.org.uk/>

National Federation of Enterprise Agencies, <http://www.nfea.com/>

National Union of Journalists (NUJ), <http://www.nuj.org.uk>

Nominet, <http://www.nominet.org.uk>

NuBlue Web Solutions, <http://www.nublue.co.uk/>
The Pensions Regulator, <http://www.thepensionsregulator.gov.uk>
Office of Fair Trading, <http://www.oft.gov.uk>
Office of the Third Sector, http://www.cabinetoffice.gov.uk/third_sector
Prince's Trust, <http://www.princes-trust.org.uk>
RBA Information Services - statistics, <http://www.rba.co.uk/sources/stats.htm>
Scottish Arts Council (SAC), <http://www.sac.org.uk>
Shell LiveWire, <http://www.shell-livewire.org>
SIFE (Students in Free Enterprise), <http://www.sife.org/>
Skillset: The Sector Skills Council for Creative Media, <http://www.skillset.org>
Small Business, <http://www.smallbusiness.co.uk>
UK Business Incubation (UKBI), <http://www.ukbi.co.uk/>
UK Trade & Investment, <http://www.ukinvest.gov.uk>
Yellow Pages, <http://www.yell.com>



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