

Starting from Scratch

I discovered the problem with being my own boss is it doesn't work if you hate yourself



This chapter covers many of the reasons for starting a business. Ignore everyone else, what do you want to do? What are you really passionate about in life? Going to work could be like going to play if you choose the right line of work. Questions you have to address include: what exactly is the idea, what will your business be, why do your customers need you, and will your idea make money? A poor plan, even if brilliantly executed, is still a poor plan. Are you in the mood for change?

Ignore everyone else, what do you want to do?

Starting from scratch is a scary thing. Here I sit in front of an empty desk with a book to write. It's the second of January and you have no business, no customers, and no tangible manifestation of your brilliant idea. Don't panic. A lot of us have been there. You are not alone. Put the kettle on – we've got some serious thinking to do.

"The greatest pleasure in life is doing what people say you cannot do."

Walter Bagehot

Frankly, when it comes to the matter of starting your own business, for once we are not remotely interested in anyone else's opinion. Ignore everyone else. What do *you* want to do? Don't rush the answer. If you do, you may well end up doing something that is less than satisfying. No, go for the thing that you really fancy. Don't worry at this stage about how you are going to do it. Just focus on the main point, and keep looking at it until you are satisfied that it is right for you.

This book is all about you and your aspirations, and to help navigate you through how to realize them, I have asked lots of other people what they went through and why they bothered. The full survey is in Appendix II, so you can go into more detail if a particular story fascinates you, but I have drawn out the main themes as we go along so we can learn from others and confirm that everyone goes through what you will.

Reasons for starting a business

So let's begin by looking at why people bother to go to all the trouble of starting their own business in the first place. In the survey I asked five questions. The first was *What made you start your business?* Over sixty people answered, so we have quite a decent spread of opinion to work with. The range of reasons for starting a business is fascinating:

- I hated my boss.
- Couldn't stand the politics.
- Frustration with current job.
- Got fired or made redundant.
- Convinced there must be a better way.
- Wanted to be my own boss/have more control.
- The chance to use my brain for my own benefit.
- Run my life as I want.
- Life changes everything.
- Wanted to take a risk.
- Always wanted to.
- Wanted the challenge.
- Wanted to create my own dream job.
- Spotted an opportunity.
- Had a safety net.
- Wanted to make a lot of money.
- A combination of fear and ambition.

I should stress that this is not a quantitative survey, so there is no particular order or bias to the answers. Let's work through them to see what we can learn, and so that you can work out what your own reasons are.

I hated my boss

Shocking, but true. Many people cite as their main reason for setting up a business the fact that they couldn't stand their boss. Some bosses are undoubtedly incompetent, but the comment mainly seems to refer to their unacceptable behaviour – boorish approaches, bullying, sexism, arrogance, a despotic, dominating style – you name it. No matter what corporations do to prevent this appalling activity, some bad apples always seem to slip through the net. No one should have to put up with this sort of behaviour, and many don't. How about you? To see how this sort of approach from inappropriate bosses can spur someone on to start their business, take a look at the story of Julian Saunders:

“What motivated me to start my own business was a desire for freedom from corporate life, prompted by the truly loathsome experience of working under my previous boss. It confirmed what I already knew in my heart of hearts. I could not put up with all the nonsense of big ad agencies any more. I had grown out of it.”

Julian's full story is in Appendix II. Recognize any symptoms from your current job?

Couldn't stand the politics

This is not the same as hating your boss or being subjected to unreasonable working practices. Political companies

foster an atmosphere in which people do not say what they mean. Or they don't mean what they say. Either way, if you value your honesty and integrity (see Chapter 5), then you won't be able to tolerate this type of environment for very long. In my experience, there are two main things that happen when an individual can't stand a political environment.

1. You don't say what you mean and end up hating yourself.
2. You say what you mean and eventually get fired.

If it's the first, then you may be in the right frame of mind to set up your own business. If it's the second, then read on, we've all been there.

Frustration with current job

You might not hate your boss and you might not work in a particularly political company, but you might still find large chunks of it deeply frustrating. The question is: to what extent? Mild, occasional frustrations may be natural and tolerable. Deep-seated and near-permanent frustration may mean it is time to move on. Millions have, and just think how much happier you could be.

Got fired or made redundant

I was made redundant three times in the 1990s. I was variously described as “surplus to requirements”, “culturally incompatible” and “a mistake”. It's charming, isn't it? And here I am offering my advice to the world! If my former employers were right, you had better stop reading now. Seriously though, there is no stigma any more to being

chucked out by companies. It is even possible that the people who got rid of you may well since have suffered the same indignity themselves. So don't beat yourself up. If you want confirmation that millions have been in the same boat, read some of the experiences in Appendix II. Then take a deep breath and set about designing a much more rewarding life for yourself.

I am, or I became, unemployable

How brilliant is this? Many of our respondents have reached the conclusion that they simply aren't employable any more. Musicians and artists in particular will argue that they could never, ever "work for the man". Tim Ellis, a musician, writer and producer, says simply:

"I'm unemployable."

These types of people never even try normal employment. They just know that they would tell their boss where to stick it by lunchtime on the first day. I have massive admiration for this approach. These people really know what they stand for, and that is one of the most important parts of satisfaction in life and one's overall self-esteem.

Others, like me, seem to turn feral over the years, like cats that wander around our industrial parks and wasteland. Don't worry if this sounds like you. It's quite normal. As Paul Simons says:

"I believe that anyone who has created their own business successfully becomes unemployable."

As the years roll by, and as you experience the working practices of more and more companies, you will find yourself increasingly shaking your head and muttering to yourself: *"This is nuts."* If so, it may be time to make your move.

Convinced there must be a better way

If you think that the way your company is doing things is daft, then it's usually a short step to knowing what a better way is. Many who set up on their own are absolutely convinced that there is one. They know that the old way doesn't make sense and they can't stand it any longer. A bit of thought, a more flexible attitude, and the right approach from the start are all it needs to get underway. Is this you?

Wanted to be my own boss or have more control

Boss haters are often spurred to crave their own autonomy, but at a much milder level, a simple yearning for a higher degree of control is sometimes enough to push people over the edge. A lot of what people get asked to do in companies is hard for the individual to justify. For an extreme view of this phenomenon, read *Hello Laziness* by Corinne Maier (there is a summary in Appendix D). She goes so far as to assert that salaried work is the new slavery, and that the ideology of most businesses is no better than communism. A bit over the top perhaps, but the idea of being your own boss can be very appealing, especially if your current job involves

doing all sorts of things for which there appears to be no decent reason.

The chance to use my brain for my own benefit

There is a close link between being the master of your own destiny and using your skills or brainpower for your own benefit. How frustrating it must be for intelligent people to find that their brains are not properly utilized. Or that their ideas and efforts are not harnessed by their employer in a fruitful way. It can be massively frustrating, and that is why so many people set up their own business.

"If I had only known... I would have been a locksmith."

Albert Einstein

Run my life as I want

Control, using your brain properly, running your life as you want. It all starts to come together as one thing. Those who hanker after these things have had enough of routine. The daily commute. The rigid working hours that bear no relation to the ebb and flow of the tasks that need doing. They all start to seem irrelevant. Flexible working has certainly helped a little. Some can do a proportion of their work from home. But still the corporate treadmill and millstone is there. Simple things such as the school run or waiting in for the gas man pale into insignificance when you run your own business. You can organize it all as you want it, and, to be honest, what grown-up, sentient being wouldn't want to do that?

Life changes everything

Moments in life can also be the trigger that fires the self-employed gun. Many women specify pregnancy as a fundamental reason why they stopped working for corporations. They simply use it as a neat way to bookend their conventional career and move onto something more fulfilling and flexible. Sometimes that means providing a mini version of what they originally did for the company. Other times, it's a complete relaunch in a totally new field. Lots of parents also set up their own businesses because they want to see their children grow up. The majority of these used to be women, but now many men do it too.

"A lot of businesses are being started by women who have been working for idiots for years. They know they can do their boss's job, but they know they will never be given it."

Jean Denton, director of British Nuclear Fuels, 1988

Wanted to take a risk

Look at the testimony from Andy Tilley:

"Reaching forty, being totally frustrated by the way my employer treated our discipline, ignored counsel and refused to change the structure of the business to adapt to the new landscape. At the same time hearing a story from a close friend who had attended Harvard. During a series of interviews with 75 men over 75, almost 80% said they wished they had taken more risks... Had to do it particularly as a number of my clients suggested it and said they would support it."

So 80% of men over 75 years old said they wished they had taken more risks. It was their biggest regret. Andy didn't want to be lying in a hospital bed as an old man wondering "What if?" So he got off his backside and got down to designing his version of what a business should be.

Always wanted to

For some, the desire to run their own thing often comes as a sort of epiphany, or as a result of the types of frustrations we have been looking at. But there are others who have always wanted to. Many are the sons and daughters of self-employed parents. Look at the cases of John Hartley and David Turner:

"In the end it's not a choice. It's a compulsion. I'm the only child of two self-employed parents so I grew up with it round the dinner table. I just didn't value corporate jobs. 'Real' work meant being self-employed, not being a salary man. That was the apprenticeship – learning a trade."

"My Dad had done it and preached its benefits. Also, I always liked making my own decisions."

They have seen at first hand how it works, and when they experience the madness of company life, the contrast is all the more stark. As Tom Helliwell says:

"I wanted to run my own business from the age of 15. I have some narcissistic traits which means I often believe I know more than my boss, and often my boss sees me as a threat, so I always used to get fired."

Wanted the challenge

Some crave the challenge of running their own business from a young age. They always wanted to. But others find it creeping up on them. It can strike at any time. Some become bored doing the same old thing, with the same old (lack of) results. They need a new challenge. Others trawl around scores of jobs and just can't find any stimulation, and that's one thing you are never short of when you run your own business.

Wanted to create my own dream job

Dreaming is another regular feature of setting up on your own. If you can design the job yourself, then why not make it your dream job? Sure, there will be some grim stuff to do, but if it's all for a cause that you invented or believe in, then somehow it all seems so much more worthwhile. The simple act of licking a stamp and putting it on an envelope can take on a whole new meaning when it contains one of your own invoices.

Spotted an opportunity

There are some who simply say that they saw an opportunity and went for it. In this respect, it doesn't really matter what their circumstances were before they made the leap. They may have been running another business, or they may have been working for someone else. The point is, they had an idea, and then had the courage of their convictions to get on and do it. This will be a recurring theme in the book, but if you want to think more about that now, then go straight to Chapter 4.

Had a safety net

A few people are honest enough to admit that they had the benefit of a safety net when they set up their business. This certainly helps to reduce stress levels, although in some cases there are those who think it also makes people too comfortable and reduces their drive. The nature of the safety net varies hugely. Sometimes it is a significant redundancy payment. Perhaps a continuing contract of some kind with your former employer as a consultant. Others have husbands, wives or partners who earn and are prepared to support the household until the new business is fully underway. It's a magnanimous gesture and it happens frequently. And finally there are those incredibly lucky people who have independent means, or, put another way, are loaded and so can have a dabble. If you are one of these people, then I don't think this book is for you – you have to really need your business to work to be interested in the day-to-day minutiae that preoccupy the average sole trader.

Wanted to make a lot of money

Funnily enough, this is one of the least common reasons cited for starting a business. A few do, but far more say that you shouldn't do it for the money, but to enable yourself to do something you love. The money comes later. A fine balance, some would argue. For an exploration of the philosophy behind this, have a look at Chapter 10 and see what you believe.

A combination of fear and ambition

Some people are candid enough to cite fear or ambition as their reason for starting their business. Have a look at what Paul Simons says:

“In truth, a combination of fear and ambition. The fear was becoming a highly paid 40 something with my life held in someone else’s hands, on a whim. Very scary. On the ambition front, I believed there was a better way!”

The fear seems to creep in as people get older – they don’t want to spend their entire life in the thrall of someone else, and they don’t want to end their days thinking *“If only...”* Ambition takes all sorts of forms. Even those who have been the chief executive of a huge corporation can have the ambition to do their own thing.

What are you really passionate about in life?

Much of it boils down to what you feel passionate about. If you are very lucky, you may be able to turn a passion or hobby into an income-generating business. If this is a true passion like music or sport, then the fit can be utterly brilliant. But more likely it will be some sort of subsidiary talent that you used to pursue in your youth or that you currently squeeze into what little spare time you have. What side interest do you have that could form the basis of your own business?

How going to work could be like going to play

Those who manage to crack this problem end up saying that going to work is effectively like going to play. It just doesn’t feel like work in the sense that we understand it in corporations. This may in large part be down to the enjoyment of the subject, and your intrinsic interest in it, but it is also helped by lots of little things that make

life more palatable: the lack of a commute, more relaxed clothing, flexible working hours, greater holiday freedom, a better link between effort and reward, and much more. We will cover lots of these in the book.

What exactly is the idea?

So now let's get down to the small matter of deciding what your business is going to be. In a sense, this is an odd thing for a book to get into: I couldn't possibly tell you what to do without knowing all about you. But what I can do is offer up lots of questions that will help you to sort out your thinking. Let's have a look at some of the questions that have been really useful for my clients and students.

What will your business be?

Have a look at Figure 1.1 and work your way through the questions. Don't panic if you can't answer them in full – just do your best at this stage. We will get much more precise about it in the next chapter.

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- What are you going to sell?
 - What product(s) or service(s)?
 - At what price(s)?
 - Who will buy them?
 - How many people will buy them, and how often?
 - What is the cost of sale? (Production, marketing, rent, staff costs, etc.)
 - What is the margin?
 - Is that viable?
 - So will you do it then?
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Fig. 1.1: What will your business be?

What are you going to sell? Here you need to define your approximate product or service, such as cleaning services, plumbing, babysitting, language translation services, whatever. Then get more specific: what product(s), precisely, are you offering? List them all out with descriptions as clearly as possible. At what price(s)? Now attach a price to each one. If you don't know yet, then guess.

Now think about who will buy your products or services. You don't need to get into complicated target audience definitions. Stick to simple labels such as age, sex, income level, geographical location and social circumstances. For example, to what age band will your product appeal? Is your product relatively cheap or expensive? Is it universal or exclusive? Can it be purchased from far away or is it very much a local offering? Is your product bulky? This may determine ease of purchase and help to define your likely catchment area. By answering these types of questions you can break potential audiences down into small categories and estimate their likelihood of purchasing your product. Then you can add up the rough number of purchases you hope to get in a year.

Your approximate picture of the shape of the business is building. By sketching out the price, product and likely number of purchases you will have a total sales figure emerging. Now you need to estimate the cost of sale. That's all the stuff that it costs you to provide the product or service: the cost of production, distribution, marketing, rent, staff costs, and so on.

Subtract the costs from the anticipated sales figure, and what is left is the margin or profit. Don't worry about minute detail at the moment. We are simply knocking up a quick ready reckoner to see whether your business idea is viable or not.

Stare at the figures for a moment and ask yourself: is that viable? If it is, then you may be onto something (you can be specific about the true figures later). If it isn't, then try to work out why. Is it a fundamental flaw, or a small tweak? Dig around to establish the reason, and don't mislead yourself. If it's flawed, then it's flawed and you need a new idea. Never start a business on a false premise, otherwise you will lose your money and your livelihood. For the moment, this exercise allows you to address the basic question: so will you do it then?

Why do they need you?

The simple exercise we have just done usually works for businesses that have a particular product or thing to sell. But it may need further elaboration if you are proposing to base your business on a service or a new idea. If that is the case, then try the lines of inquiry in Figure 1.2.

Start by articulating what expertise you are offering. This sounds straightforward enough, but my clients and students have terrible trouble doing it. You are not allowed to launch into a 10-minute diatribe riddled with acronyms and jargon. Tell it straight so any layperson can understand it.

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- What expertise are you offering?
 - Does the customer know what they want?
 - If not, can you guide their choice appropriately?
 - What do they stand to gain or lose from using you?
 - Are there any other considerations?
 - If so, clarify why.
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Fig. 1.2: Why do they need you?

“The first step to getting the things you want out of life is this: decide what you want.”

**Ben Stein, quoted in the Fort Lauderdale
Sun-Sentinel**

The next crucial question is: does the customer know what they want? This sounds a bit daft, but on investigation you will find that it applies to hundreds of markets, particularly when you are selling advice. If you go to a lawyer, you may know what your problem is, but you need the expert to explain what you need to fix it. It's the same with information technology. So ask yourself if your customer knows what they want, and find a way of describing it that helps to support why they need you, and why they should pay your prices for what you have to offer.

If not, your offer should be orientated around guiding their choice appropriately. You need to explain what they stand to gain or lose from using you, and what the best solution is. Then ask yourself whether there are any other considerations that either they or you won't have thought of and, if so, clarify why and how they affect things. When you have raked through all of this, live with it for a while and ask yourself the killer question:

Will that make money?

If the answer is no, not really, then you may need to rip it up and start again. I should point out at this stage that I am not an advocate of rampant greed. If the business isn't going to make a reasonable profit then you probably won't be satisfied with it. In a few exceptional circumstances, you may conclude that it is fine that the business does

not make money. Not-for-profit organizations, charities and second businesses that are hobbies spring to mind.

More likely though, you will indeed want your business to make money. Quite how much is up to you. One person's fortune is another's loose change. Just make sure that the effort put in appears to be a fair trade for the income derived. If you design a model now that already shows that you will be rushing around like a fly in a bottle just to make a few quid a year, then redesign it now. There's no point in generating a poor plan, only to execute it brilliantly.

Poor plan, brilliantly executed

You'd be amazed how many people have a poor plan for their business. If they were genuinely unaware of this at the start, then you could just about forgive them for reaching the end of the first year and expressing dismay and surprise at the fact that they haven't made a bean. Bizarrely though, many people go ahead and launch their business even though they already know the plan is bad. *"Ah yes, that was always a slight flaw, but I needed to convince the bank manager"* is a common comment. On no account let this be you. In my previous book *So What?* I referred to the acronym RIRO, the "Rubbish in, rubbish out" principle that computer experts use to describe poor data in their programming equations, and it's the same thing here. A poor plan will lead to a poor business performance, so don't start with one. Now is your once-only chance to get it right.

Some things to consider

Now ponder on these twelve points

1. If your business is going to operate in a specific area, will the market support it?

2. For example, if you plan to open a restaurant, how many already exist, what type of service do they offer and what are their prices like?
3. How do they position themselves – greasy spoon, haute cuisine or take away?
4. Will the area support another restaurant or is it already saturated?
5. Check out rival prices and position your product accordingly.
6. What kind of people will buy your product?
7. What will your (best) customers tend to have in common?
8. Can you reach all of your customers through the same communication channels?
9. Do your potential customers fall into different groups?
10. Are there different buying circumstances, for example: planned, impulse or special occasion?
11. How often will you communicate with your customers?
12. Have I thought of a decent name for my business?

What's in a name?

This is a matter of personal taste, but I think it is really worth dreaming up a distinctive, memorable name for your business. There are five main types of company name:

1. Descriptive (*Premier Sandwiches*).
2. Owner-named (*Dave's Sandwiches*).
3. Multiple owner-named (*Johnson Hobson Wilson Potato Peeler*).
4. Pointless initials (*DS Ltd*).
5. Irrelevant but memorable (*Orange*, as in the mobile phone company).

If you wish to portray a solid but unremarkable image, then the descriptive approach may be justified. I would stress, however, that inventive branding has permeated almost every product category these days, so you should be as brave as you can be.

The second option may be relevant if you have a reputation from a past life and it will be helpful for past clients to know that it's your business. In the case of *Dave's Sandwiches*, this is unlikely, but if you are a prominent expert in a specific field, then it may be relevant. Multiple owner-named company names are grim, and the size of the name usually reflects the massive egos of the partners. Lawyers and advertising agencies are famous for this type of thing. Classic examples include:

Abbott Mead Vickers BBDO

Boase Massimi Pollitt Doyle Dane Bernbach

Rainey Kelly Campbell Roalfe/Young and Rubicam

Bygraves Bushell Valladares Sheldon

Still Price Court Twivy D'Souza

And the truly outstanding *Messner Vetere Berger McNamee Schmetterer*. Really, you couldn't make this stuff up. Can you imagine what it would be like to be working on the switchboard at that company? Resist this route if you possibly can: it usually just leads to hoots of derision from potential customers.

Option four, pointless initials, is also highly undesirable. A quick glance at the phone book reveals thousands and thousands of these acronyms. Initials say nothing about you and are unremarkable. Try to resist using them.

The last option, irrelevant but memorable, can be fun if it is done well. For example, if you work in a fairly dry sector, the

use of a fun, lively name might soup it up a bit. How about funeral directors called *Wakey Wakey*? Or an estate agent called *Sharks*? Less controversially perhaps, accountants called *Gherkin* would be more memorable than *Dawkins*, *Brown and Reaper*. Years ago I was told of some solicitors called *Mann Rogers and Greaves*, which sounded like a pretty good summary of the human condition. And more recently my friend Graham Clayworth tells me there are estate agents called *Doolittle and Dalley*, which is quite superb.

Now here are my personal favourites (as you'll see, I can't resist a pun):

Baguette Me Not (sandwich shop)

Bare Necessity (tanning salon)

Bloom in Waterloo (florist)

Deb 'n' Hair (hairdresser)

Ice Pics (film production)

Pollen Nation (florist)

Pure Waffle (coffee shop)

Rhubarb (public relations)

The FulHam Sandwich (sandwich shop in Fulham)

I think the florists and sandwich shops have it right.

Guts, heart or head?

People talk about having a gut reaction. I don't know about you, but I would not base any decision on an internal organ whose purpose is purely digestive. Hearts are pretty useless too. Sure, they keep you alive by pumping blood around, but that doesn't make them much cop at deciding whether your business is a goer or not. No, when it comes to making this decision, use your head.

“Carl Sagan was proud to be agnostic when asked whether there was life elsewhere in the universe. When he refused to commit himself, his interlocutor pressed him for a ‘gut feeling’ and he immortally replied: ‘But I try not to think with my gut. Really, it’s okay to reserve judgement until the evidence is in’.”

From The God Delusion by Richard Dawkins

In the mood for change?

Right, so we have covered a number of the preliminary considerations when you are starting a business from scratch. You should have ignored everybody else and worked out what *you* want to do. If it helps, use the springboard of one of the emotions we discussed to provide the energy and impetus for your new idea – the frustrations with your previous job, your desire for autonomy, your eye for an opportunity – whatever spurs you on.

Then you’ll have concentrated on precisely what the idea is, and done a rough calculation as to whether it will make you money. Other considerations such as the construction of your likely customer base, the realism of your plan and the name of your company should be beginning to gel. If you still think you are miles off, review the checklist and go round again if necessary. If you think you have a rough shape, then you are ready for Chapter 2.

“Change before you have to.”

Jack Welch

Chapter 1 checklist

1. Ignore everyone else and decide what *you* want to do.
2. Try to base this on something you are really passionate about.
3. Decide exactly what the idea is.
4. Articulate precisely what your business will be.
5. Work out why your potential customers need you.
6. Will that make money?
7. If your plan is poor, change it.
8. Choose a distinctive, memorable name.
9. Use your head and keep the emotion out of it.
10. Brace yourself for change.

