SURVIVING YOUR FIRST YEAR IN BUSINESS

Smart Business Recovery

> The **reality** of getting through your first year and **staying solvent** into your second.

A free resource to help businesses in difficult times from Smart Business Recovery

ICAEW LICENSED INSOLVENCY PRACTITIONER (UK)

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5 REAL DANGERS!

> The great idea and the passion to succeed will count for nothing if you encounter an insurmountable obstacle.

There are plenty of guides out there that will help you set up your business. This one is about keeping it going once you do. We have seen thousands of insolvencies over the years and, while every business is unique, these are 5 common problems that the directors either didn't see coming, or didn't give the attention they deserved.

1 Cashflow isn't just about orders...

It's great to have the orders coming in but you also need to be paid or you can go out of business with a bulging order book.

The following are some guidelines to live by:

1. **Set clear terms with your clients -** Everyone will know where they stand
2. **Monitor your cashflow constantly -** You need to know where the money is!
3. **Stay on top of outstanding invoices -** late payment is effectively lending money
4. **Avoid the temptation to take bad business -** If it doesn't make profit, it's no good
5. **Never fall into the 'my mate' trap -** Your business is not there to support others

The first three are just sensible rules. Without clear T&Cs, knowing your cash position or good credit control, your business will probably soon run into trouble.

The last two tend to be discussed a lot less in the business guides though. We see a lot of insolvencies where the work the Directors took in simply didn't pay enough to cover the bills. Another common issue is where they let payment slip because they had 'an understanding about payment' with a customer, who then didn't pay.
Cashflow is often the biggest problem for a new businesses.

2 Is there really a market?

Realism is the best policy when it comes to business. That great idea of yours may be the best thing since the wheel, but do people want it?
A lot of first year insolvencies are due to unrealistic expectations of demand. So, get some solid, sensible, impartial, and maybe even challenging, perspectives on your business idea. We see business people who have a lot of talent, but the customers were not prepared to switch away from their current providers. We often see amazing products that were too expensive or didn't have enough demand. We see insovent businesses that went to market based on the advice of friends not actual buyers.
Know your potential market and avoid the trap of over confidence. Believe in your business, be passionate, but 'build it and they will come' isn't usually true! 'Build what you know they want and they will come', is the right route to market.

> Good business people understand something important about your first year in business... ***they know that they cannot know everything!***

3 Don't go it alone, get help

One of the best skills to develop as soon as possible in your first year in businesss, is the ability to let go of wanting to do it all. It is odd but a Director employing staff will decide who they need in terms of a required skill set, but then they often don't apply the same rules to themselves.

Know your limits and think how much you doing a function in your business is actual costing!

Work out your hourly cost and then add the further cost of you not doing other tasks you are better suited to. That is how much it costs for you to attempt a job you are going to probably do adequately at best. It makes no sense.
A business coach, mentor or both are a great idea in your first year. They will stop you falling into the 'super-person' mentality and keep you focused on where you are going and how to get there.

4 Sales and marketing are not optional

You are in business and that means having sales processes and plans, as well as making sure your business, services and products are seen y your customers.
The sad truth is that a lot of businesses become insolvent, partly because nobody knew they were there, and then, when they did find them, they didn't follow through with sales processes. Every business sells something and every business needs to reach out to the people who want to trade with them.
Get a sales plan, get a marketing plan, and implement them!

5 Resilient businesses survive!

We don't like to plan for the worst, and certainly nobody should go into business expecting it to fail. Sadly though, reality, doesn't care about optimism and if a disaster it is going to happen, it will happen, no matter how much you don't want it to.
Plan for a sudden disaster like a cyberattack or a premises problem. What will give you the resilience to survive if there was a flood, a fire, or a huge technical issue? This resilience plan should be updated regularly and particularly after a major event like a big new customer or supplier change. What would happen if they suddenly went away.
Plan for the worst and you will be ready should it happen!

We are here to help with clear, solutions focused, support.
www.smartbusinessrecovery.co.uk

We created these guides in to give you a focus... To provide a tool that would help you get through that all important first year. The contents are based on our experience as insolvency practitioners, experts in their fields and, of course, businesspeople!

If you need more guidance, we offer a range of services to help you. So if you are concerned your business is heading towards insolvency, or you think you may already be at the point where you need to talk about it, we are here to listen.

Go to our website and book in for your free initial discussion if you are concerned about insolvency
The sooner we talk... the sooner we can help

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Find out more about our insolvency, liquidation or recovery service, and how we can support you with clear, straightforward and empathetic guidance and support.

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