

INTRODUCTION



The Business Plan is the most misunderstood element of starting a business. Too many people believe it needs only to be prepared when you are looking to raise finance. That's not true. Certainly, it is nearly impossible to raise finance without a Business Plan but the real value of the Business Plan comes in the thinking about your business that is necessary before you can write down what you plan to do. The Business Plan is the core of this chapter – and of starting a business.

Chapter structure

This is the longest and most detailed chapter in this guide. Following on from the first chapter, **READY**, it takes you through all the steps involved in starting your own business.

In summary, these are:

- Developing a Mission Statement
- Developing a strategy
- Marketing
- Products and production
- Staff
- Deciding on a legal structure
- Taxation
- Accounting
- Premises
- Finance
- Operating Budget
- Cash-flow planning
- Sources of assistance
- The Business Plan.

Your Mission Statement and strategy set the direction for your new business. Putting the strategy into action involves a wide range of topics including marketing, staff, financing, budgeting and cashflow, which are covered in the following sections. Sources of assistance – grants, advice, training, etc – are covered next. Finally, this chapter takes you through the business planning process and helps you complete a Business Plan which will help you manage your business as well as raise finance.

Everything you have learnt in this chapter is drawn together in the Business Plan. This is the real aim of the chapter – to help work your way through the thinking you need to do to develop a clear business plan. The thinking is the main thing; writing the business plan is the last 10%. But, unless you go that last 10%, you haven't finished the job.

Some other topics, such as quality, envi-

ronmental and health and safety issues, are more appropriate to the on-going business and are covered in the next chapter, **GO**.

Key Questions

The Key Questions in the panel below are designed to focus your thoughts as you read this chapter.

Think through your answers to these questions before you start to read the chapter. Then come back and write your answers in the spaces provided before moving on to the next chapter.

KEY QUESTIONS

1. Have you developed a strategy for your business? YES NO
2. Have you developed a customer profile? YES NO
3. Do you know how your business stands in the market-place? YES NO
4. Have you developed a promotion strategy? YES NO
5. Have you identified the taxes for which you must register? YES NO
6. Have you decided how to organise your accounting? YES NO
7. Have you decided on a legal structure for your business? YES NO
8. Do you know how much money you need to start your business? YES NO
9. Have you identified sources of finance to meet this need? YES NO
10. Do you know your break-even point? YES NO
11. Have you prepared an Operating Budget? YES NO
12. Have you prepared a Cash-flow? YES NO
13. Have you prepared a Business Plan? YES NO

OBJECTIVES

- Understand the steps in a business start-up
- Understand the importance of business planning
- Develop a business plan

Success, as I see it, is a result not a goal.
GUSTAVE FLAUBERT

*If we have a formula for growth, it has been:
Start with the best;
Learn from the best;
Expand slowly and solidify our position;
Then horizontally diversify our experience.*
MARK McCORMACK, International Management Group

The only place success comes before work is in a dictionary.
ANON



DEVELOPING A MISSION STATEMENT

OBJECTIVES

- Understand the importance of a Mission Statement
- Draft a Mission Statement

Ultimately, vision gets translated into sales and profit, growth and return on investment, but the numbers come after the vision. In the old-style companies, the numbers are the vision.

JOHN NAISBITT,
Futurist

The Mission Statement sets out:

- The reason why the business exists
- What the company stands for
- What the company is about.

It is important to think carefully about the mission statement because it defines the core of the business and it strongly influences the direction of the company. It determines the strategy of the business.

For example, the mission statement determines whether a company sees itself as selling computer games or providing entertainment. Selling computer games means that the business will not develop books or videos. But if the mission is broadened to include entertainment, the company can diversify into other activities.

This is not to say that you should make your mission statement very broad – if it is too broad, you have no direction at all. Think of it as a guide to a journey. Unless you have some idea of where you want to go, you may never get there.

The mission statement communicates the philosophy of the company in relation to:

- The environment
- Business ethics – The way in which you do business
- People – Staff and customers
- The community within which it is based.

It can be used both internally (your staff and suppliers) and externally (your customers and the community you are working within). Trends show that customers are starting to take mission statements seriously and expect businesses to develop a social conscience.

For a clear example of a company that is run according to its Mission Statement, look at Body Shop which has built an international business on a very simple and clear set of values.

Developing your own Mission Statement

Start developing a Mission Statement for your own business by answering these questions. Write your answers in the spaces provided.

Why does your company exist?

What aims (other than profit) does it have?

Draft a mission statement for your business:

Copy this Mission Statement into your Business Plan, page 117.

**What do you want to achieve with your business?**

Personal:

Business:

Summarise the trends in relation to your business:

Use of technology:

Customer needs:

Competition:

What are the threats facing your business?

What are the opportunities available to your business?

Copy the answers
to these questions
into your Business
Plan, page 117.



What are your targets for year 1?

Copy the answers to these questions into your Business Plan, page 117.

What are your targets for year 5?

What are your targets for year 10?

How are you going to achieve the targets in year 1?

How are you going to achieve the targets for year 5?

How are you going to achieve the targets for year 10?

By answering the questions above, you have actually developed your strategy. You have set yourself targets and found ways of achieving them. You have probably found that you could be very specific about the first year targets, but that 5-year and 10-year targets are more aspirational. But don't be misled by the simplicity of this approach to strategic planning. It looks simple. Maybe you found it simple to do. But it is critical to your busi-

ness. Every year, you should set yourself targets for the next year, keeping in mind your 10-year plan, which sets out the direction of your business. Compare it to a road map. The 10-year plan is the destination; the 1-year plans are the turns (right, left, straight, short cut, scenic route, stop-over, break for coffee, etc.). The direction you have decided needs to be checked on a regular basis to see whether your plans need adjustment.



INNOVATION

OBJECTIVES

- Understand the importance of innovation
- Understand the role of an information system
- Understand how to implement innovation in your business

Business has only two functions: marketing and innovation.

PETER F DRUCKER,
Management author

You see how things are, and you ask "Why?"

But I dream of things that do not yet exist, and I ask "Why not?"

GEORGE BERNARD SHAW

Innovation is one of the key success factors in any modern business. The importance of innovation in the future is going to be even more significant due to constant change in technology, globalisation and the increased availability of information from the Internet, TV, computer, telephone and fax. To keep up with increasing competition, it is essential to be aware of those changes and constantly adjust the business to take account of new developments.

The management guru, Peter Drucker, defined innovation as "the purposeful and systematic search for change and opportunity". Thus, the techniques described in "Developing & Testing Your Idea" in **READY** are just as applicable in the management of innovation, to provide structure and continuity.

To manage innovation, it is important to create a constant flow of information through the business. To do this, you need to set up an information system. This will bring together feedback from within your own business (for example, comments from your staff, clients and suppliers – all of which links with quality management) and combines it with outside sources such as competitors, newspapers, trade magazines, etc. To prevent any restriction of vision, the information sources should be widespread and some should be unrelated to business – to help you keep an open mind.

Answering the following questions in the space provided will help you to develop your information system. Then go to the next section, "Competitiveness" and complete the "Information System Checklist".

Internal

How are you going to organise a system of feedback from your staff, clients and suppliers?

What information/comments should you be looking for?

External

What information sources are you going to access to keep informed?



Innovation should be part of the strategic plan (call it your “innovation plan” to get the message across), as well as being part of on-going product development. Within innovation, there are three main directions:

- **Adjustment** – These are small changes that do not alter the function of the product or service
- **Modification** – Maintaining the technology used but changing the function (from clock to watch)
- **Renovation** – Same function, different technology (from vinyl records to CDs).

You must decide which of these directions (or what combination) is right for your business.

Organising innovation

Innovation does not happen; it must be planned for, organised and managed, through:

- Constant feedback and direct contact with customers (client panel)
- Monthly review of information
- Regular brainstorm sessions with a group of people from different backgrounds
- A budget for innovation
- Appointing someone or making time yourself to search for new ideas (3M allows R&D workers to spend 15% of their time on their own ideas and initiatives and has a rule that 30% of turnover must come from products developed in the last five years)
- Creating an “idea box” (like a suggestions box) with cash prizes if ideas are used by the business
- Creating project teams (made up of both technicians and sales people) to work with clients on particular ideas and giving the team the power and authority to implement changes
- Creating a positive atmosphere in your business towards change.

Innovation does not have to be a “giant leap forward”. It can be a small step or, better still, a series of small steps (the “continuous improvement” that is so much a part of Quality Management Systems).

Always be on the look-out for ways to improve your product or service:

- Watch people using your product for a while
- Swap jobs: Let technicians do the selling and let the sales team manage production
- Arrange service contracts with your customers to get constant feedback
- Let clients set the quality criteria.

You will always face resistance when you try to innovate. Don’t let it get you down.

Without innovation, your business will stagnate and die. Don’t let the excuses in the panel below be heard in your business.

COMMON EXCUSES FOR NOT INNOVATING

1. Tried it before
2. Does not work in our situation
3. Too busy
4. Our company is too small
5. Let’s keep our feet on the ground
6. Why change? We are doing fine right now
7. You are right, but ...
8. Not practical
9. Impossible
10. We always did it like this.

Which of these excuses apply to YOUR business?

Anything that won't sell, I don't want to invent.

THOMAS EDISON,
Inventor

I would think of another fundamental need people have, and I would answer that need by offering a cheaper and more efficient service than anybody else could.

In five years, I'd be a millionaire all over again.
HENRY FORD,
Ford Motor Company

Sometimes when you innovate, you make mistakes. It is best to admit them quickly, and get on with improving your other innovations.
STEVE JOBS,
Apple Computer

OBJECTIVES

- Understand competitiveness
- Identify the competitive success factors in your business

I don't meet competition; I crush it.

CHARLES REVSON,
Revlon Cosmetics

Competitive advantage must be gained in one of three areas:

- Operational excellence (production efficiency)
- Product innovation and excellence (premium price)
- Closeness to customer (personal relationship)

You must aim to excel on one, and be at least adequate on the other two.

BRIAN TRACY

Being competitive is very simple: Be better than your competitors. This gives rise to two questions.

The first is how to define “better”. This depends on what is important in the market in which the business is operating. In your market, does “better” mean:

- Quicker?
- Friendlier?
- Cheaper?
- Higher quality?
- Technical back-up and after-sales service?
- A wide choice?
- Advice pre-purchase?

Does it mean all of these? Some of these? Something else entirely? You need to know, if you are to be able to achieve it.

Being competitive is closely connected with the overall strategy of the company. Some writers compare it with war, saying that the options are:

- **Deter** – Create barriers through contracts, copyright, licensing, trade agreements, agents; Exploit advantages of contacts, location, economy of scale, flexibility; Seek alliances
- **Attack** – Head on/flank through price, promotion, technology or marketing
- **Defend** – Customer database or network.

Competition forces your business to become

a “lean, mean fighting machine”.

The second question is who are your competitors. We’ll look more closely at this in “Marketing” a few pages on but, for now, remember that your competition may not just be local but may come from abroad.

An information system

Part of being competitive is developing a system which constantly collects information about your competitors and about business trends generally. (See “Market Research” in **READY** and the previous section “Innovation”.) Now answer the questions in the panel below about your information system.

Benchmarking

To assess how competitive your business is you need a benchmark. The most obvious benchmark is your competitors.

Study them and score how they are performing on criteria which are important to the market and customers (see your earlier research).

Try to identify areas in which:

- Your business is stronger
- Your business is weaker
- You can learn from your competitors
- Your business needs to improve
- Your competitors are developing and which you are ignoring

Take all these factors into consideration as you write your Business Plan.

INFORMATION SYSTEM CHECKLIST

1. What types of decisions are you called on to make regularly?
2. What type of information do you need to make these decisions?
3. What type of information do you get regularly?
4. What type of information would you like to get that you are not getting now?
5. On which topics would you like to be kept informed?
6. What do you think would be the four most helpful improvements that could be made to your current information system?

Source: **PLATO**

USING TECHNOLOGY TO ADVANTAGE



The use of technology can be a success factor for a business. As a start-up, you have a great advantage: You are starting from scratch and can design the technology around the specific needs of your business, subject only to availability of finance. Existing businesses very often have to make do with expensive, but now unsuitable, equipment purchased earlier in their development.

You should consider technology as a means of making your business:

- More competitive
- More efficient
- Better informed
- More family friendly.

Technology for competition

The kind of technology that will give your business a competitive edge depends entirely on the business you are in and is outside the scope of this guide.

Enterprise Ireland clients (larger start-ups likely to employ more than 10 people) should contact Enterprise Ireland to discuss whether a technology audit, under the National Technology Audit Programme, would be of assistance to your business.

This programme examines a business' processes to identify opportunities for:

- Increased sales
- Stock reductions
- Cost reductions
- Quality improvements
- Improvements in methods/processes.

Technology for efficiency

Technology is converging and what were only a few years ago different systems – TV, fax, telephone, E-mail, computer, voice recognition – are now being combined into multi-functional devices. These bring cost and time savings.

It is worth your while researching these developments (read any business/technology magazine) and upgrading your skills in using the emerging technology.

You should certainly be considering a computer within your business for efficiency. An obvious area for computerisation is your accounts system. Although sending out invoices using a computer takes probably just as long

as doing them manually, computerisation means that, at the press of a button, you can produce a list of outstanding debtors or an up-to-date set of accounts. This can give you valuable information to help you manage your business better. And good computerised accounting systems can be found for under •100.

Another use for a computer is to send and receive e-mail – very useful, cost-effective and efficient, especially if you have more than one location, are out of the office a lot, or have international clients.

Technology for information

The world's largest information resource – the Internet – is now available by computer, on mobile phones (WAP) and TV (WebTV).

Beyond all the hype, Internet access is a valuable tool for many small businesses. The wealth of information on the Internet is literally unimaginable and the ease of access is improving as new software becomes available.

Using search engines (Lycos, Yahoo, etc.) is a cost-effective and fast way of finding your way to the information you need.

Use the Internet as part of your information collection process.

A number of useful sites for entrepreneurs are included in **Appendix 2, Further Information.**

Technology for family friendly businesses

A trend among businesses of all sizes is the adoption of family friendly policies, that allow staff to balance between work and home. It's particularly important where there are skills shortages and employers must compete for staff.

Technology can also allow business functions to be carried out independent of location using information and communication technologies.

Two useful websites are:

- www.ework.ie
- www.familyfriendly.ie.

e-Business

A key part of using technology to advantage is to consider the extent to which your business can become an e-Business. We will consider this in more depth in a later section.

OBJECTIVES

- To understand the importance of technology in gaining competitive advantage
- To evaluate the potential for computerisation in the business

The glory went to the man who discovered electricity but it was the man who invented the electricity meter who made the money.

ANON

Computers are useless. They only give you answers.

PABLO PICASSO



MARKETING

OBJECTIVES

- Understand principles of marketing
- Understand the importance of constant research feedback
- Be aware of the 4 Ps
- Develop an outline marketing plan

The central idea of marketing is of a matching between a company's capabilities and the wants of customers in order to achieve the objectives of both parties.

MALCOLM MCDONALD,
Marketing author

Business has only two functions: marketing and innovation.

PETER F DRUCKER,
Management author

The philosophy behind marketing is to satisfy the needs of every customer as best you can while making a profit. The whole idea is that if you make your clients happy they will buy from you – not just once, but again and again. This section will take you through the stages in developing an outline marketing plan.

MARKET RESEARCH

Your market research should have defined the customers the business is going to target. If not, go back to the “Market Research” section in **READY** and do more research on your potential clients.

If you can answer the questions below, you will have a good understanding of your potential customers. Write the answers to each question in the space provided.

TOO SMALL FOR A MARKETING DEPARTMENT?

Whether you have a marketing department or not, marketing involves decisions about:

- The product itself
- Price
- Customer service levels
- Physical distribution
- Advertising
- Sales
- The sales force
- Information about markets.

How do **you** decide on these?

Your customers/target groups:

Who are they?

Where are they located?

How do they spend their money?

Where do they spend their money?

Where do they socialise?



Can they be put in a social class and, if so, which class?

What do they read?

What do they watch on TV?

What do they listen to on radio?

Who forms their opinions?

If it doesn't exist,
it's a market
opportunity.
VERN ROBURN

The outcome of any
serious research
can only be to make
two questions grow
where only one
grew before.
**THORSTEIN
VEBLÉN**

I am the world's
worst salesman.
Therefore I must
make it easy for
people to buy.
FW WOOLWORTH

Find out what elements in your service or product are most important to them.

To understand fully your customers' needs, make sure to clarify exactly what the customer means by probing until you are clear what the real needs are.

For example, if customers say they want "Total quality", ask "What do you mean by that?". When they answer "Quick response", you ask "What do you mean by quick response?". After asking "What do you mean?" a few times, you will establish the real need.

Consumers are
statistics.
Customers are
people.
**STANLEY
MARCUS**

Write down the five elements of your product/service that are most important to your customers:

- 1.
- 2.
- 3.
- 4.
- 5.



COMPETITION

A competitor is a business that provides the same goods or services as yours or an alternative. Your competition can be local, national or, increasingly, international. Use

the questions in the panel below to identify and assess your competitors.

Is this
a Threat or an
Opportunity?

T

O

Your competitors:

What are the alternatives for your products or services?

Who makes/sells these alternatives?

What range of products or services do they have?

What kind of choices do they offer customers?

How broad is their range?

What are their target groups?

What are their future prospects?

What are they good at and what are they not so good at?



IMAGE

As markets are becoming more competitive and businesses have the same access to technology and information, image is increasingly important as a way to distinguish your business from the competition.

You should now decide what image you want your business to convey to your customers. For example, you may want your business/office/practice/shop to appear:

- Practical, simple and objective
- Exclusive, high value and durable
- Modern, new and trend-setting
- Personal, multi-faceted and results-oriented.

Once you have chosen an image, make sure it is expressed in all aspects of your business. Think about your business' image in these areas. Tick the ones you will use:

- Interior
- Accommodation
- Pricing
- Name
- Business stationery
- Brochures
- Packaging
- Quality
- Business plan
- Advertising
- Correspondence
- Service
- Telephone answering
- Presentation
- Promotion
- Selling
- Employees.

Once you have chosen the image you want to present to your customers, you should remain committed to it in the long term. See it as an investment in the future of your business.

Image needs to be maintained and should be checked on a regular basis with the reputation the company actually has. What perception do you want to project (= image)? And what is the image of your company with your customers (= reputation)? Reputation is more important than image.

IMAGE CHECKLIST

What image do you want to present?

Why? How does this link back to your customers/target group?

How do you plan to achieve this image?

THE 4Ps OF THE MARKETING MIX

To market your product and project your image, you use a mix of techniques and tools to get the best effect. To work out your marketing mix, use the 4Ps:

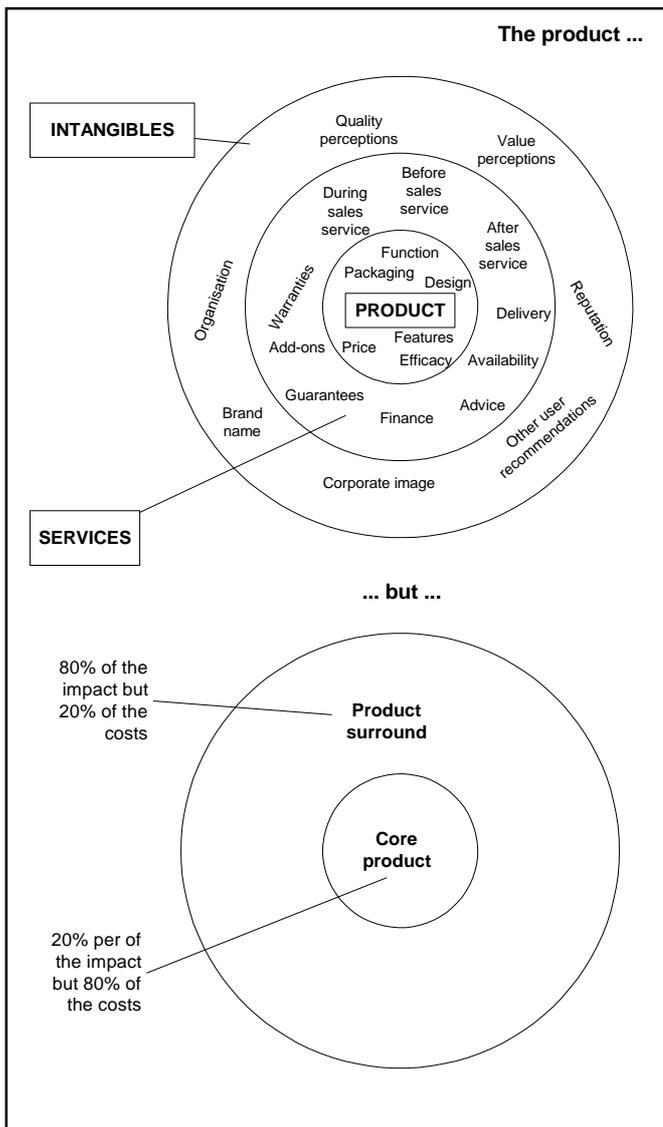
- Product
- Price
- Place
- Promotion.

Within Promotion, we will look closely at Advertising, Personal selling, Public Relations, the Internet and Customer Service.

PRODUCT

For most customers, a product is not only the product itself (the core), but also the services and intangibles that surround it (the product surround). For example, a pub sells pints (core) and quick service and atmosphere (surround); a clothes shop sells clothing and appearance or personal image, a flower shop sells plants and flowers and ambience in the house. What do you sell?

The customer also wants a choice. What you have to offer consists of a range, a selection of choices, products that complement each other and make it attractive for the customer to come and buy. A pub also sells meals, a clothes shop also sells accessories, a flower shop also sells earthenware. What range of choices do you give your customers? Customers also want to know what extras come with your product. What do you do that the others do not do? Think about packaging, service, personal attention, brand articles, originality, creativity and so on. What extras do you offer?



Your product:

Describe briefly the product(s) you want to launch:

Describe your product's core:

Describe your product's surround:

What choices do you offer your customers?

What extras do you offer compared to the competition?



PRICE

Pricing is important for several reasons:

- The price you charge will determine your margins and, in the end, your own salary
- Price is also closely associated with the quality and credibility of your product or service
- Once you have established your price, it is very difficult to increase it without losing customers.

To establish your price, it is important to know what your customers are used to paying, and what they are prepared to pay (see the panel below). (At this stage, price has nothing to do with cost – that comes later!)

You need to be well informed about competitors' prices. Sometimes prices are prescribed or recommended by industry organisations or professional associations. You can always deviate from established prices by means of special offers, discounts, reductions in rates, etc.

But be careful when researching price. You need to listen VERY carefully to what people say and how they say it. If your pricing is way off line, people will tell you quickly. But, if it's a little dear, and they don't want to suggest that they can't afford it, they may say the price is fine. You will only find out that it's not when you can't sell the product/service. You must also bear in mind that anyone who intends

buying a product or service is unlikely to tell you if it is too cheap. Tread carefully!

When you sell a product, you have something tangible to show the customer. With services, you have nothing to show until you have done the work – and sometimes not even then. If you offer a service, when you agree a price it is a good idea to write down exactly what your customer can expect – for example:

- Details of your service
- The time to complete the service
- The time when the service will start
- The price
- The agreed method (and time) of payment
- Whether the cost of materials is included
- Whether other expenses (travel to the customer's location, for example) are included.

You also need to look at price in the context of cost. There is no point selling lots of a product if you are losing money on it! Work through the questions below to determine your pricing strategy.

Note the impact of e-Business: If your customers are on-line, they can easily compare prices with other suppliers. How will this affect your pricing strategy? Note also the impact of the Euro on pricing. Can you replace the old price point of £19.95 with •25.33? Or must you round down to •25?

Get the confidence of the public and you will have no difficulty getting their patronage ... Remember always that the recollection of quality remains long after the price is forgotten.
H GEORGE SELFRIDGE, retailer

Price: Value plus a reasonable sum for the wear and tear on conscience in demanding it.
AMBROSE BIERCE, US Humorist

Almost anything on earth can be manufactured a little less well and be sold for a little less money. And those who are only interested in price are the main victims of this rule.
JOHN RUSKIN, Philosopher

Your price:		
What are customers accustomed to paying already?		• _____
What are your competitors' prices (average)?		• _____
What is your price?		• _____
How is your price made up?		
• Materials	• _____	
• Time	• _____	
• Machine cost	• _____	
• Other	• _____	
• Total costs		• _____
• Profit margin		• _____
• Selling price		• _____
Will you offer discounts?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, what kind of discount?		
Will you give special offers?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, what will they be?		

PLACE

Place means the location where your business will be established.

In some cases, a customer will never come near your place of business – for example, if you run a window cleaning or mail order business. In such cases, we only use the P for place as to mean distribution (that is, getting the product or service to the customer).

In retail businesses, place can be the most important part of the marketing mix. Important questions to ask, particularly for retail businesses, include:

- What will the customer see and experience when he or she visits your business?
- How easy is it to find you?
- Where are you situated (shopping area, a hotel or restaurant district, an office centre, in the centre or in the outskirts of town, etc.)?
- What does the area look like?
- What draws customers to your location?
- Do you provide a location map for your customers? Do you need to?
- Why did you choose this location?

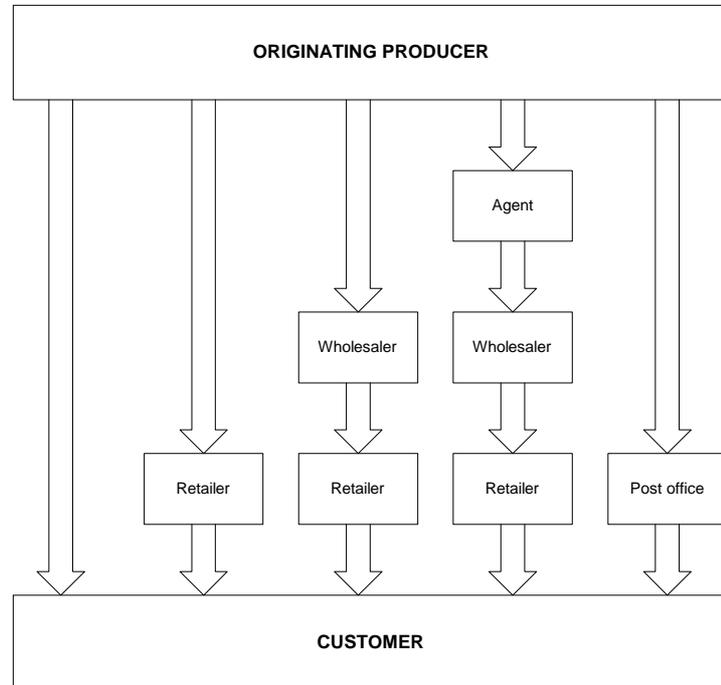
Channels of distribution

You need to understand the channels of distribution that you will be using for your product. Each industry is different and fortunes have been made (and lost) on changes to the channels of distribution. Look at how Dell and Gateway have changed the way people buy computers.

The diagram above summarises the main channels and the stages within them. The fewer stages, the lower the distribution cost – which is why lots of businesses try to cut out the middleman. On the other hand, the middleman provides a useful service – holding stock, sourcing customers, advising on market conditions – and cannot always be dispensed with. You need to balance distribution costs with promotion costs. Very often, sales channels with low distribution costs have high promotion costs.

Consider also alternatives to the traditional channels above – network marketing (see **READY**) and on-line distribution (“Marketing – Internet”). The latter is already making huge changes in the way people buy. How will it impact your business?

CHANNELS OF DISTRIBUTION



DISTRIBUTION CHECKLIST

What distribution system are you considering?

Why?

What do your competitors do?

Where are the weaknesses in your system?

How can they be corrected?



PROMOTION

This is the stage when you begin to develop your entire marketing policy. It is a mistake to think that marketing begins and ends with advertising. Advertising is just a part of the promotion policy, and it is therefore only one of the means of promotion.

What are the vehicles of your promotion policy?

- Direct mail
- Personal selling
- Public relations
- Publicity and advertising
- The Internet – see the section on “e-Business” later.

Each will be covered in more detail later, but below is a brief summary to set the context.

Direct mail

Use a database of the names and addresses of the customers within your target groups to send a sales letter or brochure. Make it easy for the customer to respond. Where you can, follow up with a phone call.

Personal selling

The final target is selling your product. In most cases, you are the one who is going to sell. Therefore, you must:

- Prepare your sales talk well
- Write down the buying motives of your customers and also the reasons why they do not buy
- Think of reasons to counter those objections.

Public relations (PR)

This term embraces all the activities you undertake to get positive attention for your business among the public in general. Good PR creates a positive image for your business and helps to ensure that people recognise and remember your business, especially over the long term.

Good PR is also useful for your contacts with your suppliers. If you need a quick delivery, a special order or a credit, try to make sure that your supplier will go out of their way to help you. The same applies for your neighbours, local authority, etc. Good PR will also lead to free publicity.

Advertising and publicity

The key steps in advertising are:

- Use the image you choose as the basis for ads
- Look for an aspect of the image that can be represented graphically
- Always emphasise the advantages for the customer
- Remain credible and trustworthy
- Gain attention with a headline and give sufficient information
- Raise interest with a special offer

- Motivate your public to come and buy
- Stimulate action by including something that has to be returned, an invitation, an opening, special sales days, discount coupon valid until ...

Methods of promotion

There are hundreds of ways of promoting your business and the products/services you offer. Try some of these:

- Advertise in a regional newspaper – In the classified advertising section; in Sunday papers; in a monthly magazine aimed at your target group
- Advertisement or entry in the Golden Pages (a basic line entry is free of charge)
- Design and print brochures that can be delivered house to house with the newspaper delivery or deliver them yourself; distribute brochures during large meetings or conferences, at markets, in the street, to customers, etc.
- Have posters made and hang them in strategic places
- Have a signboard made, with plastic letters or magic marker (check whether you need planning permission, depending on where you plan to locate your signboard)
- Direct mail – Send sales letters directly to potential customers and your existing customers for whom you have an address
- Participation in trade exhibitions, markets, hiring a stand at a conference. You will gain the opportunity here to demonstrate your products. Remember you will need brochures to distribute. You can also make a special exhibition offer
- Make up your front window display according to a special theme.

In practice, you will probably choose a combination of methods to make up your promotion mix.

TYPES OF PROMOTIONAL ACTIVITY UNDERTAKEN RANKED IN ORDER OF POPULARITY

Word-of-mouth	60%
Advertising in business directories	30%
Advertising in local press	30%
Advertising in trade/business press	12%
Direct mail	11%
Brochures, leaflets, point-of-sale material	5%
Telephone contact/personal visits	5%
Local radio	4%
Posters, vehicle sides, branding	4%
Seminars/conferences/exhibitions	4%
National press	3%
Sponsorship	2%
Public relations	1%

The codfish lays
ten thousand eggs,
The humble hen
just one.
The codfish never
cackles
To tell you when
she's done.
And so we scorn
the codfish
While the humble
hen we prize
Which only goes to
show you
That it pays to
advertise.

ANON

Doing business
without advertising
is like winking at a
girl across a
darkened room:
You know what you
are doing but no
one else does.

ANON

Give them quality.
That's the best
kind of advertising.

**MILTON
HERSHEY**

When business is
good, it pays to
advertise;
When business is
bad, you've got to
advertise.

ANON

Advertising:
The education of
the public as to
who you are, where
you are, and what
you have to offer
in the way of skill,
talent or
commodity.

**FRANK
MCKINNEY
HUBBARD
US Humorist**

ADVERTISING

Advertising is a way of communicating your product or service. Based on your market research, you know who your target groups are and how to reach them. What do you want your advertising to achieve?

- Sales
- Awareness
- Image
- Name recognition
- Introduce new product
- Introduce new service

Go back to your market research. Remind yourself of your customers' buying motives. Then decide which of your product's/service's features meet these motives and should be emphasised in your advertising.

Next begin to consider where you might advertise. You want to use an advertising vehicle (newspaper, magazine, radio, TV) that reaches your target group as economically as possible. Therefore, advertising in a national Sunday paper or on prime-time TV (even if you could afford either!) makes no sense if your market is made up of customers in your own locality. But there are now lots of local papers and radio stations, which might suit your needs much better.

Take control!

Ask for a "media pack". This will tell you not only the rates, but who the readers/listeners/viewers are, how many they are, what income groups they are in, etc. You need this information in order to decide whether a vehicle is suitable. Use the Advertising Control Sheet (see **GO** for an example) to help you place your advertising.

Don't be pressurised into advertising, either in the wrong place or at the wrong time. Most ad salespeople are on commission. They want you to buy NOW! and will give you "special discounts" – if you decide today. Don't do it until you are ready.

Don't be fooled by price either. Yes, one magazine costs •500 for a half-page against •300 for a full page somewhere else – but it goes to 20,000 of your core customers whereas the other really doesn't cover your market at all. Which is better value?

When you have placed your ads, measure the response. Unless you do this, you will never

know whether your advertising works.

There is a famous advertising story of an American car manufacturer which advertised for a year in a well-respected national magazine. At the end of the year, they found that people who had not read the magazine bought more of their cars than did readers of the magazine. Their advertising was UN-selling the cars!

If it is appropriate, place a coupon (order form) or response mechanism ("Call us now for special offer details") on your advertisement. Record the number of responses you get from each ad. When people phone or call to place an order, ask them where they heard about you. This builds up invaluable information and will save you from advertising in the wrong places in future.

Writing advertisements

Writing advertisements is an art. It looks simple but it is, in fact, very hard. Keep these words by David Ogilvy, founder of Ogilvy & Mather, one of the world's largest advertising agencies, in mind:

"I do not regard advertising as entertainment or as an art form, but as a medium of information. When I write an advertisement, I don't want you to tell me you find it 'creative'. I want you to find it so interesting that *you buy the product.*"

The secret is to keep it simple. Be direct. Explain what you are selling, its benefits to the customer, and where they can get it.

Use your logo

If your business has a strong visual appeal, design a logo. Use it as widely as you can. Use it on:

- Envelopes
- T-shirts
- Posters
- Pens
- Van signs
- Lighters/matchboxes
- Floppy discs
- Umbrellas.

Make sure that wherever they go, your target customers are always aware that your business exists.



PERSONAL SELLING

For lots of people, selling still has a negative connotation – the image of the slick sales person pushing products down someone's neck.

Not any more. Modern-day selling is about partnership and communication. It is important to build a relationship with your customers. The customer has to trust and respect you.

Try to build a database with the names and addresses of your customers. Try to memorise the names of your customers, remember what they bought the last time, or what they asked about last time. Again, get as much information as you can about your customers' hobbies, family situation, job, etc. Use that information when you next talk to them.

The following checklists may be helpful to you in developing your personal selling techniques.

WHEN SELLING

1. Are you prepared?
2. Do you know your customers' needs (ask lots of questions)?
3. Do you listen?
4. Are you clear in your language (no jargon!)?
5. Do you talk about benefits instead of the product?
6. Do you have answers to your customers' objections (What are they?)?
7. Do you know when to close the sale?
8. Are you persistent (do not give up)?

THINGS TO ASK YOURSELF BEFORE YOU START SELLING

1. Do you know enough about the product?
2. What is the product core?
3. What is the product surround?
4. Are you talking to the right person?
5. Who are:
 - The recommenders?
 - The influencers?
 - The supporters?
 - The deciders?
6. Do you know what the customer wants?
7. Does what he wants fit with what he needs?
8. Why does the customer want it?
9. Have you had any previous experience with the customer?
10. Has the customer had experience with your competition?
11. Who is the end user of your product?
12. How will your product be used?
13. How will the customer's life be better or easier after he/she uses your product?

You should be aware that all of the above is wasted if you do not get the appointments and realise that nine out of ten appointments result in a "No". But if you get nine Nos, you also get one "Yes". Therefore self-motivation is critical. Selling – day in, day out, year in, year out – is the most underestimated element in business.

To sell no matter what, no matter how, to no matter whom; behold in these words the whole diplomacy of the peasant at the fair.
JOSEPH ROUX
(1834-1905)

The average salesperson spends less than 25% of their time face-to-face with their clients. Personally, I spend 90%. That's the only way to make money in sales.
EDNA LARSEN

To open a shop is easy, to keep it open is an art.
CONFUCIUS

PUBLIC RELATIONS

Public relations (PR) is not just about getting your business in the papers. Public relations is exactly what it says: Building a relationship with the public.

Let's first define public. From the perspective of where your business is located, it includes:

- Neighbours
- The neighbourhood
- The local community.

Internally, it includes:

- Staff
- Suppliers.

In a wider context, public includes:

- Colleagues
- Unions
- Government (local, regional, national)
- Politicians
- Consumer groups
- Financial institutions
- Trade organisations.

Public relations builds and maintains a good reputation. If your business is well-regarded

by the groups mentioned, your marketing mix will be strengthened and it will be easier to influence people or get things done (planning permission, recruiting staff, word-of-mouth sales, etc.)

It goes back to your Mission Statement and what social profile you want to project. You have to decide which groups you want to maintain a positive relationship with and how you plan to do this. Keep it practical and within your means (both money and time).

Local newspapers are always looking for news. If you have good news about your business, make sure you let them know. Build a profile for yourself and your business through your local paper.

And while the relationship you build will not protect you totally when bad news has to be reported, it means the reporter knows and trusts you already and may go out of their way to check facts with you before going to print.

CUSTOMER SERVICE

Businesses spend a lot of money on attracting new customers. But it is cheaper to keep your existing customers than to find new ones.

Public relations is the management function which evaluates public attitudes, identifies the policies and procedures of an individual or organisation with the public interest, and executes a programme of action to earn public understanding and acceptance.

ANON

Get someone else to blow your horn and the sound will carry twice as far.
WILL ROGERS,
US humorist

If you mean to profit, learn to please.
CHARLES CHURCHILL

Good service isn't a mystery - employ nice people.
KEN McCULLOCK,
One Devonshire Gardens Hotel, Glasgow

PUBLIC RELATIONS CHECKLIST

Which groups are important for your company?

- Neighbours – Who are they?
- Local banks
- Local politicians
- Local authority
- Local press
- Trade organisations
- Unions
- State agencies
- Other

How will you reach them?

- Sponsorship
- Press releases
- Visits/Open Days
- Information/newsletter
- Profile in local newspapers
- Donate your services for a worthy cause

THE IMPORTANCE OF CUSTOMER LOYALTY – CALCULATE THE LIFETIME VALUE OF A CUSTOMER

Average sale value
per customer • _____
multiplied by
Number of sales per year
per customer _____
Total sales value per year
per customer • _____
multiplied by
Number of years customer
buys from you _____
**Gross lifetime sales
value per customer • _____**

Plus, if every satisfied customer tells one or two other people and they become customers, look how fast your sales will grow!



Loyal customers:

- Spend more money with you than other customers
- Bring in new customers (through word-of-mouth recommendations)
- Cost less than acquiring new customers.

Use the panel opposite to calculate the lifetime value of one of your customers.

What steps will you take to keep your customers loyal to your business:

- Regular visits?
- Regular telephone contact?
- Regular direct mail contact?
- Regular evaluation of your business' performance in meeting their needs?
- Interviews with customers whose business you have lost to find out why this happened?

One way of creating and keeping loyal customers is through customer service – not just any old customer service but through superb world-class customer service.

World-class? Why not? Where's the competition? When did you last get service from any business that was so good that you would recommend someone else to use them? When did you last get service so good that you noticed?

The fact that you have only a small business makes no difference – in fact, it makes it easier for you to be close to the customer.

Customer service involves:

- Doing what you promised the customer
- Willingness to help
- Providing prompt service
- Well-trained staff
- Individual attention
- Little things which make the difference.

Research shows that businesses that provide top class customer service experience:

- Improvements in morale (reducing staff costs)
- Lower staff turnover (reducing recruitment costs)
- Longer customer retention (up to 50% longer)
- More repeat business (20-40% lower selling costs)
- More referrals (20-40% lower promotional costs)
- Higher prices (7-12% higher)
- Increased margins (7-17% more profit).

Calculate the difference this would make to your profits.

Then decide how you are going to put customer service into action in your business.

EXPORT

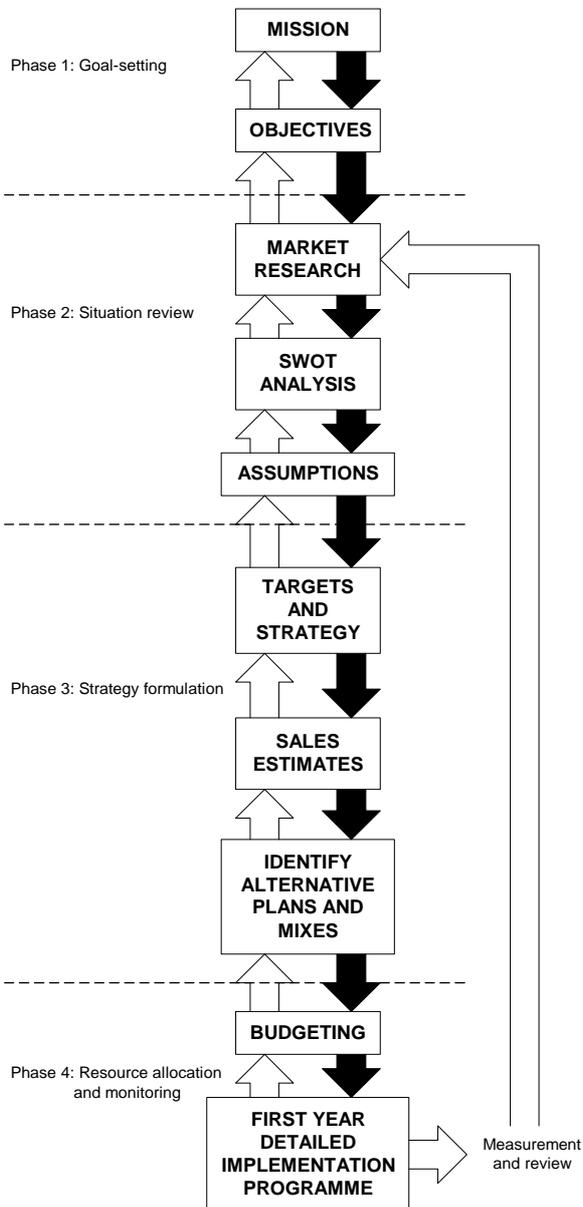
It may appear strange to be considering exporting when you haven't yet got your business up and running but the reality is that many Irish businesses have to consider exporting at a much earlier stage in their development than is usual in other countries.

Use the checklist below to help you plan your export strategy.

EXPORT CHECKLIST

1. How specific are your plans? Are they an integral part of your business plan and strategy for the business?
2. Which products or services do you want to export?
3. Which countries do you want to export to and in which order of priority?
4. What is your target market/segments within the market?
5. Have you done desk research on your export markets?
6. Have you actually visited the countries involved?
7. Do you have sales experience in your proposed export markets?
8. Do you have the language skills needed?
9. Have you organised your administration for foreign payments and customs/excise regulations?
10. Are you familiar with the regulations relating to your products/services in your export markets?
11. Does your product or service need adjustment? For safety, environment, quality, packaging, taste, fashion, culture or language?
12. Is your price, after calculation of the extra costs involved in exporting, still competitive?
13. What are your turnover targets: per country, per market, per segment?
14. Do you have enough time available to build and develop the export market?
15. Who will be responsible for marketing and sales abroad?
16. Is your organisation, from telephonist to after sales, ready and prepared for export and dealing internationally?
17. Can your business cope with the demands of foreign markets: Delivery times, transport, quantities?
18. Which channels are you planning to use in your export markets?
19. Do you have the right promotion and instruction materials?
20. Are your term and conditions, contracts, quotes, etc. translated and adjusted to your export markets?

OVERVIEW OF THE MARKETING PROCESS



Source: Malcolm McDonald

OUTLINE PLAN

At this stage, you should have enough information to be able to develop an outline marketing plan. Just as marketing is the heart of your business, so your marketing plan is the heart of your Business Plan – which is what this chapter is about.

As shown in the diagram, your plan should start with the Mission Statement, include your business and personal objectives and then summarise the results of your market research. The SWOT analysis, based on the market research, leads to assumptions, which in turn lead to the definition of targets and strategies.

Sales estimates may not be acceptable first time around, so alternatives may need to be considered.

Sales estimates can be difficult for a start-up, since you have no track-record or experience to base them on. Try to support your sales estimates with as much hard evidence – forward orders, etc – as you can.

Once sales estimates have been agreed, the budgeting process can begin – and then work begins in earnest on putting the plan into action.

Note that the diagram also includes a measurement and review loop. Marketing is a constant process.



E-Business and the power of the Internet have significant benefits to offer small businesses. For example, the Internet lowers the barriers to entry for many markets, allowing small businesses to compete in wider geographic areas than would otherwise be possible.

Use of the Internet also facilitates a reduction in transaction costs. Some estimates suggest that the use of a B2B exchange could cut transaction costs by 90% for some businesses. Even allowing for exaggeration, there is clearly an enormous potential for cost reductions in many areas of business, which will bring benefits to the economy, individual businesses and ultimately to the consumer.

Last, all public organisations, and some bigger companies, have plans to move their purchasing on-line, so it is good to be prepared.

Some of the hype about the Internet and e-Business has been extremely positive, some very negative. As with all things, the truth is probably somewhere in the middle. What the Internet will not do is make you a millionaire overnight. It is not a magic wand. You need a good understanding of your business model and where e-commerce might fit.

Where do you want to use the Internet?

For:

- Communicating with your customers?
- Promotion on-line?
- Selling on-line?
- Communicating with your suppliers?

and to what effect:

- Quicker?
- Easier?
- Cheaper?
- Promotion?
- Sales?

and at what cost in terms of:

- Up-front investment?
- On-going costs?
- Time commitment?

The Internet and e-business can fit within your business model in three key areas:

- Marketing
- Production
- Administration.

Don't get bogged down with, or put off by, the technology. As any techie will tell you, it is not the technology that is the key to success, but how you use the available technology.

Getting started

To get started, you need:

- A computer
- A modem
- A telephone line
- A connection to the Internet via an Internet Service provide (ISP)
- Browser and e-mail software.

Most modern computers come with a modem and browser/e-mail software installed. In choosing an ISP, you need to decide between a "free" service that may provide a restricted service and/or charge for support, or one where you pay for the services you require – your usage of the Internet usually will determine which is better value.

E-mail

Most businesses use the Internet first for e-mail. It's a handy and cheap way of sending information all over the world for little more than the price of a local phone call. It means you can deal with queries outside normal working hours or over long distances. E-mail is also useful for marketing.

Why should you have a web-site?

A web-site offers a window onto a global networked market-place, making it easy for you to reach customers whom you would probably never have considered targeting. For example, Oak Tree Press, publisher of this guide, has a web-site (www.oaktreepress.com), which reaches customers around the world, through an on-line catalogue.

Software companies provide updates and new releases of software for downloading from their web-sites. Newspapers and magazines have discovered a treasure trove in their archives of material from back issues, which they can sell on-line to people looking for specific information.

Sales is one reason for establishing a web-site – and probably the best, since it most clearly recovers your investment – but there are others.

A web-site can act as an on-line brochure, attracting potential customers to contact you about doing business. It can also establish your credibility in a certain field, if your site is full of authoritative information on a specific topic. Last (though not a good reason for in-

OBJECTIVES

- To understand the importance of e-Business
- To evaluate the potential for e-Business in the business
- To understand how to implement e-Business

In Internet business, profitability is for wimps. It means your business plan wasn't aggressive enough.

DOONESBURY

Start small, Think big, Phase in, Grow fast.

ANON

It's working if it makes the till ring.

DES KENNY,
Kenny's Bookshop,
Galway

The golden rule of complying with e-commerce law is: Be transparent!

By being completely and fully transparent about who you are, what you are doing and how you will serve your customer, you will find that you are not only staying on the right side of the law but you are also keeping your customers happy.

CORINNA SCHULZE and JEFFREY BAUMGARTNER,
Don't Panic!
Do E-commerce

THE JARGON EXPLAINED

HTML document:

A document that can be displayed in a Web browser. HTML (hyper-text mark-up language) allows you to bring text, images, audio and video together so they can be viewed over the web.

ISP:

Internet Service Provider; providing you with access to the Internet over your telephone connection. They provide e-mail and web-site hosting.

Domain name:

This identifies your web-site on the Internet – www.yourcompanyname.com or www.yourcompanyname.ie, for example.

Web server:

A computer linked to the Internet 24 hours a day. Your site must be hosted on a Web server to allow people to access it.

Virtual server:

Owning and maintaining your own Web server is expensive and complicated. Most small web-sites are hosted on shared servers maintained by ISPs – these are called “virtual servers”.

Web host:

A specialist company that provides hosting services (virtual servers). It may also be an ISP but need not be.

Web graphics:

The two main formats are: JPEGs (Joint Photographic Experts Group) for photos and GIFs (Graphic Interchange Format) for graphics.

Front end:

The part of the web-site that a user sees on screen: the text, graphics, forms and overall design.

Back end:

The part the user doesn't see, which handles communications between the user's computer and the web server. The more complex your site, the more complex the back end needed.

Shopping Cart:

Software that keeps track of your purchases on-line, allowing you to accumulate them until you are ready to complete the transaction.

Payment solutions:

At present, these are credit card-based, allowing you to accept payment by credit card for user's purchases. Electronic wallets and digital cash are under experiment.

Adapted from *Taking Your Business On-line*, Enterprise Ireland

curing the expense if that is all it is) is that it can act as a symbol of “corporate up-to-dateness”.

The stages are:

- Typically, web-sites begin as an on-line brochure, simply moving the business' corporate “message” into a new medium
- The next step is to list the products and services on-line – a “catalogue” site
- Next, the business decides to allow customers buy these products or services on-line and provides some form of payment mechanism, ideally with on-line credit card clearance
- Once customers have bought from the site, it's good marketing to encourage repeat buying – so the site develops “customer retention” features, like free updates or support for registered customers
- **The final step is to integrate the web-site into the business so that it becomes the business, reducing costs because of the use of the Internet itself.**

There are many examples of the first three types – brochure, catalogue and on-line sales. Software companies, probably because they have a digital product and are tuned into the medium, have some of the best customer retention-type sites. Most integrated sites are found in the Business-to-Business (B2B) arena, where industry-specific sites for buying and selling can deliver economies of scale.

Some sites combine more than one stage of development. For example, courier companies like DHL and FEDEX allow customers track shipments on-line, giving customers more “power” but also reducing their own costs since they no longer have to field telephone enquiries.

Some of the so-called “dot-coms” are fully-integrated web-sites, where there is no business apart from the web-site. In other cases, for example, the Ryanair site, the site provides benefits to customers in terms of speed and ease of booking flights while significantly reducing Ryanair's costs, both in commission to travel agents and in handling phone bookings.

Setting up a web-site

Before you rush into setting up your own Web-site, stop and think. Ask yourself:

- **Is your business suitable?** – Are you providing goods or services that can be delivered easily worldwide (or, at least, remotely from your present location)? Or, if not, can you attract customers to come to you (hotel, tourist resort)?
- **Are your customers (and potential customers) connected to the Internet?** – Think carefully about what you need to invest, simple e-mail may be sufficient.



- **Are you clear about what you are trying to do?** – A Web-site can be used for a number of purposes (often simultaneously), including providing product support to existing customers, providing product information to potential customers, selling on-line, identifying prospects, receiving feedback from customers, advertising your business' existence, capability and excellence. Which are you doing?
- **Can you afford it – time-wise?** – Establishing a site is only the first step. You must then update it regularly. How often depends on the nature of your business and the traffic you generate. Once a month is a good target to aim for. But it all takes time
- **Can you afford it – money-wise?** – Setting up a web-site costs money. Not a lot, to be sure, but it all adds up. Domain name registration (between •50 and •150, depending on where registered), site design (“free” if you do it yourself to as much as you're prepared to spend – budget for •1,000 to •2,000), site-hosting (from •50 per month), on-line shop software (from •600), etc.

On-line sales

On-line sales can be made from a “catalogue” site, where you list or display your products and invite interested purchasers to order products by conventional means: letter, telephone, fax or email. You then handle the sale in your normal way.

The next step is to add “shopping cart” software that tracks users' purchases until they are ready to complete the transaction. This software is usually bundled with on-line credit card processing (including a merchant Internet account with a bank) as an “online shop”. Typically, such software costs from •600 for simple systems capable of displaying perhaps 10 or 20 products. More sophisticated systems, with greater capabilities and more features, cost more, though prices are falling.

PLANNING YOUR E-BUSINESS

Consider:

- **Purpose:** Why develop as an e-business?
- **Budget:** How much will it cost?
- **Expected return:** What do you expect to get back? And when?
- **Staff:** Will all staff have access to the Internet/e-mail? What training do they need? Who is responsible for keeping the site up-to-date?
- **Marketing:** Who are your customers on-line? What impact will on-line selling have on your traditional markets?
- **Process:** Can you use the Internet to reduce costs?

TEN RULES FOR A SUCCESSFUL B2C E-COMMERCE SITE

- 1 Keep it simple.
- 2 Make it fast.
- 3 Build trust.
- 4 Give directions.
- 5 Welcome the shopper.
- 6 Create communities.
- 7 Service the customer.
- 8 Think globally.
- 9 Shipping must be easy.
- 10 Let the world know.

Source: Marco Argenti & Efrim Boritz

Adding a shopping cart and online credit card processing gives you an “e-commerce” site.

Security

Issues in relation to security on the web include:

- **Safety:** Whether sensitive information (credit card details, for example) is protected while it is being sent from the user's computer to the web server and onwards (if applicable)
- **Trust:** Whether commitments made on the web will be honoured (for example, will goods bought and paid for on-line be dispatched?)
- **Privacy:** Whether there are restrictions on the access to, and use of, personal information (for example, age or financial status) provided by a user as part of a web transaction.

Secure payments solutions for credit cards involve:

- A bank that provides an Internet merchant account (even if you already have a merchant account with a bank, you need an Internet merchant account)
- Software that encrypts credit card details while they are being sent from the user's computer to the bank
- A secure certificate for data encryption.

There are a number of schemes – ChamberSeal and eTrust, for example – that vet applicants before allowing them to use a logo on their web-sites signifying that they are trust-worthy.

The EU Data Protection Directive says that personal information must be:

- Obtained fairly and lawfully
- Used only for the original specified purpose
- Adequate, relevant and not excessive to purpose
- Accurate and up-to-date
- Accessible to the subject of the information



- Kept secure and destroyed after its purpose is completed.

Legislation

The Electronic Commerce Act 2000 introduced the EU's Electronic Signatures Directive into Irish law. Among other things, this means that electronic signatures and contracts have the same force as their hand-written or typed equivalents. A copy of the Act and a summary is available on the Department of Enterprise, Trade and Employment's website (www.entemp.ie).

As a general rule, content on a website must be cleared for copyright and must avoid defamation.

Strictly, terms of trade must comply with legislation in each country in which you do business, though this may be difficult since there are few standards internationally, especially in consumer protection. The best protection is to make your terms of trade fair and clear – the “golden rule” is to be transparent. For example:

- Give your physical address
- Make it easy for people to do business with you
- Show the full price of items, including VAT and delivery costs if any
- Give a contact point where people can complain.

VAT

Under present legislation, VAT is charged (if applicable) on online transactions in the country in which the transactions originate. However, if your sales to other EU countries exceed certain limits, you may need to register for VAT in those countries. This area is still developing and new EU rulings are expected.

Domain names

A domain name identifies your business on the Internet. This is why it's important to have a name in the form www.yourcompany.com rather than www.webhost.com/~yourcompanyname. The latter is like putting “We're not a very important company” on your letterhead!

The suffix (.com or .ie) is determined by where your name is registered. Names registered with US agencies get a .com address. The reason there are so many of these (and why so many non-US web-sites have them) is that they are easy to get, with little formality beyond the credit card payment. The downside of this is that many names have already been acquired – some by people who plan to use them for their business, others by people who hope to sell them on to someone else at a profit (cyber-squatting). You can register a .com domain name at, for example, www.networksolutions.com.

Irish domain names, distinguished by the .ie suffix, are registered through the IE Domain Registry (www.domainregistry.ie). To prevent cyber-squatting,

IEDR requires proof that you have an entitlement to use the name you ask for – for example, it is the name of a limited company or registered business name that you own. Since IEDR also requires hosting information, it is often easier to let your ISP register your domain name.

Just like a company name, a domain name must be distinctive and memorable. Ideally, it should be your business name but it could be a brand name or some other more general descriptive name.

On-line marketing

On-line marketing is something of a misnomer, since some of it takes place off-line. Primarily, it consists of attracting people to your web-site. You can do this by:

- Publicising your web-site address (your domain name) as widely as possible – on your letterheads, compliment slips, brochures, vans, etc
- Achieving high positions in search engine results
- “Viral” marketing – the on-line equivalent of “word-of-mouth” and the most effective (and cheapest) form of on-line marketing
- Advertising on-line on other web-sites – many sites accept advertising, though the value of online advertising is increasingly in question.

Other issues

Other e-business issues include:

- **Currency:** Good marketing practice suggests you offer products for sale in your customers' currency (usually US \$ on the Web). This raises issues because of fluctuating exchange rates/differing price points.
- **Delivery:** Can you meet customers' expectations for delivery? After all, if they can find your product and order it in a few minutes, why must they wait for several weeks while it travels to them?
- **Shipping costs:** Who bears shipping costs? You will find that postage of bulky items overseas is expensive – and express couriers are not cheap.

The future

For many businesses (not all), the Web is the future. For some, it will be their business; for others, it will simply be another channel through which to reach their markets. But, for most businesses, there will be no escaping its impact. Think about it as part of your business planning.

It's important to be aware of the potential of the Web. The Enterprise Boards offer training, information and support on e-business through the Empower.ie programme (www.empower.ie). Enterprise Ireland (www.enterprise-ireland.com) offers an on-line e-business discussion forum where you can post your queries. Read widely, in newspapers, magazines and books. And experiment – as a user and as a business.

PRODUCTS AND PRODUCTION



Production is deliberately placed AFTER marketing in this guide because, too often, in the real world, production comes before marketing – to the detriment of the business.

This section will help you think through what you should be doing.

Start by writing down the answers to the questions below.

OBJECTIVES

- Understand the production process

Copy this section into your Business Plan, pages 116 and 123.

Products

Product/service	Description	Price
A _____	_____	• _____
B _____	_____	• _____
C _____	_____	• _____
D _____	_____	• _____
E _____	_____	• _____
F _____	_____	• _____

Describe your production process. Draw a flowchart on a separate page, if necessary.

What experience do you have with this process?

Are you involved with (or will you be using) new techniques or new products in your production processes?

YES NO

If yes, are you receiving assistance from experts?

YES NO

If yes, who are they and how are they engaged?



Develop Standards

To ensure efficient production, it might be worthwhile developing procedures and measuring your activities so that you can standardise your approach.

Standards should enable you to:

1. Do the job the easiest (and safest) way
2. Prevent errors from (re-)occurring
3. Have a benchmark to measure and improve against
4. Have objectives to work against

5. Provide a basis to train your future staff
6. Preserve the knowledge and experience you are developing as you go along.

In the same way as you analysed your idea in the **READY** chapter, you should now put your production process under the microscope. Use the panel below to help you.

Then read widely on production and manufacturing techniques, according to your needs.

PRODUCTION – OTHER ISSUES

The panel on the previous page records your production process. Look at it closely. Ask yourself:

Where are there gaps?

Where are there inefficiencies?

Where is there duplication of work?

Where is there work that could be sub-contracted out more effectively?

How could the process be improved?

Are there any capacity constraints or bottle-necks?

How can these be overcome?

How do you propose to keep your product up-to-date?

What parts of your product can be recycled?

Could it be re-designed so that more could be recycled?

At what cost?

Is your product protected by patent?

What quality assurance systems have you in place?

How do they operate?

Have the systems been certified by an external body?

STAFF



HOW MANY STAFF?

At an early stage, you need to begin to estimate how many staff you may need and how this number will grow – and where you will recruit staff from. There's not much point planning expansion if you can't get the people to do the work.

Use the panel below to estimate your initial staff numbers and how you see this developing within the first 12 months and within the first three years. These figures will help you in developing your Operational Budget (see page 85) and in making applications for employment grants, if you are eligible.

Remember that salary is not the only cost in employing someone. PRSI must be paid on their earnings (see "Taxation"); they may be entitled to bonuses, commissions, etc.; they will need training – and there will be other costs you have not thought of.

DELEGATING

Delegating is difficult for entrepreneurs. Their whole business, their way of life, is built on their own vision. What should be done, when and how are all determined by the entrepreneur. And now parts of the business, even decisions, are to be handed over to someone else. Ouch!

This is very often the way that entrepreneurs see delegating – in a negative light, as

giving up control. But that's not delegating – that's giving up control!

Delegating is a specific sequence of techniques that empowers one person (the person to whom work is delegated) while freeing up the time of another (the person delegating). Delegation consists of the following steps:

- **Define the task** – In terms of resources available and outcome required, not in terms of method
- **Transfer a clear understanding** – To the person who is to do the work
- **Stand back and let them do the work, while being available to help** – But only when asked
- **Careful, shared evaluation of the outcome.**

It is critical that achievement of the task is judged only in terms of the outcome – not the methods used to achieve it. You want a store-room tidied and products placed on shelves in alphabetical order. Does it matter whether the person starts by finding all the most popular items first and putting them aside? Or that the alphabetical sequence starts left of the door and not right? Or that he begins tidying at Z and not A? Just because it isn't done the way you would have done it does not make it wrong.

OBJECTIVES

- Be aware of recruitment sources and techniques
- Be aware of employment legislation
- Be aware of staff management techniques

We wanted people who were intelligent, knowledgeable and experienced but, in choosing among candidates who had these attributes, I wanted men around me who shared my enthusiasm for work.

HAROLD GENEEN

All commercial operations can, in the final analysis, be summed up in three words: personnel, products, profits. Personnel comes first. Without a good team, it is impossible to expect anything from the other two.

LEE IACOCCA

The person who figures out how to harness the collective genius of his or her organisation is going to blow the competition away.

WALTER WRISTON

STAFFING PLAN

Copy this section to your Business Plan, page 118.

Initially, how will your staffing be organised?

- You alone, while holding another wage-earning position
- You alone, full-time
- You and your partner: Full-time
- You and your partner: Part-time
- You and your business partner(s)
- You and your business partner(s) with employees at a wage
- How many employees full-time? _____
- How many employees part-time? _____

How do you see this expanding?

	+12 months	+ 3 years
Management	_____	_____
Production	_____	_____
Sales	_____	_____
Marketing	_____	_____
Administration	_____	_____
Other (specify)	_____	_____

DELEGATION

How much does your time cost? • _____
 (the standard calculation is 3 times salary,
 divided by 200 days,
 divided again by 8 hours in a day
 = • per hour)

Do you **really** want to take work
 home in the evenings and weekends? YES NO

What areas do you think you must deal with yourself?

What areas are most critical to the business?

What areas are you comfortable delegating to another
 person?

Delegate what to whom?

Develop a profile of the right person for each task you
 want to delegate and match your staff to the profiles.

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 Start-ups* by permission of the Institute of Business Planning

The important points in delegation are the task definition and the evaluation. You must sit down with the person after the task is complete and talk through what they achieved. Because you have more experience, you may know faster, better, cheaper ways of doing the task – but you should let the person identify these for themselves. If you tell them, they will never learn. Worse still, they will give up, saying to themselves “I did the job. Got the right result. But all the boss was concerned about was doing it his way.”

The other difficulty that entrepreneurs have with delegation is a lack of recognition that their own drive differs from that of their employees. You will quite happily stay at work late into the night, work through weekends and bank holidays, but you cannot expect that your staff will always want to do the same. Good staff will be prepared to work on to get the job done – but not just for the sake of doing. You need to learn to motivate – and be reasonable in your demands.

RECRUITING

Recruiting staff is a major stumbling block for many small businesses. It takes time and effort. But the results can have an enormous impact on your bottom line. Hire the right people, and you will have a strong staff who will move your company forward. But the wrong person will pull down morale, waste your time, and cost you more than just an extra salary.

The key steps are:

- Know what you're looking for
- Finding applicants
- Interviews.

Know what you're looking for

Before you begin looking for someone to fill a vacancy, you need to know what you're looking for. You should:

- **Create a detailed job description** – Write down the specific tasks you expect this employee to perform. Think about every detail. Then summarise and put the tasks in order of priority
- **Develop a list of skills required** – What skills are essential? What skills are merely desirable?
- **Decide whether there are other things you want?** – Specific educational background? Experience in a particular industry? What else is necessary for the person to develop in your company?
- **Think about personality** – You need people who share your vision and your standards.
- **Take a reality check** – Look at what you have written down. Which areas are priorities? Where are you willing to compromise? Will you get the person you want for the salary you are offering?

Finding applicants

Requirements defined, you now need to find people to meet them. Here are some suggestions:

- **Look in your files** – A visible and successful company will have people writing in looking for jobs, even though no vacancies are being advertised. If any of these people look promising, make time to meet and find out more about them. Then, when you need a particular mix of skills, you may find the perfect candidate in your files already
- **Ask your staff** – Your own staff may know someone with the right skills whom they would be happy to recommend (for a bonus, perhaps). And they will come with a built-in guarantee, since they won't want to let down the staff-member who sponsored them
- **Ask around** – Ask everyone you know (including customers and suppliers) whether they know anyone they would recommend. Have some background information available on the job ready to give out
- **Advertising** – Make it clear what you are looking for and write the ad to attract candidates. But make sure you have the time to handle a deluge of responses
- **Use a recruitment agency** – A sensible route if you do not have the time or ability to screen



applicants, but it can be expensive. Through their contacts, agencies can often find people whom you would otherwise not reach with an advertisement

- **Look on-line** – The World Wide Web has opened up a new set of places to post your job vacancy. These are best used for high-tech vacancies
- **Contact University/IT career offices** – They are always looking for jobs for their graduates and will usually circulate your listing free of charge
- **Job fairs** – An opportunity to give your company some visibility and talk to a variety of candidates in an unpressured environment
- **Non-traditional workers** – Don't overlook older or part-time workers or those with disabilities – they can be very capable and committed
- **Recruit overseas** – Increasingly necessary as skills shortages bite (see below for more information).

Whatever route you choose, it is a good idea to insist that every candidate completes a standard application (see next chapter, **GO**). Keep the form simple but make sure that you get all the information you need to decide whether a candidate has the skills you require for the specific position. Use the candidate's CV as a back-up.

Make a shortlist

Before you start looking at CVs or application forms, write out again a summary of the main points you are looking for in a candidate. Screen quickly looking for these – and only these. Put all applications that do not meet these criteria into a separate bundle. If you want, review them later to see whether they include any candidates you might want to keep for your files. Otherwise, remove them from consideration immediately. Write to them to say that you will not be calling them to interview – from the candidate's point of view, it's better to get bad news than not to hear at all.

Concentrate on the ones that meet your criteria. Read them again more carefully. Look for little things: gaps in employment, jobs that don't quite fit a career path, hobbies that don't sit well with the personality type you are looking for, inconsistencies and even, if the job involves written communication, misspellings and poor grammar.

Make a shortlist. Decide which candidates you want to interview and contact them to arrange dates and times. Although interview candidates should do their own research on your business before coming for interview, it is helpful to include some background information on your business with the letter confirming the interview.

Overseas recruitment

Before deciding to recruit foreign workers, consider whether you can source staff locally, since overseas re-

INTERVIEW CHECKLIST

Candidate name	_____
Meets educational criteria?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Meets experience criteria?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Passed competence test?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Has essential skills?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Has desirable skills?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Has additional skills?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Good oral communication skills?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Good written comm. skills?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Has foreign language skills?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Good personality?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Would fit in well with other staff?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Currently employed?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Notice period needed?	_____
Clean driving licence?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Smoker?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Good health record?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Days off in past year?	_____
Permission to contact referees?	<input type="checkbox"/> YES <input type="checkbox"/> NO

ruitment is usually more expensive when all costs are considered than local recruitment.

If it's necessary, you should know that:

- Workers from outside the EU or EEA (EU plus Norway, Liechtenstein and Iceland) require work permits
- Work permits are issued by the Department of Enterprise, Trade and Employment to the **employer**, not the employee
- Visas may be required of some non-EU nationals
- All non-EU nationals resident in Ireland for more than 90 days must register with the Gardai.

A Fastrack scheme, involving the issue of work visas or work authorisations, allows foreign IT, construction and medical workers obtain immigration and employment clearance in advance at Irish embassies and consultancies, provided they have a job offer and valid passport.

In such cases, the visa/authorisation is issued to the **employee**. It is valid for up to two years, during which time the employee may change employers.

Enterprise Ireland publishes a useful booklet, "Overseas Recruitment".



INTERVIEWING

When interviewing, you only have a short time to find out all you need to make an informed decision about investing in someone who should become an asset to your business. Therefore:

- **Use an interview checklist** – Develop a list of points that you want to cover during the interview (see panel above)
- **Ask open-ended questions** – Avoid questions that can be answered “yes” or “no”; use questions like “Why did you like working in sales?”, “What are your strengths and weaknesses?” or “Why are you leaving your current job?”
- **Ask unconventional questions** – See how candidates think (and how fast) by asking them questions they may not have prepared for. For example, “Why shouldn’t all staff be paid the same?”, “If you didn’t have to work, what would you do with your time?”
- **Find out what’s important to the candidate** – What is he/she looking for: growth opportunities, regular hours, training, new responsibilities? Will he/she finish the job or just clock-watch?
- **Listen** – Spend 20% of the time talking and 80% listening. The purpose of the interview is to help you learn about the candidates, not to talk about yourself
- **Interview more than once** – Use the first interview to find the top two or three candidates; use the second to make sure you choose the best
- **Involve other staff** – If you are particularly pleased with a candidate, let them meet some of your existing staff with whom they will be working. Get these staff-members’ opinion
- **Check references** — Ask what the relationship between candidate and referee is. Confirm previous positions, responsibilities and achievements. Ask about working habits, ability to get along with others, problems, etc.

Be open with candidates. Tell them that you are interviewing others. Give them a date by which they can expect to hear from you – one way or the other. Keep to it.

The job offer

You have already discussed the job offer with your ideal candidate at interview, before writing to offer the job – in some cases, you may make the offer at the interview and shake hands on a deal. Either way, you should write to the selected candidate and set out clearly:

- The job title and description
- The salary; how it is to be paid; and whether it includes overtime, bonuses, etc
- The normal hours of work

- Holidays
- Period of notice required on resignation/dismissal
- Grievance procedures
- Any other “house” rules.

Send two copies of this letter, both signed by you, and ask for one back, signed by the new appointee to signify their acceptance of the position on the terms offered.

EMPLOYMENT LEGISLATION

Note that there is a clear distinction, particularly for tax purposes, between employees and self-employed contractors. Check with the Department of Social, Community and Family Affairs or the Revenue Commissioners.

By law, full-time employees are entitled to:

- A written contract of employment
- Minimum wages
- Equal pay for equal work
- Protection against discrimination
- Holidays and rest periods
- Maternity, adoptive and parental leave
- Trade union membership
- Minimum notice on termination of employment
- Protection against unfair dismissal
- Protection against redundancy, and minimum payments if it should occur.

A written contract of employment

Employees are entitled to a written statement of the terms of employment, within one month of requesting it (see sample in **GO**). This must set out:

- Details of the employment
- The procedure the employer will use for dismissal
- Salary
- Deductions from salary.

Minimum wages

The National Minimum Wages Act came into force on 1 April 2000. Experienced adult workers (those over 18, more than two years employed and not a trainee) must be paid an average hourly rate of not less than •5.59.

Equal pay for equal work

Where men and women perform similar work, under similar conditions, or requiring similar skills, or work of similar value or responsibility, they must be paid the same. Equality Officers of the Labour Court have the right to enter premises, examine records and seek information where an equality claim is made.

Protection against discrimination

The Employment Equality Act, 1977 bans discrimination on the basis of sex or marital status in:



- Recruitment
- Conditions of employment other than pay or pension (covered by equality legislation)
- Training and work experience
- Opportunities for promotions.

Holidays

Most employees are entitled to a minimum of 20 days annual leave, plus public holidays (8 each year). The “holiday year” runs from 1 April to 31 March and pro-rata entitlements apply for periods of less than a year.

The Organisation of Working Time Act, 1997 also requires that employees:

- Work no more than a 48-hour week, averaged over a 4, 6 or 12 month period as appropriate
- Have rest breaks while at work
- Have 11 hours rest in each 24-hour period
- Have one period of 24 hours rest per week, preceded by a daily rest period of 11 hours.

The Act applies to all workers, except Gardai and the Defence Forces. Its general provisions may be varied by collective agreement.

Maternity leave

Regardless of length of service, a pregnant employee has the right to:

- Take up to 18 weeks maternity leave
- Return to work, to her previous job or one of similar status, afterwards
- Reasonable time off for ante and post-natal care.

The Department of Social, Community and Family Affairs pays her a pay-related Maternity Allowance for 14 weeks. The remaining four weeks maternity leave are unpaid. There is no obligation on the employer to pay any salary during maternity leave.

The employee must give her employer four weeks written notice of her intention to take maternity leave and the dates of her leave. She must also give her employer four weeks written notice of her intention to return to work after maternity leave.

Adoptive leave

A women employee is entitled to 10 weeks’ adoptive leave under much the same terms as maternity leave above.

Similar leave is available to sole male adopters.

Parental leave

Both parents are entitled to up to 14 weeks unpaid leave to take care of a child up to five years of age.

This leave can be taken in a single block, weekly blocks, days or even hours, though the employer must be in-

formed in writing six weeks in advance.

The Parental Leave Act, 1998 also provides for paid “force majeure” leave of up to three days in a year or five days over three days on the sudden illness/injury of an immediate family member.

Trade union membership

The Irish Constitution is an employee’s ultimate assurance of the right to form or to join a trade union.

Union activities, in particular, disputes and their conduct, are covered by the Industrial Relations Act, 1990, which also established the Labour Relations Commission.

Minimum notice on termination of employment

The Minimum Notice to Terminate Employment Act, 1973, applies to employees in continuous service for 13 weeks.

Protection against unfair dismissal

Where an employee has been employed for more than 12 months, he/she is deemed to have been unfairly dismissed unless the criteria for a fair dismissal laid down in the Unfair Dismissals Act, 1977 have been met.

Among other things, these require that:

- The procedures for dismissal laid down by the employer be fair
- The procedures be operated fairly.

A short-term contract must be signed by both employee and employer and clearly state that the provisions of the 1977 Act do not apply, in order to be considered a valid reason for dismissal at the expiry of the contract term.

Protection against redundancy

Where redundancy is unavoidable, an employee is entitled to payment by the employer (or failing this, from the State). The amounts of the payments are set by law and vary according to age and length of service.

Where the employee meets certain criteria, the employer may recover 60% of the statutory redundancy payments from the Redundancy and Employers Insolvency Fund, administered by the Minister for Enterprise, Trade and Employment.

Part-time employees

Part-time workers do not have the same rights as full-time workers, although the Worker Protection (Regular Part-time Employee) Act, 1991 extended some of the benefits of full-time working to “regular” part-time employees, defined as those in continuous service for at least 13 weeks and normally expected to work at least eight hours per week.

MANAGING STAFF

Businesses go through different stages of development and the management style appropriate to one stage may not be right for another. For example, a person who runs a one-man business does not need to worry about delegating – but when he/she has a dozen employees delegating becomes more important than doing.

You should be thinking about managing long before you have anyone to manage. The starting point is your own strengths and weaknesses as an entrepreneur. Go back to the “Self-assessment” and “Training for Entrepreneurs” section in the first chapter, **READY**. Refresh your memory on your skills and training needs.

Consider whether a partner or key employee could supply some of the skills you are missing. Use the panel below to identify critical areas in your business and those where a partner or key manager could make a difference. Could your business bear the financial impact of another salary? One that would make a critical difference to the speed at which your business develops? Could you reduce your own salary for a while to compensate (a real test of commitment!)?

If you are to build a strong team, you need to become a good manager yourself. There are lots of books and courses available to help you here. You need to build skills in delegation, time management, coaching, appraisal and communications to name but a few. But one of the most important points to make is that successful managers show, in lots of little but important ways, that they care for their staff, that they trust them and that they are willing to allow them to use their initiative (and to make mistakes!).

Good managers listen, they are interested in people in and outside work, they share information and knowledge, they are open to new ideas, they are enthusiastic and have a sense of humour. Check your own management style by writing the answers to the questions below in the panel below. Test your business partners with the same questions.

CRITICAL BUSINESS AREAS

Which of these areas are most critical to the development of your business? Where would a partner or key manager make the most difference?

Rank them 1, 2, 3, etc.

	Critical	Difference
Marketing	_____	_____
Sales	_____	_____
Financial control	_____	_____
Production	_____	_____
Management	_____	_____

STAFF RETENTION

It may seem strange to consider staff retention before you have even recruited your first employee but, as in many things, forward planning pays off.

Staff are a key success factor in any business. Managing staff has implications in every part of the business as very often your staff will be responsible for implementing all the bright ideas you come up with. They can make or break your ideas. And, properly encouraged, they can produce bright ideas of their own. Therefore, a lot of time and thought should be given not only to considering whom you want to recruit but also how to keep your staff happy and productive.

To see why this is important, consider the costs of staff turnover:

- **Loss of capacity:** There's no one there to do the work, until you find a replacement
- **Loss of knowledge:** All that the person has learnt, before joining and while with your business, is gone
- **Loss of experience:** All the experience the person had is gone
- **Loss of network:** All the contacts that the person had are gone – some other employer has these now (are they a competitor of yours?)
- **Loss of training:** All the training you gave the person is gone
- **Cost of recruitment:** You will have to spend time and money recruiting a replacement and may have to pay the new person more than the person who left
- **Cost of induction:** The new person will take a little while to settle in, during which time they are producing below expected output and a drain on the time of other staff
- **Cost of new training:** You may have to train the new person.

All this means that you want to keep staff turnover to a minimum.

YOUR MANAGEMENT STYLE

Are you a good listener?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Do you like people?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Do you mind sharing?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Do you have an open mind?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Are you enthusiastic?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Do you have a sense of humour?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Do you have clear job descriptions?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Do you know what you expect from your staff?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Are you willing to improve?	<input type="checkbox"/> YES <input type="checkbox"/> NO

WHICH LEGAL STRUCTURE?



When starting in business, you have a choice of four main types of business entity through which to conduct your enterprise. They are: Sole trader, Partnership, Limited liability company and Co-operative.

Four things will decide which you choose:

- **The kind of business you are starting** – Some professional firms can only be formed as sole traders or partnerships
- **The expectations of those with whom you plan to do business** – Many business people expect to deal with limited companies and are wary of other forms of business entities as trading partners
- **Your attitude to risk** – In particular, to risking those of your assets that you are not planning to commit to the business. A limited liability company limits the risk of losing your capital if your enterprise is not successful.
- **How you wish to organise your tax affairs** – Certain kinds of favourable tax treatment are only available to limited liability companies.

You are taking a risk in starting an enterprise. You are risking your money, time and reputation. You are entitled to protect those of your assets that you do not wish to commit. For this reason, you are strongly advised to form a limited liability company. However, because of the tax and other implications of doing so, you should take professional help and advice before making your decision.

Sole Trader

You automatically become a sole trader by starting up a business on your own. Setting up as a sole trader needs almost nothing by way of legal formality, apart from registering with the Registrar of Business Names at the Companies Registration Office (www.cro.ie), which is optional.

An advantage of being a sole trader is that apart from normal tax returns, which every taxable person must make, a sole trader is not required to make public any information about the business. The downside of being a sole trader is that you have no protection if your business fails. All your assets become available to pay off your creditors.

Partnership

A partnership, essentially, is an agreement between two or more people to go into business together. It may be no more formal than a handshake or may run to a multi-page legal document.

Whichever route you take, build the following points into your planning:

- In a partnership, **each** partner is liable for **all** the liabilities of the business. If the business fails, and your partner(s) abandon(s) you, you could be left to pay for everything out of your own pocket. Before entering a partnership, decide whether you trust your partner(s)-to-be with everything you own — because that's what you will be doing.
- If you write down nothing else, write down and have all the partners sign a partnership agreement setting out how the business is to be financed, how profits and losses are to be shared, and what will happen if one of the partners decides to leave. These are important points. Failure to agree on them at an early stage can lead to difficulty later.

A limited liability company

A limited liability company is a legal entity separate from its shareholders. The shareholders are only liable, in the event of the business becoming unable to pay its debts, for any amount outstanding on their subscribed shareholdings.

Some limited companies are limited by guarantee – the guarantee being the amount that the members agree to pay in the event of the company going into liquidation. This form of company is more suitable for clubs and associations than for trading businesses.

The advantages of a limited liability company over a sole trader or partnership are:

- Limited liability status
- The possibility of obtaining credit more easily
- The only income taxable on the owners of the business is any salaries or dividends taken from the business
- Business Expansion Scheme relief for a qualifying company (to end 2001 only)
- Scope for tax planning.

The disadvantages of a limited liability com-

OBJECTIVES

- Understand the options available
- Make an informed choice of structure for your business
- Understand the responsibilities of a director

One of the most fruitful sources of ruin to men of the world is the recklessness or want of principle of partners, and it is one of the perils to which every man exposes himself who enters into business with another.

SIR R MALINS



pany include:

- The cost of formation expenses (though these were significantly reduced in September 1997)
- The requirement for an annual audit (not required for companies limited by shares where turnover is under €317,000, the balance sheet total is under €1.9 million and there are less than 50 employees)
- The public filing of information with the Companies Registration Office
- The need for accounts to comply with Companies Acts and auditing and accounting standards
- Business losses may not be set against personal income
- Possibility of further taxation on capital gains if appreciating assets are withdrawn from the business.

EU regulations now allow the formation of private limited companies with only one member (as against the previous requirement for two members), although two directors are still required.

Registration and other forms are available for download from the Companies Registration Office website (www.cro.ie)

A co-operative

A worker co-operative is where a team comes together to form and run a business according to a set of values that include self-help, self-responsibility, democracy, equality, equity and solidarity. The business is jointly owned and democratically controlled, unlike other more hierarchical business structures. Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

The Co-operative Principles, which provide guidelines setting out how the business should conduct itself, are:

- **Voluntary and open membership:** Co-operatives do not permit gender, social, racial, political or religious discrimination and are open to all willing to accept the responsibilities of membership
- **Democratic member control:** Co-operatives are democratically controlled by their members, who actively participate in setting policies and in decision-making
- **Member economic participation:** Members contribute equitably to the capital of their business. Surpluses are used to develop the business, benefiting members in proportion to their transactions with the co-operative and supporting activities approved by the membership
- **Autonomy and independence:** In all contracts with external bodies, co-operatives ensure that members retain democratic control and their co-operative autonomy

- **Education, training and information:** Co-operatives provide education and training for their members and employees to ensure their effective contribution
- **Co-operation among co-operatives:** Co-operatives work together through local, regional, national and international structures
- **Concern for community:** Co-operatives work for sustainable development through policies approved by their members.

Formation of co-operatives is by Model Rules, available from the FÁS Co-operative Development Unit (www.fas.ie). Co-operatives can be formed as limited liability companies.

Directors' responsibilities

If you are a director of a limited liability company, you take on responsibilities – and the enforcement regime for these is becoming increasingly strict – including:

- Responsibilities given under the company's Articles of Association
- Responsibilities imposed by company law
- A fiduciary duty under common law.

This last means that directors act on behalf of all shareholders, not just some, and thus requires directors to consider the long-term implications of their actions, since they have a duty to future shareholders as well as present.

Directors owe a duty to exercise skill and diligence in their work, in line with their knowledge and experience, though they cannot be held responsible in law for errors of judgement. In certain circumstances, directors may become personally liable for the debts of a company – for example, where it can be shown that they are guilty of reckless or fraudulent trading, or where the company has failed to keep “proper books of account”.

On a day-to-day basis, the Companies Acts impose requirements on directors (strictly on the company but the directors are responsible for ensuring compliance) in relation to returns of information – for example, an Annual Return each year following the Annual General Meeting. Following many years of non-compliance (or, at best, lax compliance, even among sizeable companies), the Companies Registration Office, to be backed by a Director of Company Law Enforcement, is now taking a harsher view and imposing penalties and “striking off” companies for late returns. The impact of this is that, where a company continues to trade after it has been struck off, the directors become personally liable for its debts.

In the area of company secretarial work and your responsibilities as a director, take advice from your accountant.

REGISTERING A BUSINESS NAME



The name of a business is one of its most important assets, even though it does not appear in the balance sheet with the other assets. Choose the name of your business carefully. The right name will be:

- Unique
- Easy to remember, pronounce and spell
- Informative
- Image-creating.

If your business is going to trade as a limited company, there are some restrictions on the name you choose (see panel).

Even if your business is not going to trade as a limited company, there are still some rules to be followed. You still cannot use the name of an existing business, or one that will be confused with the name of an existing business. However, a partnership can use the same name as an existing partnership, provided the name consists only of the names of the partners. In general, follow the rules for companies above.

Registering a business name

If, trading as a limited company, you wish to trade under a name other than the company's registered name (for example as *West Cork Forest Advisory Services*, even though the company is registered as *Frank Kelly Limited*), you must register the business name.

If you are trading in one of the other business structures, it is advisable to register the name of the business.

However, note that registration of a business name does not:

- Give protection against duplication of the name (since others may be entitled to use it, though you can prevent them from "passing off" – pretending to be you)
- Imply that the name will prove acceptable as a company name (it may already be registered, or become registered later, as a company name)
- Authorise the use of the name, if its use could be prohibited for other reasons — for example, because the name proposed is the trade mark of another person.

Because of this last point, it is important to check whether someone else might have rights in the proposed name before spending money on stationery, signs etc. Check at the Companies Registration Office, Dublin.

To register a business name, you must:

- Complete Form RBN1B (available for download from the Companies Registration Office web-site)
- Send it with the prescribed fee, currently €25.00, to The Registrar of Companies, Companies Registration Office, Parnell House, 14 Parnell Square, Dublin 1.

You can do this when you are sending in the documentation for the formation of the company.

On registration of your business name, you will be issued with a Certificate of Business Name. This must be displayed prominently at the company's registered or principal office and in every branch or premises.

Internet names

Because of abuse of the facility to register Internet "domain" names, you may now be required by the IE Domain Registry (www.domainregistry.ie) to provide evidence that you have some entitlement to an .ie domain name that you wish to register. A registered business name may help provide this evidence.

OBJECTIVES

- Understand the importance of choosing the right name
- Understand the importance of registering a business name
- Be aware of procedures for registration

CHOOSING A COMPANY NAME

You may not use as a name for a limited company any name which:

- Is identical to the name of an existing company
- Is identical to, or could be confused with, the name of a foreign company which conducts business in Ireland
- Is identical to a well-known trade mark
- Could be confused with the name of an existing company, because it is phonetically identical or the difference in spelling is such as to be immaterial
- In the opinion of the Minister for Enterprise, Trade and Employment, is undesirable
- Implies State sponsorship
- Uses certain restricted words, such as "Bank", "Banker", or "Banking", "Society", "Co-op", "Co-operative" or "Insurance".



OPENING A BANK ACCOUNT

OBJECTIVES

- Understand the steps involved in opening a business bank account

At least one bank account is essential for any business, however small. Don't be tempted to run your business through your own personal bank account "until it gets off the ground". That is a recipe for disaster. Open a separate bank account for your business as soon as you begin to trade.

A limited company needs to pass a resolution of the Board of Directors to open a bank account. The steps are:

- Ask your bank manager for a bank mandate form. This authorises the bank to carry out the instructions of the directors regarding the operation of the account
- Decide what instructions you want to give the bank regarding who is authorised to sign cheques on behalf of the company, and how often you want to receive statements
- Hold a meeting of the directors of the company
- Propose the resolution at the meeting in the form required by the bank – see the mandate form for the wording – and have it adopted by the directors
- Complete the mandate form
- Get sample signatures from each of the people authorised to sign cheques on behalf of the company
- Return the mandate form and sample signatures to your bank manager
- Give the bank manager a copy of each of your company's Memorandum and Articles of Association. These will be kept for the manager's files
- Show the original of the company's Certificate of Incorporation to your bank manager. A copy of this will be taken for the manager's files and on the copy will be marked the fact that the original has been seen by the manager. You will not be asked for, and you should not give the bank manager, the original Certificate of Incorporation (except in the larger city branches where the documents to open your bank account go to the Securities department for checking. In this case, your bank manager should give you a receipt for the certificate and give you a date when you can return to collect it)
- Have available some money to lodge to the new account
- Decide the name in which you want the account to be opened. You can use only the registered name of the company, unless you are trading under a registered business name. In this case, you will also need to show the bank manager the Certificate of Registration of Business Name for the company
- Depending on the bank and branch, it may take a few days or a few weeks to clear all the paperwork associated with opening your company's bank account. Allow for this in your planning
- If you need immediate access to the money you are lodging, your bank manager can usually arrange for temporary cheques to be made available while a chequebook is being printed.

OPENING A BANK ACCOUNT – CHECKLIST

When you go to the bank to open your bank account, make sure that you have:

- A completed bank mandate form □
- Sample signatures for all those who will sign cheques on the company's bank account □
- A copy of the Memorandum and Articles of Association (limited company only) □
- Certificate of Incorporation (limited company only) □
- Certificate of Business Name (if you are trading under any name other than the company's registered name) □
- Cash or cheques to lodge to your new account. □



Businesses in Ireland are subject to:

- **Income tax** – Sole traders and partnerships on their profits
- **Corporation tax** – Limited companies on their profits
- **Value added tax (VAT)** – All businesses with turnover in excess of •51,000 (goods) or •25,500 (services)
- **PAYE/PRSI** – All businesses with employees (including owner/directors).

Note: All • figures quoted relate to the tax year 2002; there are only minor differences between these and the corresponding figures for the “short tax year” to 31 December 2001.

Registration for tax

It is your obligation to notify the Revenue Commissioners through your local tax office of the establishment of your business and to provide them with the information required to register your business for the relevant taxes.

You must complete one of three forms, depending on your circumstances:

- Form STR, if you are a sole trader likely to earn under •126,794
- Form TR1, if you are a sole trader or partnership likely to earn over •126,794
- Form TR2, if your business is a limited company.

Each of these forms gets you registered for all applicable taxes. They are available for download on the Revenue’s web-site.

Shortly after registration, you will receive a “new Business Visit” from a Revenue official who will go through the requirements to ensure that you have proper systems in place.

CORPORATION TAX

Limited companies pay Corporation Tax. This tax is charged on the company’s profits which include both income and chargeable gains.

A company’s income for tax purposes is calculated in accordance with Income Tax rules. Chargeable gains are calculated in accordance with Capital Gains Tax rules.

If an individual is trading through a company, any losses arising cannot be offset against any other personal income earned. The losses can only be offset against trading income of the company or against future or past profits, subject to certain restrictions.

Self-assessment

The self-assessment system applies to companies. Preliminary Tax is payable within six months of the end of the accounting period, which is generally the period for which the company makes up its accounts. To avoid an interest charge of 1.25% per month, Preliminary Tax paid must be 90% of the final liability for the period. A company must submit a return (Form CT1) no later than 9 months from the end of the accounting period to which the return relates. If the Preliminary Tax paid was sufficient, the balance of tax is payable within one month of the issue of the assessment by the Inspector of Taxes.

There are also restrictions on the use the company can make of certain reliefs and allowances if the return is not submitted on time.

There are four rates of Corporation Tax:

- **Reduced Rate** – 12.5% where income is less than •254,000 (marginal relief may apply up to •317,500)
- **Standard Rate** – 20% on all trading income (25% on non-trading income) where income is in excess of •254,000
- **Manufacturing Rate** – There is a special rate of 10% on income arising from manufacturing and certain other activities.

The standard 20% rate on trading income falls to 16% from January 2002 and to 12.5% from January 2003.

INCOME TAX

Income tax is payable by individuals on income earned in the tax year – that is, on annual profits or gains from an individual’s trade, profession or vocation and on other income, such as investment income, rental income etc.

A tax assessment is usually based on actual income earned in the tax year – from 6 April to 31 December in 2001 and from 1 January to 31 December in 2002 and later years. It is up to the individual/business to decide the date to which the accounts are prepared, usually to the same date each year.

A self-employed person will be taxed under the Self-Assessment system. For the “short tax year”, 6 April to 31 December 2001:

- Preliminary Tax must be paid on or before 31 October 2001

OBJECTIVES

- Understand system of taxation
- Understand basics of individual taxes

REVENUE COMMISSIONERS' MISSION

To serve the community by fairly and efficiently collecting taxes and duties and implementing import and export controls.

There's nothing so hard to understand as the income tax.

ALBERT EINSTEIN

The trick is to stop thinking of it as "your" money.

UK REVENUE AUDITOR

- A tax return must be made before 31 October 2002, the “tax return filing date”
- Any balance of tax must be paid on or before 31 October 2002.

Check the dates for 2002 onwards with your tax office.

Preliminary Tax is an estimate of the income tax payable for the year. It includes PRSI and Health Contribution as well as income tax. The duty lies on the individual to calculate their own Preliminary Tax. If Preliminary Tax is not paid by the due date, or if the amount is too low, interest will be charged at a rate of 1.25% per month or part of month on the balance of tax outstanding. Failure to submit a tax return by the tax return filing date will result in a surcharge being added to the final tax bill.

Where a new business is set up, the surcharge will not be imposed if the return for the first year is made by the return filing date for the following year.

An explanatory booklet (IT10) on *Self-Assessment for the Self-Employed* is available from the Revenue web-site.

Calculating taxable profits

Taxable profits are calculated by deducting allowable business expenses from turnover. Turnover is the gross amount of income earned by a business before deducting any business expenses – the total amounts from sale of goods or provision of services. If a business is registered for VAT, the turnover figure should exclude VAT.

If a business makes a loss, it is either offset against other taxable income or carried forward against the future profits of the business.

Business expenses are normally referred to as revenue expenditure, which covers day-to-day running costs (exclusive of VAT, if the business is registered for VAT), including:

- Purchase of goods for resale
- Wages, rent, rates, repairs, lighting, heating etc
- Running costs of vehicles or machinery used in the business
- Accountancy and audit fees
- Interest paid on any monies borrowed to finance business expenses/items
- Lease payments on vehicles or machinery used in the business.

Some expenses cannot be claimed as revenue expenditure, including:

- Any expense, not wholly and exclusively paid for the purposes of the trade or profession
- Any private or domestic expenditure
- Business entertainment expenditure – the provision of accommodation, food, drink or any other form of hospitality

TAXPAYERS' CHARTER OF RIGHTS

In your dealings with the Revenue Commissioners, you are entitled to:

- **Courtesy and Consideration** – To expect that Revenue staff will at all times carry out their duties courteously and considerately.
- **Presumption of Honesty** – To be presumed to have dealt with your tax affairs honestly unless there is reason to believe to the contrary and subject to the Revenue Commissioners' responsibility for ensuring compliance with the law.
- **Information** – To expect that every reasonable effort will be made to give you access to full, accurate and timely information about Revenue law and your entitlements and obligations under it. So that they can do this, Revenue staff are entitled to expect that you will give them all the facts and the full co-operation which they need to deal with your affairs.
- **Impartiality** – To have your affairs dealt with in an impartial manner by Revenue staff who seek only to collect the correct amount of tax or duty, no more and no less.
- **Privacy and Confidentiality** – To expect that personal and business information provided by you will be treated in strict confidence and used only for purposes allowed by law.
- **Independent Review** – To object to a charge to tax or duty if you think the law has been applied incorrectly and to ask that your case be reviewed. If the matter cannot be resolved to your satisfaction by Revenue officials, you have rights in law to independent review.
- **Compliance Costs** – To expect that the Revenue Commissioners and their staff recognise the need to keep to the minimum necessary the costs you incur in complying with Revenue law, subject to their responsibility to carry out their functions efficiently and economically.
- **Consistent Administration** – To expect that the Revenue Commissioners will administer the law consistently and apply it firmly to those who try to evade paying their lawful share.

- Expenditure of a capital nature.

For expenditure relating to both business and private use, only that part relating to the business will be allowed.

A deduction for the running expenses of a vehicle



used for business purposes can also be claimed. To calculate the split of capital allowances (wear and tear) and running expenses, total mileage for the year and the total number of miles travelled for business purposes must be recorded. Journeys between home and a regular place of work are treated as private and not business mileage.

Expenditure is regarded as “capital” if it has been spent on acquiring or altering assets which are of lasting use in the business – for example, the purchase or alteration of business premises. Capital expenditure cannot be deducted in arriving at the taxable profit. However, capital allowances may be claimed on capital expenditure incurred on items such as office equipment, business plant and machinery, taking account of wear and tear on these items.

To arrive at the correct taxable income, the net profit should be calculated and any allowances and relief entitlements should be deducted.

Sub-contractors

Sub-contractors in the construction, forestry or meat-processing industries will have tax deducted at 35% on all payments to them by principal contractors unless they have a certificate of authorisation (C2).

The decision as to whether a person is an employee or sub-contractor is matter of fact determined by guidelines set out in an explanatory guide for sub-contractors (IT64) is available on the Revenue’s web-site.

When starting a job as a sub-contractor, you must produce your C2 and sign a Form RCT1, which the principal contractor keeps. All payments to you then will be gross. Otherwise, at the end of the job, the principal contractor will issue you with a Form RCTDC, a deduction certificate, which shows how much tax has been deducted.

Whether you are paid gross, or with 35% deducted, you are still liable to complete tax returns under the Self-Assessment system and pay any balance of tax due.

You can apply for a C2 at your local tax office.

PAYE/PRSI

The Pay As You Earn (PAYE) system operates on the basis that an employer deducts tax at a specified rate from an employee’s pay. The system is designed so that, as far as is possible, the correct amount of tax is deducted from an employee’s pay to meet his/her tax liability for the year. To achieve this, PAYE is normally computed on a cumulative basis, from the beginning of the tax year to the date on which a payment is being made.

In certain situations, it is not appropriate to operate PAYE on a cumulative basis and, therefore, tax is deducted on a “Week 1” basis.

In addition to deducting PAYE, employers are also obliged to deduct Pay Related Social Insurance (PRSI)

COMPLETING FORMS TRI AND TR2

Both forms register businesses for Corporation Tax, Employer’s PAYE/PRSI and/or VAT, in one operation. Use Form TRI for sole traders or partnerships, and Form TR2 for limited companies.

For either form:

- To register for Income Tax/Corporation Tax only, complete Parts A, B and C
- To register for Employer’s PAYE/PRSI only, complete Parts A, B and D
- To register for VAT only, complete Parts A, B and E
- To register for ALL taxes, complete Parts A, B, C, D + E.

Whatever sections of the form have been completed, the Declaration in Part A **MUST** be signed before a company may be registered for any tax.

Make sure you give:

- The full name of the company as registered under the Companies’ Acts (not the trading name)
- The name of your accountant, who will prepare the accounts and tax returns for the company
- Where a different person handles matters relating to Employer’s PAYE/PRSI and/or VAT, give their name(s) and address(es).

Check with your accountant about:

- Election for registration for VAT if you are not obliged by law to register
- Election for registration for VAT in respect of certain lettings of premises where the services provided are normally exempt from VAT
- Election for cash receipts basis of accounting for VAT.

These forms are available on the Revenue’s web-site.

from employees on behalf of the Department of Social, Community and Family Affairs. The employee's PRSI contribution is made up of:

- Social Insurance, which varies according to the earnings of the employee and the benefits for which the person is insured
- 2% Health Contribution.

From 6 April 2001, the old system of tax free allowances was changed in favour of a "tax credit" system, which operates as follows:

- An employee pays tax at the standard rate (20% for 2001) on all his/her taxable earnings for a pay period up to the standard rate cut-off point for that period
- He/she pays tax at the higher rate (42% for 2001) on all earnings for the pay period above this point
- The total of the tax due by the employee for the pay period is reduced by tax credits due to the employee in respect of the pay period.

The amounts of the standard rate cut-off point and tax credits due to the employee are determined by the tax office and advised on a Certificate of Tax Credits and Standard Rate Cut-Off Point issued to the employee.

Employers' PAYE/PRSI

When starting in business, you must register for PAYE/PRSI if you pay:

- •7.68 per week (•36 a month), or more, to an employee who has only one employment
- •2 per week (•9 a month), or more, to an employee who has more than one employment.

A company must register as an employer and operate PAYE/PRSI on the pay of directors even if there are no other employees.

It is important to distinguish whether a payment, benefit, expense etc. should be regarded as "pay" and taxed under the PAYE system. There are particular areas of benefits/perks (car, medical insurance, etc.) which have different tax implications.

Expenses incurred by employees while carrying out the duties of the job and for which receipts can be produced are not generally regarded as pay.

Registration as an employer

To register for PAYE/PRSI, employers must complete form STR or TR1 (sole trader or partnership) or TR2 (limited company).

You will receive confirmation of your registration as an employer, including a registered number for PAYE purposes and detailed information regarding the opera-

tion of PAYE/PRSI.

If you become an employer and fail to register for PAYE/PRSI purposes, the Revenue Commissioners will compulsorily register you. You will have to pay the PAYE and PRSI due and interest will be charged at 1.25% per month from the date on which it should have been paid.

Payments and returns

PAYE and PRSI payments must be paid to the Collector-General within 14 days from the end of the income tax month during which the deductions were made.

A form P30 Bank Giro/Payslip is issued to the employer each month on which the figures for total tax and total PRSI contributions should be entered, together with the gross total which will equal the amount of the payment. The form P30 should be returned marked "Nil" if there is no PAYE/PRSI liability for a particular month.

Employers can arrange to pay PAYE/PRSI through a direct debit scheme and make an annual return/declaration of liability. At the end of the tax year, the employer must complete end-of-year forms P35, P35L and P35/T which are sent by the Collector-General. These forms must be returned by 30 April.

Employers must also issue a Form P60 to each employee who was in employment at 5 April. This form shows total pay, tax and PRSI contributions for the year ended 5 April.

VALUE ADDED TAX

Value Added Tax (VAT) is a consumer tax collected by VAT-registered traders on their supplies of taxable goods and services in the course of business and by Customs & Excise on imports from outside the EU.

Each trader pays VAT on goods and services acquired for the business and charges VAT on goods and services supplied by the business. The amount by which VAT charged exceeds VAT paid must be paid to the Collector-General.

If the amount of VAT paid exceeds the VAT charged, the Collector-General will pay over the excess to the trader. This ensures that VAT is paid by the ultimate customer and not by the business.

Taxable persons

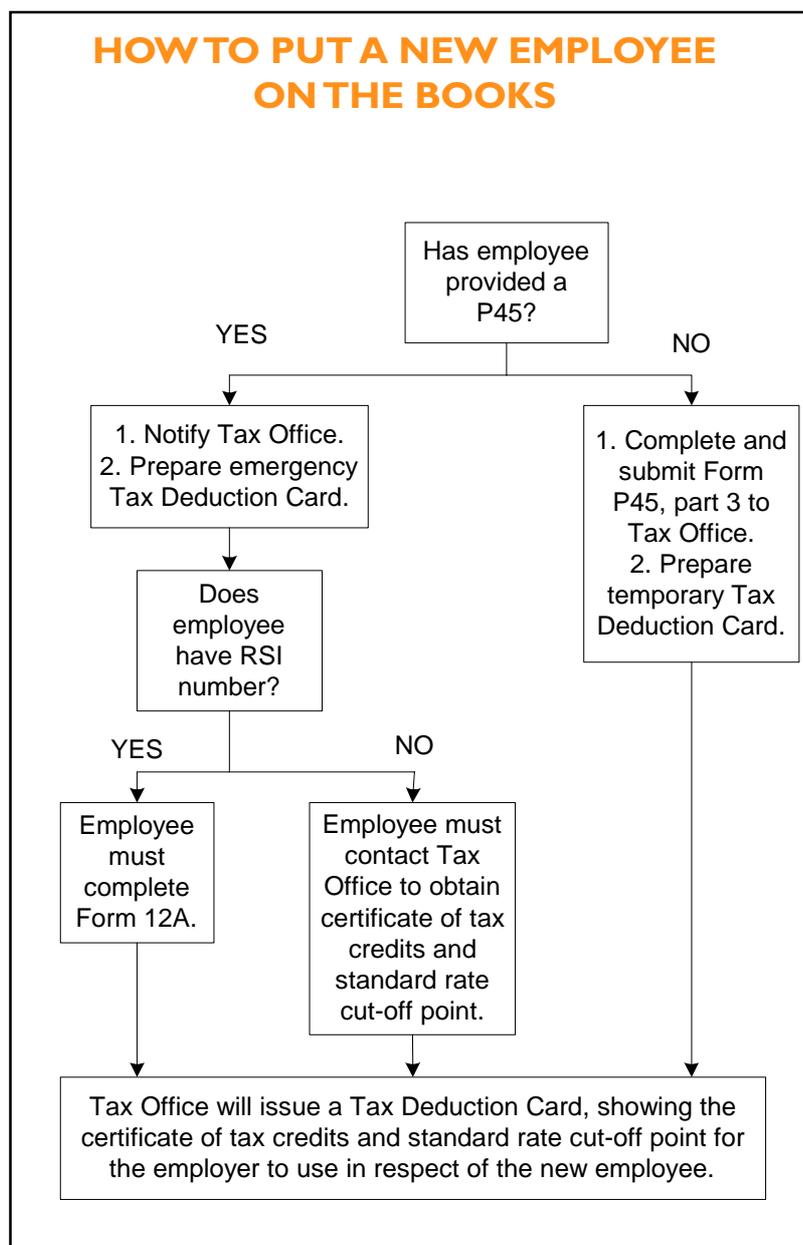
A taxable person for VAT purposes is an individual (other than an employee), a partnership, company etc, who supplies taxable goods and services in the course of or in the furtherance of the business.

Taxable persons are obliged to register for VAT where the amount of their annual turnover (the amount of receipts excluding VAT) exceeds or is likely to exceed:

- •51,000 – goods
- •25,500 – services.



HOW TO PUT A NEW EMPLOYEE ON THE BOOKS



Traders whose turnover is below these limits are not generally obliged to register for VAT but may do so if they wish.

The current rates of VAT are:

- **20% (standard rate)** – all goods and services that are not exempt or are taxable at the zero or reduced rates
- **12.5%** – certain fuels (coal and domestic gas), building and building services, newspapers, certain other goods and services
- **4.3%** – livestock, live greyhounds and the hire of horses
- **Zero** – exports, certain food and drink (bread and milk), oral medicine, books excluding newspapers, brochures
- **Exempt** – financial, medical and educational activities.

Registration

To register for VAT, complete form TR1 (TR2 for a limited company).

Cash basis of accounting

Any registered person whose annual turnover is less than €635,000 can account for VAT on receipt of payment rather than on the issue of an invoice. This gives a significant cash-flow benefit. Applications to use the cash basis of accounting should be made to your local tax office, after discussing the matter with your accountant.

Returns

When you register for VAT, the Collector-General will send you a form VAT3 every two months. You must complete this form and return it to the Collector-General before the 19th day following the end of the two monthly period giving details of:

- VAT charged by you for the period
- VAT paid by you for the period
- VAT due to Revenue or repayable to you
- Goods supplied to/received from other EU member states.

You are required to make a VAT return even if you do not owe any VAT for the period.

An annual return of trading details is also required. This return can be prepared for any period of 12 months which best suits your accounting arrangements.

VAT may be paid through the Revenue's direct debit scheme. Any excess VAT will be repaid automatically by electronic transmission to your nominated bank or building society.

GENERAL

Record-keeping

The Revenue Commissioners have certain requirements regarding record-keeping and accounts (see "Accounting", page 72) which you must comply with.

Returns

For each of the taxes, you are required to supply the Revenue Commissioners with specific information on or by specific dates. These are called "returns" and there are severe penalties for late submission or not submitting returns at all.

Information and assistance

Comprehensive guides to all aspects of business taxation, including a "Starting in Busi-

ness” guide, may be obtained from any tax office, the Revenue Forms & Leaflets Service at (01) 878 0100, or the Revenue’s website (www.revenue.ie). Your accountant will also provide advice.

Revenue audits

A revenue audit is a cross-check of the information and figures shown in tax returns against those shown in a business’s records, covering:

- Income Tax, Corporation Tax or Capital Gains Tax and/or
- The returns submitted for VAT, PAYE/ PRSI or Relevant Contacts Tax (RCT).

The Revenue Commissioners use three methods of selection:

- Screening tax returns
- Projects on particular business sectors
- Random selection.

Generally, 14 days’ advance notice in writing is given, stating the name of the person who will carry out the audit, the date and time of the audit and the year(s), accounting period(s) or VAT period(s) which are to be audited.

The auditor will examine a business’ books and records to verify that the figures have been correctly calculated and that the tax returns and/ or declarations for the different taxes are correct. If adjustments are required, the auditor will quantify these, discuss them with you/ the appropriate person, seek agreement to the total settlement figure and issue written notification. Interest will be charged at 15% on tax underpaid where a taxpayer makes an incomplete or incorrect return and publication of an audit settlement may occur.

An explanatory booklet, *Revenue Audit – Guide for Small Business* is available from any tax office.

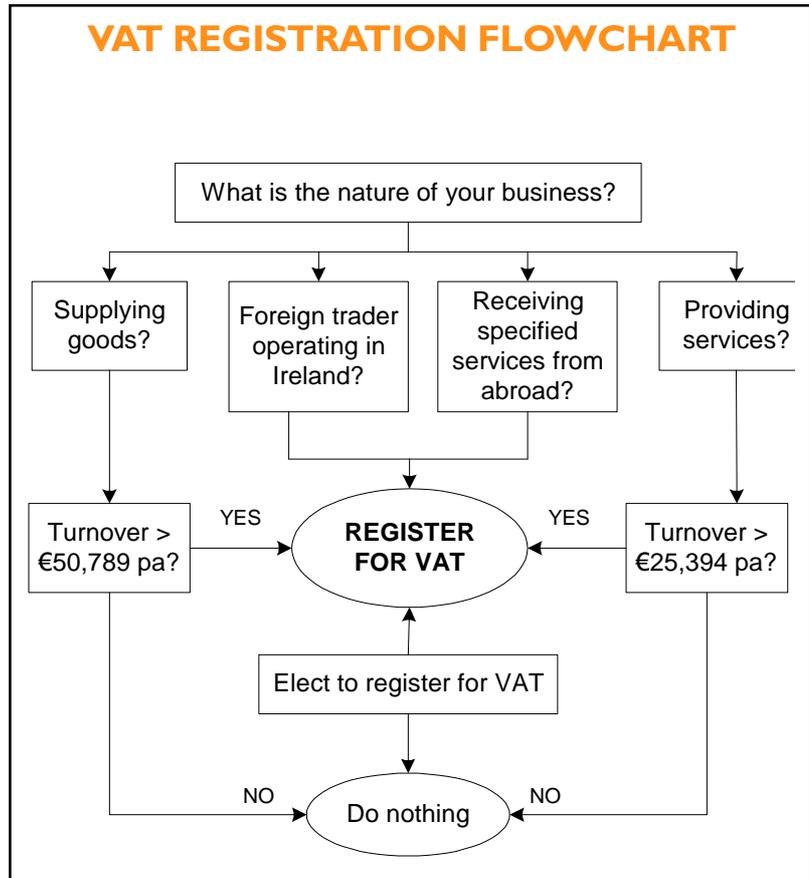
Taxpayers’ Charter

It’s not all one way, however. The Revenue Commissioners have issued a “Taxpayers’ Charter” (see panel earlier), which sets out your rights as a taxpayer.

Tax clearance

Generally, grant offers from State agencies or Enterprise Boards are conditional on tax clearance. If you receive grants between €600

VAT REGISTRATION FLOWCHART



and €6,000, you must submit the following information:

- The tax district dealing with your tax affairs
- Your tax reference number
- A signed statement indicating that, to the best of your knowledge, your tax affairs are in order.

If you receive grants of €6,000 or more, you must submit with your claim a Tax Clearance Certificate from the Revenue Commissioners confirming that your tax affairs are in order. Form TC1 should be completed when applying to the Revenue Commissioners for a Tax Clearance Certificate. You will be given a TC1 application form by the agency or Enterprise Board.

Tax clearance will also be required in respect of each contractor, where sub-contractors are employed on a construction project.

Revenue On-line Services

The Revenue Commissioners are increasingly moving on-line. Not only are all forms and publications available on their web-site but Revenue On-line Services (www.ros.ie) allows registered users to:

- View current employer taxes position on-line
- File and pay P30, P35, VAT3 forms on-line
- File P45 returns on-line.

Talk to an accountant

Because tax regulations are becoming increasingly complicated, it is worth talking to an accountant about your specific situation and needs.

ACCOUNTING



Accounting – anything to do with financial matters – is the part of being in business that most small business owners like least. So they neglect it, saying that it is more important to be “out there selling”. Or they hand over responsibility for it to someone else – and forget about it.

But you wouldn't do that with any other part of your business. You wouldn't hand over responsibility for marketing, for product development or for recruiting staff to anyone else. Why do it for something as critical to your business as accounting?

Accounting consists of three steps:

- Recording transactions
- Analysing them so that they provide information
- Interpreting them so that they are useful for decision-making.

Recording transactions

First, identify what transactions you need to record. Most small businesses have the following:

- Purchases on credit
- Sales for credit
- Receipts – Cash into the bank account
- Payments – Cash out of the bank account
- Petty cash.

Let's start with these. For each transaction, you need to record:

- The date
- The type of transaction
- The other person involved
- The amount involved.

If you use a separate page for each type of transaction, you do not need to record the type of transaction – the page it is recorded on will tell you what type it is.

So you now have five pages for each of the transaction types with a limited amount of information recorded on each.

Analysing transactions

Next, begin to analyse the transactions to provide information.

Take purchases on credit. You might analyse the transactions under the following headings:

- **Fixed assets** – Items not for resale
- **Stock** – Items for resale

- **Overheads** – Expenses incurred in running the business (analyse these further into categories – Staff, Production, Premises, Transport, Sales and promotion, General expenses and Finance – these can be further subdivided if necessary to show the detail you need)
- **Miscellaneous/Sundry** – Items for which we can find no other obvious category or which happen so seldom that it's not worth setting up a separate analysis of them.

Sales on credit might be analysed by product/service type.

Cash into the bank account might be analysed by source, one of which will be debtors paying for goods/services bought earlier on credit. Other sources will include cash from cash sales (which should tie up on a daily basis), loans to the business, VAT and miscellaneous items.

Cash out of the bank account might be analysed by destination, one of which will be creditors from whom we bought goods/services on credit earlier. We might also have bought goods and services and paid by cheque, so we need to analyse these. We also need to include overheads, using the categories above.

Small items of expenditure are recorded as Petty cash expenses.

Value Added Tax

If your business is registered for it, recording VAT is the next step.

With certain exceptions (see the previous section, “Taxation”), VAT paid on purchases is recoverable, while you must account to the Revenue Commissioners for VAT you charge on sales. This means that, if the amount you pay for purchases includes VAT, you can reduce the cost to your business by the VAT amount. Similarly, you must deduct VAT from your sales before accounting for them in your business.

The “books”

The next chapter, **GO**, shows the very basic “books” that you must keep.

Of course, you don't need to buy expensive accounting analysis books. Ordinary pa-

OBJECTIVES

- Understand basics of book-keeping
- Appreciate need for records and regular accounts

A Tradesman's Books, like a Christian's Conscience, should always be kept clean and clear; and he that is not careful of both will give but a sad account of himself either to God or Man.
DANIEL DEFOE (1660-1731)



per with ruled columns will do perfectly well to start with. Keep your sheets in a folder, with dividers for each type of page.

Use an extra column – perhaps one right in at the margin – to write the number of the transactions. Keep a sequence going from the day you start. And write the transaction number onto the receipt or invoice. File all the receipts and invoices away safely in transaction number order. Then, if there are ever any queries, you will be able to find the answers quickly and easily.

These “books” are available as Excel spreadsheets to download from www.startingabusinessinireland.com.

Bank balance book

Your bank balance is one of the most important pieces of information in your business. You need to know what it is on a daily basis. To save time ringing the bank every day, since you have all the information you need to calculate it yourself, keep a Bank Balance Book.

This is a simple ledger book (you’ll find cheap versions in any stationery shop), with columns for:

- Date
- Transaction details
- Cash into the bank account
- Cash out of the bank account
- Balance.

An example of a Bank balance book appears in the next chapter, **GO**.

Record every transaction that goes through your bank account in this book, and you will always know what your balance is. Get into the habit of checking the balance before you write cheques (even if they are essential) and you will avoid unpleasant surprises. If your Bank balance book shows that writing a particular cheque will make your account overdrawn and you have no permission to do so, you have two choices:

- **Don’t write the cheque** – Strictly, it’s against the law to write a cheque when there isn’t enough money in your account to meet it
- **Get permission** – However bad the news, it’s always better to break it to your bank manager in advance than after the event, when he is in trouble with his bosses over your unauthorised overdraft.

Yes, you are duplicating some of the information on your “Cash into the bank account” and “Cash out of the bank account” pages but your Bank balance book can be written in summary form (“Cheque” will do under “Transaction details”) to save time.

Transactions that originate with the bank (bank charges, interest and fees) should always be notified to you before they are charged to your account. As soon as

you receive details of these amounts from your bank, write them into your Bank balance book.

Then you will be able to sleep easy at night, without worrying that the bank manager might call querying an unauthorised overdrawn situation.

Get into the habit of checking your bank statements when they arrive each month. Check to see that:

- All lodgements have been made
- All cheques cashed – You should deduct any cheques that you have written but which have not yet been cashed from the balance shown on the bank statement
- No charges or fees have been charged to your account without your knowledge.

If you find anything that you do not understand, check with the bank immediately.

“Still due” file

In addition to your bank balance, you also need to know who owes you money and how much.

A simple way of doing this is to set up a “Still due” file – a folder into which you place a copy of every invoice you send out for sales on credit.

As you get paid, take out the relevant invoice and tear it up. Adding up all the invoices in the file tells you how much you are owed. And the thickness of the file provides a quick visual check of the effectiveness of your credit control procedures (see below).

“Still to be paid” file

Another piece of essential information is the amount of money you owe – particularly to suppliers, who may cut you off if they don’t get paid on time.

Open a file, into which you put a copy of every invoice you receive from your suppliers for goods or services you buy on credit from them. As you pay your suppliers, take out the relevant copy invoices and staple them to the cheque you are sending. Whatever is in your “Still to be paid” file at any point is the total of what you owe. In addition, your suppliers know exactly which invoices you are paying, since you have sent them a copy. Management information in two businesses, no less!

An information system

You can begin to combine, adapt and expand the “books” and files above to provide you with an information system, following your accountant’s advice.

For example, if you have very few transactions, you might put all the “books” onto a single sheet of paper which you use to record all transactions for a day or week, whatever period is appropriate. Instead of filing away the receipts and invoices, staple them onto the sheet. In



this way, the sheet becomes your “books” and provides you with an immediate overview of what’s going on in your business.

As you become more familiar with the financial side of your business, you will identify figures that help you understand what is happening – sales each day/week/month, for example. Organise a system to extract and report these regularly.

Interpreting the figures

What we have done so far covers recording and analysing. The next step is interpretation.

Most of this is common-sense:

- If your bank balance is always overdrawn, you are spending more than you are bringing in – and you will need to schedule another meeting with your bank manager
- If your purchases are high, and sales are low, stocks will begin to build up – and worse, you may not be able to sell the stock because it might be perishable, go out of fashion or become damaged
- If your overheads are high, you may be spending money on unnecessary items, like fancy office stationery and equipment, instead of on more productive items.

Talk to an accountant about the kind of information you need to manage your business and make sure that your system of recording and analysis provides it for you.

And, of course, extracting the figures is only the starting point – you also need to do something about them.

Regular accounts

Every business is effectively required to prepare accounts once a year – some because they are limited companies and are required to do so by law, others because the tax authorities will need them to determine how much tax the business should be paying. But annual accounts are not much help in running and managing a business because:

- They are too infrequent – A year is a long time not to know what is happening to the finances of your business
- They are prepared to a different format – One that often is not helpful for decision-making.

So you need to consider preparing more regular accounts. Monthly accounts may be too much of a burden on your time and not repay you with enough useful information but quarterly accounts are essential.

In preparing accounts, all you are doing is summarising the information you have recorded and analysed – the analysis helps you with the summary. You don’t need

anything fancy. A simple profit and loss account to tie in with your Operating Budget (see page 85) will do. Talk to your accountant, if you need help.

Spreadsheets

If you are a computer user, you will have noted that the “books” are ideal for conversion to spreadsheets. Simply replicate the format on your spreadsheet and use its functionality to provide totals, summaries, etc.

But, if you decide to go the spreadsheet route, take some simple precautions:

- **Include a date/time on every printout** – So that you can determine which version you are looking at
- **Make back-up copies of everything** – You do not want to have to recreate your files from scratch at the end of the year or when the taxman comes calling
- **Consider locking cells** – To prevent them being overwritten by accident.

Accounting software

There are lots of accounting software packages that will do all this work for you – except the inputting of data, of course.

Some are very expensive and more suitable for larger businesses. But there are others – Big Red Book, Sage, TAS Books and MYOB – that have versions suitable for small businesses. Some of these cost under •200 so, if you have a computer, they may be worth considering.

A computerised accounting system provides information literally at your fingertips when you need it (if you have kept your inputting up-to-date!). Talk to your accountant before spending any money, to make sure you buy the right system for your needs.

Credit control

Your “still due” file is the second element in your credit control procedures – the first is sending out accurate invoices on time. If you do not send out accurate invoices, customers will complain and delay paying you.

Equally, if you do not bother to invoice customers as soon as a job is done, it suggests that you are not in a great hurry to get paid – and customers again will delay paying you.

Build a simple credit control system like this:

- Always invoice as soon as a job is done. Don’t wait for the end of the month
- Make sure the invoice clearly states the date on which it is due to be paid
- File invoices in your “Still due” file in the order in which they are due to be paid. You will be able to see at a glance which invoices are overdue
- Check your “Still due” file every week for overdue invoices. Telephone to ask when you can expect a



cheque. Get the name of the person who are speaking to and ask for them the next time you phone

- After three or four phone calls, write. Say that you will have to put the account into the hands of your solicitors and/or cut off supplies. Only threaten to cut off supplies when you really mean it.

Some customers only pay when they receive a “Statement of Account”, a listing of all invoices due which is usually sent to them at the end of each month. Find out which customers need this and make sure you send them one.

Find out your customers’ paying habits. Some businesses pay all invoices received up to the 27th day of the month in the first week of the next month. In this case, make sure your invoices are in their hands by the 27th! Fax copies, with the originals following by post.

Cash registers

If yours is a cash business with over-the-counter takings, use a cash register. Most registers will allow you to record:

- Total sales for the day
- Receipts for the day
- Analysis of sales for the day.

These daily figures can be entered directly into your books, without having to record every individual transaction.

KEEPING BOOKS AND RECORDS FOR TAX PURPOSES

You must keep full and accurate records of your business sufficient to enable you to make a proper return of income for tax purposes. These records must be kept for six years. Failure to keep proper records or to keep them for the necessary six years, where you are chargeable to tax, is a Revenue offence, punishable by fines and/or imprisonment.

The records kept must include books of account in which all purchases and sales of goods and services and all amounts received and all amounts paid out are recorded in a manner that will clearly show the amounts involved and the matters to which they relate. All supporting records such as invoices, bank and building society statements, cheque stubs, receipts etc., should also be retained.

You need to be able to account for:

- Your business takings
- All items of expenditure incurred, such as purchases, rent, lighting, heating, telephone, insurance, motor expenses, repairs, wages, etc.
- Any money introduced into the business and its source
- Any cash withdrawn from the business or any cheques drawn on the business bank account, for your own or your family’s private use (drawings)
- Amounts owed to you by customers, showing the total amount owed by each debtor
- Amounts owed by you to suppliers, showing the total amount you owe to each creditor
- Stocks and raw materials on hand.

You will need to submit the following with your Tax Return:

- A **Trading Account** showing details of goods sold during the period and the cost of those goods, the difference being the gross profit/loss for the period
- A **Profit and Loss Account** showing details of gross profit and the various expenses of the trade during the period, the difference being the net profit/loss for the business for the period
- A **Capital Account** showing details of opening and closing capital, net profit/loss for the period, cash introduced and drawings (not required from a limited company)
- A **Balance Sheet** setting out details of the business’ assets and liabilities at the end of the period.

Small businesses may use the Business Profile (Form BPI) which includes a simplified form of accounts. This form is available from your local tax office, from the Revenue Forms & Leaflets Service at (01) 878 0100 [24 hours a day], or www.revenue.ie.

INSURANCE



When you start in business, you need to consider both business and personal insurance. This section looks at what is involved.

Business insurance

The main kinds of business insurance are:

- **Fire** – To cover rebuilding costs, etc following a fire
- **Burglary/theft** – To replace stolen or damaged assets
- **All risks** – Coverage against loss of assets, however caused
- **Public liability** – Coverage against claims by members of the public
- **Product liability** – Coverage against loss relating to defective or dangerous products
- **Employer's liability** – Coverage against claims from staff
- **Motor insurance** – Coverage against driving accidents.

Most insurance companies offer these (or some combination) in a single "Office" or "Business" policy, which is more cost-effective than separate policies for each.

Other areas for which you might consider the protection of insurance include:

- Legal fees protection
- Credit insurance
- Bad debt insurance
- Computer equipment and data
- Travel
- Goods in transit
- Patents
- Business interruption.

Since insurance companies rate risks differently, it is worth talking to an insurance broker, whose job is to find you the widest coverage at the lowest price. Ask whether you can reduce the premiums by paying an excess (just like motor insurance). Ask also whether the premiums can be paid over the year rather than all at the start.

People-related insurance

If the business is dependent on yourself, or one or two key staff, it is also a good idea to take out "keyman insurance" on these people. Then, if they die or are unable to work, the insurance company will pay a lump sum to help overcome the difficulty.

You may also want to look at life assurance (to provide "death-in-service" benefits), critical illness, permanent health insurance or medical expenses insurance (VHI/BUPA) for your staff. Here cost, and whether staff value the insurance, will be major factors.

Your own insurance

What insurance you take out on yourself depends on the risk you are willing to take, your budget and your family situation. You may already have some insurance in place, in which case taking out more through the business would be duplication.

Look at the key risks:

- **You could get sick and not be able to work** – You need insurance to provide a replacement income (permanent health insurance)
- **You could get sick or die and have no one to take over the running of the business for you** – You need a replacement income plus enough extra to pay someone else to run your business (permanent health/critical illness/life assurance).

Talk to a life assurance broker about coverage against these risks. Talk to him/her also about pensions. A pension can be a tax-effective way of transferring cash from your business to yourself.

OBJECTIVES

- Understand the different types of insurance
- Assess your need for insurance

CALCULATE YOUR MONTHLY INSURANCE PREMIUMS

Business insurance

- Fire • _____
- Burglary/theft • _____
- All risks • _____
- Public liability • _____
- Product liability • _____
- Employer's liability • _____
- Motor insurance • _____
- _____

Personal insurance

- Health • _____
- Disability • _____
- Life assurance • _____
- Pension • _____
- _____



TRADING LAWS

OBJECTIVES

- Be aware of key trading legislation

Don't learn the tricks of the trade. Learn the trade. ANON

The Single European Market removed “technical” barriers to trade and thus opened opportunities for Irish businesses to export into Europe on a scale not possible before. However, selling in Europe means meeting European product standards – increasingly, selling at home in Ireland means the same.

EU Directives set out requirements for the manufacture of a wide and growing range of products, including:

- Simple Pressure Vessels
- Safety of Toys
- Construction Products
- Electromagnetic Compatibility (EMC)
- Safety of Machinery
- Personal Protective Equipment
- Gas Appliances
- Non-Automatic Weighing Instruments
- Active Implantable Medical Devices
- Hot Water Bottles
- Motor Vehicles and their Trailers
- Low-Voltage
- The Amending Directive (bringing some of the older Directives up-to-date).

If your product falls into any of these areas, you need to meet the requirements of the relevant Directive. Compliance with these Directives is shown by the CE Marking, subject to assessment by the National Standards Authority of Ireland (NSAI).

Food labelling

The labelling of foodstuffs, in order to give accurate information to consumers, has become very important and increasingly regulated.

The basic rule is that labelling of pre-packaged goods must be “clear, legible, indelible and not obscured by pictorial or written matter”. It must be “in a language easily understood by the consumer” and “not mislead”.

Specifically, you are required to show:

- Name of food
- Net quantity in metric
- Date of minimum durability (“Best before”/“Use by”)
- List of ingredients

- Special storage instructions
- Name or business name and address of the manufacturer or packager (or seller in the EU)
- Country of origin (only where absence would mislead)
- Instructions for use
- Alcoholic strength (beverages 1.2%+ alcohol by volume)
- If irradiated, a declaration
- If packaged in a modified atmosphere, a declaration.

Certain products – jams and jellies, fruit juices, mineral waters and quick frozen foods – have additional labelling requirements.

Food labelling regulations are enforced by both Environmental Health Officers and officers of the Director of Consumer Affairs, who can enter premises where food is kept, manufactured, sold or transported, take samples, inspect documentation and take copies and examine, test and inspect products.

Most businesses involved in food preparation will have to be registered with the local Health Board and comply with the requirements of the Food Hygiene Regulations; the Environmental Health officer of your local Health Board will be able to give you details.

Licenses and registration

Most businesses can be started immediately but, in some cases, a license or registration is required.

Examples include:

- Public houses and off-licences
- Driving instructors
- Employment agencies
- Taxi drivers
- Providing credit services.

Other trading regulations

You should check with a solicitor to make sure that you are not breaking any regulations, that you are operating in line with best practices and that you are up-to-date on the latest requirements.



WORKING FROM HOME

OBJECTIVES

- Understand the benefits and drawbacks of working from home
- Be aware of legal and other requirements

Working from home is the simplest, and often the cheapest, choice in relation to premises for your business.

It suits certain kinds of business and does not suit others. Think about combining working from home with serviced offices, where you will have a professional telephone answering/message-taking service, a “business” address and access to meeting rooms for times when your customers want to come and talk to you.

Planning permission

The use of a private residence for business purposes is usually subject to planning permission. In most cases, local authorities will not require planning permission (or deny it, if it is applied for) where there is no impact on neighbouring properties. For example, a financial consultant who does his/her paperwork at home but meets clients on their own premises would expect little difficulty in relation to planning permission. But opening a garage to tune performance cars might bring complaints from your neighbours – and a refusal of the necessary planning permission.

Conditions for planning permission to work from home vary around the country. Check with your local authority’s planning department before making any decision.

A dedicated workspace

If you work from home, you need to set aside a clearly-defined “workspace”. In this area – and in this area only – you work. When you leave it, you are “at home”. If you do not do this, you will never get a break from your business, and will burn out.

Make your workspace a “Do not disturb” zone. If you are to do your work properly, you must be able to put aside the distractions of home life (telephone calls, children, visitors, chores) while you are in your workspace (just as you would in a “proper” office).

But it’s MY home!

Bear in mind that working from home becomes complicated when you have employees. It may suit you to get up late and work in your dressing-gown, but what example do you set for your staff? And what happens when you want a day off – do you have to leave home in order to get away from calls?

Other issues

Your insurers will need to be informed if you are working from home. If you have business visitors, you may need public liability cover. You are also responsible for health and safety (your own and any visitors’) in your home office.

WORKING FROM HOME – ISSUES TO CONSIDER

- How much space do you need and where is that space available in your home?
- How will you separate home and work (think about telephone, use of computers, use of space, home duties, etc.)?
- What does your family think?
- What image do you want to present (meetings, telephone answering, address, etc.)?
- What are the costs and cost savings (both time and money)?
- Use of technology?
- What happens when you are on holiday?
- What about the children (holidays, after school, when they are sick, etc.)?
- Can you switch off or will the home office become a constant distraction?
- Do you need planning permission?



There are three occasions when you must pay attention to the way in which your business is financed:

- At start-up
- When you need additional finance for expansion
- All the time in between.

At start-up, you need to raise as much finance as possible in order to ensure that your business has enough money to get going yet, conversely, this is the time when it is most difficult.

The need to raise additional finance to expand a business suggests a successful business, which should have little difficulty in attracting the necessary funding – though not always.

In between start-up and second-stage fund-raising, and all along the way, your business will have a financing need that must be met day-to-day and planned in advance.

Start-up finance

There are basically only two types of finance:

- **Equity** – Capital invested in the business, usually not repayable until the business closes down finally
- **Debt** – Capital lent to the business, usually repayable at a specified date.

There are also only two sources:

- Your own money
- Someone else's money.

OWNERS' EQUITY

If you are putting equity into the business (and you MUST – if you won't, who else will!), recognise that this investment will be at risk. Decide whether there are assets you want to keep in your personal name or which you are not prepared to put up as security or to mortgage. Identify these and then look at everything else you own:

- How easily could they be sold and what would they fetch?
- Are they mortgagable assets?
- Will they be acceptable as collateral?

Before you mortgage your family home, professional advice should be obtained. You need to consider:

- Ownership of the property

- The impact of the Family Home Protection Act
- What would happen to the family home and your family should the business fail
- The approach that the banks and the courts take in such circumstances.

It is important that you raise as much as you can from your own resources, since most financiers work on a "matching funds" basis – that is, they will invest no more than you are investing. This may mean being a little creative and including as part of your investment some items that would have been available to the business on an informal basis anyway. For example, if you plan to start a software business, you probably have your own PC and peripherals and probably intended using these in the business until it could afford to buy newer (and faster) machines. Put a value on them and include them as part of your investment, which might now be made up of •3,000 cash and •10,000 equipment – which looks better than just •3,000 cash!

If you can raise all the money you need from your own resources, then you can count yourself lucky and move further on in this section. Everyone else, keep reading!

OUTSIDE EQUITY

Before you raise outside equity, you need to be prepared to allow other people to own part of your business. Sounds logical, but many entrepreneurs forget this and react badly when their investors begin to want some involvement in the business in return for their investment.

If you are looking for outside equity, there are three types to consider:

- **Seed capital** – Less than •125,000, for start-ups
- **Venture capital** – Between •125,000 and •600,000, for businesses at an early stage of development
- **Development capital** – •600,000+, for companies ready to expand.

Seed capital is the one you probably want. Unfortunately, it is also the hardest to get, although the recent success of Irish technology companies means that there's plenty of funding available, sometimes linked to incubation facilities.

OBJECTIVES

- Understand the different types and sources of finance
- Calculate initial investment
- Identify possible sources of funding
- Calculate personal expenses

Small debts are like small shot: they are rattling on every side, and can scarcely be escaped without a wound; great debts are like cannon: of loud noise, but little danger.

SAMUEL JOHNSON (1709-1784)

I am convinced that the more money a new business needs to begin with, the less chance it has of success.

MARK McCORMACK, International Management Group



Before you borrow money from a friend, decide which you need more.

ANON

Seed capital is a race against insolvency.

KARL SCHUTTE,
Business
Innovation Fund,
Dublin

You never lose money by making a profit.

ANON

The average cost of setting up in business is €11,000, one-third of which is funded externally.

The average time taken to raise external funding is one month, with 45% receiving funding within a week.

Banks are the main providers of external finance, with family and friends an important secondary source.

BARCLAYS BANK

Sources of equity

The first sources you should try are:

- **Family and friends** – Depending on your personal circumstances, this can be a fruitful source. But make sure they understand the risks involved and can afford to lose their investment. Put any agreement in writing
- **Business contacts** – It's worth checking to see whether someone you know in business will help you get started with a small investment
- **Business angels** – Professional investors who may take an active role in managing the business as well as providing finance. Enterprise Ireland, Shannon Development and Dublin Business Innovation Centre all have investor registers. Binary Partners is a private sector group of business angels.

Then turn to the professionals:

- **ACT Venture Capital** – ACT operates its own fund and the ACT Enterprise Fund, aimed at the technology sector, jointly funded by Enterprise Ireland. ACT invests upwards of €600,000.
- **AWG Investment Fund** – Established by the Avonmore Waterford Group (now Glanbia) and managed by Deal Management Ltd, the fund invests between €300,000 and €600,000 in early-stage and expanding businesses.
- **Bank of Ireland Entrepreneurs Fund** – Managed by Delta Partners, the fund invests between €125,000 and €1.25 million in technology businesses.
- **The Business Expansion Scheme (BES)** – Properly called “Relief for Investment in Corporate Trades” (RICT), BES is intended to help smaller businesses. Fund-raising companies must be incorporated and resident in Ireland, must not be quoted on the Stock Exchange (except for the new Developing Companies Market), and must be engaged in a “qualifying trade”. It is up to the business to find potential investors (usually through a broker or accountant) and, when it does, to obtain Revenue approval.
- **Business Innovation Fund** – Managed by Dublin BIC, the fund provides between €30,000 and €90,000 for start-up and early-stage businesses. Projects should have fewer than 10 people employed, turnover under €90,000, with significant growth potential, and meet some other conditions.
- **Campus Companies Venture Capital Fund** – This fund provides seed and early-stage development capital (€38,000 to €600,000) for businesses promoted by staff/graduates of Irish universities.
- **Cross Atlantic Capital Partners** – Cross Atlantic Capital Partners (XACP) manages a \$150 million technology-focused fund and is the sponsor of the Michael Smurfit Graduate School of Business Hatchery.
- **Dublin Seed Capital Fund** – Managed by Dublin BIC, this fund invests from €12,000 to €250,000 in biotechnology, IT-related, industrial products, manufacturing and high-tech industries in the Dublin region
- **eircom Enterprise Fund** – This fund invests between €38,000 and €380,000 in early stage businesses with growth potential, in telecoms, media and technology.
- **Enterprise 2000 Fund** – This fund provides early-stage finance, mainly to technology businesses, ranging between €32,000 and €190,000.
- **Enterprise Equity** – Established by the International Fund for Ireland, Enterprise Equity provides venture capital of between €320,000 and €1.9 million to new and expanding businesses in the border counties of Cavan, Donegal, Leitrim, Louth, Monaghan and Sligo.
- **Gorann** – Gorann is an Irish venture catalyst. It helps very early stage companies progress from ideas or products to viable businesses. Gorann's compensation is largely success-based, involving client equity.
- **Growcorp Innovation Centre** – Growcorp develops businesses with leading-edge platform technologies in ICT and biosciences, through an incubation process.
- **Guinness Ulster Bank Equity Fund** – Managed by NCB Ventures, this fund



focuses on small to medium-sized enterprises. The typical investment is between •95,000 and •950,000, with a maximum investment of •1.15 million.

- **Hibernia Capital Partners** – Hibernia provides equity and equity-related finance for development capital, management buy-outs and buy-ins, and start-ups with significant scale and demonstrable market potential. Hibernia can invest up to •15 million from its own resources in any one transaction, and further funds through co-invest arrangements with partners worldwide. Equity-related funding under •2.5 million is normally referred to a sister fund, Trinity Venture Capital.
- **HotOrigin** – HotOrigin is an e-commerce and software accelerator focused on fast-tracking new e-companies. It also makes seed-stage investments of up to •380,000.
- **ICC Bank** – Provides equity investment through a corporate finance unit and venture capital funds (ICC Software Fund and ICC Venture Capital).
- **Irish BICs Seed Capital Fund** – Managed by Dublin BIC, this fund provides early-stage seed capital from •12,000 to •125,000. Projects should be innovative with growth potential in high-tech, biotechnology, IT-related, industrial products, manufacturing. An on-line application form is available on Dublin BIC's website.
- **Millennium Entrepreneur Fund** – Established by Bank of Ireland, LM Ericsson, McCann Group and Enterprise Ireland, this fund provides early-stage seed capital up to •125,000 to highly skilled individuals or teams with strong international experience, an identified technology-based high growth business opportunity, at least one team member currently residing overseas, but willing to return to Ireland to set up either an internationally traded manufacturing/service business.
- **The Seed Capital Scheme** – Operated by the Revenue Commissioners, the scheme repays income tax to people leaving employment to start their own businesses (only companies qualify, not sole traders or partnerships). In the year of starting their business, qualifying individuals may claim back the tax paid in respect of up to £25k of income in each of the previous five tax years.
- **Shannon Development** – Shannon Development's Investment Division operates a number of funds that invest between •12,000 and •600,000. It also has a "Business Angel" network.
- **Small Enterprise Seed Capital Fund** – This fund, an initiative of the Project Development Centre Network and the Bolton Trust, is a designated Business Expansion Scheme (BES) Fund.

- **Trinity Venture Capital** – Trinity provides up to •2.5 million for early stage and expanding companies. Additional capital can be sourced through Hibernia Capital Partners, a sister company.

OWNERS' DEBT

This is not a major source of finance for start-ups, since other investors prefer to see the owners' investment in the form of equity (more permanent than loans). However, it may be appropriate to put some part of your investment in the business as a loan (and thus repayable). Take your accountant's advice here.

OTHER DEBT

Debt comes in a variety of forms, from a simple loan from a friend with few conditions attached, through overdrafts, term loans, long-term loans, mortgages, etc.

Debt finance available to start-ups includes:

- **Overdraft** – The simplest form of bank finance. Basically, this is no more than permission to have a minus balance on your bank account. However, overdrafts must be cleared (and stay cleared for at least 30 days during the year, though not necessarily consecutive days) on an annual basis and the overdraft is repayable on demand
- **Term loan** – A loan for a fixed period, usually at a variable rate. Repayments include interest and capital
- **Long-term loans** – Often subsidised by Government or EU schemes, these aim to provide businesses with capital for 7 to 10 years
- **Mortgages** – Loans to buy business property, secured on the property itself, with fixed or variable rate options
- **Leasing** – A way of acquiring the use of fixed assets (for example, plant and machinery, cars, office equipment) by paying a regular monthly or quarterly payment, which is usually allowable for tax purposes. At the end of the lease, depending on the terms, you may have the option to continue using the asset for a small continuing payment or to buy it outright from the lessor
- **Invoice discounting** – A facility linked directly to sales, which maximises the cash value of current assets. The bank will pay you, say, 80% of the face value of an invoice when it is issued. The balance, less charges, will be paid to you when the invoice is paid. Useful for the company that is expanding and in danger of being choked for lack of cash.

When considering financing your business with debt, you must consider:

- Fixed or floating
- Long-term or short-term.



Fixed debt is a loan that is secured on a specific asset – for example, on premises. Floating debt is secured on assets that change regularly – for example, debtors.

“Secured” means that, in the event that the loan is not repaid, the lender can appoint a “receiver” to sell the asset on which the loan is secured in order to recover the amount due. Thus, giving security for a loan is not something to be done lightly.

Because you have to pay interest on debt, you should try to manage with as little as possible. However, few businesses get off the ground without putting some form of debt on the balance sheet. The issues are usually:

- What is the cheapest form of debt available?
- What is the right balance between debt and equity?
- How to reduce the amount of borrowing required?
- Will borrowing be backed by personal assets?

It is a good idea to try to match the term of the loan to the type of asset that you are acquiring:

- To avoid constant renewing/restructuring problems
- To ensure that each loan is covered by the break-up value of the assets in case of disaster.

For example, a loan to buy premises should be a long-term loan, unless you can see clearly that you will have enough money within a short space of time to repay it. Taking out a short-term loan or overdraft to buy premises is a recipe for disaster. You will have to renegotiate it time and again – and, if your business runs into temporary difficulties, you run the risk of losing everything if the bank calls in the loan.

Short-term loans, or even overdrafts, are more suited to funding stock or debtors because you should be able to repay the loan once you have sold the goods or got the money in. Short-term finance is also used to fund other forms of working capital and cash flow. It should always be repaid within the year – even if at the end of the period you still need to borrow more to fund future cash flow. If you have to borrow the same sum of money against the same asset for longer than a year at a time, you should be considering longer-term finance.

If disaster strikes and you have to repay the loan, it will be much easier to do so if the value of the assets it was used to fund is roughly equivalent to the value of the loan. Thus, for instance, you would hope to sell your premises for at least as much as you borrowed to buy them. Machinery may be more difficult, as the resale price is rarely comparable with the purchase price. For this reason, unless the equipment you need is very specialised, consider buying second-hand for your start-up.

If you can, you should arrange your loans so that unrealisable (or slow to realise) assets are purchased out of your own equity, using borrowing only for realisable

assets. If an asset is easily realisable, the bank is much more likely to accept it as security.

Sources of debt

Sources of debt you should try first include:

- **Family and friends** – Depending on your own circumstances, this can be a fruitful source. But make sure they understand the risks involved and can afford to lose their investment. Put any deal in writing, with professional advice on both sides
- **Business contacts** – It’s worth looking to see whether someone you know in business will help you get started with a small investment
- **Banks** – The main source of start-up borrowing
- **Credit cards** – If you have a credit card with a high credit limit (and a low balance!), this may provide a source of funding (though more expensive than most). However, once your business is up and running, a company credit card not only provides an additional credit line but can cut purchasing costs and simplify administration
- **Credit unions** – Increasingly willing to help members start businesses, especially co-operatives
- **Finance companies** – Sometimes more willing to lend than a bank, as long as they can secure the loan with assets or personal guarantees. Rarely cheaper than banks, but may sometimes be prepared to lend when banks refuse.

When looking for finance, beware of “specialists” who claim that they can find you money at favourable rates of interest if only you pay an up-front fee. Don’t pay **anything** until you have the money.

Often, if you only need a small amount of money, the best way to raise it is to approach a bank with which you have already built up some relationship, whether on a personal basis or in a business capacity. The larger borrower may feel it worthwhile to seek professional help to put together a more sophisticated fund-raising package. Your accountant is the best person to give you advice in this area and may have contacts that will ease your path.

Bank finance

The following banks provide loans to start-up businesses:

- **ACC Bank** – Although established to provide finance to the agricultural sector, ACC is now a broadly-based commercial bank.
- **AIB Bank Enterprise Development Bureau** – The Enterprise Development Bureau is AIB’s focal point for start-up and expanding businesses, both in manufacturing and service industries. It provides access to AIB’s range of banking facilities, including overdrafts, loans, leasing, hire purchase, invoice



discounting, business insurance, credit cards and electronic banking.

- **Bank of Ireland Enterprise Support Unit** – The Enterprise Support Unit typically lends between •25,000 and •190,000. It also provides hands-on support and does not require personal guarantees. It exempts start-ups from most bank charges and fees in the first year of operation. The ESU provides access to the full range of Bank of Ireland facilities, including invoice discounting (Bank of Ireland Commercial Finance) and leasing/hire purchase.
- **Bank of Scotland (Ireland)** – Formerly Equity Bank Ltd, Bank of Scotland's services include commercial lending and SME banking, asset finance, treasury and trade finance.
- **ICC Bank** – Provides short, medium and long-term loans, tending towards short-term finance.
- **National Irish Bank** – NIB operates a New Enterprise Loan Fund, to support and assist in the creation and development of small and medium-sized businesses that have employment potential with loans of between •19,000 and •90,000. No personal guarantees are required. Access the fund at any NIB branch or the specialist regional offices.
- **TSB Bank** – Though geared towards the personal banking market, TSB Bank offers current account facilities, overdrafts and loans to business customers.
- **Ulster Bank** – Ulster Bank has various lending schemes available including overdrafts, loans, leasing and invoice discounting, and offers Internet banking and e-commerce facilities. The Small Business Unit also offers information and assistance on franchising to franchisees and potential franchisers.

Other sources of start-up finance include:

- **Guinness Workers' Employment Fund** – Funded by Guinness workers and pensioners, the Fund provides start-up businesses with financial assistance, and supports expansion of existing businesses, usually by way of a term loan, at interest rates below those charged by the commercial banks.
- **Credit Unions** – Members of credit unions or businesses structured as co-operatives may qualify for a credit union loan. Each application is treated in confidence and will be considered on its own merits. In deciding whether to grant the loan, the member's record of saving and repayments, as well as ability to repay, and need will be taken into account.
- **Fingal Employees Youth Business Fund** – The Fund was set up by Fingal County Council staff to meet the needs of those who fall through the

loopholes left by other schemes. Applicants must be aged between 18 and 30, either be from Fingal (North County Dublin) or want to start a business in Fingal, have a sound business idea, and be prepared to work to make it a success. The Fund will assist R&D, feasibility studies, start-up finance and equipment.

- **First Step** – First Step provides seed funding for projects or people with no security. It can fund up to 50% of a project's start-up costs by way of loans, though matching funds may be required. Bank of Ireland will match approved First Step projects with interest-free loans of up to •32,000. First Step's Back to Work Fund, in co-operation with the Department of Social, Community and Family Affairs, provides small-scale seed capital for the long-term unemployed who find it difficult to raise capital.

INITIAL INVESTMENT

The rule for funding a new business is: "As little as possible, as cheaply as possible". Do not put money into the unnecessary. It is better to start your business from the attic without a loan than in a glossy, but unnecessary, high-profile office with heavy bank borrowings.

On the other hand, do adopt a realistic position on the amount of money that you need to get going. Your financing will have to be sufficient to carry the business for a reasonable period before it reaches some kind of balance, when money coming in equals money going out.

In addition to capital investment in plant, equipment and premises, your financing may have to supply most of the working capital until sales begin to generate sufficient income to give you an adequate cash flow.

Try this technique:

- **Close your eyes** – Pretend to be in your new business. Look around you. What do you see? Make a list – from carpets to lamps, from computers to phones, from equipment to signs, from stock to the van for deliveries. Make the list as long as possible
- **Put a value on each item** – How much would it cost to buy new? Could you buy it second-hand?
- **Look at the list again** – Mark off the items you already have (chair, telephone, desk, lamp)
- **Calculate the difference** – This is your initial investment in starting your business
- **Take it a stage further** – You need to buy all the items you do not have at present, but do you need to buy them all at the beginning or could some wait a few weeks or even months? What could wait?

Use the Initial Investment panel on page 82 to calculate and record what you need to start your business.



INITIAL INVESTMENT ANALYSIS FOR BUSINESS PLAN

Copy this panel into your
Business Plan, page 127.

1. Fixed assets

Property	• _____
Renovations	• _____
Fixtures and fittings	• _____
Transport	• _____
Machines and equipment	• _____
Goodwill, security deposits	• _____
Other	• _____
Total fixed assets	• _____

2. Current assets

Stock of raw material	• _____
Stock of finished goods	• _____
Work in progress	• _____
Debtors	• _____
Other	• _____
Total current assets	• _____

3. Liquid assets

Cash	• _____
Bank	• _____
Other	• _____
Total liquid assets	• _____

4. Start-up costs

Prepaid expenses	• _____
Promotion, opening	• _____
Other	• _____
Total start-up costs	• _____

5. Margin for unforeseen costs

• _____	
Total investment	• _____

CHECKLIST FOR INITIAL INVESTMENT

- Can you support the required investment in fixed assets with quotations from suppliers? YES NO
- How did you estimate your stock levels?
- How did you estimate the value of your debtors?
- Do you have sufficient cash to fund on-going operational costs until sales begin to realise cash? YES NO
- Do you have sufficient cash, or assets that can be quickly turned into cash, to cope with disappointments, delays and unexpected expenses? YES NO

Then go back through the list and take out what is not absolutely necessary. Be hard – take out anything that you don't REALLY need. But don't cut back so far that you will be unable to get the business off the ground. What you are doing is what an investor or banker who reads your business plan will be doing – challenging everything to make sure that you have done your homework. Do it yourself before it's done to you and you will find raising finance for your start-up much easier.

Next, you need to put your initial investment into a format suitable for your business plan by identifying:

- **Fixed assets** – Property, renovations, fixtures and fittings, transport, machines and equipment, etc
- **Current assets** – Stocks, debtors
- **Cash**
- **Start-up expenses** – Expenses paid before the business begins, promotion and opening costs, etc.
- **Margin for unforeseen costs** – There will always be something you have forgotten or that could not have been expected when you did your planning. Allow for it here.

Use the panel opposite and complete the checklist below.

Sourcing your initial investment

Now that you know how much you need (and what for), you need to find appropriate sources of finance. Re-read this section. Then decide how you will raise the money you need. Complete the panel on page 84, showing your sources of funding. If you have some sources already agreed, indicate this in the panel.

Personal expenses

Just because you are starting a business does not mean that the real world will go away. You and your family still need to be fed, to buy clothes, to pay for food, clothing, heating, bus fares, mortgages, etc. You need to allow for this. If you haven't allowed for pension or health cover as part of your business expenses (see "Insurance", allow for them here.

Complete the panel on page 84 to calculate your personal expenses. Use whichever column – Week, Month, Year – suits your own circumstances best. When you have finished, convert all the figures into annual totals – it will be the annual personal expenses figure that you will be using in your Business Plan. This is not a target – it is what you need. It must be factored into your Operating Budget and Business Plan.

Of course, because start-ups are risky you will not be able to depend on this income. In the panel at the end of page 84 are some questions about your attitude to risk and its consequences. Make sure you discuss them (and your own answers) with your family.

INITIAL INVESTMENT PROPOSED SOURCES OF FUNDING

Copy this panel into your
Business Plan, page 128.

Personal assets available

Fixed assets	• _____
Car	• _____
Additional private mortgage	• _____
Savings	• _____
Deferred loans (family)	• _____
Other	• _____
Total personal assets	• _____

Introduced as:

Equity	• _____
Loans	• _____

External equity

Source	• _____	Agreed?	Y/N
--------	---------	---------	-----

External debt

	Term	Amount	Agreed?
Long/medium-term			
Mortgage	_____ years	• _____	Y/N
Loan	_____ years	• _____	Y/N
Leasing	_____ years	• _____	Y/N
Other	_____ years	• _____	Y/N
	_____ years	• _____	Y/N

Total • _____

Short-term finance

	Amount	Agreed?
Overdraft	• _____	Y/N
Suppliers' credit	• _____	Y/N
Payments received in advance	• _____	Y/N
Other	• _____	Y/N
	• _____	Y/N

Total • _____

Subsidies/grants

	Agreed?
Agency	• _____ Y/N
Enterprise Board	• _____ Y/N
Area Partnership Company	• _____ Y/N
Other	• _____ Y/N
	• _____ Y/N

Total subsidies/grants • _____

Total available finance • _____

CALCULATE YOUR PERSONAL EXPENSES

Expenses	Week	Month	Year
Rent/mortgage	• _____	• _____	• _____
Gas, water, ESB	• _____	• _____	• _____
Food	• _____	• _____	• _____
House expenses	• _____	• _____	• _____
Clothing/footwear	• _____	• _____	• _____
Telephone	• _____	• _____	• _____
Insurance	• _____	• _____	• _____
Study expenses	• _____	• _____	• _____
Memberships	• _____	• _____	• _____
TV licence	• _____	• _____	• _____
Transport	• _____	• _____	• _____
Loan repayments	• _____	• _____	• _____
Holidays	• _____	• _____	• _____
Replacing fridge, etc	• _____	• _____	• _____
Luxuries	• _____	• _____	• _____
Other expenses	• _____	• _____	• _____
_____	• _____	• _____	• _____
_____	• _____	• _____	• _____
Sub-total (A)	• _____	• _____	• _____

Deductions

Children's allowances	• _____	• _____	• _____
Government benefits	• _____	• _____	• _____
Rent/lease subsidies	• _____	• _____	• _____
Spouse/partner's income	• _____	• _____	• _____
Other income	• _____	• _____	• _____
Subtotal (B)	• <____>	• <____>	• <____>

Personal expenses (NET OF TAX)

(A) less (B)	• _____	• _____	• _____
Allowance for tax	• _____	• _____	• _____
Gross taxable income needed	• _____	• _____	• _____

ASK YOURSELF:

Can you cope with:

Financial insecurity? YES NO

Reduced income? YES NO

Irregular income? YES NO

Unexpected financial setbacks? YES NO

OPERATING BUDGET



Budgeting is the process of estimating costs in advance, in order to:

- Ensure adequate finance for the business to achieve what it has planned
- Provide a control mechanism over subsequent spending.

With the exception of “zero-base budgeting”, most budgets begin with the previous year’s actual figures and make assumptions about the future:

- Adding a percentage for inflation
- Adding new costs and activities
- Deleting old costs and activities.

However, as a start-up company, you have no historical figures to work from. You can budget in two directions (often it is helpful to do both and compare the results).

“Revenue down” budgeting starts by working out how many units you expect to sell and at what price. This gives you total revenue. Then estimate what percentage of revenue is accounted for by the various costs – Cost of sales (50% perhaps), Salaries (25%), Overheads (20%), leaving a net profit margin of 5%. Be careful with this method, since it’s all too easy to scale up your budget beyond the point where you have exceeded your capacity to produce.

“Cost up” budgeting starts from the cost of making the product. To this, you add a profit margin big enough to cover marketing expenses, salaries, overheads and a profit. Multiply the total of product cost and the margin by the number of units you expect to sell to get total revenue.

The difficulty with this method is that your selling price is unrelated to the market. In fact, inefficiencies in production are disguised by this method – until your product reaches the market-place.

Target costing is a relatively new method of costing, introduced from Japan. Here you identify the maximum price customers will pay for the product and manufacture within this. Usually, this means that you have to look very hard at quantity, suppliers, materials used, the use of technology and alternative sources.

In the Operating Budget, you forecast:

- **Turnover** – total sales
- **Gross profit** – the difference between the turnover and its purchase cost

- **Overheads** – all the expenses incurred in order to keep the business going
- **Net profit** – the gross profit less the overheads.

In developing your Operating Budget, take into account the expenses you will incur to keep the business running and to provide you, as the entrepreneur, with an income (your personal expenses from the last section), as well as the cost of meeting repayments if you have borrowed money.

If you have a good idea of the overheads involved, you can calculate what the turnover figure will need to be, using the following formula:

$$\begin{aligned} \text{Turnover} - \text{Purchases} &= \text{Gross Profit} \\ \text{Gross profit} - \text{Overheads} &= \text{Net profit.} \end{aligned}$$

Work out what you expect to sell (turnover) and how you are going to achieve this target.

Bear in mind that, because you will have busy times and not so busy times, your turnover will not remain constant throughout the year. Budget for peaks and troughs.

At the same time, look at the forecast in light of overheads. Test these again against the turnover forecast. For example: Does the number of visits planned to customers agree with the mileage that you have included in the Transport and travel category?

Gross profit is the difference between the total amount for sales (turnover excluding VAT) and the purchase cost of the goods you have sold.

This gross profit can also be expressed as a percentage of the turnover (excluding VAT). A gross profit percentage of 45% signifies that for every •100 of turnover, •55 is purchases and •45 is regarded as the gross profit of the business.

Overheads

This section looks at the expenses that you will have in running your business, including:

- Staff
- Production
- Premises
- Transport
- Selling and promotion
- General expenses
- Finance
- Depreciation.

OBJECTIVES

- Understand the budgeting process
- Be able to prepare an Operating Budget

Know when to spend,
And when to spare,
And you need not be busy,
And you'll never be bare.

JAMES KELLY

Spare no expense to make everything as economical as possible.

SAM GOLDWYN

Staff

These expenses are only incurred if you actually have employees working for you (full or part-time).

In addition to wages/salaries, you may (depending on the contract of employment) have to include travelling expenses, work clothes or uniforms, study expenses for employees, and so on. Bonuses, employers' PRSI and other costs associated with staff should be included here.

Production overheads

If your business has a production unit, you will have costs that cannot be directly associated with items of production – for example, heat, light and power, maintenance, etc.

Premises

This covers all expenses that are directly connected with your premises:

- Rent of premises (bear in mind the need for a good rental agreement, checked with your solicitor)
- Mortgage interest, if you own the property under a mortgage
- A percentage of your personal accommodation expenses, if you begin your business from your own house (rent or mortgage split between the part used for business and the total, expressed in m²)
- Repairs and maintenance, depending on the condition of the premises and, if rented, the contract under which it is used
- Gas, water and electricity expenses (enquire about these at your local authority energy department)
- Business charges and taxes, including service charges (if levied by your local authority)
- Insurance – fire insurance is essential
- Cleaning expenses – cleaning consumables or the cost of hiring a cleaner
- Miscellaneous small items (for example, hand tools, kitchen equipment, etc.) that are not depreciated.

Transport and travel expenses

First, you should estimate all the journeys by public transport that you are likely to make for your business.

For car expenses, estimate the mileage that you will travel on behalf of the business. The mileage should be multiplied by the cost per mile – which should include insurance, road tax, maintenance, depreciation, etc. The Automobile Association regularly publishes cost per mile figures that you may be able to use – or use Civil Service rates.

Selling and promotion

The costs you estimate for promotion should be based on the section, “Marketing – Promotion”, earlier.

General expenses

This category looks very simple but, in fact, it is frequently underestimated. Examples of general expenses include:

- **Telephone and postage** – Note that if you work from your own house and make use of your private telephone, only the business-related calls can be regarded as expenses for the business and not the line rental
- **Subscriptions and contributions** – For example, to employers' or small business representative organisations, professional and trade journals, Chamber of Commerce, etc.
- **Insurance premiums** – Excluding the premiums for private insurance
- **Administration and office expenses** – Everything that you need in order to be able to perform your bookkeeping and carry on your correspondence (business stationery, envelopes, typewriter supplies, filing system, etc.)
- **Accountancy expenses** – Even though you may not have an in-house accountant, a bookkeeper can easily charge you several hundred pounds annually for compiling VAT and PAYE/PRSI returns and preparing the year end accounts
- **Entertainment** – Business-related entertainment of customers or potential customers should be included here. Note that entertainment costs are not tax-deductible.

Finance costs

These cover not only the interest on the loans you have entered into but also the expenses that are associated with the loan, such as credit advice, assessment, solicitor's fees, costs of arranging credit, etc. Remember that the repayment of loans is not a business cost but must be made from net profit.

Depreciation

Depreciation expresses the annual reduction in value of your fixed assets. There are various methods of depreciation. Though your accountant will choose the best method for your accounts, you can use the “straight line” method for your operating budget. Under this method, all fixed assets are reduced each year by a fixed percentage.

For example, a machine costs •10,000, and will last for five years, when its scrap value will be •500. The annual depreciation is calculated as:

$$\bullet 10,000 - \bullet 500 = 9,500 / 5 = \bullet 1,900 \text{ per year.}$$

The depreciation term is not usually changed during the depreciation period. Commonly-used depreciation terms include: Buildings – 40 years; Extensions/renovations – 10 years; Machines – 5 or 7 years; Cars – 3 or 5 years.



OPERATING BUDGET – ANALYSIS OF OVERHEADS

	Year 1	Year 2	Year 3		Year 1	Year 2	Year 3
Staff costs				Selling and promotion costs			
Gross staff salaries	• _____	• _____	• _____	Advertising	• _____	• _____	• _____
Employer's PRSI	• _____	• _____	• _____	Packaging	• _____	• _____	• _____
Bonuses, etc.	• _____	• _____	• _____	Promotion	• _____	• _____	• _____
Staff training costs	• _____	• _____	• _____	Trade fairs	• _____	• _____	• _____
Other staff costs	• _____	• _____	• _____	Commissions	• _____	• _____	• _____
Total staff costs	• _____	• _____	• _____	Other costs	• _____	• _____	• _____
Production overheads				Total sales and promotion costs	• _____	• _____	• _____
Use of auxiliary materials	• _____	• _____	• _____	General expenses			
Maintenance	• _____	• _____	• _____	Telephone	• _____	• _____	• _____
Heat, light & power	• _____	• _____	• _____	Postage	• _____	• _____	• _____
Rent/lease equipment	• _____	• _____	• _____	Subscriptions	• _____	• _____	• _____
Insurance equipment	• _____	• _____	• _____	Insurance	• _____	• _____	• _____
Other costs	• _____	• _____	• _____	Stationery	• _____	• _____	• _____
Total production costs	• _____	• _____	• _____	Office expenses	• _____	• _____	• _____
Premises costs				Accountancy fees	• _____	• _____	• _____
Rent	• _____	• _____	• _____	Legal & other fees	• _____	• _____	• _____
Heat, light & power	• _____	• _____	• _____	Other costs	• _____	• _____	• _____
Insurance	• _____	• _____	• _____	Total general expenses	• _____	• _____	• _____
Cleaning	• _____	• _____	• _____	Finance costs			
Maintenance	• _____	• _____	• _____	Interest on loans/overdraft	• _____	• _____	• _____
Other costs	• _____	• _____	• _____	Mortgage interest	• _____	• _____	• _____
Deduct:				Charges/fees	• _____	• _____	• _____
Rent received	• < _____ >	• < _____ >	• < _____ >	Other	• _____	• _____	• _____
Total premises costs	• _____	• _____	• _____	Total finance costs	• _____	• _____	• _____
Transport costs				Depreciation			
Maintenance and repairs	• _____	• _____	• _____	Property	• _____	• _____	• _____
Lease costs	• _____	• _____	• _____	Fixtures & fittings	• _____	• _____	• _____
Fuel	• _____	• _____	• _____				
Insurance	• _____	• _____	• _____				
Road Tax	• _____	• _____	• _____				
Public transport	• _____	• _____	• _____				
Air fares	• _____	• _____	• _____				
Deduct:							
Private use	• < _____ >	• < _____ >	• < _____ >				
Total transport costs	• _____	• _____	• _____				

Copy to Business Plan, page 130-131, and summarise on page 88.

OPERATING BUDGET – ESTIMATE OF SALES AND GROSS PROFIT

Revenue by product

	Year 1	Year 2	Year 3
Cash sales			
A _____	• _____	• _____	• _____
B _____	• _____	• _____	• _____
C _____	• _____	• _____	• _____
D _____	• _____	• _____	• _____
	• _____	• _____	• _____
Credit sales			
A _____	• _____	• _____	• _____
B _____	• _____	• _____	• _____
C _____	• _____	• _____	• _____
D _____	• _____	• _____	• _____
	• _____	• _____	• _____
Total sales	• _____	• _____	• _____
<i>Deduct</i>			
Opening stock	• _____	• _____	• _____
Purchases	• _____	• _____	• _____
	• _____	• _____	• _____
Less Closing stock	• _____	• _____	• _____
Cost of goods sold	• _____	• _____	• _____
Gross profit	• _____	• _____	• _____
Gross profit percentage	_____ %	_____ %	_____ %

Copy to Business Plan, page 125, and summarise in the panel to the right.

OPERATING BUDGET – ASSUMPTIONS

What assumptions did you make in estimating these key figures for your operating budget?

Sales
Purchases
Stocks
Staff salaries
Production overheads
Premises costs
Transport costs
Selling and promotion costs
General expenses
Finance costs
Depreciation

Copy these Assumptions into your Business Plan, page 129.

OPERATING BUDGET – PROFIT AND LOSS ACCOUNT

	Year 1	Year 2	Year 3
Sales	• _____	• _____	• _____
Cost of Sales	• _____	• _____	• _____
Gross Profit	• _____	• _____	• _____
Gross Profit %	_____ %	_____ %	_____ %
Overheads:			
Staff	• _____	• _____	• _____
Production	• _____	• _____	• _____
Premises	• _____	• _____	• _____
Transport	• _____	• _____	• _____
Selling and promotion	• _____	• _____	• _____
General expenses	• _____	• _____	• _____
Finance	• _____	• _____	• _____
Depreciation	• _____	• _____	• _____
Total overheads	• _____	• _____	• _____
Net Profit/(Loss)	• _____	• _____	• _____
Tax on profit/(loss)	• _____	• _____	• _____
	• _____	• _____	• _____
Drawings	• _____	• _____	• _____
Profit retained in business	• _____	• _____	• _____

MINIMUM TURNOVER

To calculate the minimum turnover to meet all your business and personal expenses, the formula is:

Total expenses x 100/Gross profit percentage = Minimum turnover.

Calculate your own below.

CASH-FLOW PLANNING



On paper you could be the richest person in the world and still not be able to pay the mortgage (or go for a pint!). That is because there is a clear distinction between cash flow and profits and between costs and expenditure.

Getting your start-up financed is one part, keeping the company financially sound is another. You need to know when money is coming in, and when it is going out. The cash is the lifeblood of the business and should be monitored rigorously. More businesses fail because they run out of cash than from almost any other cause. Even profitable businesses can fail because of lack of cash!

So think CASH, CASH, CASH.

The main pitfalls in financing a business are:

- Underestimating the investment needed (the golden rule is to double your original estimate)
- Not including room to manoeuvre in your budget for the difficult start-up period
- Forgetting your own personal financial requirement (how much do you need to take out of the business for living expenses in the start-up period?)
- Not putting aside money to pay your taxes when they are due
- Underestimating the difficulties of getting paid (the average credit period in Ireland is around three months).

When you calculated your initial investment (see “Finance”, page 82), you analysed your initial investment on a time basis – some items were needed now, others could be postponed for a month or two, or even more. Cashflow planning is the same exercise applied across your entire business. It means looking at every item of income and expenditure in your budgets and estimating when it will impact the business in cash terms. Timing of cash in or out can be critical – as you will find when your first big cheque due to come in comes in late!

Initial investment

You know when your initial investment needs to be acquired; now calculate when it needs to be paid for. Pencil in the amounts under the heading “Outgoing/Initial investment” in the appropriate months in the Cash flow projection on the following pages.

Be careful of VAT. You must pay it when

you buy things but, even if you are entitled to recover it, you will not get it back for some time (See “Taxation”). Your cash flow needs to be able to pay the full amount up-front.

Next, look at sources of finance that you have agreed (see “Finance, page 84). When will these come in? Pencil the amounts into your cash flow projection in the appropriate months under “Incoming/Sources of finance”.

Operating Budget

Look again at your Operating Budget:

- Which items of expenditure will occur every month? (Don't forget private drawings)
- Are there any once-off payments such as legal fees, security deposit for rent, new phone lines, insurance, etc.?
- Any advance payments for suppliers, rent, etc.?

Check your diary. Does activity in a particular month mean extra expenditure for that month? (advertising, direct mail, networking, meeting with your mentor, holiday, travel, etc.). Fill in those extra expenses.

If clients have paid you (or will pay you) in advance, put that in the appropriate month.

Do you have any forward orders? When will the product or service be delivered and when will the customer pay? Fill in the amounts in the appropriate months.

Go back to your market research and marketing plan. Are there seasonal patterns? Will some of your promotional actions increase sales in particular months? What are your expectations of how sales will develop in the first few months? Try to estimate sales for each month. Write down how you came to that estimate and on which sources and assumptions you have based it. Fill in your sales estimates in the appropriate months.

Check your cost pricing and, more importantly, the costs directly related to the sales (variable costs). Most obvious ones are purchase of materials and travel.

Fill in the variable costs, and keep the VAT separate again.

Things to check include:

- Do you have to pay VAT (calculate incoming VAT minus outgoing VAT)?
- Can you claim VAT back?
- When must you pay taxes and how much?

OBJECTIVES

- Understand the difference between profit and cash-flow
- Be able to prepare cash-flow projections

Happiness is a positive cash-flow.

FRED ADLER,
US venture capitalist

Take the cash and let the credit go.

EDWARD FITZGERALD



CASHFLOW PROJECTIONS – YEAR I Copy this to page 133.

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Year I
	•	•	•	•	•	•	•	•	•	•	•	•	•
Opening bal.	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Incoming</i>													
Sources of finance	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash sales	—	—	—	—	—	—	—	—	—	—	—	—	—
Debtors	—	—	—	—	—	—	—	—	—	—	—	—	—
VAT refunds	—	—	—	—	—	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—	—	—	—	—	—
Total income	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Outgoing</i>													
Initial investment	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash purchases	—	—	—	—	—	—	—	—	—	—	—	—	—
Creditors	—	—	—	—	—	—	—	—	—	—	—	—	—
Overheads:													
Staff	—	—	—	—	—	—	—	—	—	—	—	—	—
Production	—	—	—	—	—	—	—	—	—	—	—	—	—
Premises	—	—	—	—	—	—	—	—	—	—	—	—	—
Transport	—	—	—	—	—	—	—	—	—	—	—	—	—
Selling/promotion	—	—	—	—	—	—	—	—	—	—	—	—	—
General expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Finance costs	—	—	—	—	—	—	—	—	—	—	—	—	—
Loan repayments	—	—	—	—	—	—	—	—	—	—	—	—	—
Private drawings	—	—	—	—	—	—	—	—	—	—	—	—	—
Fixed assets	—	—	—	—	—	—	—	—	—	—	—	—	—
VAT payable	—	—	—	—	—	—	—	—	—	—	—	—	—
Other taxes	—	—	—	—	—	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Total expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Net cash flow	—	—	—	—	—	—	—	—	—	—	—	—	—
Final balance	—	—	—	—	—	—	—	—	—	—	—	—	—

SCRIBBLE BOX



CASHFLOW PROJECTIONS – YEAR 2

Copy this to page 134.

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Year 2
	•	•	•	•	•	•	•	•	•	•	•	•	•
Opening bal.	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Incoming</i>													
Sources of finance	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash sales	—	—	—	—	—	—	—	—	—	—	—	—	—
Debtors	—	—	—	—	—	—	—	—	—	—	—	—	—
VAT refunds	—	—	—	—	—	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—	—	—	—	—	—
Total income	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Outgoing</i>													
Initial investment	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash purchases	—	—	—	—	—	—	—	—	—	—	—	—	—
Creditors	—	—	—	—	—	—	—	—	—	—	—	—	—
Overheads:													
Staff	—	—	—	—	—	—	—	—	—	—	—	—	—
Production	—	—	—	—	—	—	—	—	—	—	—	—	—
Premises	—	—	—	—	—	—	—	—	—	—	—	—	—
Transport	—	—	—	—	—	—	—	—	—	—	—	—	—
Selling/promotion	—	—	—	—	—	—	—	—	—	—	—	—	—
General expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Finance costs	—	—	—	—	—	—	—	—	—	—	—	—	—
Loan repayments	—	—	—	—	—	—	—	—	—	—	—	—	—
Private drawings	—	—	—	—	—	—	—	—	—	—	—	—	—
Fixed assets	—	—	—	—	—	—	—	—	—	—	—	—	—
VAT payable	—	—	—	—	—	—	—	—	—	—	—	—	—
Other taxes	—	—	—	—	—	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Total expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Net cash flow	—	—	—	—	—	—	—	—	—	—	—	—	—
Final balance	—	—	—	—	—	—	—	—	—	—	—	—	—

SCRIBBLE BOX



CASHFLOW PROJECTIONS – YEAR 3

Copy this to page 135.

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Year 3
	•	•	•	•	•	•	•	•	•	•	•	•	•
Opening bal.	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Incoming</i>													
Sources of finance	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash sales	—	—	—	—	—	—	—	—	—	—	—	—	—
Debtors	—	—	—	—	—	—	—	—	—	—	—	—	—
VAT refunds	—	—	—	—	—	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—	—	—	—	—	—
Total income	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Outgoing</i>													
Initial investment	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash purchases	—	—	—	—	—	—	—	—	—	—	—	—	—
Creditors	—	—	—	—	—	—	—	—	—	—	—	—	—
Overheads:													
Staff	—	—	—	—	—	—	—	—	—	—	—	—	—
Production	—	—	—	—	—	—	—	—	—	—	—	—	—
Premises	—	—	—	—	—	—	—	—	—	—	—	—	—
Transport	—	—	—	—	—	—	—	—	—	—	—	—	—
Selling/promotion	—	—	—	—	—	—	—	—	—	—	—	—	—
General expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Finance costs	—	—	—	—	—	—	—	—	—	—	—	—	—
Loan repayments	—	—	—	—	—	—	—	—	—	—	—	—	—
Private drawings	—	—	—	—	—	—	—	—	—	—	—	—	—
Fixed assets	—	—	—	—	—	—	—	—	—	—	—	—	—
VAT payable	—	—	—	—	—	—	—	—	—	—	—	—	—
Other taxes	—	—	—	—	—	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Total expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Net cash flow	—	—	—	—	—	—	—	—	—	—	—	—	—
Final balance	—	—	—	—	—	—	—	—	—	—	—	—	—

SCRIBBLE BOX



CASHFLOW – 3-YEAR PROJECTIONS

	Year 1	Year 2	Year 3
Opening balance	• _____	• _____	• _____
<i>Incoming</i>			
Sources of finance	• _____	• _____	• _____
Cash sales	• _____	• _____	• _____
Debtors	• _____	• _____	• _____
VAT refunds	• _____	• _____	• _____
Other income	• _____	• _____	• _____
Total income	• _____	• _____	• _____
<i>Outgoing</i>			
Initial investment	• _____	• _____	• _____
Cash purchases	• _____	• _____	• _____
Creditors	• _____	• _____	• _____
Overheads:			
Staff	• _____	• _____	• _____
Production	• _____	• _____	• _____
Premises	• _____	• _____	• _____
Transport	• _____	• _____	• _____
Selling/promotion	• _____	• _____	• _____
General expenses	• _____	• _____	• _____
Finance costs	• _____	• _____	• _____
Loan repayments	• _____	• _____	• _____
Private drawings	• _____	• _____	• _____
Fixed assets	• _____	• _____	• _____
VAT payable	• _____	• _____	• _____
Other taxes	• _____	• _____	• _____
Other expenditure	• _____	• _____	• _____
Total expenditure	• _____	• _____	• _____
Net cash flow	• _____	• _____	• _____
Final balance	• _____	• _____	• _____

SCRIBBLE BOX

ASSISTANCE - STATE AGENCIES

OBJECTIVES

- Understand the place of grants in financing your business
- Identify main sources of grant-aid and other assistance
- Understand grant-givers' criteria

There is a wide range of State bodies charged with assisting entrepreneurs and potential entrepreneurs to develop their businesses. The assistance they provide may be in the form of cash grants but increasingly includes advice, subsidies, training, workspace, etc.

Whatever form it takes, this assistance may be vital in providing the final piece of the jigsaw to get your business up and running, or it may provide just the push you need to get going. Sometimes, it may even be just the fact that someone else has confidence in you that makes it all come together.

Grant-aid, or other assistance, is a good thing. It can help your business to grow. Going through the application process, whether or not you are successful, will focus your planning. But don't let the need to meet grant-givers' criteria push your business where you don't want to go.

Too often, entrepreneurs start by asking "Where will I get a grant?". Grants are not the aim of the business – your work on developing a strategy and a Mission Statement should tell you that. Grants are an extra, which may help you do something that you couldn't otherwise have afforded. They come at the end of the financing process – not at the start of the planning process! However, if grants – or better still, relevant training courses – are available, take advantage.

This section outlines the main sources of assistance from State bodies. Other sources, including private sector organisations, appear on page 104.

Structure of State assistance

Overall responsibility for enterprise lies with the Department of Enterprise, Trade and Employment, which is responsible for promoting competitiveness in the economy and for creating a favourable climate for the creation of self-sustaining employment. It works to monitor and improve the environment for business by ensuring that the framework of law, regulation and Government policy promotes effective company performance and both public and business confidence.

It achieves this indirectly by creating an environment for enterprise and directly through the agencies it has established, which operate to stimulate industrial development at different levels:

- **Nationally** – Enterprise Ireland
- **Regionally** – Shannon Development and Údarás na Gaeltachta
- **Locally** – City/County Enterprise Boards and Area Partnerships.

Policy is determined by Forfás, which is the national Policy and Advisory Board for Enterprise, Trade, Science, Technology and Innovation. It reports to the Department of Enterprise, Trade and Employment.

IDA Ireland and Enterprise Ireland both report to Forfás and implement policy set by it. IDA Ireland focuses on inwards investment — bringing foreign multinationals into Ireland — while Enterprise Ireland is tasked with supporting indigenous (local) businesses.

There are also other State agencies whose role includes that of stimulating development, albeit often in specified sectors.

Where do I start?

Enterprise Link is an initiative of the Department of Enterprise, Trade and Employment, is operated by Enterprise Ireland, and is designed to direct would-be entrepreneurs to the information or assistance they need. It provides a single source of information for all sources of support to start-up and small businesses in Ireland, on **1850 35 33 33**.

Although there has been a huge shift away from a jobs focus among the enterprise support agencies, ironically the first question that you must answer to decide where you should look for help still relates to the employment potential of your new business.

If, within three years or so of start-up, you are likely still to employ under 10 people, you should make your way to the City/County Enterprise Boards and/or the other local support agencies.

Once you can show that you are likely to employ more than 10 people within three years or so of start-up (and meet some other criteria, including demonstrating export potential), Enterprise Ireland (or Shannon Development/Údarás na Gaeltachta, as appropriate) classifies your business as a "high potential start-up" and takes you under its wing.

City and County Enterprise Boards

City and County Enterprise Boards are probably the most important source of assistance



for the start-up business. The 35 CEBs aim to encourage local initiative. Each is a company limited by guarantee, and has an executive staff, headed by a Chief Executive Officer. The 12-14 Board members are drawn from elected members of the local authority, the social partners, State agencies, ICTU, IBEC, the farming organisations, the county manager and community and other representatives.

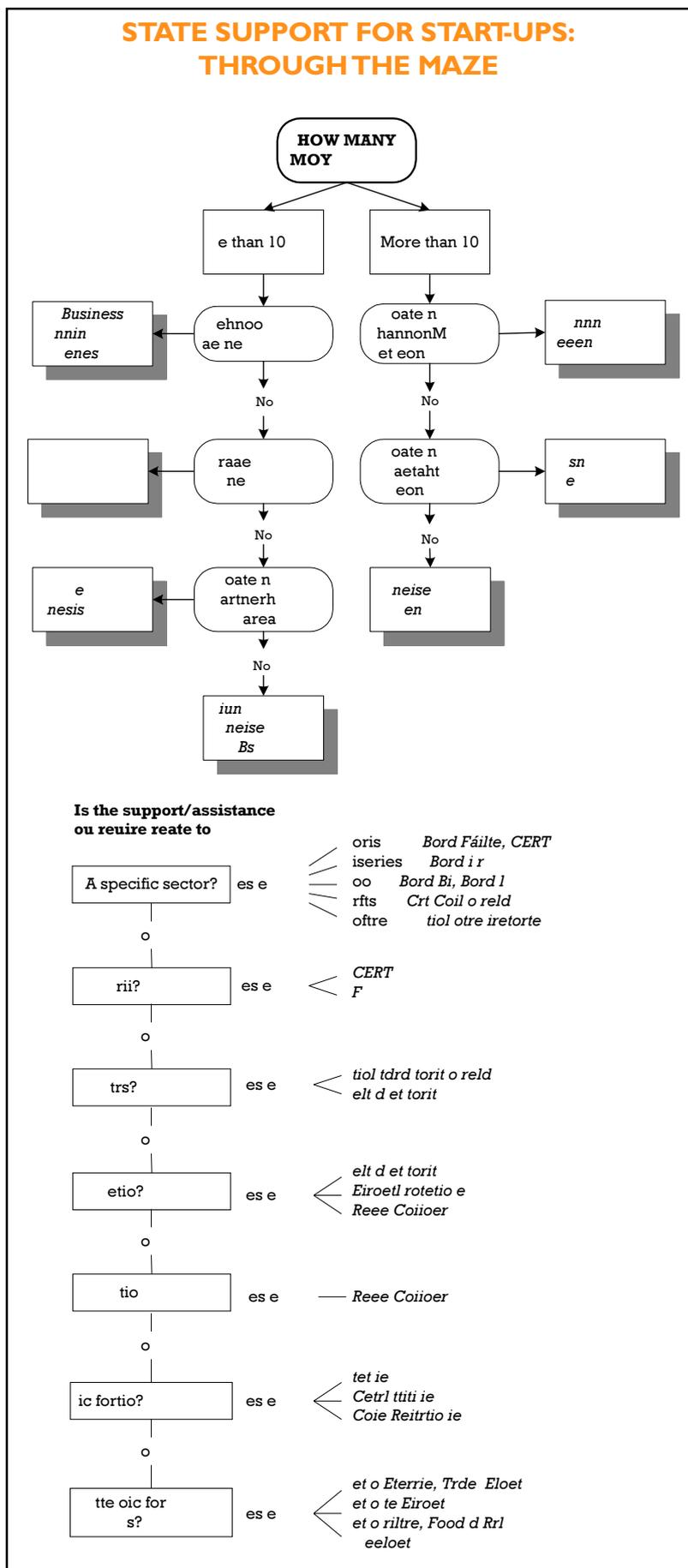
The CEBs have responsibility for enterprise development in areas not already covered by the State industrial development agencies – specifically, enterprises employing (or likely to employ) fewer than 10 persons and service businesses. Where they receive applications for funding and advice that are more appropriate to the remit of existing agencies (say, Enterprise Ireland), such applications are directed to the appropriate agency.

Each Board has access to an Enterprise Fund which has been established to assist small projects. However, City/County Enterprise Boards do not normally consider proposals involving grant support in excess of €60,000 or projects with investment costs in excess of €125,000.

Project promoters must demonstrate that:

- There is a market for the proposed product/service
- Adequate overall finance will be available to fund the project
- They possess the management and technical capacity to implement the proposed project
- Projects to be assisted will add value so as to generate income or supplement income for those involved, and will have the capacity to create new direct employment whether full-time, part-time or seasonal, or will, as a minimum, contribute directly to maintaining employment in existing small businesses
- They will comply with existing policies on tax clearance, the certification of subcontractors, and related matters.

The Boards do not fund projects which are contrary to public policy, nor do they duplicate support for projects which would be eligible for assistance from any existing sectoral or grant structure, or which involve primary agricultural production.



The following grants are available:

- A maximum of 50% of the cost of capital and other investment, or •60,000 – whichever is lower
- A maximum of 75% of the cost of preparing a feasibility study/business plan, subject to an overall limit of •6,000 in the case of a single project.

Assistance is not confined to grants, since the Boards have authority to provide loans and loan guarantees and to take equity stakes in businesses. In addition, the CEBs act as a source of advice and information. Many provide training and mentoring services.

The CEBs also deliver the Empower.ie e-initiative, aimed at providing e-business services and incentives to micro-businesses.

In the period 2000-2006, under the National Development Plan, the focus of the CEBs will move away from direct financial support towards a broader range of “soft” supports — training (in particular, management development), mentoring and other forms of assist-

ance — designed to increase the survival rates of start-ups and small businesses.

Since the activities of the CEBs are tailored to the needs of their local community, you should check with your local CEB for the full range of assistance available.

You should contact your local CEB before taking your project much beyond an initial stage. An initial informal discussion will quickly determine whether:

- The CEB can support your project
- A feasibility study grant may be available
- You should make changes to your project to make it acceptable to the CEB for assistance.

Your application should be on an official application form, obtainable from your local CEB. Read the notes with the application form carefully before completing. Almost always, except in cases where very small amounts of money are involved, CEBs will require a Business Plan with your application. A Feasibility Study Grant may help you prepare one (see the first chapter, **READY**).

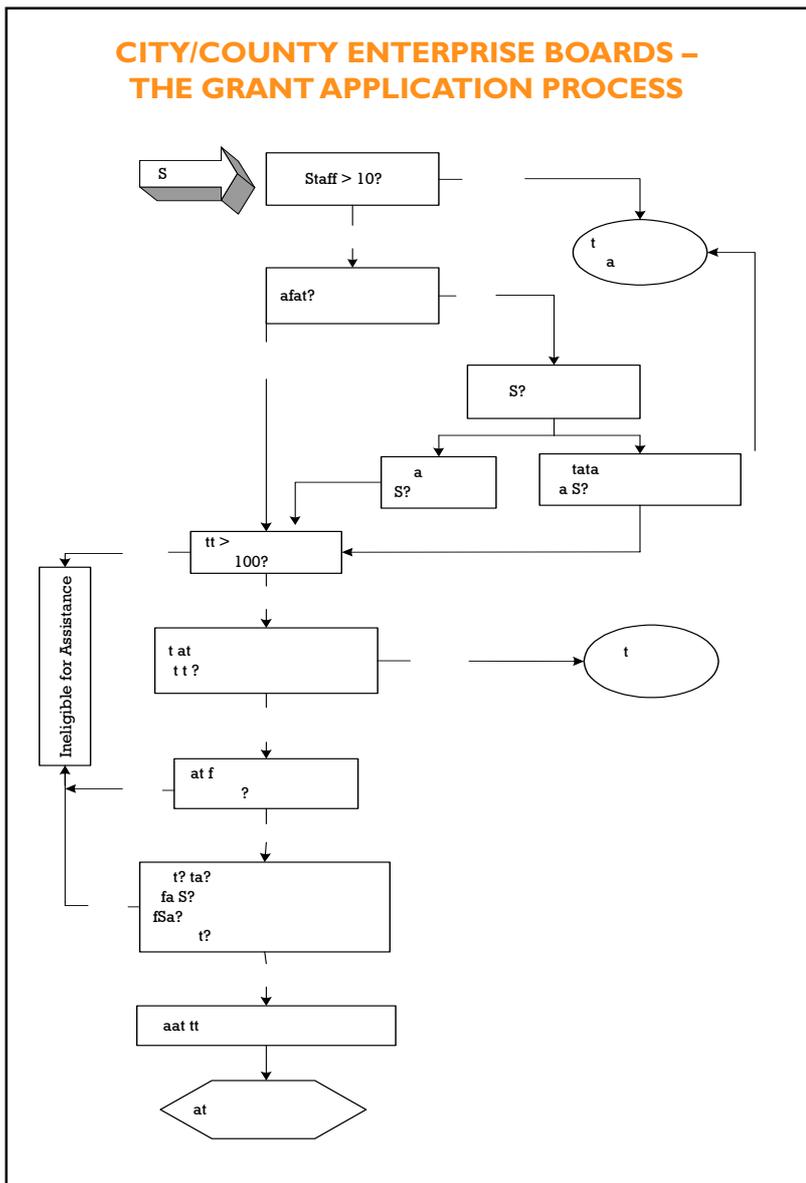
Enterprise Ireland

Enterprise Ireland is the government organisation charged with assisting the development of Irish enterprise. Its mission is: “to work in partnership with client companies to develop a sustainable competitive advantage, leading to a significant increase in profitable sales, exports and employment”. Its clients are mainly manufacturing and internationally-traded services companies employing more than 10 people. Its services include:

- Access to business angels and venture capital funds
- Assistance with feasibility studies
- Assistance with intellectual property and technology transfer
- Benchmarking
- Design support
- Incubation and workspaces
- Linkages with EU technology support programmes
- Market information and supports
- Mentoring
- Support for e-commerce/e-business.

Enterprise Ireland also supports a range of other initiatives targeted at developing enter-

CITY/COUNTY ENTERPRISE BOARDS – THE GRANT APPLICATION PROCESS





prise, including the Campus Companies Venture Capital Fund, the Millennium Entrepreneur Fund, Enterprise Link, the Innovation Relay Centre Ireland and cross-border links such as the Cross Border Technology Enterprise Start-up Programme. It also hosts an annual Student Enterprise Awards competition. More information on Enterprise Ireland's services are available at its website (www.enterprise-ireland.com).

Enterprise Ireland assists "high potential" start-ups:

- In manufacturing or internationally traded services
- Based on technological innovation or exploitable market niche opportunity
- Likely to achieve projected sales of at least €950,000 and 10 jobs by Year 3
- Export-oriented
- Capable in the longer term of significantly exceeding these levels
- Being established by experienced managers, academics or technical graduates.

Assistance provided by Enterprise Ireland nationally is provided in certain regions by Shannon Development or Údarás na Gaeltachta, as appropriate.

Enterprise Ireland's approach involves:

- Detailed analysis of a company's requirements
- Determination of the level of need for State support
- Targeting of funds to meet the real needs of the business
- Provision of funds to companies that are forecast to deliver strong growth in both sales and exports.

In addition to the change away from an emphasis on jobs towards sustainable competitive advantage, Enterprise Ireland has also shifted the focus of its financial support — away from grants to a mix of non-repayable grants and equity investment (in the form of preference and ordinary shares), seeking to optimise the level of repayability. The argument behind this move is that, since Enterprise Ireland's resources are limited, they must be wisely invested in businesses that give the best return. In addition, a measure of repayability provides resources that can be recycled into other companies later on.

In addition to financial support from its own resources, Enterprise Ireland can provide access to:

- Its Research, Technology and Innovation (RTI) scheme — grants to develop innovative products, awarded on a competitive basis
- Its register of "Business Angels" — private investors who usually take an active part in the business as well as an equity stake in return for their investment
- Venture capital funds, often in conjunction with other organisations.

Shannon Development

Shannon Development is the Regional Development Agency responsible for development in the Shannon Region, comprising Counties Limerick, Clare, North Tipperary and South-west Offaly and North Kerry. It offers grants and other assistance to businesses in the Shannon region, broadly in line with the assistance available nationally from Enterprise Ireland.

Shannon Development operates the National Technological Park, which includes its Innovation Centre. It also launched the Kerry Technology Park, in association with the Institute of Technology Tralee, IDA Ireland, Tralee Urban District Council and Kerry County Council. It has developed its own range of venture capital funds, the Limerick Food Centre and other facilities that make the Mid-West a prime technological base.

Údarás na Gaeltachta

Údarás na Gaeltachta combines an economic development role (that of creating sustainable jobs and attracting investment to the Gaeltacht regions) with community, cultural and language-development activities, working in partnership with local communities and organisations. Projects in manufacturing, internationally-traded services (such as software development and telemarketing/servicing) and natural resources such as mariculture are the priority for assistance. It offers grant schemes and incentives to help small and medium-sized enterprises in the Gaeltacht areas, which are broadly in line with those available nationally from Enterprise Ireland. It also provides non-financial incentives, such as advice and consultation on legal documentation.

Údarás aims to establish and develop job-creating industries and services in the Gaeltacht regions of Donegal, Mayo, Galway, Kerry, Cork, Waterford and Meath.

Area Partnerships

The 38 Area Partnerships were set up under the Programme for Economic and Social Progress (PESP) in 1993. Their activities are co-ordinated by Area Development Management Ltd. One of the Partnerships' aims is to work at local level to generate more jobs through sustainable enterprises and through the promotion of local economic projects and initiatives.

Each Partnership is autonomous and agrees different work practices. Each works on an Area Action Plan for its own region. Practical measures are taken to discriminate in favour of the long-term unemployed and those who are socially excluded.

Partnerships provide support for unemployed people setting up their own business, through:

- Support for the development of business plans and business ideas

- Financial support, including non-repayable grants, interest subsidies, loan guarantees, small-scale investment and joint ventures
- Mentoring, including sources of advice
- Provision of workspace, including help in obtaining enterprise incubation units
- Rent subsidies
- Marketing, including identifying gaps in the market
- Training and education in enterprise, with the support of FÁS.

There is variety in what each Partnership offers, and entrepreneurs should contact the Partnership in their area for further details.

The Area Allowance (Enterprise) is payable to people who live in a Partnership area, have been unemployed for 12 months or more and have been signing the Live Register, and who have a suitable enterprise/business project within a Partnership area. The project must be one that does not displace existing enterprises/businesses, and must be approved by the Partnership. When approved, applicants will receive an allowance equivalent to their full unemployment payment, and will receive any secondary benefits to which they were entitled while in receipt of the unemployment payment. This will continue for 12 months, after which the applicant may be entitled for a further three years to the Back to Work Allowance operated by the Department of Social, Community and Family Affairs. Apply directly to your local Partnership.

Note that some of the Partnerships also operate LEADER programme in their areas, or provide support for other enterprise activities — for example, South Kerry Development Partnership hosts Carréfour Cahirciveen.

LEADER

LEADER is an EU initiative for rural development (part-funded by the Irish Government) that enables groups in rural areas to implement their own multi-sectoral integrated plans for the development of their areas.

LEADER II, the current initiative, is now coming to an end. A new initiative, LEADER+, has been announced to replace it, aimed at encouraging and supporting high quality and ambitious integrated strategies for local rural development, putting a strong emphasis on co-operation and networking between rural areas. All rural areas of the EU will, in principle, be eligible under LEADER+.

Typical LEADER activities include:

- Technical support to rural development including group administration
- Training and recruitment assistance
- Rural tourism
- Small firms, craft enterprises and local services

- Local exploitation and marketing of agricultural, horticultural, forest and fishery products
- Preservation and improvement of the environment and living conditions.

As each LEADER Group identifies and responds to needs within its own communities, its activities are unique to its own situation. Because of this, and the changes taking place in LEADER itself, entrepreneurs seeking assistance should make contact with their local LEADER Group to see whether and what help is available.

Business Innovation Centres

The Business Innovation Centres are primarily targeted at technology-based businesses. They encourage and foster innovation in new or existing businesses, through services directed at the development of new ideas and their conversion into real business projects.

As BIC support services may vary between centres, entrepreneurs seeking assistance should make contact with their local BIC to see whether and what help is available.

STATE AND SEMI-STATE AGENCIES

As mentioned earlier, there are a wide range of these agencies, covering a variety of roles and responsibilities and reporting to appropriate Government Departments.

Useful websites for access are:

- www.ask-ireland.com
- www.irlgov.ie – the Government web-site
- www.basis.ie – Business Access to State Information Services, a single information point for all Government information and services.

Arts Council

The Arts Council is the development agency for the arts in Ireland and the primary source of support for the individual creative and interpretative artist. It provides support and financial assistance for artistic purposes to individuals and organisations. It annually funds over 350 arts and non-arts organisations and makes awards to over 450 individuals across all art forms, from •750 to •10,000.

Bord Bia — The Irish Food Board

Bord Bia develops export markets for Irish food and drink companies. It provides information on exports, production, quality standards, health regulations and controls, and new developments in the industry. Its services include programmes to foster contact between international buyers and Irish companies, to protect and defend the quality and integrity of Irish food and drink, and to provide up-to-date market information. For small business, Bord Bia provides a mentoring programme, focusing on the British market.



Bord Fáilte — Irish Tourist Board

Grants under the Operational Programme for Tourism are operated by Bord Fáilte to assist tourism-related development, including equestrian, sailing, language learning, craft enterprises, agri-tourism, hotels etc. Bord Fáilte has seven regional tourism offices.

Bord Glas — The Horticultural Development Board

Bord Glas is responsible for the development of the horticultural industry in Ireland — the amenity sector (trees, shrubs, flowers and bulbs) and the food sector (fruit and vegetables, including mushrooms, potatoes and glasshouse crops). Its programmes assist the production, marketing and consumption of horticultural produce, and help existing and new enterprises to improve standards, develop new products and markets, and plan for the future.

Bord Iascaigh Mhara — Irish Sea Fisheries Board

BIM is responsible for the sustainable development of the Irish seafood industry and stimulates investment, technological innovation, enterprise and growth. Its objective is to expand the volume, quality and value of output from the seafish and aquaculture sectors, thereby generating employment and income. BIM provides integrated development programmes providing advisory, financial, technical, marketing and training support, organised through five divisions: Aquaculture Development, Fisheries Development, Marine Services, Market Development and Secretariat.

Central Statistics Office

The CSO collects, compiles, analyses and disseminates statistical information relating to the economic and social life of Ireland. It is also responsible for co-ordinating official statistics of other public authorities and for developing the statistical potential of administrative records.

The CSO is a key source of market research information on industry and building, services statistics, labour market and vital statistics, foreign trade, agriculture, prices, National Accounts, Balance of Payments and demography. This information is available in statistical releases, publications and associated diskettes, on the CSO's website, and via a Trade Help Desk and Information Section. Special customer-tailored analyses can be provided. Many of its publications are available from the Government Publications sales office in Dublin.

The CSO attends enterprise shows and exhibitions to promote awareness of itself and statistics generally.

CERT

CERT's mission is "to foster the attainment of world class service in tourism and hospitality through building capability. It develops and provides high quality training

and consulting support services based on a commitment to adopting and promoting principles of best practice". CERT has developed an Internet and e-commerce awareness and training programme (dot.CERT) for the Irish tourism industry. It has five regional offices.

Companies Registration Office

The CRO is the authority for the incorporation of new companies and the registration of business names in the Republic of Ireland. It is also responsible for the receipt and registration of post-incorporation documents, for enforcement of the filing requirements of companies and for the provision of information to the public. Almost all of the information filed with the CRO is available for public inspection, usually for a small fee. Registration forms are available for download on the CRO's website (www.cro.ie).

Crafts Council of Ireland

The CCOI is the national design and economic development agency for the craft industry in the Republic of Ireland, funded by Enterprise Ireland and the EU. CCOI's services include:

- Showcase Ireland, a national trade fair
- Information services to wholesale and retail buyers on the availability of craft products, plus up-to-date, computerised information on retail outlets, courses, craftspeople and their craft products, development agencies, grant-aid bodies etc
- Business advisory service for craftspeople setting up their own craft business or craft-shop and for those already established, including grant applications and liaising with grant-aiding agencies, market research, business plans, company structure, finance and packaging
- Training and help for design enterprise through short courses, offered via local City/County Enterprise Boards, to enhance product and marketing development in craft businesses
- Training programmes in jewellery production and design skills, pottery skills, blacksmithing and forging and craft & design business development.

Department of Social, Community & Family Affairs

The Department operates a "Back to Work" Allowance (Self-Employment) scheme to encourage people to become self-employed. To qualify, you must be:

- Setting up a self-employment business approved by a Partnership Company or Job Facilitator
- "Signing-on" for at least 12 months and getting Unemployment Benefit or Assistance
- Getting One-Parent Family Payment, Disability Allowance or Blind Person's Pension for 12 months.

You will receive support for four years (including increases for a qualified adult and child dependants), as follows:

- 100% of your weekly Social Welfare payment for Year 1
- 75% for Year 2
- 50% for Year 3
- 25% for Year 4.

You will also retain and “secondary” benefits for the four years, provided that the combined household income for self-employment and the Back to Work Allowance is less than €317.43 per week.

ENFO — Environmental Information Service

ENFO is an environmental information service established to promote knowledge and care of the environment. It provides a query-answering service, information leaflets, reference library with computerised database with 55,000 titles, study and research facilities, educational materials, exhibitions and lectures.

Environmental Protection Agency

The EPA's responsibilities include:

- Promotion of environmentally sound practices through the use of environmental audits, eco-labelling, environmental quality objectives and codes of practice on matters affecting the environment
- Promotion and co-ordination of research
- Monitoring of environmental quality
- Licensing and regulation of large industrial and other processes (including landfills) with significant polluting potential, on the basis of integrated pollution control (IPC) and best available technologies.

Euro Changeover Board of Ireland

On 1 January 2002, euro notes and coins will be introduced into circulation and Irish pound notes and coins will begin to be withdrawn. Within six months, the changeover will be complete. The ECBI was set up to:

- Oversee the implementation of the changeover
- Provide public and consumer information.

FÁS — The Training and Employment Authority

FÁS provides a range of training and employment programmes, an employment service, an advisory service for industry, and support for co-operative and community-based enterprise.

Individuals who want to start a business can attend the Business Appraisal Training Programme, which allows them to develop business plans, enhance their technical skills and conduct market research into the viability of their business idea.

The Community Enterprise Programme provides ad-

vice, training and financial assistance to community groups involved in the creation of economically viable jobs.

The Social Economy Programme supports the development of social economy enterprises that will benefit the economic and social regeneration of a community. It provides up to three years' grant support to social economy enterprises providing employment opportunities for the long-term unemployed or other disadvantaged persons. Jobstart is a recruitment subsidy that offers employers financial support to meet their recruitment needs and help Jobseekers secure employment.

FÁS also assists SMEs through the FÁS Co-operative Development Unit.

FÁS Co-operative Development Unit

The FÁS Co-operative Development Unit (CDU) assists people who wish to take advantage of the Worker Co-operative structure. The CDU requires a minimum team of three persons and a commercially viable business idea before financial support can be granted. It also assists family businesses in dealing with succession planning and transfer through employee buy-outs.

Food Safety Authority of Ireland

The Food Safety Authority of Ireland's mission is to protect consumers' health by ensuring that food consumed, distributed, marketed or produced in Ireland meets the highest standards of food safety and hygiene. The Authority offers advice and information on all aspects of food safety, including the safe buying, storing, handling and preparation of food.

A Food Safety Helpline operates on **1890 33 66 77**.

Government Publications

All Government publications are available from the sales office, including Central Statistics Office reports.

Health & Safety Authority

The HSA has overall responsibility for the administration and enforcement of health and safety at work in Ireland, and:

- Monitors compliance with legislation at the workplace and can take enforcement action (including prosecutions)
- Is an expert centre for information and advice to employers, employees and self-employed
- Promotes education, training and research.

The Safety, Health and Welfare at Work Act, 1989 covers all who work, all workplaces, visitors and passers-by and also places responsibilities on manufacturers and suppliers (including designers, installers and erectors). The HSA also publishes a number of useful guides.



Irish Energy Centre

The Irish Energy Centre is Ireland's national agency for energy efficiency and renewable energy information, advice and support. EU-funded, the Centre provides guidance on the potential for more efficient use of energy in home, office, industry and municipal activities and on the development of renewable energy resources, from commercial projects to domestic applications. Practical information and advice is offered through targeted conferences, seminars, workshops and publications. In addition, the Centre offers advice on potential sources of funding for sustainable energy initiatives.

Marine Institute

The Marine Institute is the national agency responsible for undertaking, co-ordinating, promoting and assisting in marine research and development, and providing such services related to marine research and development that, in the opinion of the Institute, will promote economic development, create employment and protect the environment.

National Standards Authority of Ireland

Among NSAI's objectives are:

- To formulate, publish and sell Irish Standards, which form part of the harmonised European and worldwide system of standards in which NSAI is a designated "National Standards Body"
- To assist all sectors of industry to understand and meet the technical, quality and safety requirements of harmonised European and international standards in the domestic and overseas markets
- To provide a comprehensive quality auditing and product certification service for industry and commerce in accordance with current European and international practice
- To improve the quality of products and services through the promotion and application of the IS EN ISO 9000 series of Quality Systems Management standards
- To provide training and information on standards and their application to the certification service provided by the NSAI.

Patents Office

The principal statutory functions of the Office are:

- The granting of patents
- The registration of industrial designs & trade marks
- Providing information in relation to patents, designs and trade marks.

Registry of Business Names

By law, entrepreneurs are obliged by law to register their

business with the Registry of Business Names, or the relevant body in the case of co-operatives, if it carries on a business under a name other than its own.

Registry of Friendly Societies

A co-operative society can be formed by any group of seven or more people over the age of 18, and can be registered with the Registry of Friendly Societies. The advantage of registration is limited liability. The Co-operative Development Society Ltd, Irish Co-operative Society Ltd, and National Association of Building Co-operatives Ltd have Model Rules for co-operatives that have been approved by the Registry of Friendly Societies for use by those wishing to form a co-operative.

Revenue Commissioners

Revenue's mission is to serve the community by fairly and efficiently collecting taxes and duties and implementing import and export controls. A wide range of publications and information is available from the Revenue website (www.revenue.ie).

Teagasc

Teagasc offers a Certificate in Rural Business for farmers exploring opportunities for starting new businesses, or expanding existing businesses, linked to the rural environment. The course covers technical and management skills as well as hands-on practical skills. Teagasc also offers a comprehensive range of training courses at its National Food Centre and Dairy Products Research Centre, aimed at strengthening in-company capabilities in quality systems, food safety and hygiene, food technology and product development/marketing. Through its Rural Enterprise Service, Teagasc provides foundation and advanced training courses for food entrepreneurs in rural areas. Teagasc research centres provide a range of technical services on a cost-recovery basis in support of the farming and food processing industries, government departments, local authorities and other clients.

Universities and Institutes of Technology

A final source of State support for enterprise are the Universities and Institutes of Technology. All have Industrial Liaison Officers or Heads of External Services or Development whose task it is to build links between the college and the business world. In many cases, this results in the college carrying out technical research for a local business or commercialising through a local business the fruits of their own research. TecNet co-ordinates and manages this process for the ITs.



FREQUENTLY ASKED QUESTIONS

OBJECTIVES

- Be aware of the questions most frequently asked of Enterprise Link

Enterprise Link is a single point of contact for all sources of support to start-up and expanding small businesses in Ireland. You can access Enterprise Link in two ways:

- By telephone on **1850 35 33 33** (this ensures that a call can be made from anywhere in Ireland for approx. •0.15)
- Via the Internet at **www.enterpriseireland.com/enterpriselink/**

The questions most frequently asked of Enterprise Link are:

1. Are there grants for starting a business?

There is a large array of supports for starting a business including advice, information, training, mentoring, social welfare allowances and reliefs, and sometimes direct grant-aid assistance for researching a business idea, employing people or investing in equipment.

Businesses that receive grant-aid are those that have been identified as having potential for providing long-term viable jobs. Therefore, the support agencies are interested in the areas of business that are innovative, fill new market niches, replace imported products or services, demonstrate good management skills and have the financial viability necessary to succeed.

Although most start-up businesses do not receive cash grant-aid, all can avail of information and advice.

2. Why are some businesses never grant-aided?

Grant-aid assistance is targeted only at very specific sectors, regions or activities that have been identified as most likely to provide opportunities for economic and employment growth in Ireland.

Extensive research has been carried out to identify the reasons for business failures. For example, some activities have too many people in them already and cannot support more. Other activities may only be viable if the company is of a certain size or can fulfil a specific product need.

Areas such as retail trade must compete in the open market to operate successfully and, as such, are never grant-aid assisted as it would give that company an unfair advantage over others. Training in good manage-

ment skills or technical improvements is often more valuable to businesses in the long-term.

3. I have an idea for a new business.

Where do I start?

You need to do some basic market research to establish that a market exists, its size and how you can access it, before contacting your local Enterprise Board or Area Partnership (or Enterprise Ireland, Shannon Development or Údarás na Gaeltachta, if you expect to employ more than 10 people soon after start-up).

Next you need to do more market research and write a Business Plan.

4. Do I need to write a Business Plan?

Yes, you do.

Of course, you can start a business without a Business Plan. But you will have difficulties in raising finance or accessing support from banks or enterprise boards.

Even if you don't need finance, a Business Plan provides an invaluable framework for planning how your business will proceed and later as a benchmark for assessing the health of your business. It ensures that you know what is going on in all aspects of the business and have a method for seeing how the activities interact.

Successful entrepreneurs will tell you that planning is 90% of the effort required.

5. My business needs funding for capital equipment. Who will help?

Your local Enterprise Board may be able to help (it will not provide grant support in excess of •60,000).

If this is not sufficient for your needs, you should inquire from the State body responsible for promoting industry in your sector (for example, Bord Bia or Bord Iascaigh Mhara) whether your business qualifies for one of their schemes.

6. Where can I get a low cost or interest-free loan?

The main banks all have specialist units to support small businesses, which offer special terms (including borrowing at low rates) to start-ups.

Each of the Enterprise Boards has ac-



cess to an Enterprise Fund to support attractive projects.

First Step may be a source of finance for the entrepreneur who has unsuccessfully exhausted conventional funding sources. The Society of Saint Vincent de Paul may also help here.

7. Where can I get funding to start a creche?

Child-care is a major issue for parents and employers alike nowadays. To encourage additional child-care places, the Department of Justice, Equality and Law Reform's Equal Opportunities Childcare Section is making available grants for building, renovating, upgrading and/or equipping childcare facilities to creche operators with more than 20 children under their care.

8. Are there any grants available for B&Bs?

Grants for B&Bs may be available from your local Enterprise Board or Regional Tourism office. However, they are unlikely to be given in areas where B&Bs are already plentiful. Check first before building a grant into your plans.

9. How do I get premises in an Enterprise Centre?

Generally, you need to apply to the owner of the centre (for example, Enterprise Boards or local enterprise development groups). You may be offered premises if your business fits within the kind of activity the owners are promoting for the Centre.

10. Can I start a business in my own home?

The use of a private residence for business purposes is usually subject to planning permission. In most cases, local authorities will not require planning permission (or deny it, if it is applied for) where there is no impact on neighbouring properties. For example, a financial consultant who does his/her paperwork at home but meets clients on their own premises would expect little difficulty in relation to planning permission. But opening a garage to tune performance cars might bring complaints from your neighbours – and a refusal of the necessary planning permission.

Conditions vary around the country. Check with your local authority's planning department before making any decision.

You should also check with your mortgage provider or landlord, in case they have any objections, before you start to work from home.

11. Are there grants for feasibility studies?

Generally speaking, yes.

All the enterprise support agencies subscribe to the idea that it's better to spend a little money to see whether an idea will work than to waste a lot of money only to

see it fail because something was overlooked.

Enterprise Boards are the main source of feasibility grants. You should check with your local Enterprise Board for availability and conditions, as these may vary.

12. How do I register my business/business name?

You can register both with the Companies Registration Office (see Appendix for details). The CRO website (www.cro.ie) provides information on the process.

13. Do I have to register for VAT?

Only if your turnover is in excess of (or you expect it to be in excess of) €25,395 for services businesses or €50,790 for businesses selling physical goods.

Below these amounts, you may choose to register but you should first obtain professional advice from your accountant. The Revenue Commissioners publish a "Starting a Business" guide and other leaflets, which may be obtained from any tax office, the Revenue Forms & Leaflets Service at (01) 878 0100, or the Revenue's website (www.revenue.ie).

14. How do I source overseas employees?

EU nationals may work in any member State. Non-EU nationals require a work permit (except for certain categories of workers who qualify under the "Fastrack" scheme).

FÁS may be able to help you with recruitment, through its overseas jobs fairs. "Overseas Recruitment", a booklet published by Enterprise Ireland, is essential reading.

15. I am not an Irish citizen. What must I do before starting a business in Ireland?

A non-Irish national who plans to establish a business in Ireland must apply to the Department of Justice, Equality and Law Reform with:

- Evidence to satisfy the Department that he/she has at least IR£300,000 available
- A business plan
- Details of professional or trade qualifications, where these are relevant to the proposed business
- A "certificate of character" from the police authority in their home state, to confirm that they do not have a criminal record, etc.

In addition, the proposed business must employ at least two non-family members, who must be Irish or EU nationals. Work permits are not required for non-nationals who establish a business, though they may be required for any staff who move with the business.

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ASSISTANCE: OTHER ORGANISATIONS

OBJECTIVES

- Understand the role of the various organisations assisting enterprise development
- Be aware of the assistance available

Small and medium-sized enterprises are defined as independent businesses (fewer than 25% of the shares held by one or more large companies), that have no more than 250 employees, and have either turnover less than ECU 20 million [approx. IR·16 million] or total assets net of depreciation less than ECU 10 million [approx. IR·8 million].
EU definition of small and medium-sized enterprises (SMEs)

Other organisations, some State-supported, some entirely financed by the private sector, assist the potential entrepreneur in starting up and/or developing their business. This section lists some of these organisations.

For further details on each organisation and their services, contact them directly (see **Appendix 1** for addresses).

Accountants and consultants

Many accounting firms and consultants provide advice on obtaining grant-aid and on taking a business concept from viability assessment through to the production stage.

The initial meeting between a potential entrepreneur and the consultant is usually free and is used to gather information about the promoter and the business proposal. Based on the information available, the consultant will recommend appropriate action to progress the project.

Where further information is required, a structured feasibility study will be carried out, embracing key aspects such as products, markets, competitors, technology, funding etc. The consultant will prepare applications for feasibility study grant aid from an Enterprise Board, Enterprise Ireland or other appropriate bodies, and provide hands-on assistance in planning and carrying out the study. A fee should be agreed before work starts.

If the proposal is viable, the consultant will assist in the preparation of a comprehensive business plan, at a further agreed cost. The consultant will make application for grants appropriate to the project and assist in raising finance from banks or private investors. The consultant will also help to obtain commercial partners.

Professional advice on taxation, accounting and financial matters can be obtained also from a firm of accountants and auditors.

Action Tallaght

Action Tallaght was formed in 1992 as the umbrella body for five community enterprise groups in Tallaght. It provides integrated support — including sales and marketing advice, business consultancy, accountancy and legal advice, financial management and feasibility studies, business plans and funding applications — to people from Tallaght who intend to establish a business. Its Enterprise pro-

gramme is supported by the Society of Saint Vincent de Paul, which provides seed capital and a professional business consultant.

Balbriggan Enterprise Development Group

BEDG operates the Balbriggan Enterprise Office, a local one-stop-shop for information and advice on market research, feasibility studies, grant applications and employment supports for new and existing businesses.

Bolton Trust

The Bolton Trust is an initiative of the Dublin Institute of Technology. It provides support for start-up enterprises and access to the resources of the DIT colleges (Bolton Street, Kevin Street, the College of Marketing and Design, the College of Commerce at Aungier Street, the College of Catering at Cathal Brugha Street and the College of Music) to assist in a company's development.

It also set up the Powerhouse, which has almost 6,000 square feet of lettable office space to accommodate enterprises. Powerhouse also provides reception and secretarial services, telephones, typing, desk-top publishing, mailshots, photocopying, business address, security cards and heating — all priced on a usage basis.

Business Incubation Centre

The Business Incubation Centre offers multi-purpose premises and in-house supports — ISDN telephone system, fax, photocopying, boardroom, kitchen facilities, security, car parking — with other services being provided by external consultants.

Business-Incubator.com

Business-Incubator.com is a joint initiative between Sun/Horizon Microsystems, Oracle, Wolfe Group and Cisco Systems, which enables start-ups to access key Internet technologies — hardware, software, network architectures — in a secure, managed, stable environment over a three-month programme. To qualify requires a business plan, an application prototype and a £20,000 sign-on fee. Business-Incubator.com does not take any equity interest in participant companies. Shannon Development operates a similar scheme called AcceleratePlus.com.



Chambers of Commerce of Ireland

CCI is Ireland's largest business network with 11,000 member companies drawn from all sectors of the Irish economy. There are 55 chambers in Ireland, affiliated to CCI, in Arklow, Athlone, Athy, Ballina, Ballinasloe, Ballyhaunis, Bantry, Boyle, Bray, Carlow, Carrick-on-Shannon, Castlebar, Cavan, Claremorris, Clonmel, Cobh, Cootehill, Cork, Drogheda, Dublin, Dún Laoire/Rathdown, Dundalk, Dungarvan, Ennis, Enniscorthy, Galway, Gweedore, Kilkenny, Killarney, Leixlip, Letterkenny, Limerick, Longford, Middleton, Monaghan, Mullingar, Naas, Navan, Nenagh, New Ross, Newbridge, Portlaoise, Roscommon, Roscrea, Sligo, South Dublin, Swords, Thurles, Tralee, Tullamore, Waterford, Westport, Wexford, Wicklow, Youghal. Each Chamber strives for local economic development, representation of its members' interests, and the provision of market-led services to the local business community.

Community Enterprise Society Ltd

CESL provides business incubator units, business advice and assistance with business plans, grant applications, etc. and an enterprise information library for small start-up projects unable to secure such support from other sources.

Co-operation Ireland

Formerly Co-operation North, Co-operation Ireland advances mutual understanding and respect by promoting practical co-operation between the people of Northern Ireland and the Republic of Ireland. It seeks to develop the capacity of small and medium enterprises in Border Counties and Northern Ireland to engage in cross-border ventures and business linkages. It funds the formation of joint venture companies, cross-border linkage companies, materials procurement programmes and cross-border studies related to economic development. It also administers EU funding to TradeNet Ireland, from the EU Special Support Programme for Peace and Reconciliation.

European Commission

To help small and medium-sized businesses (SMEs), the European Commission has funded various programmes, details of which are available from:

- **Info Points Europe** — in Athlone, Belfast, Dundalk and Mullingar
- **Euro Info Centres** — in Belfast, Cork, Galway, Sligo and Waterford
- **Carréfours** — in Cahirciveen, Co Kerry; Clogher, Co Tyrone; University College, Galway and Dungarvan, Co Waterford
- **Innovation Relay Centres** — in Belfast and Dublin.

The EU Special Support Programme for Peace and Reconciliation provides funding for a range of activities, including enterprise and community development, in the Border counties. The Commission also supports other enterprise activities, such as the Business Innovation Centres.

Excellence Ireland

Excellence Ireland, formerly the Irish Quality Association, promotes continuous improvement and business excellence among Irish companies through a range of quality/excellence schemes.

Food Product Development Centre

The Food Product Development Centre at the Dublin Institute of Technology develops innovative food concepts through investigating value-added opportunities in Irish and European markets. It provides a confidential service to clients. Its development work includes idea generation, concept and prototype development, ingredient sourcing and testing, shelf life studies, sensory assessment and market research, nutritional declaration and labelling.

Get Tallaght Working

GTW provides enterprise support for start-up, micro and small firms. It provides a one-to-one enterprise development and business support service in Tallaght for the Tallaght Partnership, targeted at the long-term unemployed who wish to enter into self-employment. It also offers affordable office and workshop space in four centres in Tallaght, including the Brookfield Enterprise Centre. GTW also provides consulting and training for community and enterprise groups.

Guaranteed Irish Ltd

Guaranteed Irish Limited aims to increase awareness of and demand for Irish products and services, thereby maximising employment and prosperity in Ireland through a definitive mark of excellence.

Inner City Enterprise

Inner City Enterprise is a private charity that pre-dates the Area Partnerships. It works closely with other enterprise support organisations in the inner city, including the Dublin Inner City Partnership. It provides information, advice and financial support for unemployed people in the inner city who want to start a business.

International Fund for Ireland

The International Fund for Ireland (IFI) is an international organisation established by the Irish and British Governments in 1986 to promote economic and social



advancement and to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland. The Fund's contributions come from the United States, European Union, Australia, Canada, New Zealand and, to date, are in excess of €450m.

The IFI pursues its objectives by stimulating private investment and enterprise, supplementing public programmes and supporting voluntary efforts including self-help schemes. It runs six programmes relevant to small business:

- Disadvantaged Areas Initiative
- Business Enterprise and Technology
- Tourism
- Urban Development
- Rural Development
- Wider Horizons.

The Fund also assists local community groups in providing workspace accommodation and business-loan funds to help small businesses. It has two investment companies — Enterprise Equity (NI) Ltd and Enterprise Equity (Ireland) Ltd that provide seed capital on normal commercial criteria to existing and start-up businesses.

IRD Duhallow Ltd

A Community Group established by Area Development Management, as part of its Local Development programme. It operates a Food Training Centre in Boherbue, which provides food incubation units and training.

IRD Kiltimagh

IRD Kiltimagh operates two Enterprise Centres, with incubation workspace, and has undertaken the successful implementation of a re-development programme for the Kiltimagh area in conjunction with the state and private sectors. This has included work with the Business and Tourism actors in the Kiltimagh and broader East Mayo areas. IRD Kiltimagh administers the East Mayo Local Development Programme under the auspices of Meitheal Mhaigh Eo and the LEADER Programme for East Mayo as part of the Western Rural Development Company.

Irish Business and Employers Confederation

IBEC (The Irish Business and Employers Confederation) represents and provides economic, commercial, employee relations and social affairs services to some 7,000 companies and organisations from all sectors of economic and commercial activity. It works to shape policies and influence decision-making in a way that develops and protects members' interests and contributes to the development and maintenance of an economy that promotes enterprise and productive employment.

Irish Exporters Association

The Irish Exporters Association represents and promotes exporters' interests. The Association has regional branches in Cork, Dublin, Dundalk, Galway and Limerick. The Association offers a Diploma in International Trade and Marketing, as well as a series of short courses on aspects of international trade practice.

Irish Internet Association

The IIA is the professional body for those conducting business via the Internet in Ireland. IIA provides information to members on e-business, education & training, security, employer/employee rights, raising capital, marketing, design & development and languages/ platforms. The IIA website offers "iia internet resources", with catalogued links and articles within each topic.

Irish Productivity Centre

The IPC offers advice and practical assistance to businesses in solving commercial, organisational, financial and management problems and in the development of change through partnership.

Irish Small and Medium Enterprises Association

ISME's membership is composed exclusively of entrepreneurs who own and manage competitive businesses. It offers a range of services to members, including publications on wages and conditions, employers' obligations, Government-sponsored grant schemes and a member-to-member sourcing directory.

Libraries/Information Centres

Good libraries are a treasure trove for the entrepreneur conducting market research.

Check out the libraries/information centres in (phone first to check access, opening times, etc.):

- Central Business Library, ILAC Centre, Dublin
- Enterprise Ireland (Merrion Hall, Dublin)
- ENFO.

Liffey Trust

The Liffey Trust Limited is financed entirely by its own efforts and without Government assistance. The Trust:

- Helps to prepare business plans, feasibility studies and grant applications, free of charge
- Advises on raising finance
- Provides guidance on how to set up accountancy and control systems
- Provides free management and marketing consultancy
- Takes care of bureaucratic procedures
- Rents incubator units at reduced rents until enterprises are established.



Limerick Enterprise Development Partnership

On the closure of the Krups factory in 1998 with the loss of 500 jobs, LEDP was formed to acquire it from the owners, Group Moulinex. A thriving enterprise centre now occupies the site. LEDP is a company limited by guarantee, whose members include the Limerick Enterprise Network, PAUL Partnership, Limerick Corporation, Limerick County Council, Shannon Development, IBEC and the Limerick Diocesan authorities.

Limerick Food Centre

The Food Centre provides food manufacturing and processing units, access to equipment, a full research, information and advice service, and a specialist Agribusiness and Natural Resources Support Unit. Teagasc and the National Food Centre provide research, technical, analytical and testing services. The Centre provides a range of professional, entrepreneurial support and marketing programmes for existing and potential business, linked to the wider supports, financial and investment services of Shannon Development.

National Microelectronics Application Centre

Owned by Shannon Development, University of Limerick, and Enterprise Ireland, MAC's primary activity is the contract development of new and improved electronic, software, telematic and information products and processes for Irish entrepreneurs and industry. MAC can help an entrepreneur by:

- Discussing the market opportunity, concept, product, process or service idea
- Carrying out an on-line search of world databases to identify similar products, potential competitors, and competing technologies
- Designing and building a working prototype, in a feasibility study
- Designing for manufacture, sourcing appropriate state-of-the-art components, adhering to standards and regulations.

MAC normally works on fixed-price contracts to agreed schedules, so the entrepreneur's exposure is defined and can be budgeted to a grant application.

National Microelectronics Research Centre

NMRC, operating within University College Cork, is a Centre of Excellence in selected Information and Communication Technologies (ICT) fields. An advanced research division with groups in the areas of computational modelling, nanotechnology, photonics and transducers has been established to broaden NMRC's longer-term basic technological research base. NMRC provides Irish and European industry and higher education establish-

ments with access to an extensive range of technology from advanced research to new product development and the provision of technical support services. A new Industry division provides a single entry point to industry R&D, services and training at NMRC.

National Software Centre

The Centre, which is due to open in Mahon, Cork, in mid-2001, has been funded on a public-private partnership basis, with backing from Cork Corporation, Enterprise Ireland, ICC Bank, the National Software Directorate, and private investors. It will be managed by Cork Business Innovation Centre, and aims to become a software development hub in the southern region.

National Software Directorate

The NSD's website provides useful news on software developments, a directory of venture capital funding in Ireland, and useful publications.

Network

Network is a national organisation for women in business, management, the professions and the arts. It facilitates women in the promotion and development of their careers through regular meetings and educational seminars.

PLATO Ireland

PLATO Ireland is a business and management development network for owner/managers of SMEs. There are PLATO regional groups in Belfast, Cork, Dun Laoire, Louth, Newry & Mourne, Monaghan, North Dublin, South Dublin/Kildare and the South East, involving nearly 1,000 SMEs and 93 of Ireland's largest companies. An owner/manager can join the network for an initial two-year cycle and can continue to use it as a resource to meet their own needs.

Project Development Centre

The Project Development Centre is a resource centre for entrepreneurs, providing them with support and training through the start-up and growth phases of their business development. Initiated by the Dublin Institute of Technology in 1983, the Centre's aim is to assist entrepreneurs in the areas of innovation, product development and enterprise creation. PDC's courses include:

- The Enterprise Development Programme, a one-year support and management development programme to help graduate entrepreneurs start up and run their own businesses. The programme offers participants office space and facilities, advice and counselling, financial support, management development training, access to an enterprise network and access to DIT resources and expertise.

- The Fast Growth Programme, a three-pronged support system, including interactive workshops, individual strategic and investment counselling and assistance
- Prospect, a 6-month training programme to develop a strategy for commercialising university research
- Hothouse, a one-year programme to provide knowledge-intensive start-ups with the expertise, networks and tools they need to grow businesses capable of competing in global markets. Participants receive a weekly training grant of €127 and may be eligible for a CORD grant of 50% of salary.

The PDC, in conjunction with the Bolton Trust, is a promoter of the Small Enterprise Seed Fund, a source of equity funding for small companies.

Regional Development Centre

The Regional Development Centre was established by Dundalk Institute of Technology to contribute, in partnership with State, European and international developmental organisations, to the industrial and commercial development of the East Border Region and to enhance the region's science and technology infrastructure.

The Centre acts as a commercially-oriented interface between the IT and the industrial, commercial and business life of the region, making available the Institute's expertise, facilities and resources for the wider benefit of the regional economy. The Industrial Services Office (ISO) liaises with local industry and offers:

- Entrepreneurial development programmes
- Incubation facilities for knowledge and technology-based enterprises
- Industrial applied research, consultancy and information services.

RDC's entrepreneurial development programmes include:

- Coca-Cola National Enterprise Awards
- Graduate Food Enterprise Development Programme
- North East Platform Programme.

Society of Saint Vincent de Paul

The Society of Saint Vincent de Paul is active in the area of community enterprise. One of its programmes is the Enterprise Support scheme, which provides seed capital loans on an interest-free basis (to a maximum of €5,000) and business advice. SVP targets exclusively people living in poverty with no other access to seed funding. It also provides incubation space for early-stage and start-up businesses. It supports Action Tallaght's Enterprise programme.

Small Firms Association

The Small Firms Association represents and provides economic, commercial, employee relations and social affairs advice and assistance to over 7,000 member companies. It provides training in the management of people and related topics for managers at all levels. Members are also entitled to access IBEC management training facilities and courses. SFA also organises the bi-annual E-Ireland Exhibition (28-30 September 2001).

SPADE

SPADE opened in 1990 in the former St Paul's Church, offering incubator workspace for small businesses. Tenants have access to in-house secretarial services, central reception facility, fire insurance on buildings, use of the conference room, and off-street car parking. Space is available on a monthly renewable licence.

TecNet

TecNet, the Technology Network, was established in 1999 by the Institutes of Technology and is jointly funded by Enterprise Ireland. Its mission is to enhance the research and development capacities of the Institutes of Technology through strategic networks in support of regional economic development. It provides industry with research & development, consulting services and technology transfers by using the skills and facilities available within the ITs. Examples of services provided include:

- Technical prototyping
- Commercial feasibility studies
- Technical feasibility reports
- Product scoping
- Market analysis
- Product testing
- Competitive analysis.

Telework Ireland

Telework Ireland represents the interests of Irish teleworkers (of whom there are estimated to be 15,000) and provides a teleworking information and advice service for members. It publishes a Manual for Employees and Business Start-Ups, as a book and on CD. Its website has an FAQ section on teleworking issues.

Tipperary Institute

TI provides locally responsive and interactive educational, training, communication, mentoring and support services to rural communities. It is piloting a distance learning competency training programme for owner/managers of SMEs.

REDUCING RISK



This guide sets out what is probably the best way of reducing the risk involved in your start-up – producing a well-thought out Business Plan.

Next, you need to quantify the risks. The panel opposite helps you to do that. It shows you what is at risk (your personal investment and any borrowings), how long for, and other factors that help you assess the risk.

Sensitivity analysis

This technique looks at how sensitive your Business Plan projections are to changes – in sales, in costs, in the environment generally. Ask yourself these questions:

- What happens if sales do not take off until month 8, even though the Business Plan projects month 3? How likely is this?
- What happens if sales are half the level projected? How likely is this?
- What happens if ... ? How likely is this?

Break-even analysis

Another useful analysis tool is “break-even”, the sales volume at which your business begins to make profit.

This happens when Sales less Variable Costs (those that vary directly with output) covers Fixed Costs (costs that remain fixed over a wide range of activity).

Use the panel to calculate the break-even point for your business. If your sales expectations fall below this level, you have some work to do!

Other risks

The other risk is that things can just go wrong. You can be unlucky. Answer the questions in the second panel below to see how at risk your business may be.

Protection

When you have identified the risks to which you are (or may be) exposed:

- Reconsider your Business Plan and look at alternatives
- Review your insurance situation (personal and business)
- Review your dependency (if any) on specific suppliers
- Review your dependency (if any) on specific customers.

QUANTIFYING THE RISKS

Personal investment	• _____
Total borrowing	• _____
Annual cash flow	• _____
Period personal investment is at risk	• _____
Period borrowing is at risk	• _____
Security given	• _____
Time commitment over risk period	• _____
Expected profit over risk period	• _____
Salary required over risk period	• _____

OBJECTIVES

- Be aware of risk in start-ups
- Be able to identify and reduce risk in your business

First ask yourself: What is the worst that can happen? Then prepare to accept it. Then proceed to improve on the worst.

DALE CARNEGIE

BREAK-EVEN

Sales price per unit	• _____
Variable Costs per unit	• _____
Fixed Costs (total)	• _____
Break-even volume:	
Fixed Costs (total) divided by	• _____
Sales – Variable Costs per unit equals Number of Units	• _____
Number of Units x Sales Price equals	
Break-even Sales value	• _____

If your project doesn't work, look for the part you didn't think was important.

ARTHUR BLOCH

AT RISK?

What happens if:

- You get sick for a long period?
- Your spouse/partner gets sick?
- Your computer breaks down?
- Your machinery breaks down?
- Your transport breaks down?
- How dependent are you on specific suppliers?
- How dependent are you on specific customers?

Consider both the probability of the situation happening AND its likely impact.



OBJECTIVES

- Understand the role of mentor
- Understand how to select a mentor
- Understand how to work with a mentor

Discover someone to help shoulder your misfortunes. Then you will never be alone ... neither fate, nor the crowd, so readily attacks two.

BALTASAR GRACIAN

Loneliness and a sense of isolation are the two most common complaints among entrepreneurs (after the difficulty in getting anyone to finance their business!). That's why it is so important to have the support of your family when you run your own business. But sometimes you need more than support – you need someone who has been there, done that, someone who has experienced what you are going through. This is where a mentor can be helpful.

A mentor is an experienced businessperson who makes available their experience and expertise to small businesses, usually for very modest reward. Most mentors are “putting something back into the system”. There are several mentor schemes available – from Enterprise Ireland, the City/County Enterprise Boards and the Area Partnership Companies. Sometimes your bank may be able to suggest a suitable mentor.

Why a mentor? Then, who?

The first question to ask yourself is why you want a mentor. Use the questions in the panel below to help you answer the question.

Next, you need to build a profile. Use the second panel for this. Then, when you apply to the relevant agency, you will have a head-start.

When selecting a mentor, act as if you were interviewing for a vacancy with your business (you are – for a trusted adviser to yourself). Aim to meet about three potential

mentors and prepare carefully (re-read “Recruiting Staff” again). Go through the skills/experience match carefully. You may not be able to judge how good the mentor is at his/her specialist area but you can judge the chemistry between the two of you. This will be important, especially if you are looking for a confidante rather than an expert to solve a problem.

Working with a mentor

Your mentor must keep totally confidential everything you say to him/her. If you don't trust them to keep your secrets, get rid of them. By the same token, you must be totally honest with your mentor. You are wasting your time (and theirs) if you are not telling them the full picture – and you may get wrong advice as a result.

Structure the mentor/business relationship:

1. Express your expectations from the mentoring process. (Write them down.)
2. Allow the mentor to express their expectations. (If you have selected carefully, there will be no surprises.)
3. Agree on what the mentor will do and what they will not do. Confirm confidentiality.
4. Decide on what information the mentor needs to be able to help you.
5. Decide on the frequency and venue of meetings. Don't be too ambitious. Keep it practical.

WHAT DO YOU WANT IN A MENTOR?

- | | |
|---|--|
| A sounding-board for ideas? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| Advice based on previous experience? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| Hands-on assistance, perhaps in implementing something new in your business? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| Contacts, to open doors that might otherwise be closed? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| Expertise/experience in specific areas: Marketing, sales, finance, production, legal? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| Market knowledge? | <input type="checkbox"/> YES <input type="checkbox"/> NO |

WHO DO YOU WANT AS A MENTOR?

- | | |
|---|--|
| Someone: | |
| Older than yourself? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| Younger than yourself? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| With entrepreneurial experience? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| With managerial experience? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| With specific expertise? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| With specific industry background? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| From your own personal or business network? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| A complete stranger? | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| Who will become more than a mentor (friendship as part of the mentoring)? | <input type="checkbox"/> YES <input type="checkbox"/> NO |

PROFESSIONAL ADVISERS



An entrepreneur has to be a master of all trades. But, as your business expands, you may need to hire a consultant or specialist to assist in implementing a project or dealing with a problem that you are unable to solve on your own.

Choose carefully – a good consultant can add immeasurably to your business, while a bad one could cost you a lot of money with nothing to show for it. Ignore qualifications – they are necessary but not the basis for choosing a consultant. Look instead for experience. A good consultant will refer you to his/her previous clients. Ask other entrepreneurs whose opinions you value for recommendations.

Areas in which you should seriously consider employing a consultant (depending on your own skills, of course) include computers, accounting, taxation and law.

Reasons for hiring an outside consultant might be:

- To save time
- You need information, knowledge and expertise in a specific area
- You want an independent view
- You want a second opinion

Selecting the right adviser is difficult. Just as with a mentor, before deciding on taking on an adviser, you should formulate some selection criteria.

Things to consider are:

- The consultant's knowledge of your business area and your specific project/problem
- His/her experience as a consultant and entrepreneur
- His/her way of working (dedicated to you until the project is done/available as necessary?)
- Ethics/confidentiality (can you trust him/her?)
- Costs (how/when will you be billed?)

- Time-frame (can the work be done when you want?).

Develop a clear briefing of what you expect from the adviser and ask for several quotes before you decide which one you are going to deal with.

Accountants

For information or advice on accounting or taxation matters, you are advised to consult your accountant.

If you do not know an accountant, check the Golden Pages or contact one of the following accounting bodies:

- Association of Chartered Certified Accountants
- Institute of Certified Public Accountants in Ireland
- Institute of Chartered Accountants in Ireland.

Any of these bodies will be happy to put you in touch with one of their members close to where you live/work. Ask other entrepreneurs whose opinions you value for recommendations to their accountants.

Most accountants will not charge you for a first meeting. Use this to help you decide whether you want to engage the accountant or look further.

Solicitors

You need a solicitor to:

- Check out any lease, loan agreement or contract you may be asked to sign
- Advise you on relevant legislation
- Act as the final step in your credit control process
- Act for you if you are sued.

If you do not know a solicitor, check the Golden Pages or contact the Law Society for a recommendation.

OBJECTIVES

- Understand how to work with, and what to expect from, professional advisers

I don't want a lawyer who tells me what I can't do. I hire a lawyer to tell me how I can do what I want.

JP MORGAN

To spot the expert, pick the one who predicts the job will take the longest and cost the most.

**MURPHY'S LAW,
BOOK TWO**



THE BUSINESS PLAN

OBJECTIVES

- Understand the process of business planning
- Combine work done on earlier sections of the guide into a Business Plan

The discipline you impose on yourself by writing things down is the first step towards getting them done.
LEE IACOCCA

A three sentence course on business management:
You read a book from the beginning to the end.
You run a business the opposite way.
You start with the end, and then you do everything you must to achieve it.
HAROLD GENEEN

It is always wise to look ahead, but difficult to look further than you can see.
SIR WINSTON CHURCHILL

A good business plan is nine parts implementation for every one part strategy.
TIM BERRY

All the research into success and failure factors of small businesses show that one of the most important success factors is business planning – over 70% of failures are due to bad planning.

Planning becomes even more important as the business develops. Business planning should be an ongoing process. All major companies have a business plan which is updated regularly. The same should apply for a small company.

A business plan has many functions, which change as the business develops:

- It makes an idea measurable
- It gives a complete picture of a business
- It gives insight into all the aspects of the business
- It is an exercise to assess the viability of an idea
- It helps people to familiarise themselves with all kinds of possible problems
- It is a communication tool for use with suppliers, clients, advisers, banks, funds, etc.
- It can be used as a reference point in history
- It is a planning tool for the future
- It is a teaching tool for the entrepreneur
- It provides a step-by-step approach towards reaching a decision
- It is a way of assessing an existing business
- It is a working manual for the entrepreneur
- It is a checklist for the entrepreneur, bank, funding agency, etc.

Which functions apply to your Business Plan? Tick them above.

As a business goes through various stages in its life, it has different needs (see panel). In each, the Business Plan plays a vital role.

Writing a Business Plan before starting a business reduces the trial and error factor (which is a very costly process) and will prevent obvious mistakes. The more you put into the Business Plan, the more you will get out of the plan.

Writing a Business Plan

The type of Business Plan you are going to write depends on the audience you are writing the plan for. It might be for:

BUSINESS PLANNING IN THE DIFFERENT STAGES OF A BUSINESS' LIFE CYCLE

1. Existence and survival

- Thinking it through
- Ensure solid base
- Check viability
- Convince yourself, your spouse/partner and investors

2. Consolidation and control

- Decide further direction
- Ensure progress
- Confidence
- Financing growth/survival

3. Control and planning

- Secure finance
- Communication tool to employees, partners and investors

4. Expansion

- Maximise potential
- Secure finance of growth

5. Stagnation

- Revitalise company
- Assess viability
- Convince investors

6. Selling off the company

- Sales document
- Maximise selling price
- Set terms of agreement

- Yourself
- Your partner/spouse
- Potential business partner
- Private investors
- Suppliers
- Banks
- City/County Enterprise Boards
- Others.

A good Business Plan is:

- Practical
- Honest



BUSINESS PLAN – STRUCTURE

I Executive Summary

II Introduction and Background

- Background to the company

III Project Outline

- Overview of what the business is proposing to do over the period of the business plan – sales increase, employment increase, turnover increase, profit level increase

IV Ownership, Management and Employment

- Founders/Management
- Employee levels

V Market and Marketing Strategy

- Overview of the market
- Projected share of the market
- Target markets
- Main competitors
- Key competitive advantages
- Marketing strategy
- Distribution

VI Production

- Products
- Increased capacity required
- New capital expenditure required
- Efficiency levels
- Skills and numbers of staff required
- Training requirements
- Quality
- Raw material sources

VII Financial

- Summary of projected performance

VIII Funding Proposal

- Funding requirements
- Proposed sources of funding

IX Detailed Projections

- Assumptions
- Profit and Loss account
- Balance Sheet
- Cash Flow

He hath made good progress in a business that hath thought well of it before-hand.
THOMAS FULLER
 (1654-1734)

Growth is the goal,
 profit is the measure,
 security is the result.
SIR OWEN GREEN, BTR

Think of these things:
 whence you came, where you are going, and to whom you must account.
BENJAMIN FRANKLIN

Sit down to write what you have thought and not to think about what you shall write.
WILLIAM COBBETT

Always keep in mind that your Business Plan tells your story to those reading it when you are not present.
ANON.



- Consistent
- Based on research and facts
- Complete
- Realistic
- Gives a clear picture of the personality and the quality of the entrepreneur
- Turn-key.

Structuring your Business Plan

Your Business Plan must have a structure that is easily followed and understood by the person reading it.

Use the structure set out in the panel on the previous page and work through the example layout on the following pages.

Executive Summary

This is the first part of a Business Plan to read – and the last to be written. Here, in less than a page, you summarise the key points of your plan. It's easiest if you can put them in bullet point, like this:

This Business Plan:

- Explains how XYZ Company came to be
- Describes the products we intend to make
- Describes the market
- Shows how we will reach that market
- Costs the products
- Includes Operating Budgets and cash-flow projections
- Requests grant aid of •xxk, based on equity already committed of •xxk and loans agreed of •xxk.

See page 116.

Introduction and Background

This is the start of your Business Plan. Here you set out the basic information that a reader will want to know about your business:

- The purpose of the Plan
- Business name and contact details
- Whether it is in operation or has yet to start
- The business objective
- The product/service range.

See page 116.

Project outline

Here you can go into more detail about the business:

- A description of the business
- Your Mission Statement
- Trends in the industry
- Targets that you have set.

This gives the reader a sense of what you are setting out to achieve.

See page 117.

Ownership, Management and Employment

You, the entrepreneur, are one of the critical success factors of the business. For this reason, the reader of your Business Plan will want to know about you. This is not a place for boasting – simply explain why you believe you are a good bet to make a success of the business, based on:

- Your education
- Your work experience
- Your other experience.

If you have business partners, they should also complete this section.

If your start-up is big enough to have managers employed (or key staff whose presence or absence will be critical to the business), you should consider getting them to complete this section too.

If several people are included in this section, it may be best to summarise each person's details here and include the full information in an Appendix.

Since most of the State agencies, the City/County Enterprise Boards, Area Partnership Companies, etc. are focused on job creation, it makes sense to tell them about the extent to which your business will contribute to job creation. Even though the agencies cannot grant aid part-time jobs, include them in your calculations anyway. And, where you are sub-contracting manufacturing or other aspects of your business, (even though again these are not grant-aided) include them also as “downstream” employment.

See page 118.

Marketing and marketing strategy

A critical section that will be read carefully by any investor. Because readers are unlikely to be familiar with your market, you need to set the scene for them:

- An overview
- Key indicators
- Target groups/customers
- Competitors
- Your key competitive advantages
- Your marketing strategy
- Your distribution.

See page 119.

Production

Again, because your readers may have no experience of your market, you need to explain:



- Your product/service
- How it is made/delivered
- The experience you have with the process
- What equipment you need (this ties in with your financial projections later)
- How you will assure quality
- Where you will source supplies.

If there is too much detail, put it in an Appendix.
See page 123.

Financial

Most readers of business plans not only have a financial background, they are preparing to invest in your business. Therefore they pay special attention to your financial section.

Here, you set out your financial projections – profit and loss account and cash-flow. Whatever your own background, you need to be sufficiently sure of your financial projections to be able to withstand severe questioning. No one will invest or lend you money if you appear to be incapable of controlling it.

See page 125.

Funding proposal

This is the important bit – from your point of view. Here you lay out your stall. You have already explained what the business does, the market, the product, the financial projections. Now you are saying “I need •xxk, made up as follows. I have •xxk of my own. I have tied down •xxk more from these sources. I need •xxk, please”.

Again, you need to be very sure of your calculations here. If some figures are loose – you think you need •10k but it could be as high as •12k for some item – say so. Don’t get found out when you run out of money!

See page 127.

Detailed projections

Almost an Appendix, this is where the real number-crunching is put – out-of-the-way at the back. The critical part here are your assumptions. Expect to be quizzed on these when you make a presentation of your Business Plan to a City/County Enterprise Board or bank.

See page 129.

Almost finished

Your Business Plan is now almost finished – except that, just like your market research and testing of your product – you must test your Business Plan.

Perform the Reality Check in the panel. Then give it to a few trusted friends to read through. Ask them to pick holes in it. Don’t be defensive. Use their comments to improve the plan.

A REALITY CHECK

You have finished your Business Plan. You are ready to submit it to your local City/County Enterprise Board, Area Partnership Company or bank. Before you do, run these final checks:

Is the Executive Summary:

- Short?
- Relevant?
- To the point?
- Interesting?
- Packed with “Ooomph”?

Check the entire Business Plan
(get help if you need it) for:

- **Spelling mistakes** – Use a spelling checker if your business plan has been word-processed
- **Grammatical mistakes** – Use a grammar checker (but be careful) if your business plan has been word-processed
- **Page numbering** – Are the pages all in order, with no gaps or duplication?
- **Chapter/section numbering** – Are the chapters/sections all in order, with no gaps or duplication?
- **Cross-references between sections/pages** – Are these correct?
- **Logical structure** – Does the plan flow in a sensible order?
- **Jargon/use of language** – Do you introduce concepts, explain jargon, demystify complicated things for the reader?
- **Length** – Is it too long? Could you cut parts out, without damaging it? Could sections be moved into an Appendix?
- **Type size/style** – Is it easy to read? Are headings clearly identifiable?
- **Colour** – If you are using coloured type, does it help or does it distract? Keep it simple.



I EXECUTIVE SUMMARY

Use this section to write a brief summary (no more than 1 page) of the whole Business Plan.

II INTRODUCTION AND BACKGROUND

Introduction

This Business plan is written to:

- Document strategy
- Act as a management tool in monitoring performance
- Raise • _____ k equity funding from _____
- Raise • _____ k grant aid from _____
- Other (specify): _____

Explain here the purpose of the Business Plan. Put it in your own words.

Background

Business name: _____

Address: _____

Telephone/Facsimile/E-mail: _____

- Status: Sole trader Partnership Limited company
- Registered for: VAT PAYE/PRSI Corporation tax Income tax
- Formed as: Purchase of existing business Purchase of franchise
- Start-up Other (specify) _____

Business in operation? Yes, started on _____
 No, planned to start on _____

Product/service range

<i>Product/service</i>	<i>Description</i>	<i>Price</i>
A _____	_____	• _____
B _____	_____	• _____
C _____	_____	• _____
D _____	_____	• _____
E _____	_____	• _____
F _____	_____	• _____

Copy this from "Products and Production", page 51.



III PROJECT OUTLINE

General description of proposed business

Mission statement

Copy this from
“Developing a
Mission State-
ment”, page 26.

Trends in industry

Copy this from
“Developing a
Strategy”, page
28.

Targets

Copy this from
“Developing a
Strategy”, page
29.



IV OWNERSHIP, MANAGEMENT AND EMPLOYMENT

Founders/Management

Name:
Address:

Telephone/Facsimile/E-mail:
Date of birth:
Nationality:
Marital status:
Percentage shareholding:

The first four sections must be completed for EACH founder or key manager. Use additional pages, if necessary.

Education

Year(s)	School/course	Degree/certificate
From _____ to _____	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
From _____ to _____	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
From _____ to _____	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
From _____ to _____	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO

Work Experience

Year(s)	Organisation	Position
From _____ to _____	_____	_____
From _____ to _____	_____	_____
From _____ to _____	_____	_____
From _____ to _____	_____	_____
From _____ to _____	_____	_____

Other Experience

Describe other significant experience that could be useful for your business

Employer and employees

Initially, how will your staffing be organised?

- You alone, while holding another wage-earning position
- You alone, full-time
- You and your partner: Full-time
- You and your partner: Part-time
- You and your business partner(s)
- You and your business partner(s) with employees at a wage
- How many employees full-time? _____
- How many employees part-time? _____

Copy this from section "Staff", page 53.

Have you drawn up clear job descriptions for your employees? YES NO

If yes, enclose job description(s) as an Appendix

Do you plan to expand your employee numbers quickly? YES NO

If yes, do you think you can attract enough qualified people? YES NO

Who will replace you during any required absences? _____



V MARKET AND MARKETING STRATEGY

Overview of the market

Describe the market in which you operate and the level of competition you face. Copy information from “Marketing”, pages 34-46.

What are the leading indicators in your market sector?

- Average annual turnover per employee
- Average annual turnover per m² of selling space
- Average annual purchases per head of population
- Extent of the service area per outlet
- Other

 _____ m²

What is your estimate of the Irish market for your product?

What part of this market do you intend to service?

Have you contacted future customers?

What was their reaction?

 _____ %
 YES NO

Have you obtained any forward orders?

What comments did you receive with the forward orders?

YES NO

If Yes, enclose copies as an Appendix.

The forward orders total approximately • _____ k

Market

Who are your target groups?



What do you have to offer them?

Competitors

Competitor	Description of product/service	Turnover	Employees
A	_____	• _____	_____
B	_____	• _____	_____
C	_____	• _____	_____
D	_____	• _____	_____
E	_____	• _____	_____
F	_____	• _____	_____

Competitors' strengths compared to your own.

(Use + where you think your business is better, = where they are the same, and - where you think your competitors have an advantage.)

Competitor	A	B	C	D	E	F
Broad Range	—	—	—	—	—	—
Guarantee	—	—	—	—	—	—
Quality	—	—	—	—	—	—
Price	—	—	—	—	—	—
Service	—	—	—	—	—	—
Delivery	—	—	—	—	—	—
Proximity	—	—	—	—	—	—
Other	—	—	—	—	—	—

In what ways do your products/services differ from your competitors'?

(If you can, describe differences for each competitor)

A _____

B _____

C _____

D _____

E _____

F _____



Key competitive advantages

What extras do you offer compared to the competition?

A _____

 B _____

 C _____

 D _____

 E _____

 F _____

Marketing strategy

How are you going to present your business?

- Layout
- Colours
- Music
- Atmosphere
- Correspondence
- Brochures
- Business cards
- Van signs

Rate those areas your customers are most interested in, and your relative strengths in those areas.

Buying Motive	Customer Importance			Your Relative Strength		
	<input type="checkbox"/> High	<input type="checkbox"/> Medium	<input type="checkbox"/> Low	<input type="checkbox"/> Strong	<input type="checkbox"/> OK	<input type="checkbox"/> Weak
Broad Range	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Guarantee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delivery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Proximity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

How are you going to approach your customers and what buying motives are you going to emphasise?



What marketing and promotion resources will you emphasise?

Resource	Emphasis				Cost
Brochures	<input type="checkbox"/> A lot	<input type="checkbox"/> A little	<input type="checkbox"/> Not at all	<input type="checkbox"/> Not yet	• _____
Mailings	<input type="checkbox"/> A lot	<input type="checkbox"/> A little	<input type="checkbox"/> Not at all	<input type="checkbox"/> Not yet	• _____
Advertisements	<input type="checkbox"/> A lot	<input type="checkbox"/> A little	<input type="checkbox"/> Not at all	<input type="checkbox"/> Not yet	• _____
Sponsorship	<input type="checkbox"/> A lot	<input type="checkbox"/> A little	<input type="checkbox"/> Not at all	<input type="checkbox"/> Not yet	• _____
Word-of-mouth	<input type="checkbox"/> A lot	<input type="checkbox"/> A little	<input type="checkbox"/> Not at all	<input type="checkbox"/> Not yet	• _____
Personal selling	<input type="checkbox"/> A lot	<input type="checkbox"/> A little	<input type="checkbox"/> Not at all	<input type="checkbox"/> Not yet	• _____
Notice boards	<input type="checkbox"/> A lot	<input type="checkbox"/> A little	<input type="checkbox"/> Not at all	<input type="checkbox"/> Not yet	• _____
Public relations	<input type="checkbox"/> A lot	<input type="checkbox"/> A little	<input type="checkbox"/> Not at all	<input type="checkbox"/> Not yet	• _____
Other	<input type="checkbox"/> A lot	<input type="checkbox"/> A little	<input type="checkbox"/> Not at all	<input type="checkbox"/> Not yet	• _____

Explain your promotion methods (how, where, frequency, why, etc.)

Distribution

How will your products/services be distributed?

Are product deliveries insured?

YES NO

If yes, for how much?

• _____ k

If your goods or services are supplied under standard terms of trade, summarise them here.

Enclose a copy of your full terms of trade with this plan, as an Appendix.



VI PRODUCTION

Copy this from page 51.

Products

<i>Product/service</i>	<i>Description</i>	<i>Price</i>
A _____	_____	• _____
B _____	_____	• _____
C _____	_____	• _____
D _____	_____	• _____
E _____	_____	• _____
F _____	_____	• _____

Describe your production process.

What experience do you have with this process?

Are you involved with (or will you be using) new techniques or new products in your production processes?

YES NO

If yes, are you receiving assistance from experts?

YES NO

If yes, who are they and how are they engaged?

New capital expenditure required

What equipment are you using in the production process?



List the equipment you intend to lease, buy new, or buy used.

Description	New/Used?	If used, Age	Buy/Lease?	Cost
_____	<input type="checkbox"/> N <input type="checkbox"/> U	___ years	<input type="checkbox"/> B <input type="checkbox"/> L	_____
_____	<input type="checkbox"/> N <input type="checkbox"/> U	___ years	<input type="checkbox"/> B <input type="checkbox"/> L	_____
_____	<input type="checkbox"/> N <input type="checkbox"/> U	___ years	<input type="checkbox"/> B <input type="checkbox"/> L	_____
_____	<input type="checkbox"/> N <input type="checkbox"/> U	___ years	<input type="checkbox"/> B <input type="checkbox"/> L	_____
_____	<input type="checkbox"/> N <input type="checkbox"/> U	___ years	<input type="checkbox"/> B <input type="checkbox"/> L	_____
_____	<input type="checkbox"/> N <input type="checkbox"/> U	___ years	<input type="checkbox"/> B <input type="checkbox"/> L	_____
_____	<input type="checkbox"/> N <input type="checkbox"/> U	___ years	<input type="checkbox"/> B <input type="checkbox"/> L	_____
_____	<input type="checkbox"/> N <input type="checkbox"/> U	___ years	<input type="checkbox"/> B <input type="checkbox"/> L	_____
_____	<input type="checkbox"/> N <input type="checkbox"/> U	___ years	<input type="checkbox"/> B <input type="checkbox"/> L	_____
_____	<input type="checkbox"/> N <input type="checkbox"/> U	___ years	<input type="checkbox"/> B <input type="checkbox"/> L	_____
_____	<input type="checkbox"/> N <input type="checkbox"/> U	___ years	<input type="checkbox"/> B <input type="checkbox"/> L	_____

What guarantees do you have for this equipment in case of malfunction (re-purchase, service contract, insurance)?

Does the available production equipment provide enough capacity to achieve the revenue you have budgeted? YES NO

Quality

Will your production process be accredited to a Quality Standard?
 If yes, which? Quality Mark Hygiene Mark
 ISO 9000/2000 ISO 14000
 Other

Have you checked your products and production processes for environmental considerations? (pollution, noise, undesirable waste products) YES NO
 If yes, are there any environmental objections? YES NO
 If yes, what are you planning to do about it?

Raw material sources

Have you contacted your future suppliers? YES NO
 If yes, what are their terms of trade? (Payment conditions, delivery times, etc.)

Are there alternative suppliers? YES NO
 If yes, list them

What advantages do these alternative suppliers offer you?



VII FINANCIAL

Summary of projected performance

Profit and loss account

Revenue by product

	Year 1	Year 2	Year 3
Cash sales			
A _____	_____	_____	_____
B _____	_____	_____	_____
C _____	_____	_____	_____
D _____	_____	_____	_____
E _____	_____	_____	_____

Copy this from page 88.

Credit sales

A _____	_____	_____	_____
B _____	_____	_____	_____
C _____	_____	_____	_____
D _____	_____	_____	_____
E _____	_____	_____	_____

Total sales

Deduct			
Opening stock			
Purchases	_____	_____	_____
	_____	_____	_____
Less Closing stock	_____	_____	_____
Cost of goods sold	_____	_____	_____
Gross profit	_____	_____	_____
Gross profit percentage	_____ %	_____ %	_____ %

Overheads

Staff costs	_____	_____	_____
Production overheads	_____	_____	_____
Premises costs	_____	_____	_____
Transport costs	_____	_____	_____
Sales and promotion costs	_____	_____	_____
General expenses	_____	_____	_____
Finance costs	_____	_____	_____
Depreciation costs	_____	_____	_____
Total costs	_____	_____	_____

Copy this from page 130-131.

Net profit

Less tax on profits	_____	_____	_____
	_____	_____	_____
Drawings	_____	_____	_____
Profit retained	_____	_____	_____



What effect will any shortfall in turnover have on your business and how do you plan to handle it?

What is your minimum required turnover? • _____ k

Cash flow

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>
Opening bank balance	_____	_____	_____
<i>Cash in</i>			
Cash sales	_____	_____	_____
Debtors	_____	_____	_____
VAT refunds	_____	_____	_____
Other income	_____	_____	_____
Total income	_____	_____	_____
<i>Cash out</i>			
Cash purchases	_____	_____	_____
Creditors	_____	_____	_____
Overheads:			
Staff	_____	_____	_____
Production	_____	_____	_____
Premises	_____	_____	_____
Transport	_____	_____	_____
Selling and promotion	_____	_____	_____
General expenses	_____	_____	_____
Finance costs	_____	_____	_____
Loan repayments	_____	_____	_____
Private drawings	_____	_____	_____
Fixed assets	_____	_____	_____
VAT payable/(due)	_____	_____	_____
Other taxes	_____	_____	_____
Other expenditure	_____	_____	_____
Total expenditure	_____	_____	_____
Net cash flow	_____	_____	_____
Final bank balance	_____	_____	_____

Copy this from page 132.



VIII FUNDING PROPOSAL

Copy this from page 83.

Funding requirements

	Year 1
<i>1. Fixed assets</i>	
Property	_____
Renovations	_____
Fixtures and fittings	_____
Transport	_____
Machines and equipment	_____
Goodwill, security deposits	_____
Other	_____
Total fixed assets	_____
<i>2. Current assets</i>	
Stock of raw material	_____
Stock of finished goods	_____
Work in progress	_____
Debtors	_____
Other	_____
Total current assets	_____
<i>3. Liquid assets</i>	
Cash	_____
Bank	_____
Other	_____
Total liquid assets	_____
<i>4. Start-up costs</i>	
Prepaid expenses	_____
Promotion, opening	_____
Other	_____
Total start-up costs	_____
<i>5. Margin for unforeseen costs</i>	

Total investment	_____

**Proposed sources of funding**

Personal assets available: •

Copy this from page 84.

Fixed assets _____
 Car _____
 Additional private mortgage _____
 Savings _____
 Deferred loans (family) _____
 Other _____
Total personal assets _____

Introduced as:

Equity _____
 Loans _____

External equity:

Source _____

Agreed? YES NO

External debt:

Long/medium-term finance

	Term	Amount	Agreed?
Mortgage on company building	_____ years	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
Loans	_____ years	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
Leasing (cars, machines, etc.)	_____ years	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
Other	_____ years	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
	_____ years	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
Total long/medium term finance		_____	

Short-term finance

	Amount	Agreed?
Overdraft	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
Suppliers' credit	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
Payments received in advance	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
Other	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
Total short term/other finance	_____	

Subsidies/grants

	Amount	Agreed?
Agency	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
Enterprise Board	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
Area Partnership Company	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
Other	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
	_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
Total subsidies/grants	_____	

Total available finance



Can you support the required investment in fixed assets with quotations from suppliers?

YES NO

If Yes, enclose quotations as an Appendix.

In your estimates, did you take seasonal business influences into account, and calculate based on your maximum requirements?

YES NO

How did you estimate your stock levels?

How did you estimate the value of your work-in-progress?

How did you estimate the value of your debtors?

Do you have sufficient liquid assets to cope with disappointments, delays and unexpected expenses?

YES NO

IX DETAILED PROJECTIONS

Assumptions Copy this from page 88.



SCRIBBLE BOX

Analysis of Overheads

Copy this from
page 87.

	Year 1	Year 2	Year 3
<i>Staff costs</i>			
Gross staff salaries	_____	_____	_____
Employer's PRSI	_____	_____	_____
Bonuses, etc	_____	_____	_____
Staff training costs	_____	_____	_____
Other staff costs	_____	_____	_____
Total staff costs	_____	_____	_____
<i>Production overheads</i>			
Use of auxiliary materials	_____	_____	_____
Maintenance	_____	_____	_____
Heat, light and power	_____	_____	_____
Rent/lease equipment	_____	_____	_____
Insurance equipment	_____	_____	_____
Other costs	_____	_____	_____
Total production costs	_____	_____	_____
<i>Premises costs</i>			
Rent	_____	_____	_____
Heat, light & power	_____	_____	_____
Insurance	_____	_____	_____
Cleaning	_____	_____	_____
Maintenance	_____	_____	_____
Equipment rent/lease	_____	_____	_____
Other costs	_____	_____	_____
Deduct: Rent received	• < ___ >	• < ___ >	• < ___ >
Total premises costs	_____	_____	_____
<i>Transport costs</i>			
Maintenance and repairs	_____	_____	_____
Lease costs	_____	_____	_____
Fuel	_____	_____	_____
Insurance	_____	_____	_____
Road Tax	_____	_____	_____
Public transport	_____	_____	_____
Air fares	_____	_____	_____
Deduct: Private use	• < ___ >	• < ___ >	• < ___ >
Total transport costs	_____	_____	_____



Analysis of Overheads

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>
<i>Sales and promotion costs</i>			
Advertising	_____	_____	_____
Packaging	_____	_____	_____
Promotion	_____	_____	_____
Trade fairs	_____	_____	_____
Commissions	_____	_____	_____
Other costs	_____	_____	_____
Total sales & promotion	_____	_____	_____
<i>General expenses</i>			
Telephone	_____	_____	_____
Postage	_____	_____	_____
Subscriptions	_____	_____	_____
Insurance	_____	_____	_____
Stationery	_____	_____	_____
Computer supplies	_____	_____	_____
Office expenses	_____	_____	_____
Accountancy fees	_____	_____	_____
Legal & other fees	_____	_____	_____
Bad debts	_____	_____	_____
Profit/loss on sale of assets	_____	_____	_____
Other costs	_____	_____	_____
Total general expenses	_____	_____	_____
<i>Finance costs</i>			
Interest on loans/overdraft	_____	_____	_____
Mortgage interest	_____	_____	_____
Charges/fees	_____	_____	_____
Other	_____	_____	_____
Total finance costs	_____	_____	_____
<i>Depreciation</i>			
Property	_____	_____	_____
Fixtures and fittings	_____	_____	_____
Transport	_____	_____	_____
Machines and equipment	_____	_____	_____
Other	_____	_____	_____
Total depreciation	_____	_____	_____

SCRIBBLE BOX



SCRIBBLE BOX

Bring forward from pages
133-135.

Cash flow

	Year 1	Year 2	Year 3
Opening bank balance	_____	_____	_____
<i>Income</i>			
Cash sales	_____	_____	_____
Debtors	_____	_____	_____
VAT refunds	_____	_____	_____
Other income	_____	_____	_____
Total income	_____	_____	_____
<i>Expenditure</i>			
Cash purchases	_____	_____	_____
Creditors	_____	_____	_____
Overheads:			
Staff	_____	_____	_____
Production	_____	_____	_____
Premises	_____	_____	_____
Transport	_____	_____	_____
Selling and promotion	_____	_____	_____
General expenses	_____	_____	_____
Finance costs	_____	_____	_____
Loan repayments	_____	_____	_____
Private drawings	_____	_____	_____
Fixed assets	_____	_____	_____
VAT payable/(due)	_____	_____	_____
Other taxes	_____	_____	_____
Other expenditure	_____	_____	_____
Total expenditure	_____	_____	_____
Net cash flow	_____	_____	_____
Final bank balance	_____	_____	_____



Cashflow:Year 1													
	<i>M1</i>	<i>M2</i>	<i>M3</i>	<i>M4</i>	<i>M5</i>	<i>M6</i>	<i>M7</i>	<i>M8</i>	<i>M9</i>	<i>M10</i>	<i>M11</i>	<i>M12</i>	<i>Year 1</i>
	•	•	•	•	•	•	•	•	•	•	•	•	•
Opening balance	---	---	---	---	---	---	---	---	---	---	---	---	---
<i>Income</i>													
Cash sales	---	---	---	---	---	---	---	---	---	---	---	---	---
Debtors	---	---	---	---	---	---	---	---	---	---	---	---	---
VAT refunds	---	---	---	---	---	---	---	---	---	---	---	---	---
Other income	---	---	---	---	---	---	---	---	---	---	---	---	---
Total income	---	---	---	---	---	---	---	---	---	---	---	---	---
<i>Expenditure</i>													
Cash purchases	---	---	---	---	---	---	---	---	---	---	---	---	---
Creditors	---	---	---	---	---	---	---	---	---	---	---	---	---
Overheads:													
Staff	---	---	---	---	---	---	---	---	---	---	---	---	---
Production	---	---	---	---	---	---	---	---	---	---	---	---	---
Premises	---	---	---	---	---	---	---	---	---	---	---	---	---
Transport	---	---	---	---	---	---	---	---	---	---	---	---	---
Selling/promotion	---	---	---	---	---	---	---	---	---	---	---	---	---
General expenses	---	---	---	---	---	---	---	---	---	---	---	---	---
Finance costs	---	---	---	---	---	---	---	---	---	---	---	---	---
Loan repayments	---	---	---	---	---	---	---	---	---	---	---	---	---
Private drawings	---	---	---	---	---	---	---	---	---	---	---	---	---
Fixed assets	---	---	---	---	---	---	---	---	---	---	---	---	---
VAT payable	---	---	---	---	---	---	---	---	---	---	---	---	---
Other taxes	---	---	---	---	---	---	---	---	---	---	---	---	---
Other expenses	---	---	---	---	---	---	---	---	---	---	---	---	---
Total outgoings	---	---	---	---	---	---	---	---	---	---	---	---	---
Net cash flow	---	---	---	---	---	---	---	---	---	---	---	---	---
Final balance	---	---	---	---	---	---	---	---	---	---	---	---	---

Copy this from page 90.

Take Year 1 total to page 132.

SCRIBBLE BOX



Cashflow:Year 2													
	<i>M1</i>	<i>M2</i>	<i>M3</i>	<i>M4</i>	<i>M5</i>	<i>M6</i>	<i>M7</i>	<i>M8</i>	<i>M9</i>	<i>M10</i>	<i>M11</i>	<i>M12</i>	<i>Year 2</i>
	•	•	•	•	•	•	•	•	•	•	•	•	•
Opening balance	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Income</i>													
Cash sales	—	—	—	—	—	—	—	—	—	—	—	—	—
Debtors	—	—	—	—	—	—	—	—	—	—	—	—	—
VAT refunds	—	—	—	—	—	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—	—	—	—	—	—
Total income	—	—	—	—	—	—	—	—	—	—	—	—	—
<i>Expenditure</i>													
Cash purchases	—	—	—	—	—	—	—	—	—	—	—	—	—
Creditors	—	—	—	—	—	—	—	—	—	—	—	—	—
Overheads:													
Staff	—	—	—	—	—	—	—	—	—	—	—	—	—
Production	—	—	—	—	—	—	—	—	—	—	—	—	—
Premises	—	—	—	—	—	—	—	—	—	—	—	—	—
Transport	—	—	—	—	—	—	—	—	—	—	—	—	—
Selling/promotion	—	—	—	—	—	—	—	—	—	—	—	—	—
General expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Finance costs	—	—	—	—	—	—	—	—	—	—	—	—	—
Loan repayments	—	—	—	—	—	—	—	—	—	—	—	—	—
Private drawings	—	—	—	—	—	—	—	—	—	—	—	—	—
Fixed assets	—	—	—	—	—	—	—	—	—	—	—	—	—
VAT payable	—	—	—	—	—	—	—	—	—	—	—	—	—
Other taxes	—	—	—	—	—	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Total outgoings	—	—	—	—	—	—	—	—	—	—	—	—	—
Net cash flow	—	—	—	—	—	—	—	—	—	—	—	—	—
Final balance	—	—	—	—	—	—	—	—	—	—	—	—	—

Copy this from page 91.

Take Year 2 total to page 132.

SCRIBBLE BOX



Cashflow:Year 3													
	<i>M1</i>	<i>M2</i>	<i>M3</i>	<i>M4</i>	<i>M5</i>	<i>M6</i>	<i>M7</i>	<i>M8</i>	<i>M9</i>	<i>M10</i>	<i>M11</i>	<i>M12</i>	<i>Year 3</i>
	•	•	•	•	•	•	•	•	•	•	•	•	•
Opening balance	---	---	---	---	---	---	---	---	---	---	---	---	---
<i>Income</i>													
Cash sales	---	---	---	---	---	---	---	---	---	---	---	---	---
Debtors	---	---	---	---	---	---	---	---	---	---	---	---	---
VAT refunds	---	---	---	---	---	---	---	---	---	---	---	---	---
Other income	---	---	---	---	---	---	---	---	---	---	---	---	---
Total income	---	---	---	---	---	---	---	---	---	---	---	---	---
<i>Expenditure</i>													
Cash purchases	---	---	---	---	---	---	---	---	---	---	---	---	---
Creditors	---	---	---	---	---	---	---	---	---	---	---	---	---
Overheads:													
Staff	---	---	---	---	---	---	---	---	---	---	---	---	---
Production	---	---	---	---	---	---	---	---	---	---	---	---	---
Premises	---	---	---	---	---	---	---	---	---	---	---	---	---
Transport	---	---	---	---	---	---	---	---	---	---	---	---	---
Selling/promotion	---	---	---	---	---	---	---	---	---	---	---	---	---
General expenses	---	---	---	---	---	---	---	---	---	---	---	---	---
Finance costs	---	---	---	---	---	---	---	---	---	---	---	---	---
Loan repayments	---	---	---	---	---	---	---	---	---	---	---	---	---
Private drawings	---	---	---	---	---	---	---	---	---	---	---	---	---
Fixed assets	---	---	---	---	---	---	---	---	---	---	---	---	---
VAT payable	---	---	---	---	---	---	---	---	---	---	---	---	---
Other taxes	---	---	---	---	---	---	---	---	---	---	---	---	---
Other expenses	---	---	---	---	---	---	---	---	---	---	---	---	---
Total outgoings	---	---	---	---	---	---	---	---	---	---	---	---	---
Net cash flow	---	---	---	---	---	---	---	---	---	---	---	---	---
Final balance	---	---	---	---	---	---	---	---	---	---	---	---	---

Copy this from page 91.

Take Year 3 total to page 132.

SCRIBBLE BOX

Downloads for this section available @ www.startingabusinessinireland.com



PRESENTING YOUR BUSINESS PLAN

OBJECTIVES

- Understand the importance of presentation
- Understand the importance of preparation
- Prepare to present your Business Plan

The minute you start talking about what you're going to do if you lose, you have lost.

GEORGE SCHULTZ

The Business Plan is your ticket to financing your business. It should communicate your ability to make your business a success. Therefore, when you are asked to make a presentation of your Business Plan, there are two critical aspects:

- The Business Plan itself
- You.

Of these, at this stage, the Business Plan is the least important. If you have worked through this guide to this point and put into practice its suggestions, your Business Plan should be an effective communication tool.

If you have been asked to make a presentation on it, you know that it has worked. It's now up to you!

You must show:

- Credibility
- Willingness to work and prepare
- Ability to sell
- A positive attitude
- Professionalism.

Remember, the people you are presenting to are asking themselves, "Should we be lending/investing our money with this person?"

Start with the Executive Summary from your Business Plan. Put it on an overhead projector slide. If it won't fit, it's too long. If you can't make it shorter, break it up and put it on two slides.

Make your business idea real. Bring it to life. Show your product or a prototype. Demonstrate it. Show its features, particularly the ones that your market research has shown are important to customers. Explain why these are important. "Sell" the product to your listeners.

When you come to discuss the financial aspects of your Business Plan, make sure that

you know every single figure, its origin, its calculation, the reason it is in the plan, the impact it has on other figures – all of this off by heart.

You must **BE** the business plan. If you cannot explain and defend its contents, it reflects badly on you as a potential business partner.

Prepare your presentation carefully. This is no time for a few notes scribbled out on a scrap of paper. Write out what you want to say.

Anticipate questions that you might be asked. Try and build the answers into your presentation, so that you have answered them before they can be asked.

Rehearse your presentation in front of family and friends. Ask them to be critical and to shoot as many holes in the plan as they can. Build their reactions into your presentation. And practice, practice, practice.

On the day, make sure you are at the appointed venue in plenty of time – not too early and definitely not late.

Try to find out in advance who you will be meeting. Ask around to find out what their preferences are – use this information in your presentation.

If you can, see the room a day or so before the presentation and check (and double-check) that any equipment you need, like overhead projectors, etc., will be available.

If you are using your own technology, check, double and triple-check that it works – and bring a back-up with you anyway.

And then relax. It's your business. You know more about it than any investor, Enterprise Board officer or banker will ever learn. You are a self-confident, capable, well-organised entrepreneur with a good Business Plan. Go for it!

BUSINESS PLANS: THE BANKERS' VIEW



Understanding how the banks assess business plans is critical to success in raising finance. Below, some bankers give their views.

Caroline Tully of AIB's Enterprise Development Bureau explains that the bank is looking for evidence of market research in the business plan. It is easier for the bank to assess a promoter already known to them. If you can't handle all aspects of the business, recognise the fact and get professional assistance. Bear in mind that banks are cash-flow lenders rather than equity investors, therefore an approach to a bank should be for working capital or asset finance.

Michael Gannon, Manager of the Enterprise Support Unit at Bank of Ireland suggests that to succeed, entrepreneurs must believe in themselves – though their belief must be based on reality. The Business Plan is an excellent way to map out tangible, achievable and realistic goals for your business. The major weakness of Business Plans is over-optimism. Do carry out some sensitivity analysis when producing financial projections and look at "What if?" scenarios.

David McGee of National Irish Bank gives some of the reasons why banks will not finance a business idea:

- **Lack of research** – Would you lend to a restaurant with a high dependency on passing traffic when you know a bypass is scheduled in a year's time?
- **Inexperienced management** – The pub business is a classic example. Everybody fancies that they have the necessary expertise – not always so
- **Repayment capacity** – Projections always show repayment capacity but the optimism of promoters is sometimes difficult to justify
- **No planning for setbacks** – Most loan applications fail to recognise that real life does have setbacks.
- **Value of asset dependent on trading success** – This is obvious but not always appreciated. It is particularly relevant in investment property but applies to most fixed assets (for example, machinery)
- **Grants** – Sometimes mask the true viability (or lack of it) of an enterprise.

Michael Bradley, Small Business Manager at Ulster Bank, suggests these acronyms –

CAMPARI and SODA.

CAMPARI applies to the business:

- **C** – Character of the promoter
- **A** – Ability
- **M** – Means: How much is the promoter risking?
- **P** – Purpose: Not just vague "expansion"
- **A** – Amount
- **R** – Repayment
- **I** – Insurance: Security for the bank, in case things go wrong.

SODA applies to individuals:

- **S** – Self-starting
- **O** – Open-minded
- **D** – Determined
- **A** – Approachable.

David McGarry at NCB Corporate Finance offers these suggestions:

- **A clear concise Executive Summary** – The reader must know what the plan is trying to achieve and how it holds together
- **Figures** – Clearly state assumptions
- **Business** – An overview of how the business works is required. The quality of the business must be evident
- **Business model must be clear** – How functional areas interact/support each to sell product/service
- **Product** – Clearly defined and customer uses clarified. Competitive advantage must be evident
- **Sales** – Based on firm orders, not letters of intent. Must be deliverable
- **Market information** – Must be included to demonstrate growth potential
- **Industry overview** – Show business in context. Show that business is a winner
- **Money** – Where does business make its money? Pinpoint exactly
- **People** – Note past achievements
- **Layout** – Spaces, easy to read and get a handle on key messages.

As a specialist agency, Cork Business Innovation Centre focuses on the promoter. If he/she is prepared to do the leg-work, in particular to go out and sell their product, Cork BIC will back them. The BIC favours teams over individuals, in order to make sure that the start-up has the necessary mix of skills.

OBJECTIVES

- Understand banks'/agencies' reasoning
- Avoid common mistakes

REASONS FOR DECLINING LOAN APPLICATIONS

	%
Repayment capacity	38
100% Finance/ Low equity	21
Pricing	8
Poor track record	5
Inadequate security	5
Customer dependence	5
Start-up	5
Non-core	3
Other	10

Source:
National Irish Bank



SMELL THE FLOWERS

OBJECTIVES

- Appreciate balance in life

Don't hurry, don't worry.
You're only here for a short visit.
So be sure to stop and smell the flowers.

WALTER HAGEN

TWELVE THINGS TO REMEMBER

1. The value of time.
2. The success of perseverance.
3. The pleasure of working.
4. The dignity of simplicity.
5. The worth of character.
6. The power of kindness.
7. The influence of example.
8. The obligation of duty.
9. The wisdom of economy.
10. The virtue of patience.
11. The improvement of talent.
12. The joy of origination.

MARSHALL FIELD

Starting and running your own business is all-consuming. Everything falls back on you. And you are doing it for yourself – so there is a temptation to do too much.

Certainly, it is hard (and may even be damaging to your business) to turn down work but, at some point, you need to take time out to decide what is really important to you, what you are achieving at present and what you need to do about it. This is where time management comes in.

Time management

An average working week for an entrepreneur is between 70 and 80 hours. As well as handling all aspects of the business – book-keeping, selling, clients, networking, etc. – you also must know how to handle your time and how to maintain your entrepreneurial drive.

You, the entrepreneur, are the most important success factor in the business. It is vital that this success factor is maintained. An entrepreneur needs to know when to peak and when to rest and take it easy. It is impossible to go full throttle all the time.

Go back to the first chapter, **READY**, and ask yourself how much time you are willing to spend on the business. Discuss it with your partner/spouse.

Go back to your assessment of your strong and weak points. Then go back to your market research and your identification of the critical success factors for your business.

Next, decide whether you are a morning person or an evening person. When do you

function best? Whenever it is, aim to do your best work then. Start late and keep your heavy thinking till late at night if that suits – or start at six in the morning and knock off at four in the afternoon.

As an entrepreneur, you can choose your hours. Choose them to make the most of yourself.

Now some tips for managing your time:

- Make a daily “To Do list”
- Learn to say “NO”
- Protect yourself, take time off regularly
- A healthy mind in a healthy body
- Never handle documents more than once (no paper shuffling, deal with and get it off your desk)
- Keep things simple
- Do the things you hate first
- Manage your stress levels (meditate, exercise)
- Delegate
- To handle paperwork – **TRAF**: Toss, Refer, Act or File – only do one, and only once!

Make time for yourself

However pressured your business, you need to take some time out to unwind – to “smell the flowers”. Without it, you will burn out.

Add time to your diary – every day, every week, every month – for yourself. Cut yourself free from the business and the other demands on your life. Allow your batteries to recharge – and you will come back to the business better able to make it succeed.