

Getting started in your own business

Starting your own business is one of the most challenging things that you can attempt. In some respects, it is much harder than buying property or a car.

Starting up a business isn't just about hanging up a shingle; it's about building relationships, understanding customer needs and managing the people and resources you need to be successful.

People venture into business for a variety of reasons, whether it's setting up their first business or acquiring new businesses to complement your existing operations. Some bring with them extensive knowledge, expertise and skill and understand their market very well whilst others start with little or no knowledge beyond their capacity as an employee.

Either way, there are more failures than there are successes, and at Bates Cosgrave, we've seen many and varied reasons that businesses either fail to get off the ground to begin with or come to a grinding halt after a significant amount of investment.

Knowing how a business can fail provides great insight as to how to succeed. There are a great many more that continue on but rarely do they meet the expectations of the owner.

The main reasons that new businesses fail can be narrowed down to a few major areas.

Not understanding the business you're in

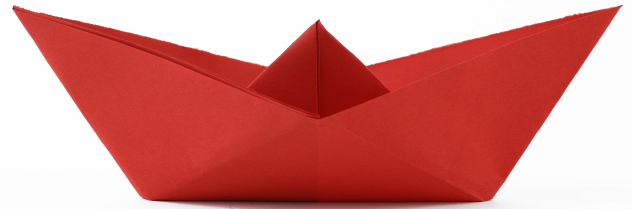
The new business operator may be taking over an existing business, and while they may know the 'trade', they are without the expertise or knowledge of the market - or more importantly without understanding the key elements that contribute to the success of the business.

When taking over a business, new business owners need to understand the factors, levers and know how that make it a success, as well as understanding the competitor offering, pricing of product in the market and ensuring the right resources are in place.

Insufficient funding and resources

A critical success factor for starting a new business is the availability of appropriate financial resources that are required to transition the business from its previous owners or fund the start-up period.

Without adequate capital to fund the business, growth is impossible to attain because the business can't invest in staff, stock, capital assets or simply finance the business long enough to break even and make a profit.



Getting advice

Many start-ups will invest in the business to get it off the ground, putting in place the essentials with the aim to bring on the right advice when finances permit.

The risk however is ending up on the wrong side of the taxman, a lack of understanding legal obligations or not complying with professional standards. Sometimes even the essentials are not enough to get to second base.

A good network of advisers is an invaluable resource. Accountants, lawyers, business angels, mentors and professional consultants can help new business owners get on firm footing fairly efficiently, however many will only turn to advisers when they find themselves in strife – which can often be too late.

The lack of processes and plans

The easiest way to lose sight of the business's goals is to operate without a roadmap. What constitutes a quality road map?

We've all heard that the squiggle on the back of a beer mat or a paper napkin is how many entrepreneurs start, however a clear, detailed business plan helps to map out the goals, processes and methods that will enable the business to find its feet.

A business plan can help business owners to explore opportunities, risks and develop a robust strategy that will guide decision-making in the total context of the business. Knowing what is an appropriate road map means everything.

Not knowing your market

Every now and then we hear the saying, "Build it and they will come". That's like shooting an arrow in the dark with no idea of where the target is.

While it is true that some brands or products grab the imagination of a broad audience, the reality is that start ups need to be prepared to do the hard slog of learning what their customers need, want and demand. The key issues for any new business are:

Starting up a business isn't just about hanging up a shingle; it's about building relationships, understanding customer needs and managing the people and resources you need to be successful.

Talking to an adviser with the knowledge of your sector or business needs can go a long way to making sure you don't have to turn the boat around.

Contact us on 02 9957 4033 to discuss your business or email us to arrange an appointment.

Knowing the competition. Spend the time getting to know who else is operating in your target market, particularly whether similar products or services exist and how they are similar or different to yours. It's vital for positioning your service or product properly.

Understand the features, benefits and applications of competitor offerings. Without this knowledge, businesses fail to orient their offerings properly at a price that is acceptable to the market, making it difficult to compete effectively. Products and services do not need to be cheaper or perfect, but differentiation is key to entering a market or sustaining competitiveness.

Good information. It is true that business start with little in the way of records but it doesn't take long for a lot of information to be available. Knowing how to get it and understand it is crucial to the fine tuning and ultimate success of a business.

Steering in the right direction

These issues are not uncommon, nor are they exhaustive. New business owners often find that without these principles that it is difficult to succeed in a competitive market. The central business issues we've discussed here contribute to the overall success or failure of business.

If you're thinking about starting up a new business or acquiring an existing business to complement your current interests, being aware of these issues is a good start.

Contact Us

Bates Cosgrave Chartered Accountants
Level 5, 223 Pacific Highway
North Sydney NSW 2060
Tel: 02 9957 4033 Fax: 02 9964 0610
email: enquiry@batescosgrave.com.au

Disclaimer

The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, professional advice should be obtained.