

The Entrepreneur's Handbook

Starting your own business can be an exciting — but intimidating — prospect. We ask the heads of four companies what they've learnt on the way up.

Words JESSICA SIER Illustrations NIKI FISHER/THE ILLUSTRATION ROOM

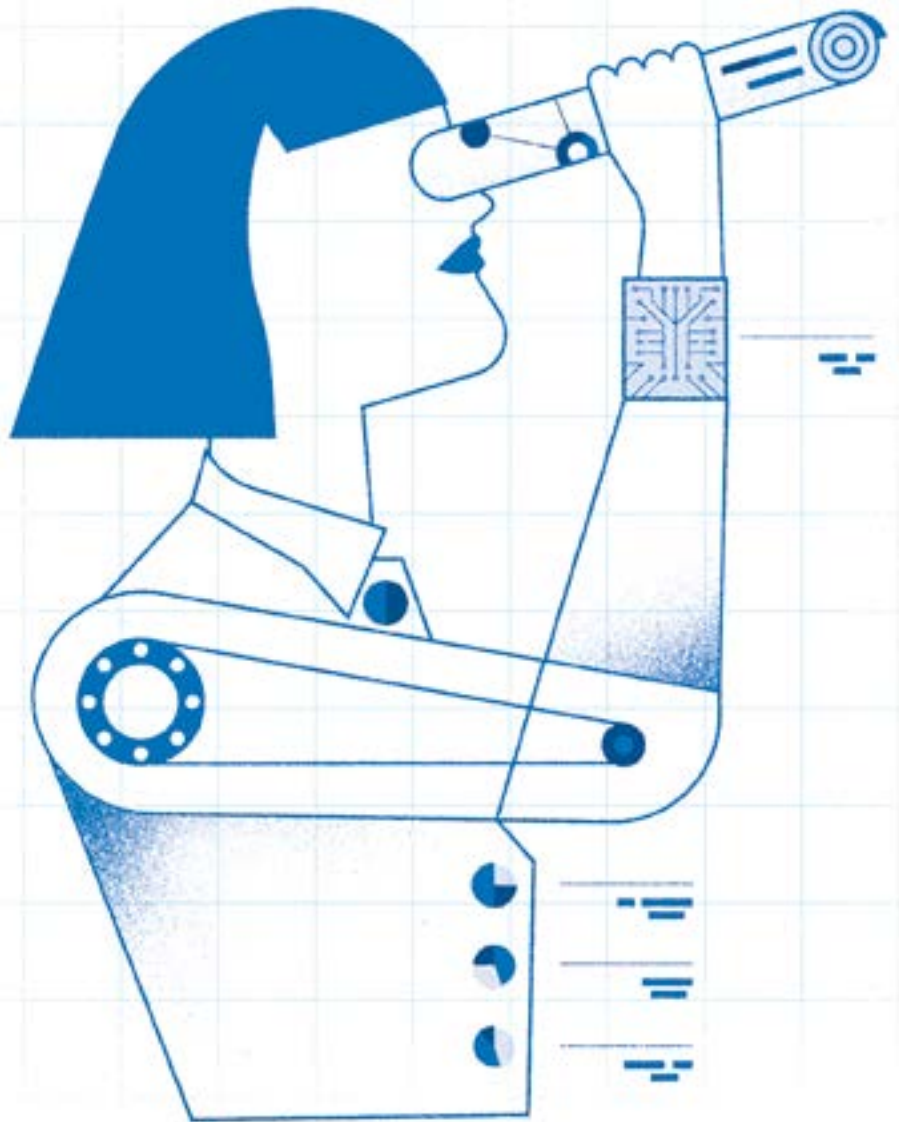
There's a popular saying in business — 'in order for opportunity to knock, you must first build a door'.

Deciding to establish a business is about much more than wrapping your head around cash flow, profit margins and staffing.

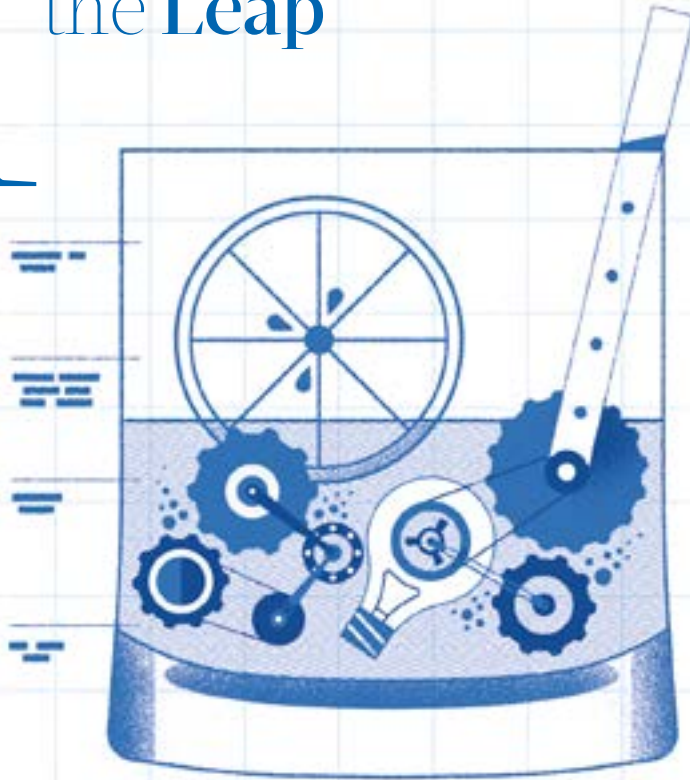
The journey can be about identifying just where your ideas fit into the broader community and also how you can offer something unique and useful to an ever-evolving and interconnected market.

"A business is like a living, breathing thing," says Peter Mills, the author of a series of books called *The Leadership Framework Series* and, most recently, this year's *Make It Work! How to Successfully Implement Your Business Strategy*. "And you are the 'heart' of the company, so take some time to establish what you'd like out of it and how much of yourself you're prepared to inject in."

It can be an exciting process, but before you head down the path to blistering business success, it's worth taking stock of just how others have managed their growth paths and put yourself in the mindset to learn. ➤



1 Take the Leap



Poor Toms Gin was birthed in the confines of a dilapidated warehouse in Marrickville, a suburb in Sydney's inner west. The venture's founders, Jesse Kennedy and Griffin Blumer, were growing tired of their careers in finance and theatre respectively, when they discussed starting their own gin company.

"We practised drinking gin in order to establish that we appreciated the product," says Kennedy, seriously. "After that, we got stuck into understanding the Australian market — how regulations work, who was operating in the space, what they were offering. It was terrific, because the more we researched the more we found there was a gap we could fill. And the more we thought about how to fill the gap — where we would get ingredients, how much we could afford to make and then charge — a business plan came together quite naturally."

Developing and shaping this kind of strategy is one of the most daunting elements to get right for small business owners, but as the founders of Poor Toms Gin soon discovered, answering some basic questions about how to solve their own problems enabled the company to identify its vision. That said, it served as more of a guide than a set recipe.

"It's really important to make a strong statement to the team about what you're trying to achieve," says Kennedy. "However, you have to be flexible when something isn't working. We

write a new strategy document every year as a reference point, but we don't slavishly follow it. It keeps us accountable without tying us up."

There are business templates littered across the web, but many experts agree there are some core questions that should form the base of a solid plan.

Firstly, establish exactly why you are actually starting the business. "It's the most important thing to do," says Mills.

"Do you want to make money? Do you want work-life balance? Be honest and you'll be able to build something that makes you happy, rather than something that takes a toll on you."

After you've established what you're in it for, outline your vision. What would you like the business to look like in one year? And then in five years? Mills points out that while it's great to be ambitious, you should also remember to be both flexible and realistic in your approach. "Sometimes it's as simple as a sentence: 'I want to see my product stocked in all the supermarkets in the country.' Or, 'I'm happy with a four-person shop,'" he says.

Market research and an operational strategy come next. Operations refer to how you'll get what you need to build your product or service. And market research involves looking carefully at the demand for your product or service (or the nearest thing to it), what people are currently paying for it and where they get it from.

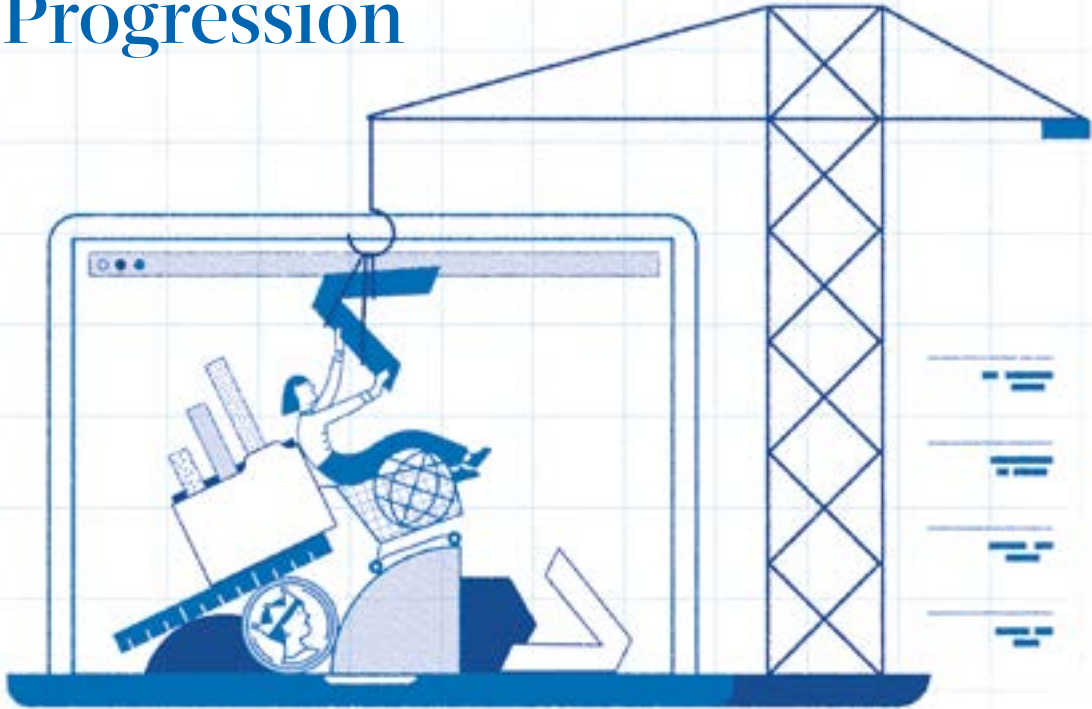
"Think how you can be the easiest, highest-quality option for your customers," says Mills. "And be prepared to work."

"You'd never believe it," says Blumer. "But if you're running your own business and you don't do something, it just doesn't get done. There's absolutely no one to pick up the slack." ▶▶

Jesse Kennedy (right) and Griffin Blumer (below) studied the local market before launching Poor Toms Gin.



2 Profit and Progression



Working around the clock to manage an ever-ballooning number of tasks as your business grows is a situation Chris Hexton knows well. His software company, Vero, based in the Sydney suburb of Surry Hills, has been running for six years and employs 14 people in six countries, servicing hundreds of large digital businesses worldwide.

“We have customers all over the world, so we’re basically on all the time,” explains Hexton, the company’s co-founder and CEO. Vero itself is a software-as-a-service business —

“As we’ve grown, so has our ambition. At that point, we began to look for outside financing.”

a breed of technology company which licenses its software to its customers on a month-to-month basis.

“We’ve generated revenue from day one, so we’ve typically felt we could achieve our goals based on our own cash flow,” he says. “But as we’ve grown, so has our ambition, and we got to the point where our cash flow just wasn’t enough for our plans. At that point, we began to look for outside financing.”

However, before you start thinking about sourcing outside capital to help your company grow, it’s crucial to make sure that your business model works. “If you haven’t cracked your

model — that is, worked out how many customers you need to acquire so you make a profit — hold off raising money,” says Australian entrepreneur Dale Beaumont, CEO and founder of Business Blueprint, a business consultancy firm.

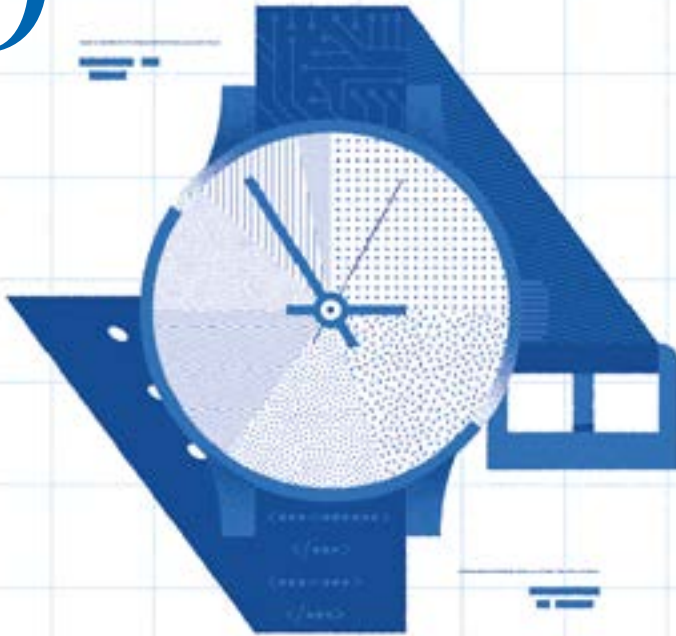
Outside capital can be like rocket fuel for a small business or a startup, so Beaumont’s suggestion is to initially look towards your friends and family members to make small investments that will successfully allow your company to get up and running and put it on the road towards greatness.

“It’s a great way to practise your pitch and discover what outside parties want to know about how you’re running things,” says Beaumont, also a prolific business author. “But, more importantly, professional investors like to see this kind of investment from friends and family, because it shows you’ve got confidence enough in your idea and its potential to use your friends’ money. That’s quite a signal.” ➔

Chris Hexton’s software company, Vero, was cash flow positive from the start.



3 Spending Time



Hexton held off on raising outside money for as long as he could, first being certain to take the right amount of time to ensure Vero had bedded down systems and processes that could withstand the rapid growth that can come from a capital injection.

“We were kind of reluctant to raise money to be honest,” the businessman recalls. “We felt the constraints we’d had as a young, self-funded business had bred processes and thinking

“Make sure your investor doesn’t just give you money, but adds value to the business in terms of advice and relationships.”

that we might otherwise have missed out on. But, once we began talking to trusted people who gave us advice on who to talk to, this fanned out into several great introductions and,

at that juncture, we were able to find investors that believed in the same world view and goals that we did.”

Beaumont also agrees that some warm introductions from partners and friends are likely to bring about much richer investment conversations than merely approaching venture capital funds or private investors directly.

“Emailing or calling an investor out of the blue is a lazy way to go about it,” he says. Instead, he suggests that you approach other companies who have worked with that investor or fund before and develop relationships with them.

“Networking with other founders and business owners will let you get a feel for which investor would respond well to your business,” says Beaumont.

“Those kind of cold calls are fine — people are generally happy to help, and they will also be well placed to give you an introduction.”

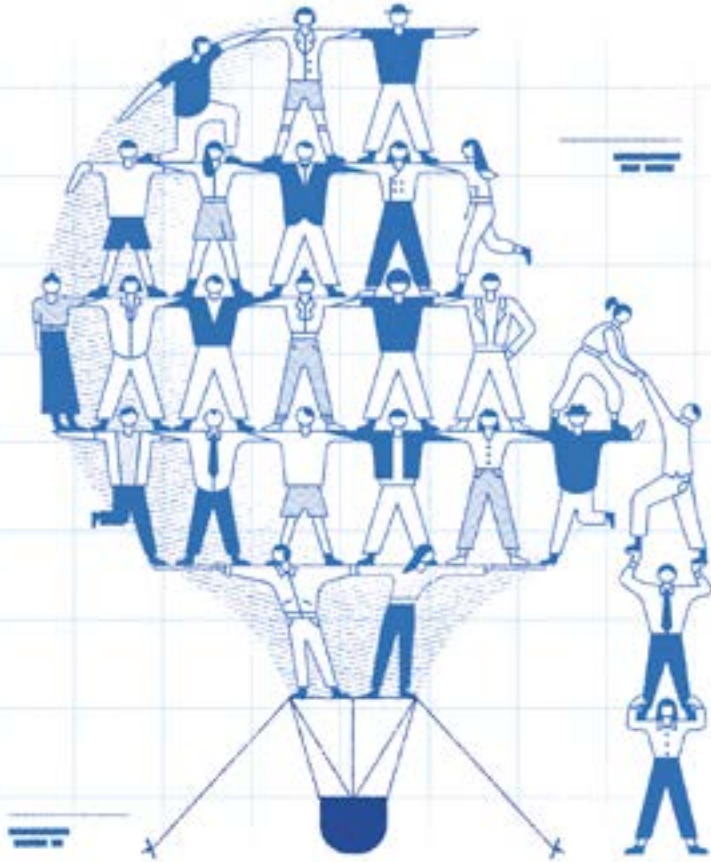
Once you have established a good financing relationship with an investor, be they private, venture capital or institutional, it’s time to create a terms sheet that benefits you as the business-owner, not just the investor.

“This may take some to-ing and fro-ing — that’s natural,” says Beaumont. “Just make sure your investor doesn’t just give you money, but adds value to the business in terms of experience, advice and other relationships.” ➤



Business educator Dale Beaumont believes networking is a major key to a successful business.

4 Hire Purpose



If an injection of funds means more growth, then more growth generally will mean more people. “Our team is like a big jigsaw puzzle and every person is a [crucial] piece,” says Anthony Ritter, the CEO of Experience Co., an adventure tourism and leisure company with locations throughout Australia and New Zealand.

“If a piece goes missing, there’s a hole and the puzzle can’t be completed,” he says. “It’s senior management’s responsibility to ensure there are no holes in the puzzle.”

“If you’ve hired someone who doesn’t fit the business, acknowledge that’s your mistake.”

Experience Co. and its 1100 staff manage activities ranging from tandem skydiving, hot air ballooning and whitewater rafting through to helicopter adventures, rainforest visits, canoeing, sea kayaking and tours of the Great Barrier Reef.

Since listing on the Australian Stock Exchange three years ago, the business — which was founded in 1999 — has made several company acquisitions, which in turn have brought additional people on board. “It’s not easy, but you’ve got to trust your people to be experts at what they do,” says Ritter. “You’ve got to listen to what they’re telling you, especially when it comes to things like new technologies.”

As groundbreaking software and new innovations cut swathes through established businesses, finding staff who are adaptable and are open to upskilling becomes a high priority.

“Once you hire somebody, you’re basically accountable for their entire working life. Drill into them the expectations of the business and work hard to establish what their values and preferences are,” says Mills. An appropriate probation period is helpful, as it enables both parties to find a happy medium.

“If you’ve hired someone who doesn’t fit the business, you’ve got to acknowledge that’s your mistake, not theirs,” says Mills. He believes that creating an environment where your people can learn and do their best work together will likely return you dividends over the life of your business.

And, as long as you’re learning and doing your best work alongside them, it’s likely you’ll continue to thrive on your entrepreneurial journey and reach the goals you have set. 📌

Experience Co.
CEO Anthony
Ritter trusts his
staff to perform
their roles.

