

# Business start-up book

A free and easy manual to business start-up

## Dr Bryan Mills



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# Preface:

The purpose of this book is simple. After years in education (and business) I grew increasingly frustrated with the industry that exists around business start-up. Most guides, texts and seminars over-complicate the issue in order to charge a fee. This book cuts through all of that and is free. I put forward a simple three part plan and try to give guidance and direction along the way. I cannot guarantee you success in fact I advise against starting a business in most cases, but if you must then I hope my thoughts help make it a success.

Comments on this draft (especially typos!) to [dr.bryan.mills@btinternet.com](mailto:dr.bryan.mills@btinternet.com)

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# 1.0 The Philosophy

I tend to favour simple solutions. The world is a complicated place but that doesn't mean to say we have to add to that. A business is a process that uses resources to get results for the owner. It doesn't matter whether it is a social enterprise, a web based business or a café the function remains the same. I use my resources to satisfy a need in return for money.

I call this the ***need – model – resources*** approach.

You can start anywhere. Perhaps you have identified a need; perhaps you are frustrated with the lack of product available in your area and feel others are as well. Alternatively you may have been scheming and working away at a nifty little app or device that does something special; alternatively you have seen a way of putting people and things together in a way that makes something happen. Maybe you are resource rich, perhaps a redundancy package; perhaps you have skills or land. Whichever of these you have (an identified need, a model or resources) you can start here and work out how to get the others.

You do not need to spend ages writing a business plan nor do you need to read countless books on planning. If and when you need to borrow money you may well have to satisfy the needs of funders who will have their own template – wait until then to write a plan.

You do not need to talk to people who can 'optimise your website'. They will only try to up-sell you other services. Think about what you yourself do. Do you buy from Facebook or Twitter adverts – I know I never have. What influence your last decisions on purchasing? When you realise that you are yourself a consumer and that your customers are just like you then you can start to see how to communicate with the market.

You don't need venture capital or 'angel' funding. Let's not run before we can walk. VCs and angels make money by betting on businesses. They pay a low price and then sell at a higher price. They have no interest in you beyond exploiting your business to gain profit. Eventually your business may grow to an extent where it needs more capital. When that happens you should be in a position to value your business yourself and work out when you are being screwed over. A business that is designed to secure funding isn't a business it's a Ponzi scheme.

## 2.0 Need

No business will survive if its services or products are not needed. Even high quality will not ensure your success. Henry Ford joked about this when he said that “If I had asked people what they wanted, they would have said faster horses”. What we need is to meet a need not make the best product. This is hard for artisans and engineers who often want to define success by specifications.

You need to think carefully about what people want. Start by thinking about what you want. If it works for you it may work for others – but remember Henry’s quote. Time moves on.

By being small you have an advantage. You can be closer and more responsive to customers. We are all annoyed by the impersonal nature of corporations – use that to your advantage. You don’t have economies of scale (being big means you can do things cheaper) but also don’t have to be restricted by them. Large stores are manned by clones because that’s the most efficient way for a large company to train people – but you don’t have to do that.

Try to think about it in this way:

- A. How does my product/service make life easier?
  
- B. Why should anyone choose my product or service over what’s out there?

These two simple questions produce your unique selling point, your offer and your value proposition – just like that! Perhaps your company can offer an at home service, perhaps it uses local products, perhaps it has latest technology, perhaps it is cheap, perhaps it is ultra high quality. As long as these things mean something to your customer you are on track.

To test your theories don’t ask friends and family. They will tend to agree with you to be supportive. Instead try to set up a pilot. Offer your service to a few people; try to sell your product on-line or at a local market. Don’t spend too much money but try to see what sort of reception it gets. Surveys are largely rubbish. Politicians know this. Every voter supports raising taxes to pay for education and health care in surveys and then votes for the party that promises to cut taxes. Until someone puts there hand in their pocket it’s all hot air.

## 3.0 Your Model

Ok so now we know people have a need how do we satisfy it? Amazon did this brilliantly. They realised that they could get a wider range of books to people cheaper and faster by not having a shop. Their model is to put the consumer in contact with the book via the web. The traditional book shops retaliated by redesigning their own models. Now they are a combined book store and café offering something Amazon cannot match.

This does not have to be complicated. Basically you may be able to source good quality local ingredients and combine them to produce a pie that is sold to local and national hotels and restaurants. Your model is a B2B producer (business to business). The need you are satisfying is to be able to enable those customers to advertise that their menu contains 'pies that are made with love in the heart of the countryside using only local ingredients' – because that's what customers want (at the moment).

Perhaps you have realised that parents are really keen on their children getting good grades. They are also at a loss as to what to do with them during summer holidays as they work. Your model may be hooking up underpaid teachers who are on holiday with parents and children. You don't teach yourself but you can administer the system. Your model is one of facilitator.

Basically think of your model as how you use your resources to satisfy a need. It really is that simple. What do you do to make your customer's problem 'go away'?

Try to think about it in this way:

C. We use these things:

D. To satisfy these needs:

## 4.0 Resources

So what have you got? Well you have enthusiasm and research skills – or you wouldn't have reached this page. You have a degree of freedom or you wouldn't have been able to access this text. You have literacy. You already have more than a large percentage of the world's population so be positive.

Resources can break down into capital, land and labour – maybe a bit of management too. In economics we call these the 'factors of production' but in the real world they are machines, nature and skills.

Machines:

This is pretty much anything from a tool to a power station. A tool may only cost an hour's wage but if you haven't got it then clearly you haven't got it! Think about what you have and what your business needs. Can you make do with using the family car (think about insurance); do you have some tools or can you borrow some? Basically avoid spending out large amounts of capital on capital! Many companies rent machinery. Although this is seems more expensive by the time you allow for tax, repair costs and interest payments it may well be cheaper.

It may be possible to share resources. I know from my own experience in construction that most plant and many tools lie idle for much of the day. I am sure the same is true with kitchen equipment – can you do a deal with the local restaurant to use their kitchen during down time to make produce to sell elsewhere? Do you even need a computer for your web business – what with cyber cafés and colleges and universities on your doorstep? Basically think frugal, do only what adds value to the customer and avoid spending on things that are just fun for you.

Nature:

Maybe you own land or property, in which case things are a little more straightforward. Otherwise we have to think about how we can access this resource. Fishing is quite straightforward; with the right license you can 'farm' the sea. You may be able to pick wild plants – but do check local byelaws. That aside

Labour:

This is you. What skills do you have and how will they satisfy the need identified. This may be where you have begun. You may have qualified with certain skills and are now trying to think what need they satisfy. In my life I have been fortunate to meet very many successful people and one thing I can promise you is that there are no superhumans. All they do is realise that the

skills they have fit together with a need. They are not cleverer, more hardworking or more skilled. There is a chunk of luck at times but mostly it seems that they just think about satisfying needs and actually don't over-think!

Try to think about it in this way:

E. I have these skills/things:

F. That satisfy these needs:



## 5.0 Outcome

That's it. That is all that is need to launch a business. Identify a need and use a model and resources to satisfy it. For those that still want a plan I have copied one below and added in where the questions fit. Keep it simple, keep it lean, keep it agile and just go for it!

<b>1. Our Business Vision</b>	A statement of your business idea – <b>from A &amp; B</b>
<b>2. Our Business Model</b>	A description of the nature of the business - <b>from C &amp; D</b>
<b>3. Market Research</b>	Who are the customers, what do they value – who are the competition? - <b>from B &amp; D</b>
<b>4. Marketing and Promotion</b>	How you plan to hit the market – <b>from A &amp; B</b>
<b>5. Human Resource Planning</b>	An analysis of the staff required (if any) and the types of skills required – <b>from E &amp; D</b>
<b>6. Sourcing Suppliers</b>	Potential suppliers – <b>from C &amp; E</b>
<b>7. Cost and Prices</b>	What is the market price? What deals are available?
<b>8. Equipment and Property</b>	Equipment requirements - <b>from C &amp; E</b>
<b>9. Cash Flow Forecast</b>	A cashflow forecast– including repayments, interest and other expenses ( <b>see appendix</b> )
<b>10. Professional Advice &amp; Legal Issues</b>	Discuss professional advise you have sought/will seek
<b>11. Future Plans</b>	Future plans for expansion beyond initial start-up

	Pre-Startup	January	February	March	Etc.....	September	October	November	December	Totals
										-
<b>INCOME</b>										-
Cash Sales										-
Collections from Credit Sales										-
Loan or Other Cash Injection										-
<b>TOTAL CASH INCOME</b> <b>A</b>	-	-	-	-	-	-	-	-	-	-
<b>OUTGOINGS</b>										-
Purchases (Merchandise/stock) <i>Variable</i>										-
Gross Wages (excludes withdrawals) <i>Fixed</i>										-
Payroll Expenses (Taxes, etc.) <i>Fixed</i>										-
Outside Services <i>Fixed</i>										-
Supplies (Office and operating) <i>Fixed</i>										-
Repairs and Maintenance <i>Fixed</i>										-
Advertising <i>Fixed</i>										-
Auto, Delivery, and Travel <i>Fixed</i>										-
Accounting and Legal <i>Fixed</i>										-
Rent <i>Fixed</i>										-
Telephone <i>Fixed</i>										-
Utilities <i>Fixed</i>										-
Insurance <i>Fixed</i>										-
Taxes (Business rates, etc.)										-
Interest <i>Fixed</i>										-
Other Expenses [Specify each]										-
Loan Principal Payment <i>Fixed</i>										-
Capital Purchases [Specify]										-
Other Start-up Costs										-
Owner's Withdrawal <i>Fixed</i>										-
<b>TOTAL CASH PAID OUT</b> <b>B</b>	-	-	-	-	-	-	-	-	-	-
<b>CASH ON HAND</b> [Beginning of month] <b>C</b>		-	-	-	-	-	-	-	-	
<b>CASH POSITION</b> [End of month] <b>A - B + C</b>	-	-	-	-	-	-	-	-	-	