



Business start-up advice

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Introduction

This article was originally posted on my blog (<http://blogs.thesitedoctor.co.uk/tim/Business+Startup+Advice.aspx>) and many areas of the article refers to other posts on my blog so you may want to check it out once you have read this article or have it to hand while you're reading it. Additional updates will also be uploaded in the future. I have kept much of the content within this PDF version the same but a few of the orders have been altered. This article was never intended to be in paper form so I apologise if some of it is a little non-conformist!

Wednesday 6th December 2006 was an interesting day for me, I often get asked about how I run The Site Doctor and how I set the company up in the first place, but on Wednesday I had no less than 3 people mention that they had thought about setting up their own business but weren't sure how to go about it or whether they should so I thought there must be more.

Leon Jollans was the first and posted a question on the MsWebDev list (<http://lists.warhead.org.uk/mailman/private/mswebdev/2006-December/030062.html>) asking for some advice and seeing as a plethora of fantastically useful information was offered I thought I'd wrap it up for future reference.

Before we get down and dirty with the tips, the first thing I'll say to you is:

If you're thinking about it, do it –there's never a better time than now.

Cheesy as it sounds, it's true, the number of people I've spoken to in the past saying that they've thought about it but the time's not right is unbelievable, if you start off with that attitude, the time will never be right, there will **always** be a reason not to do it. The thing you realise once you do take the leap is; it couldn't have been a better time!

Ok so to the tips, I've tried to get these into some form of logical order but some comments span multiple topics so I apologise about that.

In regards to how many businesses fail, I believe the official figures in the UK at the moment are 1 in 5 businesses make it through the first year. This would explain why the government is giving so many breaks to SME's, so just remember -you're the 1 in 5!

Thanks

As I said at the start of this article, it is largely based on information posted on the MsWebDev list so thanks must be given to all those that contributed:

- Sean Ronan
- John Mandia (<http://weblogs.asp.net/jmandia>)
- Jos Vernon
- Andy Henderson
- Alex Homer (Stonebroom Ltd - www.stonebroom.com)
- Mike A
- Ian Blackburn (Blackburn IT Services Ltd - www.bbbits.co.uk)
- Duncan C. Ion
- James Murphy
- Mickey Puri (IVTelecom - www.ivtelecom.co.uk)
- Sunny
- Michael Wall (www.michaelwall.co.uk)



Before you get going

Think about how you specify the business of your company when you register it. Aim to make it something which covers the things you enjoy as well as the things you work at. That way the things you enjoy become tax deductible. And the things you work at can be things you enjoy.

Jos Vernon

My anorak reverses into a suit (did an MBA some years back), my advice would be to be passionate about whatever you do as will take lots of time and effort and its only the passion that will take you thru.

Mickey Puri (IVTelecom - www.ivtelecom.co.uk)

I think this is a nice point to start off with; it's unlikely that you'll be setting up a company doing something that you hate but it's worth thinking about exactly what you wish to do. When I first setup The Site Doctor and people asked me what The Site Doctor did, I said "Web Design and IT Consultancy" as I felt it was broad enough cover everything I was interested in doing, as it turns out I would think the majority of our work should now be classed as "Web Application Development" but you try explaining what that is to your IT illiterate friends ;)

I would be interested to know how many companies start out aiming to offer one service and then diversify into other more specialised areas –I would think it frequently happens after identifying a niche market.

Starting off with contracting will probably be a good idea as it will start bringing in money straight away. If time is of the essence and you're in an equal partnership you or your partner could contract to bring in some money while the other partner sets things up full-time.

John Mandia (<http://weblogs.asp.net/jmandia>)

Identifying a source of quick (and if possible easy) revenue is a great idea, it doesn't have to be something that you'll continue in the longer term but this will ensure that the first few months while you're establishing the company aren't as hard as they perhaps could be. When I was setting up The Site Doctor I was prepared to take a part-time job to subsidise the business should it not generate enough income, luckily I didn't need to but having a backup plan is always a good idea!

The other advantage of doing i.e. contracting or freelancing is that you'll be able to get straight into the market place, letting people know about your services and identifying potential markets. The sooner you can get your face known, the more likely you are to generate new business.

Decide what type of company you want to start-up. Private Limited Company or an Limited Liability Partnership each have their own benefits.

John Mandia (<http://weblogs.asp.net/jmandia>)

I would recommend talking to an accountant to understand the pros and cons about each type of company. Setting up as a sole-trader or partnership is easier in the short-term but switching from a sole-trader to a limited company later may bring added complications and/or paperwork that could be avoided.

If you're starting out on your own, it's probably worth looking into the option of setting up a networked business. I'm not sure if this is the correct term for it but it's what I've been using for some time now to describe how The Site Doctor operates. The theory is simple, rather than having a load of in-house staff which will increase your overheads, make tactical relations with other companies offering complimentary services. As mentioned later in the series (see New Business – Networking) we have setup ties with Design Companies, Mobile Development Companies and a variety of other complimentary services.



The beauty of this form of co-operative business is it allows you to be a single point of call for more services than your core business which is more likely to keep you in the forefront of the clients mind. It also has the massive benefit of having back-up staff without the cost. If you're planning on running a development company, why not find a couple of other local developers or development companies who can take on some of your workload? Initially you may not be making any additional income on top of their charges, but should the workload continue, you'll be able to consider taking on an employee safe in the mind they'll pay for themselves.

Might be a good idea to go on a short free start up business course. One that'll help you put a business plan together, make you think about your goals, your finance and marketing.

They may also provide a very small grant.

The tutors on these courses are sometimes very well connected and if you can impress them they might be able to recommend you.

There's also plenty of other start ups that you can network with and fire out a few business cards.

Michael Wall (www.michaelwall.co.uk)

Steve (my father-in-law) went on a local business course many years ago before starting his Birmingham couriering business and is forever spouting pearls of wisdom that came out of it. From what he's told me, the course has helped on many levels when running his courier business from decision making to re-assurance.

One point that Steve did pick up on from the course that I feel is relevant is the idea of listening. His course leader suggested that if you ever had the opportunity to take a successful business man/woman such as Richard Branson out for dinner, take them to a nice restaurant and pay for the dinner, not to impress him but to have a couple of hours of their time –something that you perhaps wouldn't be able to afford otherwise. I think this applies to all business owners (I'm open to offers!) as you'll have a great opportunity to learn from someone who's been there and done what you want to do...

As far as I know, he's never got any sniff of business out of the course but I would suggest using the event as a networking opportunity (see the Networking point below) as the attendees are most likely new to business and in need of some contacts.

The business course should also expand on some of the points raised here. I'm not sure where the best place to look for one is, there are plenty available through Business Link but I would think finding one run by local business owners may be of more use.

Identity

I posted about defining business names on another list a while back. It ended up on their wiki at

<http://wiki.workalone.co.uk/index.php?page=Choosing+a+Business+Name>

Mike A

A name is an important factor of your business, make sure it's scaleable and something that you're proud of. I came up with "The Site Doctor" as the business name primarily because (among other reasons) I felt the majority of our business would come through fixing websites.

You should be proud of your name for obvious reasons, but remember that you'll be needing to say it to people on a regular occasion. You'll no-doubt also be frequently asked how you came up with your company's name or as to its meaning as small talk at networking events and the like, so have a response prepared before the event (even if it was just something that you thought sounded cool!).



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The reason I say you should ensure your name is scaleable is because I feel "The Site Doctor" portrays an image of a one-man-band which is something that I now can't get around without changing the name. I did think about re-branding the company as "TSD" but on discussing this with existing clients and friends we felt that it was somewhat impersonal, I'm inclined to agree and would steer clear of acronyms for your name.

Work with a pro designer to create the right business identity - I started out with my own design and had I continued I would not be landing the projects I am today. Business Identity first, then Business cards/Letter Heads (chop the bottom off letter heads to create comp slips) and Report Covers. and of course apply the design to your web site. Get the same identity as a word doc template and use printed proposals for decision makers with an electronic copy as pdf. Staples provide a while-you-wait wire binding service (with card and transparent front) costing about £1.50 per proposal copy.

Sean Ronan

Remember that branding and company image is a profession itself and having a few quid to outlay on it won't hurt. You can see the past incarnations of The Site Doctor on my blog which we're currently trying to face lift but I would recommend having it designed professionally, not just to impress potential clients but also to give you confidence.

Sean's idea of having templates for your proposals is a great idea and one well worth passing by your designer. By all means have an idea of what you feel your company's brand should look like/convey but remember to leave a little room for the designer to make suggestions.

Contracts and Terms of Conditions

If I recall correctly as a new business you're legally entitled to 30 minutes of a solicitor's time which you should take advantage of. Sadly 30 minutes won't last very long so prepare a set of your most important questions first. It depends on your local Chamber of Commerce, but when we were a member of the Birmingham Chamber of Commerce, they used to offer you low level legal support as part of your membership.

Although it may seem a large expense when you're starting out, I really would recommend getting some form of T&Cs drawn up. Spending a couple of hundred pounds at this early stage is likely to save you a lot of hassle later down the road. It's also an idea to have a coversheet written up that can accompany the T&Cs which has a few blanks you can fill in. We've called this our "Agreement for the provision of service" and it reads along the lines of:

Agreement for the provision of services

This agreement made and entered by and between **[YOUR COMPANY NAME]** (hereinafter referred to as "The Supplier") and **[CLIENT'S NAME]**, whose principal place of business is **[THE CLIENT'S ADDRESS]** (hereinafter referred to as "The Client")

The Supplier agrees to provide **[LIST OF SERVICES]** services as outlined within the proposal dated **[DATE OF DETAILED PROPOSAL]**.

The Client agrees to pay The Supplier **[DEPOSIT AS A PERCENTAGE]% (£[DEPOSIT AS A FIGURE])** of the total project costs on the completion of this agreement followed by **[NUMBER OF PAYMENTS AS A FIGURE] ([NUMBER OF PAYMENTS IN WORDS])** additional monthly payments of **£[MONTHLY PAYMENT AS NUMBER]** from **[START DATE]** totaling **£[TOTAL PAYMENTS AMOUNT IN NUMBERS] ([TOTAL PAYMENT AMOUNT IN WORDS])**.

The Client agrees to the total project costs of **£[TOTAL PROJECT COSTS AS A FIGURE] ([TOTAL PROJECT COSTS AS WORDS])**



The Client is aware and agrees that additional services beyond the original specification may be subject to additional charges. Any additional charges will be confirmed in writing by The Supplier before being undertaken.

The Client also agrees that The Supplier will offer on-going support, maintenance and monthly reporting for a combined total of **[DETAILS OF THE SLA]** from **[START OF SLA]** for a monthly payment of £**[MONTHLY PAYMENT AMOUNT]** until instructed otherwise.

On completion, The Supplier will supply The Client with relevant timesheets for the development work if requested.

In accordance with our Terms and Conditions, Value added Tax, where applicable, will be added at the appropriate rate to the total of all charges shown on the Client's bill.

We agree to the Terms and Conditions of The Supplier

In my humble opinion you can write these yourself as they're more just a summary of what you'll be doing for the client in plain English so there's no argument. I would state the total amount you're charging –both in numbers and words, any time frames and additional services i.e. hosting.

Make sure you have the client sign two copies of your coversheet before you start any work for the client, you then sign and return one copy for the client's records. The other, make sure you store somewhere safe (just incase!). I've not found clients object to signing T&Cs before work starts as it protects both the user and the client but I have found the coversheet helps clarify things for everyone.

Please please please draw up a contract between you guys. I know you've known becs and bel for a while and they've known you and we're all friends but it helps clarify things down the line (when times are good and bad). It gives you a clearer idea of how it will work and helps when everyone has different ideas.

John Mandia (<http://weblogs.asp.net/jmandia>)

If you're setting up with more than one person –especially if they're a friend or loved one writing some form of contract between the two of you is incredibly important. Not wanting to sound negative but you never know what stresses and strains may be put on you and what effect they may have.

When forming the contract, if you're going to do it yourself, make sure you overview the financials very carefully, at the very least I would cover the following:

- Any investments including details about who invested what, how long the investment will be for, any conditions associated with the investment and clear details on the repayment(s) of the investment.
- Profit share, I would suggest including information about percentages if possible (even if you're planning on a 50-50 split).
- Liabilities and ownership–this is something that will come with time but it would be a good idea to overview everyone's roles within the company. I wouldn't encourage a blame culture but associating responsibility is important.
- Decision making. At times you will be required to make important decisions on a company basis, this is easy if you're a sole trader but if there's more than one person, how will you decide what to do should there be a split? Will you bring in a mediator to make the final decision or will you toss a coin?

At the end of the day, as John was getting at, no matter what the current the relations are between the company's partners it's best to be as explicit as possible to avoid any disagreement later.



Let all the communities you participate in know about your move. You've demonstrated your tech abilities on this list and I'm sure people would feel comfortable passing down some work if they get too much on their plate.

John Mandia (<http://weblogs.asp.net/jmandia>)

A great point and well put. When you set out, scream and shout about the fact; let everyone know what you're doing –and don't forget to tell all your friends and family too. If you're lucky, they'll know someone who needs your service and will recommend you (or mention the fact allowing you to follow it up). The best business* we've had in the past has **always** come from recommendation.

*Best isn't always quantified by the cheque at the end of the job

<http://www.freelancers.net/> posts up projects. Each of you put your CVs on there and there might be a few good projects you want to go for.

John Mandia (<http://weblogs.asp.net/jmandia>)

As with announcing your launch, get involved in communities, it does cost you in time but people respond well to you giving something back and it often results in more opportunities arising which more than cover the costs of participating. You also get a nice warm feeling from knowing you've helped someone else!

Visit <http://www.businesslink.gov.uk/> they've got a lot of useful information and can help you out.

John Mandia (<http://weblogs.asp.net/jmandia>)

There is currently a huge amount of information available on starting your own business and running your own business from the government as there's a drive to encourage start-ups in the UK, pop down to your local business link and you may even find there are grants available to you.



Business Plan

These can be as complex or simple as you see fit. Please remember that no matter what size of business you are or intend to be – Cashflow is King [I had an article with that headline framed in my office for 15 years, when I was MD of a mid-sized software house].

Duncan C. Ion

At the very least I would recommend it's worth writing a SWOT analysis, this will give you focus and allow you to visualise your Strengths, Weaknesses, Opportunities and Threats more clearly and perhaps spot something that'll be crucial to your success or failure. Depending on how fast paced your industry is, it's always worth re-evaluating the SWOT analysis every now and again.

Once you've written your SWOT analysis, show your friends, family and colleagues and see if they can add to it at all. Don't worry if they criticise it, if you can't justify or argue your point, perhaps it needs a little more thought.

Think about income not outgoings. Don't spend anything you don't need to. No fancy offices, coffee machines, cars etc. There's no glory in spending money on office equipment. Think big on income and about how your income scales (e.g. if you're a consultancy and you want to double your income you generally have to double your staff).

Jos Vernon

The start-up costs start to build up. Weigh up getting a subscription for software against using either Microsoft's express tools or even OS alternatives. Could that money go against other things that would help your business more in the short term (you can always get the subscription at a later date when you have more money coming in).

John Mandia (<http://weblogs.asp.net/jmandia>)

Defiantly, when setting out less **is** more. It's easy to setup i.e. a web development business for only a few hundred pounds but by having lower overheads, it will mean as you earn off your first few jobs, you'll have more to invest in the company.

What benefit is there to your company if you go out and get the best PC, the biggest office with a couple of secretaries and some flash car? In reality you're more likely to struggle as you'll be setting off on the back foot. Make sure you carefully weigh up any purchases, perhaps by categorising them into i.e.:

- Need
- Would improve work capacity
- Would like, could perhaps improve work capacity
- Would like but wouldn't improve work capacity
- Don't need but look, it's cool!

If you've got investment for the company and can afford to buy all the cool kit from the offset, great but it may be a better idea to keep that for a rainy day. Although I've got no proof I've always felt that had I not had to earn every penny we had to spend as a business I would have been far more complacent and so lazy and the business wouldn't be where it is today. Along the same line of thought, I sometimes wonder if I could have done anything differently/better if I did have money to invest at the start and whether it would have got The Site Doctor any further.



And more, discover your minimum required turnover from the beginning. Review it every three months so you are always aware. For example, an experienced three man team will likely require a turnover target of £130k in the first year to take care of wages, tax, NIC, rent, services and equipment. That equates to 13 x £10k projects - no mean feat at the beginning!

Mike A

This is a very good point, it would be worth noting this down in your targets and goals list as it will give you something to focus on. Think of all expenditures on an annual basis, then when you have the annual expenditure you can work it out on a average number of jobs and/or a monthly figure making it feel more achievable.

Targets and Goals

Have a vision - doesn't need details, just picture in your mind where you want to be (personally and professionally). Keep that in mind and you'll find ways of working towards it

Ian Blackburn (Blackburn IT Services Ltd - www.bbites.co.uk)

Do the 'Vision' thing. Sounds corny, but you must have a defined goal, or you may wander off track. Try to make the vision statement business orientated, not technology based. If you can identify a Unique Selling Point, all the better. If not, work on quality and clarity of process, not price.

Duncan C. Ion

There's a sound psychological basis for this (ever heard the adage about mixing with people you want to be like?). It sounds like fluff but get a clearly defined statement of what you intend doing, frame it, and place it where everyone will see it most of the time. Couch your meetings in terms of whether the result conforms to your intention. You will have lots of opportunities that are not really opportunities at all - the method described will keep you on track.

Mike A

Personally I can't stress how important targets are enough. Have a set of personal targets as well as business goals -NOT "Make loads of money". The targets have to be achievable and quantifiable, write them down somewhere as it commits you, you don't need to read them again just as long as they're there.

When setting out I had a few:

1. Turnover £500pm for the first 12months (then rising in year two)
2. Pay off all and any accumulated debts that we had (credit cards etc)
3. Go on holiday once a year
4. Be able to buy and afford to run an RX-8 (long story)

Tick them off as you go and add more as needed, they'll give you focus and drive. I would recommend having a selection of goals including something that would appear to be unrealistic as it will give you something to really strive for. It's also worth telling other people about your goals as in an odd way, it commits you to the goals.

Also, read up on the Chinese concept of "Guanxi". We loosely interpret that as networking in the West but Guanxi is far more powerful. This list is a form of Guanxi.

Mike A



A new one on me that I'll be reading up on tonight! Guanxi (<http://en.wikipedia.org/wiki/Guanxi>)

At the end of the day, a business plan should enable you to visualise your goals as a business which in turn will allow you to focus your efforts. Don't panic about not achieving everything at once, prioritise and attack one thing at a time.

Setting your rates

Firstly check out my previous post about how I suggest you go about set your rates (<http://blogs.thesitedoctor.co.uk/tim/Pricing+Your+Work.aspx>) as it has a great way to quantify your rates with meaning that's also scaleable.

One of the best pieces of advise I ever had was

"Don't compete on price, compete on quality"

The tendency when you start out is to say we have low overheads, so lets undercut the competition, but it's far better to price at what the market can afford/expect and deliver better quality.

Ian Blackburn (Blackburn IT Services Ltd - www.bbts.co.uk)

I agree and this is something that I've only come to appreciate relatively recently. When setting out I decided that the first few jobs would be relatively in-expensive to build on our portfolio, this was a real Catch 22 as I felt compelled to deliver amazing results for next to no reward. This temptation is great when you start out. You end up becoming a busy fool, working all the hours given for little financial reward (which limits potential investment in your company). You end up begrudging your clients and if you were to let it continue I would imagine start offering a lower service, or worse decide that running your own company wasn't a good idea.

We recently re-jigged our pricing structure (<http://blogs.thesitedoctor.co.uk/tim/Pricing+Your+Work.aspx>) while analysing where I felt the business could do better and the only difference it has made is to my happiness, I feel far more rewarded for the work I produce. Interestingly the quantity of work being obtained has also increased somewhat dramatically so don't think that your price will always sway the decision –a lot of the time it's more about whether the client responds well to you.

It's also worth pointing out that higher (not extortionate) rates, aren't always a bad thing, I've lost out on pitches before because we've been too cheap and the client has opted for a more costly company, this isn't always the case but oddly being more expensive often suggests you're better.

Find a niche market with the smallest amount of competition. For example, one of my areas is in identifying website publishers, forming a complete trace and evidence file, then either closing them down, making them amend or dealing with international authorities including Police and courts (so if anyone needs assistance!!!). A looser one is accessibility based SEO. You don't need to cut price in niche markets - on the contrary, income can be higher and continuing.

Mike A

Finding a niche isn't always something you can do when you first set out as until you're within a market you may not know the market well enough. If you do find a niche however, make sure you run a SWOT analysis on it first, it may not be that no-one else has noticed it, it may just be that others have tried and failed –that's not to say that you can't make it work however!

One of the main drivers for running your own business is a sense of 'being in charge of your own destiny'. I started out in 1982 and have never regretted that. Be aware that as you grow the business you also become responsible for others – It's just a question of stepping up to the challenge!

Duncan C. Ion



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It's defiantly one of the best things you'll ever do –I would imagine this still counts even if it goes terribly wrong. I was once told that once you've been self-employed you're effectively unemployable ever again and after having been self-employed for 3 years now I can see what they were getting at. I don't think it's so much from an employer's POV but an employee's, I would find it very hard to give up the freedom/control myself and so will do almost anything to avoid it!

I think this is a nice place to close this article, so in closing I'll say that even if it fails you won't regret trying, it'll most likely be one of the hardest but also most rewarding and filling things that you'll ever do. The worst thing you can do is not try and end up forever wondering what if...



Working from home

When you set out, cutting costs is crucial to your long-term success so working from home is an ideal solution, but is it really a good idea? What will happen when a client wants to meet? Will I ever be able to leave work?

Your working environment

Firstly, make sure your office space is as dedicated an office space as possible, I know it's difficult to spare the space when you live in a 1bed apartment but at least have a desk that allows you to fold away your papers safely. This is doubly as important if you've got kids or a loved one as that will take away the opportunity for them to "accidentally" spill a mug of coffee over your latest proposal.

If at all possible, dedicate an entire room –or even a floor if you can spare it to the business, there are a couple of reasons for this, the first is that you'll be able to rent it to the business and then offset that expense on your tax return, another and I feel more important reason is that you're able to get into another frame of mind when entering that space. I have an office at the rear of our property which is completely separated from the house with the exception of a small tea hatch. I've always felt that this has allowed me to semi-detach* work from home even though they're within the same boundaries. Where at all possible I avoid mixing the two to re-enforce the segmentation.

*You'll never really be able to detach from your business –it's part and parcel of running your own business I'm afraid.

Depending on your personal mentality, having some form of dress code can also help you segment home from work, if you've already got a suit from a previous role, why not wear that while at work, then when you get home in the evening change into your home clothes. This may seem wacky but you're not doing it for others, more so you can mentally detach from work. At the end of the day, you're working from home so you can wear what you like and the likelihood is no-one will know*.

*I was told an "interesting" fact the other day, apparently it's been estimated that somewhere in the region of 30% of home-workers work naked. It's a disturbing thought –especially when you're on the phone to someone you know works alone. Luckily I can reassure you that I'm not in that 30%. Yet.

Have a routine

Have a routine –this is very important, in the same way you would if you were working for someone else, make sure you're in work for a given time and stick to it. Luckily, my better half Stacey has a full-time job which means she is up at 0630 every day for work as it is, I've forced myself to get up with her and get into the office ASAP which has worked well. It doesn't matter whether your routine is 0900-1700 or 1700-0900, as long as you stick to it you'll avoid countless duvet days –remember, when you're not working, the likelihood is you're not earning*!

*Again, this depends on your business model!

It is also worth setting yourself a finish time as part of your routine, you're likely to work over a lot of the time but actually having a time to stop and get your coat gives you a deadline to work towards. There is a great article from A List Apart about working 4 days a week (<http://alistapart.com/articles/fourdayweek>) which is something I'm working towards at the moment.

Being the only person in the office I didn't overly want to leave the office to itself and not having anyone to spend that extra day with (Stacey's at work), I've chosen to make this change in stages. At the moment I'm following Google's example of 20% time. 20% time is something that Larry and Page adopted from academia but in short, everyone is allowed to dedicate 20% of their working week to something that isn't part of their day-job. This may be something they're interested in developing for personal reasons or just an idea that you could profit from.



I've found this to be very beneficial to my working week especially when I'm in the middle of a large project, it gives you a little breathing space which in the past has allowed me to work out issues that had me banging my head against the wall. It also makes the weekend feel longer so you can relax more and prepare for the week ahead.

Having a routine for starting and finishing your day will allow your mind to be in the right frameset and again add another level of segmentation of home and work life. Being able to turn off at a given time and feel that you're able to relax in the evening is very important.

Won't my clients mind?

In a word: No. I wouldn't worry too much on having clients come to your house for meetings as depending on your business, I expect you'll find that the majority of your client face to face meetings will be on site but for those that aren't, why not check out the local hotels, pubs and coffee houses for a suitable meeting place. Find a couple of options and check them out at various times of the day and week so you know what to expect. Are they quiet? Are the tables big enough? Does it portray the right image for my company?

Many local hotels now offer conference and meeting rooms that include facilities like internet access, tea/coffee and other amenities but they're at a cost. Alternatively your local Chamber of Commerce is likely to offer the same forms of facility if needed.

Asides from the work/home segmentation, one downside to working from home is that you will get rather cut off from the outside world. This is fine if you have the need for many client meetings or on-site consultancies but can be tough if not. You can easily remedy this by finding your local coffee shop, gym or pub and take a little time each day/week to get out of the office.

There is a new form of business establishing itself at the moment which offers dedicated office space on a monthly retainer so if you choose to work from home for the majority of the month but would still like to retain a little face-to-face contact with the outside world you could check out the serviced offices. Another advantage of having these offices will also mean you meet other businesses.

Telephony

If you're going to be working from home in the short-term think about getting a business phone number (not your home number) on the cheap. An idea is to create a business skype account that you all share. Get a skype in number and then you have a portable number (you can also get international skype in numbers which will make it cheaper for people to call you from abroad if you are not restricting yourself to the UK).

John Mandia (<http://weblogs.asp.net/jmandia>)

I worried about the telephony aspects too. I didn't like the call quality of voip solutions and was concerned about always being available to answer the phone. How could I ever take a holiday?

I solved it with an outsourced front desk - www.moneypenny.biz

I divert my local number permanently to a 0800 number at moneypenny and pay about £100 per month for a team of very polite ladies to answer all my calls as Active Pixels. I tell moneypenny about the current virtual team, and if a call comes in they route it to the right person (usually working from home) checking first to see if call can be accepted. Non urgent calls to return arrive as an email. Out of hours voicemails arrive as a wav file.

Many clients have commented about the professionalism of the 'girl who answers the phone' and it does create a good impression.



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It means that I can go on a long holiday knowing that the phone will always be answered and either routed to my holiday cover or informed that I'll ring back next week.

Sean Ronan

I've been working out of an office at the back of the house for 3 years now and it's the same telephone line, friends and family know this so when they call and I don't answer, the "Welcome to The Site Doctor" answer machine message doesn't worry them. I've not had any issues with this, the only thing I would recommend is you have Caller Id added and if you can't remember telephone numbers get a phone/display that has a memory for you, that way you can easily ignore business calls out of hours if you so wish.

Remember that when starting out, it's important to keep costs as low as possible and although having dedicated office lines is nice, it can also be expensive. Skype is a cheap VOIP solution however I've had issues with it's reliability for Skype-Skype calls in the past so can't personally recommend it.



Day-day running

Evaluating when it's best to do something in-house and when to outsource it is invaluable -especially in the case of a developer, the temptation to develop all your internal applications is great. Sometimes it's better to outlay £500 rather than spending many hours not getting paid by clients.

Assuming you will have a website, create a secure section that has at least a Corporate Risks & Issues Log, so that all authorised staff can be made aware of the ongoing position of the company.

Duncan C. Ion

If you're starting up with more than one person, having some form of blog is a useful method of conveying this information as it means people can easily subscribe to the RSS feeds and keep up-to-date with the latest information with minimum effort. If you use blog software such as DasBlog (www.dasblog.net) you are also able to have different authors on one portal.

While on the subject of blogs, I would recommend setting up a company blog, or at least a personal blog with plenty of references to your main website. These back links will increase your visibility and hence ranking on Google but it will also increase your company's profile.

I would advise reading my other post (<http://blogs.thesitedoctor.co.uk/tim/The+Scourge+Of+Google+And+Public+Facing+Blogs.aspx>) which overviews what I see as the pros and cons of blogging. As you're here reading this, it's evidence enough as to why you should blog in my humble opinion.

Processes and procedures

Write down the internal processes you need to carry out in order to provide the deliverables. This includes a definition of your development & PM method as well as your sales process. Ensure that you have a set of terms & conditions that form part of your contract with your client base. This should relate to the PM method, defined deliverables and the payment for these – so typically, you might produce design documents for the solution, [get paid], develop & deliver for user testing [get paid] then a final payment on user acceptance. Be clear about the clients' payment profile. I have clients who pay in 5 days, others who pay in 60 days.

Duncan C. Ion

Depending on your background, you may not be too interested in the management side of business but it is very important to have a number of management processes in place, you won't necessarily be able to set these up before you start but as you learn your business, get them in place ASAP.

What sort of processes am I referring to?

Have a client sign an agreement that outlines the responsibilities of both parties (what you're going to do for them and what they're going to do in return –e.g. pay) **before** you start work for them. Make sure you're as clear as possible so you can charge for additional services without the client quarrelling with you.

Depending on the size of the company have the client provide you with a purchase order number. It's best you ask whatever size the company is as it portrays the image that you're dealing with larger organisations but the worst they can do is ask you what you mean. A purchase order number is basically a reference in the clients purchase database letting their accounting department know your invoice is on the way in. In many situations it also speeds up payment. When dealing with larger invoices it's a must because it's the loosest form of guarantee the person you're dealing with has informed their accounts department and had the amount authorised.

After you've had a meeting with a client follow it up a few days later with an email/phone call thanking them for their time, make it relevant to the meeting if you can and word it so it requires



some form of response from the client. Making this post-meeting contact can be the difference between getting the work and not –in the same way making contact with a recruiting company after your interview thanking them for their time can make the final decision sway your way.

Have a dedicated admin day. Initially this can be something you do once a month but as your business grows you'll most likely need to increase this to once a week, as outlined in my previous blog post about setting your rates (<http://blogs.thesitedoctor.co.uk/tim/Pricing+Your+Work.aspx>) you'll probably find around two days a week are taken up with admin type work. People are forever moaning about how boring doing a years accounts is however, if you do break it down to say 2-3hours a week it's a lot easier It's important to remain strict with yourself as there's always something more interesting available ;).

Invoice regularly! Sounds obvious but it's important. Depending on your business model, I would recommend setting a day aside every month which is solely for invoicing. I'm not just talking about sending out invoicing, I also mean chasing invoices as you're bound to have plenty of clients who will delay paying until you really bug them!

Log payments and receipts –this should be part of your admin day but it's worth mentioning again. If you log all your receipts and any payments on a weekly basis it should dramatically save that end of year rush trying to find all your receipts for the accountant, if you do it really well it should also save you a few quid!

Team structure

You've got to have someone who is (or can be) a suit rather than a geek (I'm generalising a bit) - the dev side is "easy" the problem is finding clients, selling to them and getting them to pay the invoices (for that matter, for developers, there's often an issue getting to the point where you do invoice them).

James Murphy

As stated earlier, you need to clearly identify how the final decisions are made. Make sure everybody understands these rules. Write them down [Articles of Association]. Define team roles and responsibilities. You need, at the very least, Sales person(s), Project Manager(s), Developers. Some or all of you can take on some or all roles. Be clear about personal capabilities.

Duncan C. Ion

Having someone who's able to carefully put people in their place and ensure the company is moving in the right direction is important, it's even more important when friendships are involved. If one of you can't cut the niceties and point out the obvious you're more likely to fail from the start.

Having someone who is presentable and can communicate well is intrinsic to getting new business, everyone operates differently but if your new client can't relate to your representative you're unlikely to retain them for very long. As James said, if you can't at the same time tell them to cough up, you'll probably find yourself with a very low cash flow very quickly.

Getting Employees

This is something that I'm approaching at the moment, so it's probably best to add in an article later however there is a very good series of articles on Joel on Software (<http://www.joelonsoftware.com/articles/FindingGreatDevelopers.html>) about Finding Great Developers which is a good start.

The hardest thing you'll face (if you're anything like me that is) is loosening that tight grip you've got on your business. It's taken me 3 years but I'm finally allowing Stacey to take over some of the admin work for The Site Doctor in an effort to lighten my work-load (admittedly I should be blogging less too but hey). Accepting that other people work in different ways is a surprisingly hard thing to



accept when it's your own business. I've already accepted that if I want my business to grow, I'll have to put up with someone else's coding style until we've found common ground.

One final point I'll make here though is (again depending on your business model) you **will** need to get employees at some point so make some form of provision for them. If you don't get an employee and try to do all the work yourself forever your business is capped and you'll more than likely burn out. Someone once told me the perfect business is one that can easily be converted into a franchise.

Business Management

When it comes to business work with your head and not your heart (I'm not saying...be cruel. I'm saying be smart about your business). He mentioned this for techies. A Client/Business is not worried how innovative coding you do, how fantastic n-tier architecture you have, all the latest technologies you use. All he is interested in, is finishing the project as quick as possible so they could earn loads of money. Remember, clients always want the project yesterday. The quicker you can turn around things, the quicker you can earn money. That doesn't mean you gotta rush and give them total pile of crap. The real keyword is "Don't over do or don't get carried away with technologies".

Sunny

Lots of people will give you advice, you can go on many business courses, and read many books, but bottom line is it's your money and livelihood. You are the "pig", the others the chicken (see <http://scrumforteamssystem.com/ProcessGuidance/Roles/Roles.html>) so if a decision needs to be made, take enough advice, sleep on it then go with your gut instinct. If you get it wrong, learn from the experience and move on. (This strategy once cost me £10k directly but I have made much more from the good decisions over the years, and I won't make that £10k baddun again!)

Ian Blackburn (Blackburn IT Services Ltd - www.bbts.co.uk)

Well put, you need to be able to fall off your bike and get back on again so to speak, you **will** make mistakes and if you don't I doubt you're taking enough risks and so will just end up ticking over, there's nothing wrong with making mistakes as long as you can learn from them and move on. Listen to your gut instinct and as soon as it turns sour pull out!

Taking an all -or- nothing approach to things, giving it everything you can/need to until the point that your instinct says enough and then cut it off straight away is important.

Specific advise, be careful about discussing new projects, I once tried to raise venture capital, and found the venture capital guys I went to ask for funding, set up the idea themselves a year and a half later. So just because they've got a suit and fancy office don't trust them and if you're looking at any new projects cover your IP well.

Mickey Puri (IVTelecom - www.ivtelecom.co.uk)

Be careful, but don't let your project or company suffer as a result of being prudent. If you're going to talk to someone that's in the position to do what you're proposing (i.e. they have the skills or can buy them) at the very least have them sign a non-disclosure agreement to give you a little backup. If you're really worried, prepare your material so it gives them the minimum amount of information required for their input and explain your reasons for doing so.

Either way, if you ever discuss a project with someone else (even internal employees) there's a chance it'll get stolen. The best advice here is learn from it and move on. If you want to pursue the matter in the courts weigh up whether it will be at the cost of the detriment of your company and/or image.



When I first set out, I had to take a client to court and cutting a long story short settled out of court because I calculated the rest of the time I would spend preparing for court would cost me more than I would be awarded. It's also worth noting that if the amount is below a threshold (if I recall correctly £5000) you can go through the Small Claims courts which saves you a lot of expense and agro.

Action pack or Empower

Easy, action pack you can have more or less forever 'til ms changes its mind and includes SBS Premium which is handy - if you're a multi person business based on MS products its more or less a no brainer (you get 10 licenses for Office for a start).

The empower stuff is rather different - you have to be looking to produce a product and it only lasts two years max (from memory) - of course its a full (or damn near) MSDN sub so its highly desirable as a pro sub is £800 every two years and has nowhere near as many goodies (though most come with the action pack as above).

Equally DO spend the money on things you need - dev hardware, licenses for tools a decent server and printer. I worry about telephony too (this is something we're struggling with because we keep putting off solving it properly...)

James Murphy

Well - I'd say empower leading to certified (and maybe gold partner) - many benefits, great value. Empower requires you to sell an off-the-shelf package from your site within-two years, so can't be a bespoke web app, but you could probably write some small game/utility and sell that from your site to qualify...They don't vet the app at all AFAIK, it just needs to have been "announced"

We have had good success with this route (though we do have a real product), and are currently experiencing some good leads from MS as a result, and have some good relationships that are starting to bring real value to the business.

So I guess it's whether you just want a quick way to cheap licenses or want to build a partner relationship with MS.

Ian Blackburn (Blackburn IT Services Ltd - www.bbts.co.uk)

New Business

Call me a sceptic if you like but once you've been in business for a while there are two common elements to pretty much every new client:

1. Every client's idea is going to be the next big thing (in their eyes anyway).
2. Every client has so many contacts that they'll generate you more business than you can possibly handle

Both statements are usually used to encourage you to give them a bigger discount or agree to some form of partnership. I'm not saying you should immediately dismiss what they're saying, the best business comes off personal referral from a past client but instead take it with a pinch of salt.

Don't feel that you need to agree to any partnership etc on the spot, go home, have a drink and then weigh up whether you feel what they're saying can be backed by what you see or whether it's likely to be a load of baloney. You really should look at every client as a long term relationship rather than a one-off squeeze.

While on the subject of investment partnerships with clients I think in the right situation they are a superb idea. Since setting up The Site Doctor we've setup a number of investment partnerships with our clients which have in some cases been very profitable, others not so. The trick is to form your own opinion, if the client suggests you do all your work for free and they'll invest their time, ask



yourself why they don't have faith in their own idea to invest any capital. Sometimes they don't have the capital ready and it's a great idea, sometimes the investments can be quantified equally through doing this just don't let them talk you into something your gut says is wrong.

What I tend to suggest in the case that they can't raise the full amount for your services is suggest a part share, part capital payment but again you must decide how much the shares are worth. It does take a little time to investigate someone else's proposed business but you'll be kicking yourself if you don't!

Once you decided whether or not to invest your time and you've negotiated the best deal you possibly can make sure you get it down in writing. This is very important and we've been caught out with this in the past. We had a client who suggested a 15% turnover share for the first year to cover 50% of the development costs. We negotiated over email and had the agreement written down, where we were caught out however was with a misunderstanding on our behalf -we assumed that we would get 12 monthly commission payments but what wasn't clarified was the client offered the first month of subscription free -so straight away we were down to 11 months. Then thanks to WorldPay, the first payment wasn't received until 2months after the customer paid which meant we only received 10months of payments -luckily we've got good relations with the client and it was resolved amicably.

So if you're going to go into an investment like this, make sure all the cards are on the table otherwise you may not be as lucky as we were! Before finishing this point, I personally wouldn't agree to a profit share on the investment without having a breakdown of all the expenses otherwise an unscrupulous client may over-inflate the expenses and so reduce your share.

Approach a client with some form of prototype rather than I can do this, I can do that. Show them some form of prototype, lure them in and then nail them and start milking money. I know it sounds ruthless but business is ruthless. When I meant nail them and start milking money... I meant "Customer satisfaction should be your motto" and recurring revenue is today's gold then tomorrow fortune.

Sunny

Having a portfolio is a great start, depending on your industry this may not be possible. If you're starting out and have no portfolio (and have time) then why not generate a few mock-ups of your work, don't spend too long generating them and they don't need to be perfect working examples but people do tend to respond better to something they can touch/see.

Networking

You don't actually need a website to win most SME web project business if you network right - which is very very sad. I really must get my act together - it has been 3 years now. It does prevent me from winning the 20k+ deals though!

Sean Ronan

The classic phrase of "it's not what you know -it's who you know that matters" couldn't be truer. When I setup The Site Doctor I was lucky to have some excellent contracts through a good friend Vladimir Srdanovic, though previously a developer he felt that he no-longer wished to develop but instead just generate new business. I was keen and ready to develop on a mass scale so teaming up made sense.

If you're not lucky enough to have someone like Vlad within your midst already then networking is an ideal way to generate new business and as you grow will become invaluable, whatever hang-ups you may have (age, gender etc) don't let them come into the equation.

Your local Chamber of Commerce will most likely host events, the fee depends on your local Chamber of Commerce, but the Birmingham Chamber of Commerce for example charges an annual fee, after which the majority of events are free to attend. We were a member of Birmingham Chamber of Commerce for a couple of years however last year we opted out because of the



mentality within our local chamber. On reflection I would probably opt to try more dedicated events such as those run by dedicated networking companies but be prepared to pay through the nose.

Don't forget that networking isn't just about making useful contacts to sell to, it's also a chance for you to meet your competition and other people involved in your industry. I've been meaning to find time to setup a new media type networking group up in the Midlands for a while but I believe the Multipack does pretty much the same thing as I was proposing.

Meeting your competition and others involved in your industry is also useful because they may be able to throw you work that they're not able to undertake for themselves, for instance you'll find many design agencies have a mutual agreement with a development company in place by which they pass web development work to their partner and vice-versa.

It's also worth noting that networking is no-longer just a face-face meeting event thanks to online networking sites such as SoFlow and LinkedIn to mention a few, getting involved in these online communities may not generate any business directly but will again give you the opportunity to promote your business.

As time goes by, you'll be surprised where your business will come from –always be pleasant to people and whenever possible have time for people as they're bound to thank you in one way or another later. It's always worth thinking long-term with any new contact, they may not contact you straight away but get in touch from time to time and you never know what may come of it.

When you're at a networking event –in fact anytime you could bump into a potential client make sure you have plenty of business cards available with you. The best thing you can do to save fumbling through every pocket trying to find a card is to have 5-10 cards in each pocket (yes EVERY pocket!). That way no matter which hand you reach with you'll quickly find a card. For those times you're not expecting, keep a few cards in your wallet too or perhaps attached to the back of your phone* -basically with anything you take with you everywhere. Keep the supply refreshed too, I've been caught out before and you may just miss a great opportunity!

*I've not tried this but it's a thought!

"Keep your hands free" -that was something I was told by a networking advisor and has always stuck with me and it makes sense, they always have a lot of free food/drink at these networking events so avoid the rookie mistake of piling a plate high of food and taking a glass of wine in the other hand –how will shake hands on introduction? Have a small plate of food and/or a glass of wine* –it keeps at least one hand free to shake hands with or hand out business cards!

*Some events shell out on fancy clips that hold the glass on the side of your plate but don't get me started on those! Just don't try is the best advice I can offer there ;)

Find complementary companies you can work with and cross-sell your services. e.g. Hennie has a support business but no developers, perhaps some of his clients need dev work (in turn some of your clients may need support services).

John Mandia (<http://weblogs.asp.net/jmandia>)

Fantastic tip! This is something that we do but haven't pushed a great deal –a while ago, The Site Doctor teamed up with a Bristol based Mobile Development company called Mobile Pie, I grew up with one of the owners Richard Wilson while at school and felt that his services complimented ours. By teaming up we're able to offer a broader set of skills without taking on additional cost. By reselling their services you can also start making money without needing to do all the work.

Along the same lines, if you're going into web development, identify and be-friend good/great design companies, if you're able to get 2 or 3 design companies on your side then you'll probably find they'll bring enough work to keep you busy all year around.

Meetings

You'll find your own style of meeting once you've had a few meetings with your new clients and the format of these meetings will obviously depend on your business sector but here are a few (some obvious) tips to having a successful meeting.



Before the meeting

- When arranging the meeting or at least before the meeting contact the client and ask them whether there is anything specific they would like to discuss.
- **Prepare!** It's probably best to think of a meeting a little like a job interview, before your meeting do your research into the company.

The day before

Get everything together the day before your meeting, if needs be have a list of all the items you need to take with you and tick each one off. At the least I would get together:

- A pen and pad of paper (make sure there's ink in your pen!)
- Contact details of the client –I would write these on paper rather than just relying on your mobile
- Directions to the client
- Any supporting documentation for the meeting
- Whatever you plan to wear. Deciding what you're going to wear the night before the meeting saves time on the day and ensures that you're not left needing to iron your shirt 10 minutes after you should have left...

What should you wear?

What to wear comes down to your personal feelings and what you feel is appropriate for the client. When I first set out I would wear a suit to every meeting as I felt it was what was expected of me –I expect this came partly from the fact that I went to a public school but also from the image I had portrayed in my mind but choosing what to wear isn't always that cut-and-dry.

More recently I've been going to meetings more casually dressed, this is carefully judged however from my research of the company before the meeting (or after the initial meeting) but I've found that when dealing with SMEs –especially when you're dealing with the founder of the business people seem to respond better. Wearing smart casual clothes also portrays the image that you're comfortable with yourself and confident in what you're doing.

Steve told me an interesting story about one of his friends who runs a very successful industrial heating and air conditioning company. This guy has a phenomenal turnover (his average contract is into 6 figures) but said that he soon realised he got most of his business when he turned up in a dirty boiler suit. His theory is that his clients feel that he as the MD is not afraid to roll up his sleeves and muck in.

That's not to say however that there's no place for the suit! I still wear a suit to corporate clients as it's what's expected, I love wearing a suit I'm just saying wear whatever you feels right for the client and industry.

On the day

- Be yourself, what you wear is crucial to this, if you don't like wearing a suit or jeans then don't. Getting a new client is all about being able to bond with the client, feel comfortable in yourself (and not putting on a front) and you'll find it a lot easier to find some common ground. You'll also find that people can see through you if you're putting on an act, if this is your first meeting, that's not a very good way of building your trust!
- Get there early. 10 minutes early is sufficient, if you get there earlier, wait in the car or around the corner but whatever you do, don't be late. Yes you could argue that it's because you're so busy, but I feel it shows that you don't care about the client more! If you're going to be late due to i.e. the traffic, call the client and let them know 30 minutes – an hour before hand (with mobile phones you don't have an excuse now!)



- Have fresh breath –nobody likes talking to someone with smelly breath and if you're up against a couple of competitor companies you certainly want to be remembered but **not** as the "guy with the bad breath". Keep some chewing gum, mints or even mouth wash in your car or laptop bag
- "To Tea or not To Tea" that is the question! I've found this can really disrupt a meeting if it's a one-man-band. When the client asks if you'd like a drink, best respond something along the lines of "only if you're having one" –if they walk in with a fresh brew you don't want them to waste 10 minutes of your scheduled time making you a drink when you could be selling!
- Make notes. When you get into the meeting, open your notepad to a fresh page, head it up (client name, date, attendees etc) and leave it open with the pen/pencil ready to use. Pay attention to the client, remember what you can but if there's something you feel is important write it down –all too often I've got out of a meeting, intending to make a note of something I've forgotten! Don't make the same mistake. Make notes about the little things, names of the client's family, birthdays etc as it will allow you to personalise future correspondence.
- Listen to what the client is saying. I can't stress this enough, showing an interest in what they're saying is important as the client is bound to give you lots of useful information –not necessarily about the job in hand but perhaps information you can use to your advantage later i.e. knowing they don't like Whiskey would come in useful when sending them a gift.
- Don't invite distractions to the meeting. I've decided against taking a laptop into meetings these days because they make the meeting very disjointed and it's often unneeded – especially in the initial client meetings, opening your laptop screen between you and the client is like erecting a large wall between you! Make sure your phone/BlackBerry/PDA is turned off and any.
- Thanks to Mike A: Try to avoid talking business for the first 10-15 minutes of the meeting, use this time to talk about anything else possible. Look around the room and pickup on anything you can use as a talking point –perhaps it's an example of their product or a family photo.

After the meeting

Whether you consider it successful or not make contact with the client after your meeting thanking them for their time and remind them of any information they're meant to send you and/or any tasks you'll be doing for them.

Client and Supplier Relations

Try and build long term relationships with customers. Although a developer, I also run a small company and use contractors time to time as can't do it all in-house, and I really am bothered about technical design and scalability etc but perhaps that's my dev background coming thru.

Mickey Puri (IVTelecom - www.ivtelecom.co.uk)

Personally I think having good relations with all your clients is incredibly important. As I've said several times in this series of articles already, the best business comes from referrals, **never** underestimate the value of a good word. It really must speak volumes when a potential client contacts you and you're able to say "look through our portfolio and feel free to contact *any* of the clients listed for a reference".

Having excellent client relations isn't really hard, give them an shining service, keep it personal, be open and honest and keep in contact after they've paid, I don't mean call them up and talk for hours everyday but drop them an email or a call once in a while asking if there's anything you can do to help them and if you supplied a service or good to them such as a website ask whether it's still meeting their needs. Making this little effort can often land you more work as there are numerous times I've contacted a client to say hi and they've said "Oh hi Tim, I've been meaning to call you



about xyz for a while"... Remember that your clients are no-doubt just as busy as you so make it easy for them to contact you.

The theory behind excellent client relations is that a happy client who has received an excellent service will come back -and- refer you to other clients. An unhappy client however who feels they have had a poor service will not only not give you their next piece of work, but they will tell a number of other people about the bad service they received. Someone once told me that 8 happy clients may refer you to one other client by one unhappy client will let 8 other potential clients know!

If you've had a good service, let them know. All too often people are quick to criticise and point out the faults with any given situation so thanking someone for a good service is a real breath of fresh air, it can really lift someone and make them feel that all the hard work and effort that they have put into the product and/or service given to you has been worth it. Remember that even if they're a supplier, they may very well need your services later down the line and taking a little effort to thank them will go along way!

Be a professional and don't give excuses. If you think the project won't be completed by a given date, then warn them about it earlier rather than later. Be honest about any technical issues and how you intend to solve it.

Sunny

Absolutely, I feel karma has a lot to answer for in business. At the end of the day, you're the boss, if you're seen to be open and honest with people, they're more likely to respond well, as your parents have probably always said, honesty is the best policy. If you've got a technical issue you may find they have a solution to it that means less work for you. If you call them to confess to some service downtime before one of their clients tells them, that's got to be a good thing!

Christmas Cards/Gifts

I like sending out cards and I think excellent client relations are very important but every Christmas I hit the same question "What should I do this year?" Each year it generally ends up with me doing nothing but this year I actually got my act together and sent out a couple of gifts which seemed to go down well.

Steve, my father-in-law has a client that makes luxury hampers and he recommended I contact them to see if they could help as the hampers were pretty darn impressive, he was right. The issue I quickly realised was however, who should I send them to? Some of our clients only bring in £20-30pa which didn't really justify a £20 hamper. This year I had already decided which clients I should send to, but while doing my books I noticed a couple of other clients that I would have liked to send them to so in-line with my current business reforms we came up with a system of grading clients which I think will work well for next year.

It's quite simple really, work out the turnover and profit generated by each client/contact you have and grade each one. For instance, you could spend £10 for every £1000 of business the client/contact brings. I wouldn't stick strictly to this however as you may have some lower profit clients who you enjoy working with -don't be stingy, it's Christmas!

Then you have the issue of deciding what gifts you would like to send out, the first year I was going to send out a few bottles but a friend said that it was tacky and over-done (especially in the city) so I didn't bother. Try and make it relevant to your company and different i.e. [Cocoa Creative](#) this year sent us a bar of chocolate wrapped in pink paper, I thought that was cool, Stacey thought it was tasty. Either way it got them a mention here which clearly means I'm thinking about them...

A word of caution: before sending out extravagant gifts to your client it is advised that you check any restrictions that may be in place on the total value of gifts allowed. I say this because there is a limit imposed on the value of any single item for doctors -at one point drug reps were giving away holidays for doctors to use their product over another so it may also apply to other industries as well.



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I keep referring to clients and contacts here because I would thank anyone that generates your business more work, it's a great situation to be in if you've got several mini-sales people!



Finances (VAT, Accountants etc)

Billing

This is something that we're in the process of re-working as we have a variety of billing periods ranging from ad-hoc to annual. This is fine as long as you have some method of determining which method a client requires.

Stacey has devised a very good suggestion that should also avoid any complications with large annual invoices:

- £0 - £300: Invoice Annually
- £300 - £600: Invoice Bi-Annually
- £600+: Invoice Monthly (£50+pm)

There are a few reasons I like this method:

1. You won't upset your client by sending them a £500 invoice they'd forgotten about
2. It keeps you in contact with larger payers more frequently
3. For the larger invoices it reduces the impact to you if the client chooses not to pay
4. £50pm+ is sufficient an amount to justify the 10minutes admin a month

Payment periods are important, make sure every invoice has a payment period on it but don't expect your clients to adhere to it. You'll learn what each particular client is like at paying as you build your client base but many will wait until the last payment date to pay, if at all until you start to bug them (see: Processes and Procedures about having a dedicated admin day). Having a shorter payment period (or Payment Required on Receipt) will allow you to start chasing the client sooner.

What should your invoice look like?

There are a lot of example invoices on Microsoft's Template website (<http://office.microsoft.com/templates/>) but it's simple, keep them simple (this is a nice example: <http://office.microsoft.com/en-gb/templates/TC062071081033.aspx?pid=CT101172551033>) and only contain the information you need. Have your designer design you a nice letterhead that you can use with your invoices, not only does it look more professional but it ensures your main contact details are contained on the invoice, if your letterhead is a little different you never know, they may pay it faster as it catches their eye!

Again it depends on your particular line of business but I would suggest you have the following information on it at the minimum:

- Their address –and if it's a corporate client include a contact's name to ensure it lands on the correct desk.
- An invoice reference (an auto-number should suffice but you could prefix this if you like)
- If you have it, the purchase order number
- The date your invoice was issued
- The payment due date
- A summary of the items included on the invoice including:
 - An SKU (if relevant) i.e. 1HOURDEV for 1 hour of development work
 - A narrative (description) of the item
 - Unit cost of the item
 - Quantity of the item



- Line total
- Total amounts –if you're VAT registered, include the amount with VAT, without VAT and the VAT itself
- Your payment terms (i.e. all invoices must be paid within 14 days)
- **You payment details** –sounds crazy but I see so many invoices without bank details or even information on who to make the cheque out to anywhere. It's so simple to place this information on the bottom of the invoice, why make it harder than it needs to be for your client to pay you? If it's not there, they need to make contact with you (if you're around), you then need to look up that information, they then... ok you get the idea ;)

It's obviously optional and up to you but I think it's nice touch to thank the client for their business on or with i.e. on a complimentary slip the invoice (see: Client and Supplier Relations) –yes, I love my clients!

Accounting

Buy an ACCA textbook and read it. You need to know about the tax system and how it works. ACCA is the best. Then go and find a good accountant.

Jos Vernon

I'm not an accountant myself but my (far) better half Stacey is a chartered management accountant with CIMA (an alternative to ACCA) and I ran this past her as I had concerns with it. Her response was rather than obtaining (expensive) textbooks that you're unlikely to understand (I've seen them, I can understand them but they're somewhat boring) the best thing you can do is read through the documentation from the Inland Revenue –mainly because as soon as that textbook is printed it's out of date which can (obviously) have massive re-processions for you!

There are many different accounting bodies and they all have their own specialities. It's important to understand that a Chartered Management Accountant can't necessarily help you with your tax return, in the same way a taxation specialist can't necessarily help you with profitability analysis (whereas a Management Accountant can). One amusing ditty about Chartered Accountants (and I expect this covers other industries with multiple bodies) is that they all feel their chartering body is the most superior whereas they're probably all much the same.

It's important to remember that it's the same as your industry, it's great that the client knows what you're talking about but it's highly unlikely they know as much as you.

Get a good accountant. You're probably on a budget but there are affordable ones out there. A good choice is someone who has recently started but has lots of experience (so it's in their interest to build a good relationship and they don't charge the earth). A good accountant can help you out with the paperwork related to your business and free up some of your time to get the clients in (a bad one can do the complete opposite).

John Mandia (<http://weblogs.asp.net/jmandia>)

Get a fixed priced accountant, not one that charges in "6 minute units" (only accountants can come up with such a thing!)

Ian Blackburn (Blackburn IT Services Ltd - www.bbts.co.uk)

...or a part-time booker who knows their onions. Cheaper, more loyal and usually more effective.

Mike A



Again from Stacey, any accountant worth their money will save you more than they cost you, as with many things in business – recommendation is key, ask around friends and family or fellow businesses to find a reputable accountant and if at all possible get a few references.

There are many accounting bodies out there (CIMA, ACCA, CIPFA to mention a few) but make sure when choosing your accountant that they are chartered in some way or another as this means they're more likely to be up-to-date with their knowledge and to some extent being regulated. When you're setting out, you should be able to have all your books done for under £500pa comfortably.

Don't get paranoid about tax. Yes it's a big issue. However ultimately the best way to increase your income is to make more money.

Jos Vernon

VAT

The Inland Revenue are surprisingly helpful. The VAT people are superficially scary but actually a really good bunch. If you're nice to them they will help you. And unlike the banks they actually know what they're talking about.

Jos Vernon

Should you go VAT registered or not?

When setting up The Site Doctor, I chose not to go VAT registered on the basis that the majority of our start-up contracts would be non-VAT registered companies. As it turns out I was wrong as every man and his dog these days is VAT registered but more than that I feel that many businesses perceive non-VAT reg'd companies more fly-by-night.

Most people (especially in business) expect companies to be VAT registered so it hasn't affected potential contracts and we have the added advantage that we can claim money back ;). Sadly, the only people that suffer are non-registered people and at the end of the day they're unlikely to have the money to justify you not going VAT registered.

One thing to note if you're setting up as a team is **there is a limit on the turnover of the company at which point you are forced to be registered**, this year (06/07) the limit was around £65k (refer to the Inland Revenue's website) so if there's 3 of you in the team and you hope to take home £20kpa you'll need to go registered straight away.

You don't need to be over the threshold to be registered as you can voluntarily register before you reach this threshold. There are a couple of benefits to voluntary registration that come to mind:

- The perception of your company's earnings is increased. When not registered, your clients will know you have a turnover lower than the current threshold. This is not a good start when approaching clients with a proposal near over this threshold.
- By charging input tax to your clients, you can claim some money back, virtually ever purchase you make has VAT added to it which you can offset on your charges.

One flipside however is the additional administration work.

Once VAT registered

Set up extra bank (savings) accounts to hold VAT and Corporation Tax if registered as a ltd company. You MUST religiously put the VAT element of every payment straight into the VAT account. At the end of each quarter you have a) the money to pay the VAT bill and b) usually some left over due to the VAT on your expenses.

DO the same (if you can) for corporation tax. It's harder to put 20% away each time so I usually do a quick calc of income vs expense and put 20% of the net away each month. My corp tax is due end of this month and the money has been sitting there accumulating (with interest) all year to pay for it.



Sean Ronan

Yes, a great tip and this is so easy to do if you've got access to internet banking through your bank, it also means you have a nice nest egg at the end of each year as Sean said -I did the same with my personal tax before going VAT registered.

In the case of LloydsTSB they allow you to manage both accounts within the single login which makes it even easier, if you want to be really prepared, just halve each invoice, put one half in your savings account to cover VAT and Taxes etc and the other half is what you take home.

Having a little money totting up on the side in this way allows you to have either A nice little Christmas bonus (by this time you should know what your tax bill is going to be and you'll have a reasonable idea of your Quarter 3 VAT return) -or- A tidy sum to invest into the business someway ☺

Also the VAT on expenses in the period running up to VAT registration can be claimed back, it may be 6 months - my first VAT bill was a credit, due to the expenses on hardware, software and start up costs.

Sean Ronan

We recently registered for VAT and the official stance on claiming VAT back was:

3 years on goods (hardware etc) as long as on the day of incorporation you still have the item, receipt and you've not sold it on.

6 months of services (hosting, domains etc) as long as you have the paperwork.

I was told that the Inland Revenue think nothing of start-ups and businesses in the IT sector to have a very low (or credit) first return (and if you're going registered from day one then the first few returns) due to the cost of setting up.

For the latest up-to-date information check out the Inland Revenue's website: www.hmrc.gov.uk

It really is easy. It seems VAT accounting is often quoted here as a reason for getting an accountant involved - it just isn't.

Andy Henderson

I couldn't agree more, when you're small, set aside a day a week to input your expenses into a database and as long as you've got your invoice lists to hand totalling up your income isn't hard, the form's dead simple (see photo) so there's no need to worry about that. I've even uploaded the MDB that we're currently using as a stand-in while our accounting system is finalised.

While on the subject, in-house system development -choose it carefully, weigh up the costs of doing it yourself against buying an off-the-shelf solution. As a developer it's all too easy to say "I'll do it myself and save a few quid" -it's not always the case, I'm only having ours custom built so I can tie it in with other areas of the business.

(See the online article for the account database and scans of a VAT return:

<http://blogs.thesitedoctor.co.uk/tim/Business+Startup+Advice.aspx>)

Banking

Think about how money gets from your company to you. I'll suggest something which should work (based on my experiences a couple of years ago). Run your company taking up to about 35K each year in income as dividends (minimizes your NI contributions and keeps you in the lower rate tax bands). Anything in excess of that stays in the company. You can either keep the money there as a source of income. Or if you make it big you can close the company after three years (you can always open another one) and take the income as a capital gain. Because you've kept the company for three years you qualify for 75% taper relief on the gain. So you don't pay tax on



the first 8k or so and you only pay 10% on the remainder. The money in the company has had 20% tax paid on it so the effective rate of tax is 30%. It's not as good as the 35k pa - 20% rate but it's a darn site better than the top rate 40% you might have to pay if you just gave it all to yourself.

Jos Vernon

Whatever you do, make sure you have a separate business account, it portrays a more professional image for your company (payments to your company will be addressed to your company name rather than your personal name).

Make gross payments into your private pension plan from the company to reduce your corporation tax

Alex Homer (Stonebroom Ltd - www.stonebroom.com)

Keeping up a pension is important, talk to your accountant about the options available to you. It's also worth considering alternative pensions such as property investment. I know a few business owners that own the property the business operates within.

Don't be seduced by the banks. They pretend to know lots about small business. However ultimately they do this in order to get your confidence and hopefully extract money from you. I've never had any useful advice from anyone in a bank. Personal accounts offer a much better rate of interest than business ones so don't be afraid to keep business savings in a personal savings account, though you must be sure to talk this through with your accountant to ensure that the division between your money and that of your business is sufficiently clear for the Inland Revenue not to get all paranoid.

Jos Vernon

That's a fine tip, using a personal account for your company savings can indeed earn you an extra 3-4%pa which soon adds up. Make sure however it's a separate personal account that you don't tap into and don't top-up with personal funds. That way you'll make life a whole lot easier when calculating the business' income from interest.

Abbey do a good business account with no charges (if you stay within a quota which should be fine for you guys) www.anbusiness.com.

John Mandia (<http://weblogs.asp.net/jmandia>)

LloydsTSB also offer an e-banking option which is exactly the same as all other accounts except electronic payments (debit cards, e-pay etc) are free, paying in cheques however still costs (and a little more if I recall correctly). It's a good account to have if you're web savy and can do the majority of your banking online.

If you anticipate needing an overdraft facility in a year, go to the bank when the accounts look healthy and explain your plan. Much better to negotiate from a position of strength than accept the defaults because you are desperate for cash.

Sean Ronan

Good point, the banks love you when you're doing well however expect to be charged for your overdraft -many banks now charge a (reoccurring) annual charge of £50-100 for your overdraft facility, it may be a better (and cheaper) option to loan the business from your credit card if needed -taking advantage of the 0% period etc.



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In Closing

Many thanks for taking the time to read this article, I hope it wasn't too overwhelming for you and more importantly I hope it will act as a useful reference for you in one way or another in the future. I'd love to hear from you if you're thinking about going it alone (or already have done) or even just to hear your thoughts on some of the points in this article.

As mentioned at the beginning I am planning on adding to this series of articles over the coming months (and I hope years) with other information I feel is of use to other people in a similar situation so make sure you keep an eye on my blog for future updates!

If you've got something you feel this article would benefit from please let me know and I'll get it added!

Again, if you're thinking about setting up, I say do it, you'll quickly realise that there will always be a reason not to make the leap but until you do take the plunge so to speak, the one thing you won't realise is that there is never a better time, sometimes you've just got to get on and do it!

Here's to your success!

Tim

As long as you learn from something that "didn't go right", there is no such thing as a mistake. It only becomes a mistake when you don't learn from it.



Useful References / Links

The following links may also be interest to you:

- timgaunt@gmail.com -An email address you can use to get in touch with me
- <http://blogs.thesitedoctor.co.uk/tim/Business+Startup+Advice.aspx> -This PDF on the web.
- <http://blogs.thesitedoctor.co.uk/tim/> -My blog where future posts can be found about anything from business to my life.
- <http://www.thesitedoctor.co.uk/> -My company's site.
- <http://www.startinbusiness.co.uk/> -This should be one of your first ports of call, there is a huge amount of information available on pretty much every topic you'll ever need.
- <http://www.businesslink.gov.uk/>
- http://workalone.co.uk/mailman/listinfo/wauk_workalone.co.uk -The WAUK mailing list
- <http://www.mswebdev.org.uk/> -The MsWebDev List on which this article was based on, full of interesting people chatting about development on the Microsoft platform
- <http://www.under-score.org.uk/> -underscore_ is a collective of individuals working in New Media in and around Bristol.
- <http://lists.evolt.org/> -Discussion list for designers, developers, and web managers working to make the web a better place for all!
- <http://www.multipack.co.uk/> -The Multipack is a community of multi-talented individuals from across the Midlands UK, that come together to discuss all the things web and share their knowledge, skills and talents.
- <http://www.soflow.com/> -Soflow an online business network.
- <http://www.linkedin.com/> -LinkedIn is another networking tool that helps you discover inside connections to recommended job candidates, industry experts and business partners.
- <http://www.whichwebdesigncompany.co.uk/> -[Which Web Design Company](http://www.whichwebdesigncompany.co.uk/) is an independent website allowing clients who have used a [web design company's](http://www.whichwebdesigncompany.co.uk/) service to rate and review them.
- <http://www.hmrc.gov.uk/> -[HM Revenue & Customs](http://www.hmrc.gov.uk/)
- <http://www.chamberonline.co.uk/> -[The British Chamber of Commerce's](http://www.chamberonline.co.uk/) main website.

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Feedback

I'd very much like to hear your thoughts and ideas in regards this article. If you have anything you would like to share with me, either complete the form below (thanks to Peter from JPSnet for that suggestion) and return it to the address above or leave a comment on my blog at:

<http://blogs.thesitedoctor.co.uk/tim/>.

(All information is optional)

Name: _____

Company: _____

Address: _____

Self-employed status:

- Taken the leap, run my own company
- Have taken the leap but no longer working for myself
- Thinking about it
- No intentions at present

Did you find the article useful?

- Yes No

Any comments/feedback

(Continue on another sheet if needs be!!)