

So your dream is to start-up your own business? NZBusiness presents a beginner's guide to business – what it takes to get an enterprise off the ground and successful. By editor Glenn Baker.

There are more than 300,000 business owners in New Zealand – so what makes you think you've got what it takes to join them, and, more importantly, be successful? Indeed, what does it take? Is there a secret X-factor that transforms an average person into a smart, savvy, successful business owner? Business concept aside, Sarah Trotman, whose company runs the annual Small Business Expo, says start-up success comes as the result of possessing three critical personal characteristics – plain and simple: It's vision, tenacity, and clarity of thought.

"If you've got all three, then you really have the tools to be successful," she says. Unfortunately these characteristics can't be outsourced, and you will especially need tenacity when the going gets tough – which it inevitably will. There are few business owners who haven't had thoughts of giving up on their business at some stage of their journey. So before you start – perform a little reality check. "Can you sustain sales after your friends, family and existing contacts have run out?" That somewhat blunt reminder comes from Glenn Senior, who heads the Small Business Company – in other words, who's your market? His advice is to have a revenue stream lined up before you launch – "to give you some cash, momentum and credibility."

Indeed before you spend or borrow any money for the business – test the concept first – encourage feedback, run focus groups, and research thoroughly – this advice from Dave Wrathall, start-up director for The Icehouse Business Accelerator.

Wrathall says the majority of new business owners who go through the Icehouse have been in a business or corporate environment before deciding to be masters of their own destiny. He says you don't need a business

degree to start up a business – in fact, 90 percent of business owners the Icehouse works with are from 'the mainstream'. In short, the door to business is open to anybody with enough gumption to walk through.

As far as finance for your start-up is concerned – once you've tapped into the generosity and support of family and friends, if you want to retain absolute control of your business the next logical step is still your local bank. The sooner you talk through your plans with your bank the better, suggests Gay Rankin, general manager business banking for the National Bank. Her bank has Business Banking Managers assigned to work with start-up business owners – and the sooner they understand what your business objectives are, and what your expectations are of the bank, the quicker things can happen.

"We fully understand that starting a business is a challenge, and you need to talk to us before you're too far down the track, in order to know what's required of both parties."

Staying out of trouble

Before we go much further, it might be wise to examine some of the potholes you'll face on your business journey. One of the biggest causes of business failure, according to Trotman, is getting bogged down by the day to day grind of running a business and not making time to take a "helicopter view". More than 7500 business owners took such a view at last year's Small Business Expo she says, which is one reason why it's judged such a success. Trotman also emphasises the importance of good HR practice in your fledgling business. "Provide some good motivation for staff, your workplace needs to be a nurturing environment – and learn to appreciate the value of your people."

Over-estimating the demand for your products or services is another business buster, according to Senior, as well as under-estimating the time it takes to build market presence and be taken seriously. "Your business model and revenue stream has got to be sustainable."

Strong revenues are also the key – Dave Wrathall advises business owners to keep a close eye on cashflows – know how many months of cash reserves are left. "Many ▶



ownership mentioned previously – vision, tenacity and clarity of thought. If you don't have all three, perhaps you're not ready to own your own business just yet.

Myths about business

Of course there are myths surrounding business ownership. How about the one about being your own boss? More a case of buying yourself a job and slaving away for your customers (if you let it!).

"Then there's the one about having to be a genius," says Senior. "When it's really about doing the basics right. Another myth is that you need to be a software company, or invent something. It doesn't have to be glamorous – just something you're good at, you like doing, and the people who pay you are happy."

One big myth, according to Trotman, is that business is a compliance nightmare.

Her worry is that new business owners dwell too heavily on compliance matters. "Overseas surveys have proven that New Zealand is actually one of the easiest countries in the world to run a business – if you're worried about compliance or tax issues, you're much better leaving it to the professional experts.

"Stay focused on the big picture – where you want your business to be in two or three year's time and how you're going to get there. Put your energies into what you can control," says Trotman. "And remember, you can't be an expert on every aspect of running a business – certainly not in the early days."

One final piece of advice from Dave Wrathall – avoid going into business without experience within your team in that particular field. Better to work within the industry for a while to get a feel for it. Otherwise ensure you can access industry knowledge readily.

A mentor is a must, says Wrathall, and speed to market is becoming more and more critical. "So work hard and go fast!"

START UP 1: Launched on a shoestring

Every good idea has its time. For Andrew Baker the idea for his iQube boardgame and puzzle surfaced in the early 1990s during an assignment as a varsity student – however it was to be some 12 years later before it

Plan for success

A business plan sets out your objectives – where you are now, where you want to go and how you're going to get there. It should also include your financial forecasts.

Remember that the more preparation you carry out for your business – the greater your chances of success.

A well-written business plan helps sharpen your focus and develop your ideas more thoroughly. It gives your business direction and a map for getting to your desired destination.

A business plan also builds credibility. Apart from your bank, you may need to convince others about the viability of your concept – such as investors, suppliers or your accountant.

Source: National Bank 'Business Start-Up' package.

For people looking to start a business, the biz.org.nz website, hosted by New Zealand Trade & Enterprise is an excellent place to start. For help with a business plan download the "Planning for Success" guide. NZTE also offers free workshops and seminars around the country designed to improve business skills. For details go to www.nzte.govt.nz.

The Institute of Chartered Accountants has information on selecting an accountant – go to www.icanz.co.nz.

The National Bank's "Business Start-Up Package" includes a practical CD-based planning guide covering the main points for consideration before starting a business. Go to www.nationalbank.co.nz.



would finally come to fruition. In April 2005 Baker and wife Briggita persuaded a Chinese manufacturer to produce ten samples of the iQube and they headed off to the Melbourne Toy and Gift Fair. It was there that they finally realised they had a flier on their hands.

Briggita admits she originally went along for the shopping, but ended up getting caught up in the excitement and made the decision on the way home to get fully involved in the

business. To date around 6000 units have been sold, with half going to export markets (as the miCube), and when NZBusiness paid a visit in late January they were about to depart for the world's biggest toy fair in Germany.

Fortunately, as well as his creative streak, Andrew has sales and marketing skills honed in the corporate environment and which have been put to good use for their company iQIdeas Ltd as well as to help other ▶

Kiwi game inventors launch their products. This initiative is tipped to be the focus of the company's growth in future years.

The Bakers' experience in finding designers, manufacturers and distributors (initially all through the Internet) also demonstrates how to get products launched on a shoestring.

They say without doubt the biggest challenge was securing a consistent, reliable manufacturer in China and dealing with time zones, cultures and time commitments. The Bakers were fortunate to be invited by Deloitte to go on its Escalator program and fast track their business. The challenge was to secure development finance within 12 months and, following the Melbourne Toy Fair, securing all intellectual property rights within 18 months was an added pressure. Striking a balance between work and family life is proving to be an ongoing struggle – with 7-day working weeks prior to Christmas, Andrew finally relinquishing his day job and the added responsibility of sales and administration staff.

On the other end of the see-saw is a three- and a five-year-old, brought up on 'Daddy's Blocks' but demanding more of Briggata's time. At the time of writing job sharing was definitely on the cards.

The Bakers often receive calls from people starting out in business wanting advice. Have confidence in your ideas and be selective who you listen to, they say. "And keep your business small and tight until you have sales enough to support further growth."

The Bakers outsourced as many services as they could, and Briggata believes that joining BNI (Business Networking International) was one of the smartest moves she ever made in terms of building confidence levels.

"Be honest with yourself when you start a business," says Briggata. "Ask what skills do I have, what skills do I need and who do I trust to fill those gaps?"

Looking back there have been many lessons. In hindsight the Bakers would have appointed a quality control agent in China to maintain consistency of output. On one occasion a whole shipment had to be reworked by hand.

It's a situation the Bakers hope won't be repeated, especially as four new products, all invented by Kiwis, are due for release in 2007 under the IQideas banner.

But it's the original IQube product they hold the greatest hopes for, particularly in the US educational market. Andrew and

Briggata's dream is that one day it will be as synonymous to New Zealand as the iconic Buzzy Bee.

START UP 2: Absolutely, positively in business

When George Hajian arrived from Lebanon six years ago to settle in New Zealand's capital city, little did he know that he would eventually launch a business in one of Wellington's most competitive market sectors. After all, to start a business didn't you require connections in the right places? However, after four years working for a graphic design agency, and with the support of his friends, Hajian was ready to take the plunge. He quit his job, took his business plan to the "nice people" at the National Bank, and using his property as security, was able to borrow funds to start up The Alchemist Design & Print Ltd in July 2005.

"I didn't have to touch a penny from my own account," he recalls.

His first direct marketing campaign to promote his new business ("60 packs of A1 brochures with a hand written letter to people I know") netted his first job. Eighteen months later he employs two part timers, is advertising for a full timer, and business is on the up. And he still meets his friend (business-mentor) Don every three or four months to review things.

It all sounds easy but there have been long hours, and days when he has questioned

whether he did the right thing. He admits that his biggest challenge was getting his head around the accounting aspects of his business – not surprisingly he outsources most of his accounting needs.

Hajian is also in the process of updating his accounts and database software programs to grow with the business. Another challenge was finding affordable premises. "I ran the business from home for the first three months – but I believe that keeps a company small and gives the wrong impression."

When he did find the right premises quite a bit of work was required to get it to function effectively as a design studio and support his brand positioning (most important in an industry where perception is critical).

While the business has made significant progress, things haven't moved fast enough for Hajian. "If I did it all over again I wouldn't be so cautious next time," he says. "You get nowhere if you aren't prepared to take risks." Hajian says that being a fairly young business means you have to keep a close eye on the fundamentals at all times. He plans to expand his client base so that he isn't reliant on his bigger clients who could, through a change of management, disappear over-night. He also plans to diversify by introducing new services over time to ensure his business stays ahead of the game. "In this business you have to keep your eye on the ball and be prepared to change and adapt to your clients' needs." With home and business just two minutes apart in the CBD, Hajian loves Wellington – its "friendly" people and its lifestyle. "It's a city that really has a heart." ▶

*George Hajian (right) with friends
Antony and Tony.*

