



Part One: “Second Steps”

This document takes your enterprise to the point where you have found your first customer.

It is assumed that you have taken a few first steps:

- 1) That you have a good idea that you think may be a business. The only difference between a social enterprise and a business is the distribution of profit. In essence any enterprise that relies on a constant income from outside is a charity. Whilst charities share some things in common we will concentrate on self-sustaining enterprises.
- 2) Your good idea is a 'value proposition' – it will make something better for someone. It becomes an enterprise only when you manage to deliver it to someone who wants it. So the essence of business is a value proposition delivered to a customer. Throughout your business career you will need to explain (even if only to yourself) that you have a USP (unique selling point – i.e. something that is sufficiently different to what's already on offer) and a practical way of delivering it to an actual market – i.e. someone (anyone) who will pay for it. The customer is the one who pays and is not necessarily the same person as the end-user.
- 3) That you can communicate this in terms that can be easily understood – you are the expert; everyone else knows less about your idea than you do. A long-established way of expressing this is the 'elevator pitch'. Imagine you have thirty seconds to persuade some influential person that you have an interesting idea. The truth is that most investors do not spend their time riding up and down in lifts looking for the next big thing: you are going to have to explain your idea to lots and lots of people so get it right and keep it simple – 'what it is, why it is important, why anyone else should be interested in it'. You should have several different versions of this appropriate to all the different people you might have the opportunity to speak to, and the length of time they have available.
- 4) That you have studied and understood this: <https://www.gov.uk/set-up-business>
- 5) That you are near to exhausting the **3 Fs** (friends, family and fools).

If you want to take your idea to the next level, we propose **3 Cs** (competitions, connections and crowdfunding):

- **COMPETITIONS** – An online search will reveal a multitude of possibilities from corporate innovation challenges to sponsored events: find one that is suited to you. Even if your idea is not quite ready as an enterprise they offer invaluable experience. Many business competitions encourage teams to come together to solve a problem or to analyse and describe a prospect. They require a comprehensive and cogent statement of business merit. They challenge you to combine disparate abilities and strengths and to articulate an idea in a real-world context. The best offer mentoring from industry experts – this is invaluable and usually free.

Some competitions compel teams to self-organise. They oblige them to delegate responsibilities and to learn how to work together. Often – and almost inevitably – it is essential to reconcile contrasting outlooks and opinions. The resulting dynamics force individuals with different natures, styles and viewpoints to engage, to communicate, to cooperate, to adapt and to strive for a common goal. And this of course is what life in the workplace is all about.

Competitions give you the chance to experience an entrepreneurial environment, to see whether you like it, what you are good at, what you could be better at. Even if you do not pursue your original idea you will have made yourself more employable.

Competitions will introduce you to a series of tools that will help you crystallise your ideas. Most of these are free – search online for Porter's 5 Forces, SWOT or PESTLE – potential investors are very likely to ask you about them. We would especially advise you look at the Business Model Canvas.

Competitions give you exposure to the sort of people who can help you progress your idea. They help you practise communicating your idea as a business concept – developing an elevator pitch. They give you access to the next C...

- **CONNECTIONS** – Networking with like-minded people. Again, find the event that suits you. It may be that you need to be online but try and find some face-to-face networking opportunities as well. Setting up an enterprise on your own is a lonely business; even working as a team can be claustrophobic. Sometimes you need to talk with people who are experiencing the same challenges and frustrations – building a good network will afford you a strong mutual support function.



Key skills for networking:

- **Communication:** you need to engage, but just as important and often neglected is:
- **Listening:** ask yourself 'am I really listening or am I just waiting for my chance to speak?'
- **Persistence:** keep attending as many events as you can, don't expect to meet your perfect customer first time. You will get better at networking with practice. Don't try to sell to everyone you meet.
- **Do your homework:** most networking events include lists of attendees - make sure you introduce yourself to the ones you want to meet.
- **Make connections:** it's not who you know – it's who knows you. How will they remember you? Do you have business cards? Do you have a LinkedIn profile? This need not be a random activity, you can be quite strategic, working through the people you do know to gain access to the people you need.
- **Find mentors,** both formal and informal. They will not all give the same advice, you can learn a great deal from speaking with people outside your specific domain.
- **Be a connector:** solve someone else's problem – actually this is quite a good way of moving things along: 'you really ought to meet so-and-so, let me introduce you'

If you have a wide and varied network, when the unexpected happens (and it will) you will find it easier to deal with it – you will be more agile and more resilient. You ought to be aware of the 'lean start-up' approach – really good connections allow this to proceed in several different directions and dimensions at once.

However, as your business grows most of the people you will be dealing with are going to be people you don't know – how can you start engaging with them? One way is a third C...

- **CROWDFUNDING** – Here are four different types of crowdfunding:
 - **Equity:** Funders looking for a return on their investment - this entails sharing ownership of your project.
 - **Reward:** Essentially this is pre-selling of your product, not unlike the long-established subscription model of publishing. You can also reward your funders with special offers and exclusive deals. This is an ideal way of developing and refining a minimum viable product.
 - **Donation:** Essentially philanthropy, funders give you money out of the goodness of their hearts.
 - **Loan:** Peer-to-peer lending – funders mitigate risk by making a number of small loans in a range of investments.

These can be and are combined into quite complex models, some of which are regulated by the Financial Conduct Authority. You should research thoroughly before you make a move. There are lots of people out there looking to exploit other people's good ideas – beware! You need to read this: <https://www.fca.org.uk/consumers/crowdfunding>

There are also at least three different types of **platform** for crowdfunding: **self-built**, **third-party** (e.g. Kickstarter) and **co-created** (e.g. Hubbub).

How you navigate your way through this landscape depends on your business model and your ambitions. If you are just starting out you may get by with a few hundred pounds; if and when you incorporate you will need thousands to cover sundries like insurance, pay roll, web design, sector specific regulations; if you want to scale up then you may require millions.

Crowdfunding can raise hundreds, maybe thousands. So, if you need £10,000 to £100,000, crowdfunding may be the ideal way of developing your product and building a customer base. It is useful as a proof of concept has limitations if and when you want to scale up. You should be wary of sharing your equity (including I.P.) – Venture Capital or Angel investors like to know who owns what.

Do you feel lucky?

Most successful businesses will admit that they have been lucky at one time or another, but none of them will say that their success is purely down to good luck.

The survival rate of start-ups is low. Lots of them don't make it, and most fail through an excess of enthusiasm over common sense, rather than bad luck. Enthusiasm is important and good luck is always a factor but there is so much more that need not be left to chance.

Most of the elements of your business are under your control – get them right and you reduce your reliance on luck.



