

Starters Orders

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INNOVATION MASTERCLASS: Starting a business is always a risk but any enterprise that survives recession will be well-placed to prosper. Sometimes people made redundant feel panicky and want to get going immediately. That's not always the best idea.

ON THE FACE of it, now is not a good time to start a business. But for those without a job it may be preferable to hours spent watching re-runs on daytime TV. Surprisingly enough recessions can be very productive in terms of encouraging resourcefulness and packed houses at start-your-own-business events around the country over the last six months suggest there is no shortage of entrepreneurial spirit.

Starting a business is always a risk but one that can survive a recession is well set to prosper in better times. There are also tangible advantages to starting at this time. The pool of potential employees is wider, people have more realistic salary expectations and there is an appetite for doing deals on the goods and services a new business might need - from transportation to equipment and rent on premises.

"Necessity breeds innovation and we are snowed under with enquiries about our courses and services," says Oisín Geoghegan, chief executive of Fingal County Enterprise Board.

"There are still opportunities out there and if someone has a viable idea then by all means go for it. But I'd sound a note of caution - take your time. Sometimes people made redundant or facing redundancy feel panicky and want to get going immediately. That's not always the best idea. They need to think longer term before putting their money into a turkey of a business."

Geoghegan says it is critical to get objective advice before starting up. "Friends and family may be very supportive and encouraging but not very critical," he says. "They may not see the flaws in the plan, which is why you should always get your advice from an outsider because they will tell it like it is."

He also advises would-be entrepreneurs to do a start-your-own-business course and always to undertake a feasibility study. "From our research it is clear that businesses started with the benefit of a feasibility study are much more likely to succeed than those without," he says.

The bad news is that roughly half of all start-ups fail within the first 12 months. The good news is that they often fail for one simple reason - poor planning. Planning will not eliminate all of the risks associated with a start-up but it will cover the most obvious ones. "Failure to plan is planning to fail," says Geoghegan.

"Don't start a business unless you have thoroughly assessed the potential for your idea. Not all ideas are business opportunities," says business consultant Catherine Goodman, who spent years managing entrepreneurship and SME programmes at the Irish Management Institute.

"Use the library, internet and online databases for information on products, customers and potential competitors and don't underestimate set-up time and costs. Don't fork out for premises or offices if you can start at home. Don't pay accountants, lawyers, or other professionals if you can access the necessary information from friends, family or other sources. Take your time investing in equipment or other resources and don't underestimate the effort required to get and keep customers. Never promise what you cannot deliver."

Goodman says that starting a business can take a personal toll and advises rookies to pace themselves and to keep an eye on their health and diet. Above all she says what's needed to succeed is perseverance.

David Bloch set up Brightwater recruitment in 1995 and his company is a survivor of the huge shake-out in the recruitment sector that followed the jobs boom of the late 1990s. "When I was setting up Brightwater I was asked by Barclays to complete a form before a meeting about a loan. I have never forgotten the last question. It asked: 'Are you scared?' I decided to answer truthfully and ticked 'yes'. It turned out that was the right answer. You should be scared. Fear can cripple but when used properly it will also drive you on."

Bloch makes a distinction between the entrepreneur who wants to work alone and one who want to build a business. His experience is of developing Brightwater into a multimillion-euro business and he breaks with the conventional wisdom that keeping headcount low is good. "Don't aim for a company of eight people. Get to 20 fast," he says. "With eight you will have constant staffing issues and no cover, no holidays and no loyalty. There will always be the allure of a bigger pond. You need at least 20 people to have strength in numbers and maintain some loyalty."

Buying a franchise is a route to self-employment that offers the advantage of tapping into someone else's successful idea. There is a caveat. Not all franchises deliver what they promise. Thorough research is essential before making any financial commitment.

For Liam McMahon going the franchise route has been very successful. His company, New Horizons, is an IT training company with offices in Dublin, Belfast and Galway. McMahon's practical advice for start-ups begins with keeping track of everything. "If you can't measure it, you can't manage it," he says. "Always, always look after your customers and they will come back. Forty-five per cent of our business is repeat. When doing a business plan under-budget sales and over-budget costs, and when you meet a problem face it promptly and deal with it."

At a practical level McMahon advises start-ups to use second hand furniture and equipment and to do all their banking online as this allows debtors to pay directly and fast. "Getting good salespeople is always a problem," he says. "My advice is to try the services of the School of Sales in Dublin. They train salespeople in the basic skills of selling and then try and match them to appropriate employers. This has worked well for us. Finally, I'd say be true to yourself. Recognise your personal skills gaps and either do the courses, or hire qualified help."