

# **Starting & Running a Small Business**

**A practical guide from  
someone who's done it**

**Michael Towle**

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## Starting & Running a Small Business

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# Starting & Running a Small Business

# 1 INTRODUCTION

I started my first business way back in 1983. At that time I was in fulltime employment, and was still living with my parents. I ran the business part time, until I eventually quit my day job in 1984 to run it full time. Since then, I've never been an employee of a business I didn't own.

The picture below shows a very young looking me (I'm the shorter one with the moustache, on the right), along with my friend Kevin Mulligan, at a Christmas fair held in the local library in December 1983:



Over the years, I started and ran several businesses, all technology companies, mostly based around software

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development. Though in later years I did branch out into other non-tech based areas. I never had a company go bankrupt, although some came awfully close. Of the businesses that I ran, only one was really successful. It didn't make me hugely wealthy, but it did generate sufficient funds to allow me to retire early, if I chose. The other businesses only allowed me to make a living, or sometimes not even that. I've run companies that turned over anything from just a few thousand pounds a year up to £3.5m a year. My first business I ran as a sole trader, called ACK Data (I know, a terrible name) turned over about £20,000 in its first year. Annual turnover reached about £65,000 by the middle of the 1990s (by then it was called System Data, which wasn't much of an improvement), at which point my attention was diverted elsewhere, and so it slowly declined, until I wound it up in the early 2000s. Although £65k seems a low turnover, even for the mid 1990s, cost of sales were low as it was mainly software development, and I ran the business from home, so overheads were low too. It was fairly profitable and supported my family, and a mortgage, and a couple of cars, one of was a Porsche 944 S2. A great car, probably the most fun I ever had in car. Well, apart from when I was dating in my early twenties...

I don't have a business degree, or any formal training. This book is based on my decades of experience as a small business owner. So, I should be talking your language. This isn't a text on business theory. This is me imparting to you my many years of practical experience. It's aimed at people who are thinking of starting a small business, or have already done so and are currently working through all the problems that come along with managing your own business. It's the kind of book that I would have found really useful in my earlier business career, as you can see from the name of my first business and by looking at the picture on the previous page of my very first exhibition stand! I've made a lot of mistakes. At various points in this book, I'll relate a story from my business past that hopefully you'll find interesting, useful, and sometimes amusing.

This book will not provide you with the secrets of success! There

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is no secret. Success comes from being able to identify what has priority (so you're not wasting your time), hard work, and some luck. Luck plays a much larger part in business success than many successful business owners would care to admit! Hopefully, what this book will do, is give you the ability to see what is important and what is not (an ability not to be underestimated), and see ways around problems you may be struggling with now, and perhaps how to avoid some problems.

When I started thinking about writing this book, the intention was to give it international appeal. I reasoned that my business experience is just as valid here as it would be in the USA, Australia, etc. But I soon came to realise that's not actually true. Some of the experiences I've had are possibly unique to this country, the United Kingdom. Had I been running businesses in the USA, say, I think my experience would be very different. From a practical perspective, the law is different in each country, the financial systems work a little differently, even accounting is a little different. So, as this book is based on my experience, which is all in the United Kingdom, then it's aimed squarely at business people based in the United Kingdom.

Although I'll talk a little about accounting and about the law, I am not an accountant or a lawyer. Nothing in this book should be taken as accounting, tax, or legal advice. Every problem is different, and the law changes, and so you must always apply anything I say with caution, and obtain suitable accounting, financial, and/or legal advice where necessary. No business, no matter how small, can avoid using the services of an accountant and a lawyer. Though plenty small business owners do try, they usually fail. Though often they don't know they're failing. Not engaging professional people to help out with these things is usually a false economy. I understand, they're expensive, and you don't want to spend the money. But you could be losing a lot more money by not getting professional advice.

I would like to say to you I'm now retired with a few million in the bank, and here's how you can do the same ... But that's not

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the case! As I write this, I'm 63 years old and still hard at work (though mainly from home thanks to the Coronavirus pandemic). I own two houses and several commercial properties, have a pension fund, and substantial savings. I would describe myself as financially comfortable, rather than wealthy. But it depends on your perspective. Compared to many business people, my success is modest. But compared to the majority who've been in business at some time or other, I'm very successful. Sadly, the majority of business start ups fail. Usually within the first few years, but even businesses that have been running for five, or ten or more years can come crashing down. Instead of being financially comfortable, I could just as easily have been bankrupted at some point. Right now, I could have been living off some low pay job, waiting to receive my state pension in 2025. Would I have been bitter? I can't say. It would certainly have felt like I took a wrong turning! I may have wondered whether my best years spent chasing a dream had been wasted. Instead of trying to build a business, I could have been building a career working for someone else. The vast majority of people do just that, and presumably feel some accomplishment on retirement (along with a lot of other emotions, I'm sure). But I'm just not wired up that way. I think if I'd been bankrupted, although I may have taken a job, I'd have soon been looking for the next business opportunity. I think, one of the things that sets business people apart from those who'd rather remain in employment is the willingness to accept personal risk. I'm not suggesting business people are reckless (although a small number are), and I'm not saying we're gamblers. I don't gamble, other than investing in the stock market. Like most business people, I'll take calculated risks, and I'll look for ways to minimise those risks, to bail out if necessary, and to minimise the loss if it all goes badly wrong. That, I think, is the main thing that separates business people from 'ordinary' folk. But of course, I'm generalizing. I'm sure there are some very successful business owners out there who are very risk averse. But they probably inherited their business. Starting a business is a big risk. There's no getting away from it. A big part of running a business is managing that risk.



# 2 SHOULD I START A BUSINESS?

Let me start by saying I would encourage just about anyone to start their own business. I firmly believe it's the right of every individual, and I believe that nearly everyone has it in them to run a business. Of course, some more successfully than others. Some will make themselves very wealthy, others will struggle to make enough to live on. But you always need to bear in mind you can stop running a business at any time and go back into regular employment. In theory. I think in practice, once someone has run their own business, even if they're not very good at it, they're generally very reluctant to go back into employment. They get to like the wide range of activities they need to get involved in, and being in control of their own destiny.

From what I've seen in my 40+ years of running various businesses, there is no secret formula for success. I've seen some really intelligent people struggle to make a business work, and some rather less intelligent people make a real success of it. If you have a degree in Business Studies or similar, you're obviously going to be at an advantage. But the degree isn't necessary. If you left school with no qualifications at all, do not think that means you can't run a successful business. Plenty people have. It's impossible to know unless you try. Success generally seems to come to those who work hard, are able to prioritise properly, and are prepared to do things that many people may not be prepared to do (I'm not talking about anything illegal here). Great success awaits those who tick those boxes and are fortunate enough to find themselves doing the right thing, in the right place, at the right time.

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The single biggest hurdle to starting a business is often confidence. If you're young and still live with your parents, it's a lot easier. Your overheads are extremely low, and if the business fails you have no one depending on you, no mortgage/rent to worry about, and you'll probably still have a roof over your head. I was in my early twenties and still living with my parents when I started my first business in the early 1980s. Had I been living in my own place, I'm honestly not sure I would have done it. I wouldn't have been able to afford to do it. If you have rent/mortgage to pay, a spouse and children to take care of, it's a far greater risk. You need to be *really* confident to take the leap into running your own business. Under those circumstances, unless you have an investor lined up willing to invest a lot of money in your business, or you're already quite wealthy, or your partner is earning enough for you both (or your family) to live on, my advice would be to try and run the business part time, alongside your regular employment, if possible. That can be very difficult, but it can provide some indication as to whether the business will work out or not. A lot of people start their businesses that way. Even though I was living with my parents, that's how I started my first business.

I left school in 1976 with a handful of CSEs with generally poor grades. I had no idea what I wanted to do, and over the following few years drifted in and out of several jobs. My mother, Dorothy Towle worked part time at Daybrook Laundry in Nottingham. During one of my spells of unemployment, she got me an interview at the laundry. The job was to input data into their newly installed computer system. I had no computer experience at all, but all the job entailed was sitting at a VDU typing in details off old documents to get the system up to date. I didn't have any typing experience either, but they gave me the job anyway. I recall the first time I sat at the VDU and was taught what to do. I found it fascinating. I could type something in, and the computer responded to me! That sparked a real interest in computers. The job was supposed to last two months, I ended up staying there two years. I only left to take a one year City & Guilds course in Computer Programming and Information...