START-UPS

A toolkit for entrepreneurs

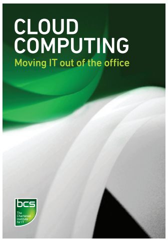
bcs
The Chartered Institute for IT

START-UPS
A toolkit for entrepreneurs

The Chartered Institute for IT

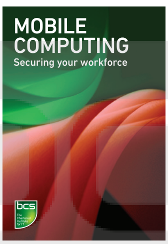
NEW EBOOK SERIES

www.bcs.org/ebooks



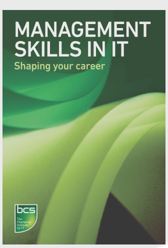
The articles in this ebook look at different aspects of cloud computing, from strategic and infrastructure considerations to legal and security issues, aiming to provide practical advice and a clearer picture of its benefits and drawbacks.

PDF ISBN: 978-1-78017-130-2 ePUB ISBN: 978-1-78017-131-9
Kindle ISBN: 978-1-78017-132-6



This ebook looks at the security pitfalls, and their possible solutions, of an increasingly mobile workforce. Written by security experts, topics covered include: using personal mobile devices in the enterprise; data encryption; raising user awareness and the importance of appropriate security policies; securing networks; legal aspects of data security.

PDF ISBN: 978-1-78017-111-1 ePUB ISBN: 978-1-78017-112-8
Kindle ISBN: 978-1-78017-113-5

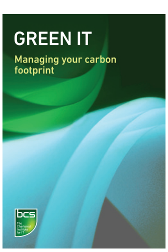


IT industry experts explore the challenges IT professionals face when moving from a technical into a managerial role. The authors look at the skills required to scale the career ladder, the opportunities for training and development and how to progress from a first job in IT to CIO.

PDF ISBN: 978-1-78017-102-9 ePUB ISBN: 978-1-78017-103-6
Kindle ISBN: 978-1-78017-104-3

This collection of interviews provides insight into the thoughts and ideas of influential figures from the world of IT and computing, such as Sir Tim Berners-Lee, Donald Knuth, Linus Torvalds, Jimmy Wales and Steve Wozniak. It gives an excellent overview of developments in this diverse field over recent years.

PDF ISBN: 978-1-78017-099-2 ePUB ISBN: 978-1-78017-100-5
Kindle ISBN: 978-1-78017-101-2



New legislation, rising energy costs and increasing demand for green credentials have moved sustainable IT upto the business agenda. This ebook offers advice on how to incorporate sustainable practices in your business strategy.

PDF ISBN: 978-1-78017-134-0 ePUB ISBN: 978-1-78017-135-7
Kindle ISBN: 978-1-78017-136-4

CONTENTS

FOREWORD

A stereotype has grown up in this country, fostered by the TV evangelism of *The Apprentice* and *Dragons' Den*, that entrepreneurship is only for narcissists and bullies. The subtext of this TV image of business is that only if you are greedy and ruthless enough in the war zone of modern capitalism will you succeed. And that success must always come at the expense of others.

Our BCS Entrepreneurs – many of them serial entrepreneurs – tell a different story and the articles in this ebook show that entrepreneurialism is for (almost) everyone.

Entrepreneurs are not risk-junkies; they are sensible risk managers. They are not superhuman; they are super self-aware and know when to bring in others to help. They do not all have a market-breaking idea; many succeed simply by working harder to build on their own strengths and experiences.

They are certainly not born to succeed; they learn to succeed by listening to the market, to their peers and to those who have been there and done it before. Far from 9 in 10 'failing', most may be said to succeed in their own terms and many succeed spectacularly. Far from being outliers, entrepreneurs are the backbone of the economy. Their businesses account for most of UK employment and more than £1.5 trillion of revenue each year.

As the risk of actually starting a business diminishes with better incentives and fewer barriers, the challenge for UK plcs is to nurture and support their small army of entrepreneurs to become the business leaders of tomorrow.

Information technology will drive very few of these businesses, but it will enable and support every one of them. Marrying the right technical skills to financial and market insight will be vital to their success.

While all the media attention focuses on the top 0.1 per cent of digitally driven entrepreneurs, the real revolution lies elsewhere – in the hundreds of thousands of digitally inspired and digitally supported businesses that are the backbone of our economy. We hope that this ebook inspires a few more of them to release their inner entrepreneur.

Ian Ryder, Deputy CEO,
BCS, The Chartered Institute for IT

SECTION 1: ENTREPRENEURIALISM

1 NATURE VERSUS NURTURE IN ENTREPRENEURIALISM

Some think that entrepreneurial skills are largely innate, others that they can be taught; of course, there's a middle line. The issues were discussed by Christopher Thomas, Director at Sports Fusion; Timothy Barnes, Director of UCL Advances; and Emma Jones from Start-up Britain, Founder of Enterprise Nation. Brian Runciman MBCS hosted and reports.

What constitutes the entrepreneurial mindset?

EJ: It's about who feels passionate about pursuing something that could be a business. I think as long as you are committed to hard work, to seeing an idea go through, being persistent and not giving up, that gives you the credibility to have the entrepreneurial mindset. Most people in Britain have it. We run Start-up Saturday for those with an idea and I see people from all backgrounds: those in employment, mums, students, people who have spotted a gap in the market, those who have a hobby they want to turn into a living and more.

TB: The creative element is important because you need to be able to spot an opportunity and to think about it in a way that brings you to a solution that no one else has seen. Sometimes that's about you as a creative person or about timing – such as a technology that may not have been there in the past. You need the ability to look at things a bit differently. There are a lot of ideas of risk being part of the entrepreneurial mindset. I don't think it's a desire or appetite for risk that needs to be there, but it does need to be something that people are comfortable with. They need to understand its balance against potential rewards. A low-risk, low-reward business is just as much about being an entrepreneur – and it might be the only thing you want to do – it's a valid entrepreneurial contribution.

For me there are lots of people out there with the entrepreneurial mindset. People who do things on the high street, doctors who set up a new NHS practice, architects, flower shops, newsagents – they are all entrepreneurs, which is about planning for tomorrow without regard for the resources at hand today.

CT: I'd like to move the emphasis to a degree back onto the word risk – I can't quite see what would distinguish an entrepreneur from other businesses if it's not the word risk. It doesn't have to be financial; it could be in terms of our own identity, where we position ourselves in society. So being able to do that and to potentially fail is an inherent part of entrepreneurship. I think that creativity is vital, but also the ability to genuinely, in a balanced way, judge whether you have a competitive advantage. Jack Welch said if you don't have competitive advantage, don't start a business. I would say that competitive advantage is vital, and I'm not an advocate of that being a unique selling point (USP) – you could just be better at doing something other people do, you could just work harder. You have to be very clear about why what you're doing will be make a difference. I am opposed to USP or 'how is your product different?' It doesn't need that.

The other thing that is very pertinent to my definition of an entrepreneur is the ability to recognise that you need very different skills at different stages of the process. It is like bringing up a child – there's a huge difference between a 3-year-old, a 10-year-old, a teenager and a young adult. I regard my business as being a teenager. I'm proud of it and very excited about where we are, but now it needs to grow up and do other things. You are constantly faced with that need to keep adapting.

TB: This feeds back to the mindset. There is an impression in the minds of many people that haven't experienced entrepreneurialism that the risky point is the start and that there is some wonderful line on a chart that, when passed, is safe. In fact it starts and grows and then plateaus, then grows a bit more. Then you have to risk it all to grow again, and then risk it all again. At any point it could fail – and then you could be right back down the snake to the start and lose everything. It's a haphazard, chaotic process.

EJ: I think the terminology we use has put off quite a few people. The greatest risk now is not to take steps to start a business. It's becoming more risky to stay in employment and people are being clever now about minimising risk when they are starting out. We brought out a book, *Working 5 to 9*, about keeping a day job and building a business at the weekend. The great thing we have at our disposal at the moment is technology. In any business now – from fashion to food to finance – people are embracing low-cost tech to get their product out there to make sales. You can start a business now for less than £100 – where's the risk in that? The only risk is in not doing it.

We took a survey on the BCS website on whether people think entrepreneurs are made or born. Were you surprised that only 60 per cent felt that entrepreneurialism can be nurtured?

EJ: I've been in self-employment for 12 years and what I've recognised is that, if you are born into a family of business owners or entrepreneurs, you are more likely to start a business. Not because of any sort of gene, but because this was what surrounded you when you grew up and it's a natural choice to make. But people who have a good idea absolutely can be taught to take an idea, make a business plan and turn it into a business.

What we are seeing growing businesses do is focus on what they do best and outsource the rest. So I'm seeing small businesses going global because they are using Facebook, AliBaba.com and Twitter and are outsourcing production, manufacturing and fulfilment. They are not increasing headcount or costs, but they are increasing their profitability.

TB: The general point is good. There are lean models to follow and you can get plenty of analytics and test things quickly – these are all good points. But this is a bad moment to talk about outsourcing, with G4S (formerly Group 4 Securicor) bringing something of a question mark to the way it works. Perhaps that's a bit unfair – it is worth reinforcing that there are clearly good things in it. I started my first business at the age of 12 and I was working in the dot-com years for an investment company and it was great, because we were putting the first £250K into a business to build the website and bring in servers – but now the combination of things like WordPress, Eventbrite and online banking means you can easily test an idea. The idea that risk is negative is wrong. It is inherent in a business idea that there is something out there that has not been done or been proven. We should call it opportunity – risk is not a bad thing. Entrepreneurs like somebody with a problem, because people pay to have them taken away. Seeing a business idea after you've heard someone in the pub complaining about something is entrepreneurial – it's about seeing an opportunity and having the ability to provide a solution that might or might not work. That's not about risk being evil; it's something that lots of people can do. We can educate, we can train, we can mentor, we can show people the pitfalls and we can help them get to where they want to be.

That leads nicely to asking how entrepreneurialism can be taught or enhanced.
CT: If we can properly define what we mean by entrepreneurial skills we can get an answer more easily – so I'll have to use my own definition. I think what we can do to enhance skills is to take away the things that people currently associate with entrepreneurship. For example young people think that the TV programme *The Apprentice* is entrepreneurship. It almost makes me cry that we are losing the potential we have in our young people by giving them the impression that that's what you have to do to succeed.

What do you see as the problem with *The Apprentice*?
CT: The whole premise, the structure – I can obviously distinguish that it's a TV programme that needs to deliver to an audience – but it's the bullying environment, the aggression, the competitiveness, the lack of collaboration, the lack of time, the lack of respect given to people whose skills aren't as forthright as others. This sets us back a million years. So to teach things we need to take this away. We are losing the battle because somebody else is setting the agenda. Entrepreneurship can just be career management – a consultant working from home – but what I'm thinking about is starting a business, making employment and generating wealth.

EJ: There is a positive aspect of enterprise at the moment – in 2011 and 2012 there were record numbers of people starting a business. People are making the most of training to get the confidence, contents and contacts to make an idea into a business.

TB: Being open to advice is something all entrepreneurs need. We need to encourage people to have a go. The worst that can happen is that people don't want to buy something – and that's positive because you can learn from it. Most people who want to start a business have a passion, which has come from something they've done – perhaps at work or in their spare time. Like Willett who invented a new type of golf tee to keep it in the ground – and that came from his experience of playing golf. What you can do is learn from others – how to negotiate, how to sell. You never need to be the best person in the room at everything you need to do. You need an understanding of what other people do because you are the person at the centre of the universe of your business, so hire better people than you.

EJ: In the UK at the moment the private sector is stepping up – opening accelerators and incubators – the government are giving tax advantages. But where we could do more is in experienced entrepreneurs giving back their time to mentor the next generation. The government recently launched start-up loans for people under 25, who are paired with a mentor. What they don't have is industry contacts and a network – helping them with this can hasten their progress by learning from others' mistakes. We need more of that – an army of mentors.

Is there anything else that the UK government can do to enhance this?
CT: Government needs to understand the area better to learn when to intervene and when not to. It can't make things happen, but it can foster the development of things. We need to find a way of showcasing what we consider to be entrepreneurs. I'm a bit concerned about the focus on the exceptions – those who make billions. Success doesn't always have to be financial – showcasing entrepreneurship in its broader sense is what the government can do. The channel for doing that is BCS – it's uniquely positioned. In terms of education, the best things I've done have been the failures.

TB: I think the government can listen to people who've failed as well as those who've succeeded; helping identify the barriers and problems – so that other people can avoid them. The loan scheme is a good idea, but is let down in the detail management. I'm worried about its implementation.

EJ: We work closely with government with Start-up Britain. There are people working out the loan scheme details, so I have every confidence it will be successful. Lord Young's big missive is for the government to give people more confidence to work in the economy, because start-ups are a bright spot. These entrepreneurs need to work in an optimistic environment. Figures round small business are very bright right now – and the media and government need to sync up on that.

The full video is at **www.bcs.org/video**

2 BLAST THROUGH THE OBSTACLES

The short answer to the question about whether entrepreneurs can be taught is 'yes'. However, there are some important caveats, as Rob Wirszycz FBCS explains.

The topic has become ever more important, due to the current rapidly changing state of the jobs market. There is no longer any 'job for life', if there ever really was. Many people, faced with the prospect of no easily available salaried work, are looking to branch out and start their own business.

For many there has been a germ of an idea, an itch that needs scratching, for some time. For others, they get a sudden insight while working as a wage slave, which sparks a latent interest that could be turned into a business. For each person armed with this gift of an idea who actually does something about it, there are many, many others who do nothing. This act, the very action of doing, is the first mark of an entrepreneur.

By the way I don't count as real entrepreneurs those who have a personal business, such as working as an IT contractor. I see them more as 'independent workers' or 'free agents'. They are folks who have, for the most part, swapped the security blanket of a salary for an alternative form of employment. Sure, there are risks involved in this course of action, but to me they are not creating anything new, not generating value, not carving out a differentiated place in the market, all of which are objectives, often undefined by the entrepreneur, that in my book are the second mark of an entrepreneur.

My qualification to have these views comes from my work with literally hundreds of entrepreneurs, over 20 or more years. I may even modestly claim to be one myself. Right now I work with about 20 such people, either in my role as chairman of their company or as an adviser or mentor to them individually. This experience has shown me that entrepreneurs come in all shapes and sizes, ages and genders, some loud, some quiet, some ferociously bright, others less so. There is not much of a pattern from what I can see.

However, there is one common thread; a desire for independence married to a strong self-belief in their eventual success. Sometimes this self-belief is misguided, but often the drive to succeed is so strong that it blasts through obstacles. This optimism, allied with persistence, can move mountains. These essential attributes, my third mark of an entrepreneur, make me caveat my positivity about whether entrepreneurs can be taught. There are though, in my experience, at least five elements that can be taught and which, once understood and acted upon, do make a difference to entrepreneurial performance:

TAUGHT ELEMENTS

1. Markets matter more than a great product.
In the technology business, where I have worked for the last 20-odd years, many people start out with a product or perhaps what we might term a 'solution' in mind. They believe that the 'better mousetrap' will bring people racing to their door to buy, with riches closely following. This is rarely true. Addressing a real, not perceived, market need, a 'pain' in the parlance, and having the perfect answer matters more than anything.

2. Sales make a business.
Sales and sales people have a bad rap generally but unless you are willing to push, and push hard, you won't win. This is not to say that you need to be dishonest to make a sale, as to my mind the best sales have mutual value and lead to further business – you don't achieve that if you are ripping people off. One interesting observation is that in young businesses, the managing director, usually the entrepreneur, almost always closes the deals – you can't rely on a salesperson to do that for you.

3. Know where your reverse gear is.
You have to admit defeat sometimes. Not that you will be a good loser, rather you will sit and analyse what went wrong, fix what you can fix and start over better. There is only shame in failure or a failure to learn, none in an honourable retreat. I believe it was Einstein who said the definition of insanity was 'doing the same thing and expecting a different result'. So know when it isn't working, go back and make changes.

4. Balance staff loyalty with knowledge that it isn't working out.
You will run a lean operation and every hire you make will be significant. However, there will come a time when you have to have 'that conversation' and let someone pursue their career elsewhere. It is for the good of the company. It hurts but I have seen more pain and agony from situations where the difficult conversation was not had and people just keep going, hoping it will get better. Entrepreneurs are sensitive but not sentimental.

5. You probably only have enough resources to do one thing well.
The most common mistake I find with technology entrepreneurs is that they cannot narrow their focus. They become terrified of making a decision about a target market or a particular functionality that they believe limits their applicability. Herein lies sub-optimisation and a higher chance of failure. Make a big call, make it singular and make it right.

All being said, I cannot complete this article without saying something about risk taking. Many people believe that they could not be an entrepreneur because they don't like taking risks. This could be true, but my experience tells me that most entrepreneurs are not risk takers, rather they are risk managers.

Most agonise for hours and days, even through sleepless nights, over decisions that could go one way or the other. Ultimately though they know they have to make a decision and make it work. For most entrepreneurs it is not about making the right decision, more about making the decision they have made right. There are probably two things that separate those that succeed from those that don't; firstly, a willingness 'to get back on the horse after it has thrown them off', sometimes many times, and secondly, a willingness to ask for and to take advice.

Entrepreneurship is a team game, not a solo enterprise or a spectator sport. It demands a lot of hard work, single-mindedness and a following wind. Getting it right is phenomenally rewarding, largely in terms of personal satisfaction and human feedback. There are clearly financial rewards if you get it right, but most entrepreneurs are not filthy rich, rather comfortable and happy with their achievements.

So if you are considering whether to take the entrepreneurial route, you should know that much of what makes success happen can be learned. However, if you don't have that desire for independence, that drive to succeed, that inner purpose, then perhaps you ought to think about another tack. But if you do go for it, you shall likely find it a rich and rewarding, if sometimes frustrating, journey. And once you start, it can be addictive. Many people I know are serial, even parallel, entrepreneurs who have, in some cases, started over 10 businesses! So the final message is if you have the entrepreneurial itch, do scratch it.

SECTION 2: STARTING OUT

3 TOP TIPS FOR ENTREPRENEURS

Anil Hansjee MBCS CITP, Chair of BCS Entrepreneurs, has the following top tips for entrepreneurs. Anil previously worked at Google where he ran mergers and acquisitions. He also worked as a venture capitalist in the IT entrepreneurial scene, in investment banking and more recently as an angel investor in the start-up scene.

HAVE THE RIGHT TEAM

- Know what you are (and are not) good at.
- Know who you want to plug the gaps – whether it's new team members or advisers. Have a shortlist, follow them, court them and know what it will take to get them.
- Demonstrate why you are the right team, for example focus on facts such as how long have you known each other or worked together; how you complement each other.

KNOW YOUR PRODUCT

- Design and usability are crucial in consumer products. Experiment and fine-tune – understand what product changes make what difference to metrics.
- Use online marketing techniques based on return on investment (ROI) and demonstrate what works – or not – and why. Show what you think you can do with money to improve product/expand traction.
- Know your key performance indicators (KPIs) and why they are important: demonstrate metrics, analytics and improvements along a path and know where more money will take you.

REMEMBER IT IS OTHER PEOPLE'S MONEY YOU ARE ASKING FOR

- Understand how you have used your money so far: where it's been well spent and where it's been wasted.
- Think about your future needs in a detailed cash flow usage over the next two years.

- Think about the path to steady monthly sources of incoming cash flow as a basis if possible.
- Use benchmarks to show your figures are market.

UNDERSTAND YOUR POTENTIAL

- Don't waste too much time predicting revenues out of very little context or evidence, but do have a sense of market opportunity/size.
- Think about business models that investors know and understand from elsewhere and can apply to you logically. Talk passionately about the big picture vision and the roadmap to that vision. Know what the key products you will need to launch are and key metrics you will need to aspire to over that period.

GET THE BUSINESS MODEL RIGHT

- Explain how you build win – win relationships with customers and/or consumers to create protective hurdles in your business models – and dependencies of your customers on you.
- Understand the competitive dynamics – both similar and different stories to yours – and what you are changing or what you are leveraging (if it already works well) from others.
- Is this disruption or incremental innovation? Plan for the appropriate success criteria appropriately, which means not underestimating the time it takes to change certain habits or change established ecosystems.
- Know why you are giving something up for free (if you are) – what orthogonal business model or purpose you have.

FIND THE BEST FUNDING FOR YOU

- Be selective about who you approach for funding – make sure it's the right fit in terms of culture, experience, success and personal dynamic – after all this is a long-term relationship. Focus on the individual, not the firm, initially.
- Be bold in approaching VCs – network, go to events, ask for personal intros. Demonstrate you are a good entrepreneur in getting that meeting.
- If you are raising money from institutional investors especially, ensure you are aligned in terms of long term. They will want to deploy a certain amount of capital with you over time and will have certain expectations of multiples of returns. It won't work if you want to build a lifestyle business, non-scalable business or don't have the same time/business size ambitions and intentions as they do.
- Practise the elevator pitch – time is of the essence to capture interest for a real meeting. Listen to other start-ups pitching at events so you can pick up constructive learning on what to improve yourself.

4 FIVE THINGS TO CONSIDER BEFORE STARTING YOUR OWN BUSINESS

Starting your own business is something that many of us think about doing at one time or another, especially when the economic climate makes permanent employment seem less secure.

So if you do get bitten by the entrepreneurial bug and a significant investment from Sir Alan is unlikely to be forthcoming, then here are five things you will need to consider.

PLAN

To avoid becoming another statistic (nearly half of start-up firms fold within their first two years of existence) you need to initiate your plan of action well in advance. With your business plan and funding in place, it's important to ensure your product or services, premises, marketing and online presence are just as well thought out and planned for.

STARTING OUT

Whether you are selling a product or your services, you should always keep a careful eye on affordability and budget. As a new business, your funding will determine what you can and can't do. Shop around and always keep active in sourcing the best deals.

Build good working relationships with suppliers and don't be afraid to let them know you're a new business looking for introductory discounts. If you have a service, consider offering special prices for a limited time to increase business. But don't undervalue yourself or your product. Keep it affordable and try to build a rapport early on with keen customers and suppliers.

MAKE YOUR MARK

We live in a media-rich society so it's important that you source the most effective and affordable platform to advertise on. Most new businesses make it their priority to have an online presence and website as soon as possible. This can be inexpensive, highly profitable and quick to build and put live on the internet. In the first instance you can consider using a free and simple website building package that you can download from the internet to create your own site.

If you are offering a product, a website is likely to be your most successful platform to communicate your business, build awareness and get your business message and product out to a national and international market. When considering your website, try to keep your brand and product message clear, the site small and navigation easy. Remember your marketing and advertising muscle doesn't need to stop there.

Social media platforms such as Facebook and Twitter offer a quick way to build a following and awareness, as long as you use them to properly engage with your potential audience and not just broadcast your message. Depending on your type of business, also consider advertising in trade magazines, local newspapers and radio. This can be inexpensive and also allows you to communicate with a specific audience.

EMPLOYING STAFF

Many new entrepreneurs with new start-ups attempt to run all areas of their business, from making the tea and running office errands to meeting new clients and sealing the next deal. You have to strike a balance between what you can do with the help you need to do it. However, in the first few months of a new business, you should always consider testing the water and going in alone.

This will give you a great understanding of how to run a business, and it will also put you in the best position to judge whether you actually need extra help. Most importantly it will keep your spend to a minimum. But never be afraid to ask for help from friends or family. They may be exactly the source of assistance you need.

If you consider employing staff, you should always be fully aware of the laws and regulations that apply including anti-discrimination legislation, the minimum wage, National Insurance payments and maternity and paternity leave.

CONTROLLING BUDGETS

In the current economic climate, staying in control of your sales and costs will make the difference between success and failure. Many people still find it hard to borrow money from banks so this puts extra emphasis on just how in control you need to be.

If you are comfortable and knowledgeable with figures, organise and maintain your own books. But don't be afraid to ask for expertise in this field. Good advice and guidance when it comes to money and figures is gold.

Use common sense to work the most affordable budget plan into your business plan. Always think smartly with money and, where required, take calculated risks on what you can and can't afford.

Add your comments at **http://www.bcs.org/content/conWebDoc/41000**

5 YOUR IDEA... WHO WANTS IT?

Have you got a burning idea for a product or service? Gone to the next stage and found out more about getting practical support, advice, maybe even building a business plan to raise cash? Andy Mulholland, consultant and former Global Chief Technology Officer at the Capgemini Group, gives some advice on how to get your idea 'out there'.

There are a surprisingly large number of places to get really good quality assistance as success, at every level from the needs of the economy to rise out of recession to creating a vibrant IT sector, depends on 'entrepreneurship'. But with all these sources and well-qualified people, what possible room can there be for more 'advice' on the topic of being an entrepreneur?

Let me start by marking the kind of remark that doesn't 'fit' in with your ideal. It's a popular enough remark in the USA, particularly in 'Silicon Valley' where the concept of continuous serial entrepreneurship has been well proven. **'The best product rarely wins, but the best sales machine usually does.'** In the conservative UK the nearest you will usually hear to this is that the 'best execution' will win, all of which fits in well with the drawing up of business plans and so forth. It's a truism all right, but what is it that makes the British so nervous about sales? I am not talking about out-and-out high-pressure sales techniques; I am talking about adapting **your** idea to fit better with the requirements of the real buyers and being able to strongly describe how and why it's the best fit. Even if it wasn't quite what you envisioned at the beginning!

We are all familiar with the late Steve Jobs and his ability to tell the market exactly what it needed and get it right, but honestly he was an exception. So let me outline the basic process; the numbers of customers/units may be different, but the relative ratio and concept holds true. Sales one to nine are made to customers by customising the product/service to ensure the prospective customers are turned into buyers by giving them what they want. Their feedback should help refine the product to make it more competitive; we will look at how to do this in a moment. The challenge is that this stage is fun in developing the product/service but rarely profitable. Sales 10 to 99 should be on the basis of a true 'fixed' product determined from the phase one sales, repeatedly and profitably sold to a growing acclaim. Sometime around sale 100 comes the requirement to rapidly build the capability to cover the market, indeed define the market against competitors, and that's pure commercial execution.

That's a pretty clear outline but stage one, the customisation to do what the customer wants with your carefully nurtured ideal, can be pretty painful and is often not seen as acceptable to the entrepreneur's vision of their product/service. Equally stage two ends the fun of development and replaces it with hard work around sales support to make the sales happen. Stage three is usually pure management competence and execution; in other words when the real value in operational excellence comes into play in building and managing a commercial team.

Having been a sole founder who sold out to a British multinational and a co-founder who sold out to an American global player, I have experienced one side of entrepreneurship. Then spending 16 years at one of the world's largest IT services companies, ending as the Global Chief Technology Officer and being on the receiving end of the entrepreneurs' approaches to buy their visions, I think I have seen both sides of the challenge in a very personal manner to arrive at these conclusions and add the following more detailed advice.

PHASE ONE CUSTOMERS

The all-important starting point is the alpha customer, the very first buyer, hopefully a co-partner in perfecting the product features/benefits and, most of all, the key reference for the other phase one adopters. In my experience almost all successful companies start with the idea being based on the experience/issues of a particular enterprise with whom the entrepreneur has a reasonable relationship that allows them to 'solve the shared issue' on the basis of mutual understanding and trust rather than a 'sale'. It should be a partnership that builds and extends the idea into a competent product with a set of structured features, benefits and rewards that are strong enough to go to other companies in the same market or industry. The phase one adopters should have strong adjacency to the alpha customer, be able to recognise in their adoption that the product must have some value and be prepared to discuss your proposition.

Winning the initial phase one customers is a critical stage where focus is everything, and that means a fully worked out set of benefits, paybacks and risk analysis, starting with the all-important 'elevator pitch' of two, maybe three, paragraphs to get into a meeting with the right person. In my experience on the receiving end I don't think more than one in five start-ups knew how to make a concise structured pitch, usually by phone or email, stating:

- which role in a company will benefit (i.e. sales managers or maybe IT data centre manager, etc.);
- what the issue addressed is, and why it matters;
- why current alternative products or methods can't address it;
- what their answer is.

Finally some notion of time and cost to deliver with probable payback should be just enough to be convincing. The real discussion in detail on the business case is for the meeting itself, not for the first call!

It’s the depth of your knowledge and experience coupled with the details in your business case that allow the phase one customers to gauge risk and reward. The attempt to make broad approaches to cover as many customer types and markets as possible, to ‘prospect widely’, fails because it doesn’t provide enough substance to be convincing enough to anyone. Five or so carefully chosen prospects, to whom you can offer enough detail to convince each of them to work with you on developing and customising to build a ‘good value’ solution to their detailed needs, is your target.

This is where real flexibility in what you will do is needed. The customer may want to add or change some elements in ways you don’t like or hadn’t originally planned, but you will have to consider whether their changes might actually enhance the saleability. The phase one customers are not just sales and cash flow; they are your marketing department teaching you what real customers in the real market want. The goal of working with them is to refine and improve your offering both in terms of features and in terms of the business case benefits as you build installed references.

DRIVING SALES

At this stage ‘adaptiveness’ is everything, so think of it as ‘fun’ in developing your product into a real market success rather than awkward customers trying to change your idea. But make sure you don’t get too carried away as the challenge is to reach the point of optimisation of the product, sales case and references as soon as possible. With the experience gained move into real ‘sales’, preferably with at least one professional salesperson hired at this stage to ‘drive’ sales. Actually hiring a salesperson is a good proof point as to how good your product and sales support materials really are because a professional salesperson will assess them in cold blood for their chance to make money from them.

If all has gone to plan, you now have a real market-beating product with the sales support materials and business case to prove that it can yield some real money and make your original business plan come true with the phase two customers. At this stage all the advice on ‘execution’ comes into play and for some that won’t be as much fun as the product development. This is when a cold hard look at your own skills and those of your small team needs to be made and new hires with new skills are often needed. Quite often stage three is the moment when many founders find themselves needing to bring in a professional management team to accelerate the business into a world player and look at a longer-term future, but much has been written about these moves by well-qualified business experts and it’s not part of this article on starting up.

In conclusion it’s the all-important first phase that really needs the entrepreneur founder’s unique capabilities to develop and customise a truly market-beating product out of their in-depth knowledge. Listen and adapt your idea continuously with your phase one customers, even if it’s not quite what you had in mind originally. Remember it’s not your idea that your customers want to buy; it’s a great competitive solution for their business.

SECTION 3: KEEPING ON COURSE

6 BUSINESS MENTORING

‘How can business mentoring add value to innovation?’ asks Steve Burrows FBCS CITP, director of several small businesses including his consultancy, SBA.

Innovation starts with an idea – an obvious and trite statement. The idea often comes from a person who has seen a gap in current offerings because they are not close to the solutions currently offered in the marketplace. In short they are often naive about the sector, industry or technology to which their idea contributes; it is this lack of understanding and preconception that enables them to innovate.

Sometimes the idea comes from a technologist who sees a technical solution to a problem, but as a technologist, doesn’t have the business skills to turn it into a commercial product or service. In short, innovation is often the product of people who have an incomplete picture of the world and therefore are not straitjacketed by conventional wisdom.

In the previous paragraph I transitioned from a person to people – innovation is greater than just the idea and is most often achieved by a group of people who lever off and build upon each other’s ideas and knowledge to translate an idea into innovation. Innovation is rarely the product of a single mind, and therein lies the value of mentoring.

SEEING THE BIGGER PICTURE

A mentor may be a technical, industry or business expert – someone whose greater experience allows them to step back, view a situation or problem in context and draw upon their previous experience and expertise to help the mentee to see the bigger picture, evaluate it and draw an appropriate path through it towards their objective.

Facilitating the mentee to determine their own solutions is key to mentoring and, in doing so, the mentor aids the development of an idea through to innovation and provides a rounder, more complete view of the world to complement the narrower perspective of the innovator(s). Clearly mentoring can add value to innovation.

A while back I was asked to be business mentor to the CEO of a software start-up; it possessed revolutionary software technology, patented and protected, with every apparent prospect of success. I stepped back and started asking questions about how customers would install it, configure it and interface to it and quickly found that these matters hadn’t been addressed.

The innovators had a kernel, a software engine, of great value – but the only people who could deploy and use it were themselves. As a technology it was wonderful; as a saleable product it was a non-starter, requiring significant funding and many person-years of development before it would be ready to enter the market. As the business mentor it was my unfortunate job to point out these realities to the CEO and, in doing so, I prevented the venture from failing by launching prematurely.

A business acquaintance got involved with and invested in a start-up company developing ultra-small jet engines. The engineers who founded the company had solved a construction problem that had eluded Rolls-Royce and other jet-engine manufacturers – they had wonderful and unique technology.

But what to do with ultra-small jet engines? Perhaps propel miniature aircraft such as 'drones' – unmanned aerial vehicles, hardly a large commercial market sufficient to justify the development and manufacture of small, cheap jet engines.

My acquaintance had the inspiration of using the miniature jet engines to power electricity generators – for use as range extenders in electric hybrid cars and for portable generators to be used in emergencies and backup installations.

You may have seen these jet engines pictured in the back of the Jaguar C-X75 concept car. Thanks to the lateral thinking of my acquaintance, the technology innovation of the miniature jet engine found commercial applications, customers and major corporate investors – the prerequisites for success.

The role of the business mentor is to aid the innovator in achieving the endgame – not just an innovative product, but a product that people want to sell and people want to buy and can be marketed, made, distributed, sold and supported at a profit.

History is littered with technology-based innovations that failed – the Sinclair C5, Google Buzz and Betamax – and in most cases the cause of failure was not the technology, but the commercial realities of the world into which it would be delivered and deployed.

The world rarely buys into innovation for innovation's sake – for innovation to be accepted and adopted it must be commercially successful. This is where the business mentor comes into the picture.

Add your comment at **http://www.bcs.org/content/conWebDoc/40282**

7 HEAD OFF PROBLEMS EARLY – LEARNING FROM CEOS

Good time management is essential for anyone running their own business and will help you to head off problems early. To 'master the moment' you have to remain proactive and do your best to avoid getting stuck in reactive mode, says Pat Brans, author of BCS book *Master the Moment*.

This means spending time trying to predict problems that might lie ahead and preventing them from occurring. At the very least you need to spot problems early. Head them off before they develop into big messes that eat up most of your time.

Now let's turn our attention to this worthy use of your time.

CRISIS MANAGEMENT VERSUS CRISIS PREVENTION

I asked James Carter what he thought were some of the biggest time-wasters. The former president of Loyola University in New Orleans didn't have to think about it. He immediately told me: 'Crisis management takes a lot more time than crisis prevention. Thinking ahead about all the things that can possibly go wrong, and trying to make sure they don't go wrong – or if they do go wrong, that they're properly contained from the beginning – that's a good use of your time. On the other hand, crisis management is not time well spent.'

Father Carter summarised: 'Being ahead of the game and foreseeing what might happen will save you a tremendous amount of time. Try to spot trouble up ahead.'[1]

Looking at the future to stay in the present

Sometimes it's hard to think about the future. There are just too many unknowns. But you can minimise your risks. It comes down to asking yourself what can go wrong and what you can do about it now.

TIP #1

Identify things that can go wrong, their likely causes, and actions you can take to prevent their occurrence. For each potential problem, think through what you can do if, in spite of your precautions, it does occur.

You can identify vulnerable areas and enumerate potential problems within each of these areas. For each potential problem, list the likely causes and actions you can take to prevent their occurrence. Finally for each potential problem, list things you can do in the event that it does come to pass. The best thing you can do is prevent problems from arising. But they might occur anyway, so make sure you have an action plan to minimise the damage.

The CEO of Kepner-Tregoe, Andrew Graham, said: ‘The funny thing is some people get so good at heading off potential problems that they forget about the dangers. Frequently you don’t know what you’ve prevented. When it comes time to cut costs, you might tend to cut out some of the preventive measures thinking they’ve never prevented anything. You don’t know in many cases. It’s a tricky thing.’[2]

Now let’s go back to my discussions with Ray Titus. The CEO of United Franchising Group told me: ‘Nobody has perfect knowledge. You’ll always have things you can’t control. I gave up on being a control freak a long time ago. I realised you just can’t control things. To a certain extent, you have to roll with what comes your way. On the other hand, I do what I can to plan for the unexpected. I look at pros and cons before I do anything. I look at the worst case scenario. I consider the curve balls that can come at me. Of course, there are some things you can’t see beforehand. But in most cases there are a few early signs you can look for to spot trouble.’

‘Are there more things that are more important that I could be addressing?’ Ray asked rhetorically. ‘Definitely. But what’s most important is to always aim to be on the offensive. Things will come up and you’ll have to react to them. Then remember to get back on offence as soon as possible. There are a certain number of things beyond your control and you have to adjust for them as they come along. Sometimes those things will prevent you from focusing on your priorities. You may not be able to help that. But know this: if you don’t strive to be on offence, you definitely won’t get the right things done.’

I asked Ray what he thinks is the best thing to do when the unexpected does come down. He said: ‘When a crisis does occur we deal with it, and after the fact we don’t spend much time second-guessing. We continue to move forward. That’s more of a priority and it’s really a better use of our time. I don’t tend to look for who made the mistake to apportion blame. One reason for that is because the person who got you into trouble is probably also the best person to get you out of it. You need that person to keep a cool head.’[3]

Remember that *Master the Moment* is all about being present in whatever you’re doing now. One of the things that prevent people from focusing on what’s in front of them is that they are anxious about the future. What we’re trying to do is to develop habits that allow you to think about the future at specific times and in specific ways. Once you’ve developed confidence in this approach, you’ll no longer worry about the future. You’ll know that you’ve already done what you can to prepare. This frees you to stay in the present.

Biases in assessing the future

If I were to ask you to drive into town to pick up a package and bring it back, and then I asked you to put on glasses that obscured your view, you'd have a hard time carrying out the mission. The same is true for how you view problems and how you look into the future. If you can't see clearly, you can't carry out these activities. The fact is, you can't see clearly. As a human being you have fears, prejudices and cognitive shortcuts that skew your thinking. The best you can do is recognise ways in which your perception prevents you from seeing clearly and compensate for this.

You might recognise these biases in perception and thinking, but did you know that they can be demonstrated in experiments? Daniel Kahneman and his late colleague Amos Tversky won the Nobel Prize in Economics in recognition of their work to demonstrate predictable ways in which we make choices in an irrational manner.

It's interesting to bring up Daniel Kahneman in a book on time management and personal effectiveness, because the story of his childhood is itself a textbook case on overcoming obstacles. A French Jew, he managed to survive Nazi-occupied France only because his family was able to stay a step ahead of the bad guys. Just six weeks after Kahneman's father died of undertreated diabetes, the Allies retook France. Kahneman was 12 at the time. Two years later his family moved to Israel. Kahneman went on to be one of the leading psychology researchers of our time. Much of his research has been around how we perceive problems and how we make decisions under risk – subjects that apply nicely to economics. Before the work carried out by Kahneman and his late colleague Amos Tversky, economic theory was based on the rational agent model, which assumes that human behaviour is completely rational. As it turns out, we are biased in all sorts of predictable ways. Some of their findings are things that many people already suspected, but Kahneman and Tversky demonstrated that they certainly do exist and this research shed light on how natural laws operate to cause these biases.[4]

One source of bias is the mechanism with which we predict how we'll feel about a future occurrence. When we assess a future event we tend to focus on the transition from the present state to the future state. We think about how we'll feel during that period of change. But we don't usually take into account that we will, in fact, get used to the future state.

For example, people anticipating winning a lottery will think about becoming rich and imagine that it will be a lasting feeling. What really happens to the few people who win the lottery is that they get used to being rich and they settle down to approximately the same level of happiness they experienced before.

The same holds true for people planning to move to a new city. When asked about what this will do to them, they tend to assume that the feelings they have during the period of change will be extended to the whole time they're in the new city. When they actually live the event, their feelings at different points in time are quite different from what they expected.

What does this mean for time management? It means you should be aware that you are probably skewed in your thinking about the future. In order to see trouble brewing up ahead you have to find ways of compensating for these biases.

DOING IT RIGHT THE FIRST TIME

No matter what you do, if you are careful to build on solid ground you'll minimise the risk of running into trouble down the line.

Solid processes

To get really good at this, you have to set things up to run smoothly today. If all of your attention is required to react to events as they arise or if you need to focus all of your efforts on keeping things going today, you're caught in a trap. With no time to think about the future, you can only wait for problems to rear their ugly heads – and when they do occur, they show up as urgent and unexpected events. Let's take some examples.

Twenty-two years ago, as a young software engineer, I had the opportunity to observe different management styles in the various start-ups I worked for in the Washington DC area. One manager, an absolute expert, could answer any question that came up concerning the application for which he was responsible. Any time there was a crisis, he jumped on it immediately. Once he figured out the source of the problem, he would explain his findings to whichever team member was available and he would suggest a solution.

Another manager, while just as skilful as the first one, chose not to be a product expert. Rather than familiarise herself with product details, she spent most of her time building the competence of her team members. She also spent time building a good team environment and a trusting relationship between herself and each team member, and among team members.

Guess which of the two managers had time to take vacations or to get involved in broader company matters? The second one. What's more, she went much further in her career because she spent time upfront setting up things that would run without her attention. Once things ran smoothly, she could turn her attention to the future. In stark contrast, the other manager could never find the time to look at anything outside his product area.

Here's another example. I recently had the opportunity to provide a masterclass to a group of people starting small businesses. They all liked the parts about setting goals and prioritising. All of them were goal-oriented and ordering their activities by importance came naturally to them. But when it was time to discuss setting up solid processes, we had a lively debate. About half of them said that the most important thing is to win deals as early as possible. The other half argued for focusing first on building the capacity to do business.

The first half was exemplified by what one of the attendees said was his motto: 'Just get the deal. We'll worry about how we're going to deliver afterwards.' My answer to that was: if that's the way you operate, all you're doing is pushing off problems until they grow into disasters.

Let's look at one more example of setting things up to run smoothly. 'Process' is one of Gary Heavin's favourite words. And you can see why. He and his wife Diane started Curves and made it the fastest-growing franchise in history. Much of their success is due to the attention they placed on developing processes.

According to Gary, 'So many organisations fail to focus on the fundamentals. They just want to make the next deal and give no thought to setting up an infrastructure of principles and processes. The problem with this idea is you never go beyond the next sale.'

'Life is a process,' Gary says. 'It's not a destination. It's not some level of achievement. It's always a process. When you understand that, you can ease up on yourself.'

When you know where you want to go, plot a path to get there. If it's something you do more than once, set up a process.

Taking those same steps will help you not just that one time, but multiple times. Once you have faith in the process, you just have to think about following the steps.

The CEO of Curves applies this idea everywhere. For example, when he's looking for people who can take over certain responsibilities, there's a set of steps he goes through to accomplish that goal. Gary wants people who meet two fundamental requirements: that they can be trusted and that they can potentially do the job as well as or better than he can. Because this is something he has to do over and over, he sets up a process that satisfies his requirements every time.

Gary says: 'Initially, I want them to watch what I'm doing in that area. I want them to simply observe. Then I go into a second phase where I watch them. The third level is where we ultimately want to be. At this level I'm comfortable with them, and I leave them alone. Once you're satisfied the competence is there and you see they understand the culture and values, you can step back and let them do their job.'

To use this powerful idea, you need confidence in your ability to set up the right processes and in your ability to follow the steps you define. Sometimes this is counter-intuitive. You're more inclined to take immediate action and solve just the problem in front of you without careful thought. While taking action, you probably tend to spend a lot of time thinking about your overall goal. This quickly becomes a major distraction, turning your attention away from what you need to do now.

If you can develop two good habits, you can make the power of process work for you. The first is the habit of slowing down to define the right steps. The other is to focus only on the step in the process you're working on at a given time.

According to Gary, 'If you have a good process and you stick to that process, you can accomplish just about anything you can imagine. You can overcome bad habits and tragedies. You can turn your attention to the future.'

Not only will you get more done, you'll also have a better time. Gary says: 'Whether you're working on fitness, diet or something related to work, setting up a good process allows you to relax and simply move through at a pace at which things should happen.'[5]

The laws of inevitability

As discussed earlier in this article, we have trouble assessing future events. We don't do a very good job of predicting how we'll feel about something months or years from now.

Aware of this bias, Steve Hansel tries to compensate when planning ahead. The former CEO of Hibernia National Bank told me: 'I find it especially important to be careful when you make decisions far ahead of time. The further out something lies in the future, the less seriously you'll take any outcome – even if you know the outcome will be painful. In other words, you'll accept just about anything, as long as it's scheduled far enough out. But these things will come to pass. When they do, you'll regret having agreed to certain things out of haste or in a moment of weakness.'[6]

In the same vein, Jim Whitehurst of Red Hat says: 'You have to be careful what you say. Sometimes you'll say "yes" to something and wind up spending a week sorting out the consequences. You have to be very thoughtful about what the consequences will be, in a few months, of what you say or do now. Think about how you're going to feel in the near future when it comes back your way. Will you look back on it and consider it a good use of your time?'[7]

Ray Titus thinks that future pain or future gratification seems so far off that people aren't willing to do what it takes in the present to lay the groundwork for a better tomorrow. Ray says: '"Sacrifice" is a dirty word these days. Take, for example, what we've seen with the stock market. As we've seen recently, anything can happen. Everybody's looking for things too fast. We've promoted the idea of 22- or 23-year-old CEOs who have founded companies. That does happen, and hats off to those who are able to do this. But let's remember how rare this is. The problem is everybody thinks they're entitled to it. Therein lies the danger. People are not able to give up things in the short term for long-term gains.'

'People don't think things through,' Ray summarised. 'You need to have a goal and you need to think about what you're willing to give up to get what you want. Not everybody accepts the idea of giving something up. The average person today is overextended. People live for today and they're very selfish. It's all about them and today. That's a problem.'

'I like to call these phenomena "the laws of inevitability". Some things are sure to happen. There is a determinism. Yet no matter how clear the consequences are, some people still do the wrong things.'[8]

SPOTTING TROUBLE UP AHEAD

Simply making a conscious effort to spot trouble up ahead is already a big step. If you're not doing so already, start taking just a little time every day to think about what might lie down the road. Progressively spend more time on this until you feel you've reached an appropriate level.

To better understand the art of spotting trouble up ahead, we can also look at the practices of Herb Kelleher and other executives that made Southwest Airlines a huge success. To minimise the chances that the company would be caught off guard, they would go through a process they called 'future scenario generation'. During this process, strategic planners would ask a lot of 'what if?' questions to imagine future scenarios Southwest might find themselves in. For each plausible scenario they would then draw up a plan.[9]

Todd Davis does something similar. 'I allocate time either to myself or to other executives to work on strategy against our mission,' the CEO of LifeLock said. 'How can we get to where we need to be? Where might we be vulnerable or what might impede us? These are the questions we ask.'

'We do this on a regular basis,' he said. 'The process is simple and concise, and it doesn't take long. It simply involves stepping back and taking the view from 10,000 feet, saying "This is my mission", "Am I doing the right things to accomplish it?" and "Where are the vulnerabilities that might prevent me from carrying out my mission?" or "What can I do to bolster my position ahead of time?"'

TIP #2

The more you trust your system of looking ahead and thinking about what might occur in the future, the more you can relax and focus on the present.

Todd does this in business and he does it in his personal life. Because he thinks about the future on a regular basis and because his approach is methodical, he has developed a confidence that allows him to spend most of his time fully focused on what he's doing now.

As we saw before, anxiety about the future is one of the things that prevents us from focusing on the present. If you have this problem, you won't be able to eliminate it overnight. But you can improve progressively.[10]

Taking the long-term view

Randy Rose advises: 'You need to develop an intuition about what's going on under the surface or about what's lurking around the corner. If you don't develop a feel for this, you can't be effective.'

He shared with me some of the practices he uses to help him think about the future. 'You may have heard the idea of always asking yourself "What's next?" Well, I have a variation on that theme: "What's next after what's next?" In my opinion, thinking like that allows all people who have a stake in where we're going to prepare themselves accordingly and to work that into their own plans. Thinking about what's next after what's next and communicating that to stakeholders has the additional advantage of making people feel involved.'

'I go so far as to write the annual report for the future,' Randy said. 'I write in the future annual report what we will have accomplished to get from wherever we are now to wherever we want to be. I also include in the report projections for the future – that is, "what's next after what's next". This sets direction and minimises fears people might have about our intentions.'[11]

Keeping an eye on what the other stakeholders want

One way to predict what's coming down the road is to stay up on what other people are thinking. Those people who have a stake in whatever it is you're doing are likely to have an opinion on your direction, whether they be business partners or family members and close friends with an interest in your personal wellbeing. If what you're doing is inconsistent with what they want, you need to be aware that this could spell trouble up ahead.

Along those lines Randy Rose advises: 'If you go forward with something without first having an idea how the other stakeholders feel, you may run into trouble later. Even if you ultimately don't agree with the other interested parties – and this will frequently be the case – let them air their ideas. Maybe they will change your opinion. If they don't, go forward with your instinct. At least you know where the other parties stand and you will have given them a chance to state their case.'

TIP #3

Make sure no stakeholders feel alienated, and take the time to understand their positions. These are good ways of heading off problems early.

'Walking around and talking to people helps me spot problems early,' Randy says. 'Because I invest time in engaging people in casual conversation, they tend to point out potential problems I might not see otherwise.'[12]

Manuel Esquivel, former Prime Minister of Belize, has a similar approach. He says: 'Heading off problems early comes from anticipating what might become a roadblock. You can do that by putting yourself in the other person's shoes. You might think you have a good solution, but the other person might not like it at all. You have to think about what you want to do, and what he wants, and ask yourself if you can live with what he wants. Is there a way to find a middle ground? If you anticipate what the other person will think, you can work this out ahead of time.'[13]

Seeking advice

Another way to spot trouble up ahead is to go out and talk to people who aren't necessarily stakeholders but who have experience in key areas. By making it a habit to seek their views, you create a regular flow of information that will help you spot problems early.

Somebody who puts this idea to use is Dan Packer. The former CEO of Entergy constantly looks for advice. 'There are very few situations you come across that somebody else hasn't been through,' he says. 'Ask around. Either somebody you know has words of wisdom for you or they know somebody else who does. Occasionally you'll get into an area nobody else knows about, but that's rare.'[14]

TIP #4

By seeking advice from other people, you increase the flow of information towards you. This allows you to get a better view of where you are and what lies down the road.

In working with small business owners, I can see this principle play out. Clearly some of them are out asking other people for their opinions. These are the ones who are able to quickly assess their situation and make changes as necessary. In the long run, the results reflect this.

Still, many people have trouble asking for advice. Pride gets in the way. It's true that you make yourself vulnerable when you ask somebody else for their opinion. They might take it as a cue to tell you what to do. Some get carried away and talk your ear off. Filtering out all the useless things in search of a nugget can be exhausting. But isn't raising the chances that you'll spot a problem early worth a few minutes of discomfort?

Let's finish this topic of seeking advice with a word of caution. When you go out and ask other people for their opinion on something you're doing, don't mistake this for asking permission and don't think you have to take all advice. The ideas they have for you may or may not be appropriate. You have to weigh this yourself and make your own judgement as to which advice you want to take.

SOLVING PROBLEMS EARLY

Facing the cannons

Once you spot trouble, the best use of your time is to deal with it quickly. Face the problem head on. Lucas Skoczkowski of Redknee offers his words on this subject. 'Always face the cannons,' he says. 'If somebody shoots at you, you should always move towards them right away. If you run away from them and try to avoid them, you'll get shot in the back. I read a lot of military history and this particular idea comes from what I've read about the US Marines. Translating this into professional and everyday life: if you see an issue, tackle it ASAP, especially if it's an issue that can grow over time. Face it, deal with it and then move on. Otherwise, it's only going to get worse and shoot you in the back.'[15]

TIP #5

When there's a problem, go to it immediately. You will have to face it sooner or later – and sooner gives you a better chance of successfully resolving it.

When I asked Ward Klein, the CEO of Energizer Holdings, about these ideas he told me how he personally evolved in this area. 'Early in my career my initial reaction was to hesitate when faced with an uncomfortable situation,' he said. 'But over time I realised: if you don't say "no" early on to something you don't like – or if you don't face a problem head on and at an early stage – the issue will nag you. So you really have to learn to do just the opposite: confront the problem early and be honest with yourself when you're uncomfortable. Realise "I'm not comfortable with the situation."

'Find out why. Then give it your best shot to resolve the issue. It's important not to shirk an oncoming issue. Strip out the emotion, identify the problem and do your best to tackle it immediately.'[16]

Bias in problem solving

To do that, you need to get a grip on any fears that might prevent you from facing a problem. David Novak, CEO of Yum! Brands, has an interesting view on his own fears. His observation is that fears are usually about the future. Most of the things we fear never happen and most of the rest don't turn out the way we expect them to.[17] Nevertheless, fears are real and you can't make them disappear. With practice, however, you can recognise them for what they are and do your best to override them.

We are biased by fears and by our background, but we also have trouble seeing clearly because our brains simply can't process everything. We take cognitive shortcuts. While you can't prevent your brain from working this way, you can at least be aware that your thinking might be biased and apply reasoning to make up for it. This idea of listening to your intuition and then applying a mental tool to compensate is called 'bounded rationality'.

Jean-René Bouvier, CEO of Buzzinbees and a former vice-president at HP, compensates for some of these cognitive shortcuts by keeping an eye on orders of magnitude. 'I always keep in mind the rough orders of magnitude of various things, such as the population of a country, the revenue of a company or the number of cell phones sold,' he says. 'Whenever I see a number, I can compare it to a number I know and I can ask myself if the number is really true.'

Jean-René says: 'I'm not interested in minute details, but I can get an idea of whether something is in the right ballpark. Words like "big" or "small" don't mean anything to me until I get a rough order-of-magnitude comparison.'[18]

HABITS

For one week work on developing these two good habits.

Build solid processes

Set up processes that last and that run without your attention. Doing this will allow you to look to the future and head off problems early. Where you have established processes, work within them. Don't 'wing it' when you don't have to.

Spot trouble ahead and solve problems immediately

Set aside time to think about what lies ahead. Put in place ways of getting regular feedback from people so that they'll help you spot trouble. Face all problems as soon as you can.

EXERCISES

Take the time to go through these exercises, designed to help you integrate the ideas from this article – to head off problems early.

(1) Although it might be uncomfortable, spend a few minutes thinking about things that have gone wrong in the past and that you could have predicted and done something to prevent – or at least to minimise the damage they caused. Make a note of these things and of why you weren't able to head them off.

(2) We tend to think of painful situations in the future as not important, almost as if we thought they wouldn't really occur. To what degree do you have this problem and what can you do to compensate?

(3) Think of ways you can better set things up in your day-to-day life to run without your attention. Add what you come up with to your list of actions for the near future.

(4) Set aside time every day to think about the future. Put this on your top-five list if it helps, or you might schedule time in your electronic calendar.

(5) List some of the things outside your control that might go wrong. What can you do to minimise damage should these things occur? Doing whatever you can to head off trouble, and to minimise damage once trouble occurs, is within your control.

For more useful time management tips and exercises, see Pat Brown's book *Master the Moment* or visit his website **http://master-the-moment.com**

[1] Exclusive discussion with James Carter, April 2008.
[2] Exclusive discussion with Andrew Graham, September 2008.
[3] Exclusive discussion with Ray Titus, July 2008.
[4] Kahneman, D. and Tversky, A. (2000) *Choices, Values, and Frames*. Cambridge University Press, Cambridge.
[5] Exclusive discussion with Gary Heavin, April 2010.
[6] Exclusive discussion with Steve Hansel, March 2008.
[7] Exclusive discussion with Jim Whitehurst, April 2008.
[8] Exclusive discussion with Ray Titus, July 2008.
[9] Freiberg, K. and Freiberg, J. (1997) *Nuts!: Southwest Airlines' Crazy Recipe for Business and Personal Success*. Broadway Books.
[10] Exclusive discussion with Todd Davis, March 2008.
[11] Exclusive discussion with Randy Rose, March 2008.
[12] Exclusive discussion with Randy Rose, March 2008.
[13] Exclusive discussion with Manuel Esquivel, June 2008.
[14] Exclusive discussion with Dan Packer, October 2008.
[15] Exclusive discussion with Lucas Skoczkowski, April 2008.
[16] Exclusive discussion with Ward Klein, March 2008.
[17] Novak, D. with Boswell, J. (2007) *The Education of an Accidental CEO: Lessons Learned from the Trailer Park to the Corner Office*. Crown Business.
[18] Exclusive discussion with Jean-René Bouvier, April 2010.

CASE STUDY: FINDING A NICHE

Philip Petersen relates his experiences of entrepreneurship with his start-up AdInfa.

Anita Roddick, the founder of Body Shop, once said, 'it is true that there is a fine line between entrepreneurship and insanity... But you have to believe that everything is possible.'

While I don't think I am insane, I can empathise completely with the sentiment. Having the big idea is one thing, but taking action and turning it into a business is another thing altogether.

Doing that while having both a family and no significant capital behind you adds another degree of difficulty to the task that many may view as a kind of madness. But having the support of your family must never be underestimated.

And the lack of capital is undeniably stressful, but it does drive focus. So a moment of madness might be the spark, but you need energy, determination, positivity, focus and persistence to fuel the fire.

I am the CEO of AdInfa, which develops InSite – software for data centre energy management. Together with Craig Waddington, the CTO, we have devoted ourselves for several years to the huge task of creating an enterprise software product from scratch without any external funding – and doing it not in the heat of Silicon Valley, but from the byways of Maidenhead!

While we had both worked in the IT and telco industries for many years, we had not worked together. We were introduced by a mutual acquaintance and, importantly, we have complementary skills, which make for stronger and more effective teaming.

Our market focus is the data centre; to be specific, we enable people who run data centres to control and cut their energy bills and carbon footprint and to optimise their operating efficiencies. However, that is not where we started and that is a key part of entrepreneurship – being able to adapt your idea to solving real-world problems that people are willing to pay you for.

In other words, making sure you are not developing a solution to a non-existent problem or for a market that is too small or too broad or too ill-defined. This is not as easy as it sounds though; at least it was not for us! Finding a niche that is large, growing, underserved and addressable is an iterative process.

GETTING FEEDBACK

One very important step in testing your idea out is to talk early to people who might be potential buyers and get their feedback. In our case we were looking at the corporate market and selling enterprise software that would be used by IT and facilities people.

These people are often hard to get to and sceptical about assessing ideas rather than working products – and with good reason. Many companies have burned their fingers and spent a lot of money on slideware that did not deliver on expectations, particularly in the late 90s and early noughties, and memories can be long.

We started out developing software to solve a specific customer problem – automating critical event alerting (via SMS text, email and digital paging) for building management systems (BMS).

Then driven by customer feedback, we expanded the software's capability to include device monitoring capabilities, an industrial-strength database and a web-based user interface incorporating interactive, real-time reporting. Thus InSite was born, but we needed to adapt our market focus and position InSite as a unique and compelling solution to a big, addressable and unsatisfied demand.

I was calling on a wide variety of people involved with data centres, ranging from senior executives at corporates who ran their own facilities through to co-location service providers, their customers and also vendors and data centre consultants.

I wanted to understand what problems companies and practitioners were facing and how they were solving them and identify where the gaps were. I learned that even organisations with sophisticated network and system management capabilities were really struggling when it came to power infrastructure and facilities management.

At about the same time people were starting to tune in to the issues of rising energy costs, the Carbon Reduction Commitment, carbon legislation and taxes and they were realising that they lacked instrumentation, tools and services to control these. But where were the solutions?

While the large, established vendors of facilities equipment were selling to the companies I spoke to, their solutions were lacking. The entrepreneurial opportunity was to offer a proposition that was flexible in capability, relatively easy to implement, intuitive to use, low-cost to own and that delivered actionable information in near real time.

The business drivers for customers were cost reduction and control, capacity management and carbon reporting. This gave us our blueprint and it is still valid although we monitor it continually: listening attentively to feedback, we distinguish the 'must haves' from the 'nice to haves' to inform our development roadmap.

We want to offer a product that is extremely sophisticated but deceptively simple to use and to deliver it in a way that yields maximum value to the customer.

FINDING EARLY ADOPTERS

As an early stage business, most of your prospective customers will not have heard of you and in the B2B world they tend to be very conservative buyers. Finding early adopters for your product is essential and it takes targeting, persistence and luck. For example a cold call to the UK CEO of one of the world's leading companies led eventually to a sale and a great case study.

It did not happen quickly though, which is another big hazard when selling B2B. Dealing with large corporates, particularly international ones, often involves chasing down some false trails and dealing with constantly changing priorities and people's agendas. However, securing some marquee names as clients adds instant credibility to your story when pitching to the next target, whether customer or investor. We include Cisco, Sky, Equinix and Tiscali as customers.

As a small business we need to spend our resources very frugally and a huge challenge is building market awareness for InSite without having any budget! So I spend a lot of time networking online (I'm a big fan of LinkedIn) and at events, commenting on data centre articles and contributing ideas.

I was referenced in *Wired* magazine's October 2010 cover story about European start-ups, which led directly to calls from a couple of prospective clients. In May I was shortlisted for 'Data Centres Entrepreneur of the Year 2011', which is another great opportunity for gaining positive publicity for AdInfa.

The great golfer Gary Player once said, 'The more I practise, the luckier I get .' Extending that analogy to the world of tech, a recent blog article by Mark Suster (the Silicon Valley VC and software entrepreneur) is entitled, 'The harder I work, the luckier I get'.

There are few overnight successes amongst tech entrepreneurs; it's just that they are the ones we read about. Craig and I have invested all our time and resources into AdInfa in the belief that we are doing something that our customers value and that benefits the environment. Getting that right is what motivates us and we are determined to build AdInfa into a great company. Everything is possible.

Follow Philip on Twitter: **@philipadinfa** and add your comments at **http://www.bcs.org/content/conWebDoc/40363**

SECTION 4: MARKETING

8 YOUR ONLINE BRAND

Eileen Brown, author of BCS book *Working the Crowd*, looks at how to best promote your brand online.

The first thing to consider about having a presence online is, quite simply, what you want people to think when they first meet you. By 'you' we might mean your product, your firm or your cause, rather than you personally. The essence of that first impression is important as it is continued through repeated social online interaction. That essence is something you need to determine before showing your face at the party or getting your foot in the door.

Part of presenting your online brand is considering the medium and the tools you will use.

This is really critical because not all businesses should use all tools

But how do you get the best out of the web? Think about how you intend to promote your brand on the web and also how the 'personality' of your brand (whether your brand represents a product or your own persona) works well in the social media world. It's no coincidence that the medium most often used to demonstrate the fun or quality of a new video game is video. Only through movement and monitoring actual game play can customers get a sense of what's in it for them when they purchase the new first-person shooter.

If you are a better public speaker than writer, you may well consider having audio podcasts or video as your online medium of choice because it will show your ideas and you in the best light. Likewise, if you are more a person of words than pictures, choosing a medium that relies more heavily on deftness with text (Twitter, blogging, Internet Relay Chat and so on) may be the place to begin. The expense to the business in terms of time and money has to be weighed against what the business wants to get done. Small businesses won't necessarily have the money to spare for big fancy video or sound production equipment.

MANAGING YOUR BRAND

Managing your online brand is key to your success. It is important to make sure that the information you want to be released is on message, accurate and positive. And with this type of personal engagement offering the potential for things to go very wrong, it can be rather daunting.

The move away from traditional push marketing to pull marketing and conversational marketing is creating a more dynamic and engaging marketplace for your brand. If you are looking to buy a book on Amazon, you will look at the recommendations from others who have bought the book. You may also look at other recommended books to go with your original choice. Although you think you have made a simple online purchase, you have used the people network to influence your choice. Adding to the recommendations with your own opinions about the book will help others decide whether to buy. You have made an emotional connection to someone else who has purchased the book and this has influenced your decision. Peer reviews really matter, so help future book buyers out and write a review for that book you have read.

Listening to your online and offline friends is much more powerful than buying from a static website. People buy from people, so a well-maintained, engaging and positive brand is an important tool to have.

CREATING AND PUBLICISING YOUR BRAND

'Create a community and it will come.' This is a great idea and your community will come – however, they will only come if they know where they can find you. Your brand, both personal and corporate, needs to be discovered and needs to be advertised.

The ability to connect outside your immediate network to include people further out in your social graph is important. These second-degree connections can significantly add to the spread of networking and adoption of the site or application. You have your connections to your friends and you wish to extend your network outside your immediate circle of friends. You want to find those useful connections and work them into your network. LinkedIn, Facebook, Google+ and Twitter all have search facilities where you can find others who are interested in the same things as you, whether business, personal, political or scientific. You can connect directly or get connected through one of your first-degree networks.

If you want to use the community approach to gather new connections, then you can use broadcasts to find your audience. Your audience is people who are interested in the same things as you are. If you blog, tweet or update your networking sites regularly, then others who are searching for similar topics will find your postings. With regular broadcasts and responses to your audience you will start to generate a relationship with your audience that will bring you more followers, extend your network and create potential new advocates for your brand.

As soon as you publish online, you will get some kind of audience. But who are they? A lot of them are silent lurkers; they are visitors to your site who may have stumbled across your information accidentally and then moved away. These visitors may be invisible to your eyes; they spend their time watching and waiting for you to connect with them. These lurkers are waiting for some information that resonates with them. It is hard to connect with these people if you do not know who or where they are.

You do know that these people are out there watching and listening, so there are things you can do.

If your style consists of opinions and commentary, you might want to try a different tone, such as information sharing or questioning your readers. Your message has the potential to become diluted or taken out of context. It may be replicated elsewhere across different channels or it may not be replicated at all. There's always a chance that you won't connect with your original intended audience. Persistence always pays off, but it's worth bearing in mind that some people will never respond to you, no matter how hard you try. Don't be disheartened. If you make sure that your site can be discovered easily by your audience, eventually the interaction will come.

Getting your website discovered requires some tweaking so that search engines like Google can find and index the site. Search engine optimisation, the art of improving the ranking of a website in search results, has been around for some time. Using keywords or meta-tags on your web pages can get your page higher up the search engine rankings, or get you some 'Google juice'. It is simple enough to use intelligent keywords, image keywords and keyword hotlinks on your web page. SEO specialists can register your site on search engines so that the spiders and search bots come to visit your page, but these are manual processes.

Fortunately, with the advent of status updates and online profiles, you can improve your rankings with very little effort. User-generated updates by their nature are dynamic, and having dynamic, frequently changing information on your site is a good thing. Dynamic updates ensure that web bots will visit your site more frequently and improve your rankings across the search engines. Google Bing and Yahoo! now index social media updates such as those from Google+, LinkedIn, Twitter and YouTube, so your recent communications on these sites can appear in the results fairly quickly.

TOP TIPS

- **Try to have a consistent naming strategy.** If your company is called Best New Media Marketing Ltd, try to find a name that matches across all of your profiles. If you're going to use this name as your alias on Twitter, with its 140-character limit, you'll need to use short status messages as you won't have many characters left in the message.
- **Try to reserve your brand identities by registering them.** Use http://namechk.com to check whether the username you want has already been registered on other networking sites.
- **Think about your brand attributes.** Are you reliable, efficient, dynamic, energetic, innovative, strategic, structured or creative? Make sure you include these attributes whenever you post online updates.
- **Make sure your visual image portrays the brand you want, both in your corporate identity and your personal brand online.** Consider whether using a headshot in your profile is best for your brand or whether your logo is the image you want your customers to see.

- **Decide on your personal and professional brand limits.** Decide where to draw the line. With suitable privacy settings, lock down any settings that you don't want broadcasted.
- **Focus on quality and consistency in your message.** Remember content is king and freshness is queen.
- **Post information regularly.** Find a schedule that works for you and stick to it. Whether you have the time to update once a day or once a week, the key message is consistency. Avoid bursts of activity, which will confuse the web crawl spiders and turn your readers away.
- **Create channels for your brand.** YouTube and Slideshare are just two examples of channels that you can customise with your logo and configure a background to the page in your company style. Facebook pages and LinkedIn pages for your company, when well configured and maintained, promote your brand and encourage dialogue with your customers and partners.
- **Cross-link.** Refer to your Twitter feed, your Facebook page, your blog or your LinkedIn profile on each of your sites so that each of them can be accessed from the other. If you want a single destination point, make sure that all of your profiles point to that site.
- **Vary the content.** Talking about the same thing using the same URL time after time will make your updates appear to be spam and your followers will go elsewhere.
- **Keep the content on message.** If your business is about ballet shoes, then make sure that the term 'ballet shoes' appears regularly in your blog posts or on Twitter. You'll eventually turn up in search results for 'ballet shoes' if you regularly post ballet-related updates on each of these sites.
- **Comment on other blogs.** Your comment profile will appear as a URL on the other blog site, which links back to your site. Web crawl spiders will notice the links and give your site more relevance and ranking amongst other similar sites.
- **Be generous with your links to other blogs,** which will draw traffic back to your site.
- **Use meaningful anchor text in hyperlinks.** 'Click here' is much less meaningful to search engine spiders than 'Read Eileen Brown's blog on WordPress'.
- **Break up your text. Use shorter paragraphs.** Consider sub-headings to break up long pieces of text. Use several platforms and remember that you can link each of these. Content goes across most of these platforms.

The key thing is to make sure that the content is fresh and updated regularly. Appearing at the top of search engine results is not something that happens overnight. If you are diligent and organised about creating fresh content then you'll be surprised at how quickly this can happen and you can measure your success in weeks instead of months.

TOP TIPS

- **Find the active conversationalists, influencers and leaders** in your industry and follow them. Subscribe to their blogs, follow them on Twitter and connect with the people they connect with. You'll then get great insights into the way they use online marketing to get their message across effectively.
- **Search for the types of people you want to notice you and follow them.** Use keywords to narrow your search to the target market. Comment on their blogs, photos and video uploads, link to them and follow them on Twitter. This will increase their reputation in the community and bring you to their attention. If you follow people in your industry and post interesting things, it's likely that they will follow you back.
- **Follow your competitors.** Watch what they do. See what is successful in their marketing campaigns and adapt it to suit your own brand.
- **Decide on a sensible name for your channels.** People are much more likely to follow realistic companies like 'WhiteTeeth' than they are to follow channels such as 'Awesome Tooth-Whitening Products'.
- **Make sure your channels are updated regularly.** People won't subscribe to a blog that isn't updated regularly; nor will they follow a blank Twitter feed or an uninteresting YouTube channel.
- **Try to broadcast realistically.** If you insist on talking about your amazing tooth-whitening products all the time, you will appear to be spamming your audience. Try instead to ask poll questions like 'Which tooth-whitening product is your favourite?' or 'Which tooth-whitening product would you try?' Your consumers are intelligent and will move away in droves from a poorly executed strategy.
- **If your social media strategy centres around Twitter, make sure that you don't follow everyone.** You will be overwhelmed with information and will miss useful snippets in the fire hose of communication. Make sure that if you choose to follow lots of people on Twitter, then your Twitter client software allows you to create groups of key influencers, friends and business associates, so you can filter out the noise.
- **Post interesting news and information about your product and advertise your message regularly.** Also make sure that you also talk about other products to give yourself credibility across the market. Highlight news across your industry sector to show balance. If others post relevant and interesting news on Twitter, use the retweet function to broadcast this to your own followers. Re-share Facebook pages with your friends with interesting links and broadcast interesting video uploads. Use trackbacks to link to blogs with relevant content.
- **Use URL shorteners** so that your links can be forwarded easily. You might want to publicise a link on your blog or on Facebook. Use one of the many URL shorteners to create a smaller link that people can easily share within Twitter's 140-character limit. If you use a shortener with metrics tracking facilities such as Bit.ly, you can track the click-through numbers from the link.
- **Search for your brand name on blogs, videos and Twitter.** Respond to any comments or questions. If there are any issues, make sure that you try to get a solution for the customer. The customer will know you are listening, and their perception of your brand will improve.

Once you have been discovered, you need to take advantage of your network of friends and your friends' friends. If you have a small team or are attempting this yourself, your next challenge is to think about scaling your network activities and working the crowd.

For more tips and advice on social media marketing see Eileen Brown's ZDNet column **http://zdnet.com/blogs/feeds** and her book *Working the Crowd. Social media marketing for business*.

9 GIVING A START-UP WINGS

Almost all start-ups are short of two things – time and money. So when it comes to sales and communications it makes sense to get the very biggest bang for your buck in terms of return on time and money spent. Integrating your sales and communications gives start-ups wings, says Richard Houghton, Managing Director – London, Aspect Consulting.

Once the initial excitement of getting the brand sorted, the website up and the office coffee maker operational is passed, all too many start-ups start to behave like a large corporate.

Business development, sales, marketing and PR are split up and, if not given to different people, are looked at as separate activities. The result is often that all of these activities, which at this early stage of a company's development are targeting the same prospects and stakeholders, do not operate in sync, with the resulting loss of impact.

INTEGRATED THINKING

Often seen as the boring or unsexy side of making a start-up successful, the planning of the business development, sales and marketing activity has to be the starting point of integrated thinking.

If you get it right at this point, your speed of growth and return on investment will be considerably higher than for those that treat them as separate activities.

So develop one plan that covers all of the critical growth-creating activities for your start-up – business development, sales, marketing and PR – both online and offline. As with any good plan it needs to have measurable outcomes, budgets, deadlines and owners.

PROSPECT FOCUS

In the early days of any company a laser-like focus on identifying and converting prospects into paying customers will be the difference between success and failure. You can have the best technology in the world but if you fail to generate revenue, company closure will not be far away.

So I strongly recommend that any plan starts with a clear definition of the prospective customers and then identifies the channels that will be used to communicate with them – either face to face or through a third-party channel such as traditional media, direct mail or social media.

It is in this way that you can be sure that prospects are being contacted multiple times and so vastly increase the likelihood of generating that all-important opportunity to close a deal.

MESSAGES

Popular thinking suggests that with the rapid growth in importance of social media in the sales process, traditional communications messages are dead – it's all about conversation. But with tech-based start-ups especially, a clear and concise set of messages with credible customer benefits and supporting evidence are critical to the success of sales and communications as well as recruitment.

Time spent on thinking through a compelling message matrix of customer benefits, headed up with a simple one-line description of the proposition, will pay huge dividends. As the sales and communications plan is prospect-focused rather than channel-focused, the same messages can be communicated to the prospect multiple times through different channels.

Having finalised the message set I would also recommend that all members of the start-up team and backers are given a copy – it doesn't cost much to create a credit-card-sized version – and asked to use it as the basis for all external communication. If you get into good habits now, they will stick as the company grows.

MATERIALS

The next step to integrated heaven is making sure that all online and offline communications contain the same messages and benefits.

The prospect that looks at your website, then meets you and sees the same benefits brought to life in your sales presentation and the follow-up email, is much more likely to understand your proposition than one that sees three slightly different interpretations of why you are the next Google.

REVIEW AND DEVELOPMENT

As with all best-laid plans, they rarely survive contact with the enemy, so it is important to keep a close eye on which communications channels have the best impact and which messages resonate the best. Do not be afraid to adjust them accordingly, while remembering that the same messages need to be delivered to prospects no matter what the channel.

The review of the activity should be regular and honest. There is no point in kidding yourself after five unsuccessful sales meetings that your proposition, pricing or identified customer benefits are bang on the nail. You can always ask why a prospect didn't buy and you'd be surprised how many will give you useful and informed feedback.

Those start-ups that know what they want to say and who they want to say it to and select the best channels to reach their prospects – regardless of communications discipline – are the ones that will reap the benefits of having a solid client base and positive cash flow earlier than competitors.

Add your comments at **http://www.bcs.org/content/conWebDoc/40313**

10 YOUR SOCIAL MEDIA SUCCESS PLAN

There are fundamental tenets to the way to behave in the new world of conversation and having a good strategy, implementation and crisis management plan is essential, says Eileen Brown, author of BCS book *Working the Crowd*. There are things you can put in place so you can be successful in social media and there are behaviours you can adopt so that your customers will communicate with you.

Many have jumped onto the social networking bandwagon and not been successful. They have registered with every social media site they know and they have found themselves overwhelmed with all the information. They wonder how they are going to manage to keep up with all of the information flowing at them and do their job too. Without a good strategy and action plan it can be really difficult to carry out social activities in a consistent way to connect with their audience. There are only so many hours in a day to keep up with this onslaught of information and stay sane, so here are some recommendations to help you be productive – not destructive.

KEEPING IT UNDER CONTROL

- Be consistent. Try to maintain a regular pattern in your communications on the web. Burst blogging (or tweeting) techniques are annoying to your audience and add extra load to your day. If you have a relatively easy day, then post-date some of your blog posts so that your readers get a regular update. Aim to tweet regularly too and maintain the connection and conversation with your audience.
- Don't get overwhelmed. There are so many different social networking sites out there that it's so easy to become flooded with information. If you spend all day on Twitter or try to keep up with all of the status updates and changes on Facebook or Google+, you won't have any time at all for the rest of the things you need to do. You need to learn to cut out all the unnecessary messages. There are some users who seem to have no life beyond their online presence and other users who smack of desperation. Try to maintain a happy balance, filter out those messages you don't want to see and be ruthless with the unfollow button. Do you really need all those friends? Are they valuable connections for your business or automated bots looking for keywords or followers?
- Syndication – is it really necessary? You may have accounts on multiple networking sites and update each of them regularly with the same information.

However, there are issues with this approach. If you maintain multiple personas on different sites and share the same kind of information with different social groups, they may not appreciate business-related updates on their personal network with you. Additionally there might be some friends who follow you on many of your social networking sites and who may not appreciate the same information on each of their sites.

- Schedule your messages to go out at different times of the day. If you want to appeal to a global audience, consider which times are the best to send your message. The best times to send your message is at lunchtime and 6 p.m. local time. If you want to attract customers in another time zone, schedule messages to go out at these times too.
- Do not dismiss forums. People come to forums for advice. Often they are unaware that there are other resources available. If you contribute to forums, make sure you cross-reference and link information to posts on your blog. This drives traffic to your blog and connects up different resources. You can also point people who ask questions on forums to other social networking sites to help them.
- Be generous. If you have knowledge – share it. There are many, many people out there who are thirsty for knowledge. Share it appropriately. Be professional and courteous. Remember that not everyone has the same level of knowledge as you have so don't flame them unnecessarily.
- Do not expect instant results. Your followers will visit your blog, follow you on Twitter and Facebook, add you to their Google+ circle or connect with you on LinkedIn. They will come back if they like what you write. Don't expect to get thousands and thousands of readers in a day. Expect to build up gradually. Ignore all of those marketing websites and tools that promise to get you a thousand followers a day. They are automated bots of little value to you. You want to have connections to real human beings.
- Deal appropriately with undesirable connections and spammers. If someone wants to connect with you and you don't want them to, don't feel guilty about denying the connection or blocking the follow on Twitter. Generally the person is not notified that you have rejected the connection and if you have blocked them they will not be able to contact you further. Don't encourage abuse by accepting connections you do not want. It's time-wasting and demoralising.
- Get connected. Like syndication, your blog has your personality stamped onto it. Advertise your online presence everywhere. People want to connect with you. Place a link to your blog on every online profile you have. You will drive traffic to your blog. If you have a Twitter account, refer to your Twitter handle wherever possible on online sites.
- Sell if you can but do not sell directly. If you are selling something, do not be afraid to talk about it, evangelise it, discuss it – but don't allow your desire to sell overwhelm your voice. The constant sell messages will soon become wearing to your readers who will dismiss you as a spammer.

- Interact. Social networking is not one-way communication. Interaction and sharing among the community make social networking social. Take advantage of the connections you make to forge new customer relationships and enlarge your virtual network. People with a common interest will follow you, so will really appreciate the personal connection from you.

For more tips and advice on social media marketing see Eileen Brown's ZDNet column **http://zdnet.com/blogs/feeds** and her book *Working the Crowd. Social media marketing for business.*

CASE STUDY: FROM WELFARE TO WORK

A new IT Training Academy, set up by Whitebox Digital, aims to provide those in long-term unemployment with the necessary IT skills to (re)join the workforce. Jutta Mackwell spoke to founder David Barker and his colleague Debra Carter about the new approach to training and tackling unemployment.

On first sight Whitebox Digital, a full service digital agency, might look like any other IT service company. Yet its vision goes way beyond providing next-generation IT solutions to third-sector organisations. In February 2010, it launched its apprenticeship programme for those not in education, employment and training (NEETs).

Its aim is to provide those who are struggling to (re)enter the job market because of long-term unemployment, criminal records, homelessness or dropping out of school with invaluable professional and IT skills.

Whitebox Digital, an enterprise that came second in the South East Job Centre Plus 'Employer of the Year Award', is made up of two parts – its IT business and its accredited Microsoft Advanced IT Training Academy – meaning it can provide in-house all the training, exams and certification to help its trainees join the workforce.

STARTING OFF

The idea for Whitebox Digital was born in 2005 when David decided to give up his job, sell his house and use the money to take a year out to work with rough sleepers, long-term unemployed and offenders in order to get an understanding of why they couldn't get out of the situations they found themselves in.

'I was a NEET myself and it took me a very long time to find an apprenticeship,' he explains. 'Finally a business took me on, not so much because of my skills, but because of my attitude. About five years ago, after having co-founded one of the UK's first internet marketing companies and having worked with large technology companies, I realised the opportunity that'd been given to me then and that there are many out there who get left behind as the odds are stacked against them.'

What David found while spending time with people was that one of their most common denominators was that they couldn't get work because they didn't have the necessary skills. 'Charities and government are both pushing for these people to get into work, but they just lack the skills. Rather than just offer them training courses, it's important to create a "tunnel" from welfare to work,' he explains. 'If we create jobs, we can take on people.'

After his year of research David had come up with a prototype, but because the concept was based on cloud computing and virtualisation (which at that time was still very much in its fledgling stages), he struggled to get funding. 'I almost ended up homeless myself – I'd spent all my money on the research and the prototype,' he recounts.

So David went back into the commercial sector, working with companies such as L'Oréal, Intel and Telegraph for three years to earn the money needed to set up the project. During that time he began putting the pieces for his idea in place. He began with the launch of the website element of Whitebox Digital then launched the IT company and finally, in February 2010, saw the first group of apprentices enter the IT Academy. 'It was great because the website part was functioning well by the time we set up the academy,' he explains.

USING ELEARNING

Training for Whitebox's apprentices is delivered via a combination of remote elearning (about three to four days a week) and workplace learning (usually one day a week) and trainees receive regular phone, webinar and one-to-one support. The reasons for this focus on elearning are manifold.

David explains: 'Having to study and learn through remote elearning passes the responsibility to get the work done on to the trainees. It also says "we trust you, you can do it". Also, some of our trainees may have rebelled against the authoritative approach. Elearning allows them to move at their own pace.'

Elearning also enables accessibility – in terms of disabilities and also in terms of geographical location. 'It ensures that people who are disabled and would have problems accessing some of the workspaces are not excluded from the programme,' says Debra Carter, whose role spans HR and community relations.

Additionally, remote elearning and the ability to take the exams in-house have allowed Whitebox to start training schemes all over the UK. 'We choose the locations based on need,' says David. 'At the moment we've got trainees in Newcastle, Worcester, London, Guildford and Eastbourne. In Eastbourne we've got our own office space and trainees come in about three days a week and work alongside the team. We see them as employees who are doing intensive training.'

RECRUITMENT AND TRAINING

True to David's own experience, trainees are not chosen primarily on skills but on attitude. 'We work with job centres and charities,' explains Debra. 'Usually we have a one-hour interview with the potential candidates, to get to know them and their attitude. If they are up for learning and enthusiastic, we will take them on. It's great to have the mix of people from different backgrounds and age groups.'

This means that for some of the trainees the programme starts with basic literacy and numeracy or English language courses. Also the training is not only about IT skills but equally about professional skills and learning how to be part of a workforce.

'Initially we have to manage the trainees, but after two months or so, when we've had time to assess their strengths, we, for example, select a coordinator, a project manager or an implementer and they then have to support a group of trainees,' David explains. 'By the end they should all have an additional job skill in their profile. It's not about being in authority over the others – it's more like a football team, working together and helping to focus on their tasks.'

Trainees start out with the Digital Literacy Certificate, followed by an exam to become a Microsoft Certified Application Specialist. The next stage is taking the CompTIA Strata Certificate exam, allowing them to choose between the business and the IT technician route.

The business route means that trainees will become certified experts in Microsoft Office and also receive training in project management, client services and sales. The IT technician route, in contrast, continues with CompTIA A+ and CompTIA Network+ and finishes with an exam to become a Microsoft Certified Desktop Support Technician.

While some people may argue about the value of certification, for the trainees to be able to put the Microsoft logo on their CVs makes a big difference, as Debra points out. 'It proves they have the in-depth skills rather than just knowing about it on a superficial level,' agrees David. Certifications can help them distinguish themselves in the job market and, as a by-product, it also certainly helps to boost their self-confidence.

JOB PROSPECTS

In addition to the day-to-day work and training, the trainees also spend one week every month working in the community: from serving soup to collecting litter to helping staff charity events. Coordinators from among the trainees are responsible for liaising with charities and getting their groups organised to help at the various events.

'We do this as we want to encourage apprentices to look back as they move forward in their career and give a helping hand to others in their community. It's also a great way to impact the local community positively and we get to know each other throughout the weeks really well,' says Debra. 'Some trainees actually end up joining these charities as permanent staff.'

As Whitebox Digital grows, the company is hoping to integrate more trainees into the company. While it aims to take on as many of their trainees as permanent staff as possible, it cannot offer a place to all of them.

'We'll not be able to take them all in, but as the apprenticeship is based on a 25-hour week, people can take on part-time jobs during the training and we'll continue with their training even if they get a full-time job,' explains David. 'We also work with recruitment agencies. The difference for them now is that they've not only got technical skills but more importantly references – we can comment on their personality, their time-keeping and so on. This makes it a lot easier for them to get a job.'

LOOKING AHEAD

Whitebox Digital is looking to expand its training programme to places such as Glasgow and Manchester and also to more rural places that struggle with long-term unemployment. 'It's great to have the technology and infrastructure in place to expand quickly and reach remote areas,' says David.

While some trainees have taken the first exam after only a couple of weeks, David and his team realise that everyone is different and working through certifications such as CompTIA A+ and Network+ might require more time. Therefore the company has committed to train their apprentices for a year – double the six months' support through the government's Future Jobs Fund.

The Future Jobs Fund was set up to tackle youth unemployment, giving employers a grant to offer young people a job for six months. 'We didn't get direct funding from this but got a contract from 3SC, who won a contract from the government to create 3000 jobs. They gave us the contract for our jobs,' explains David.

With the new government this source of funding has now been slashed, but David and his team are not too worried about this development. 'We've set up a template and everything is now in place,' says Debra. 'The Future Jobs Fund has given us an amazing opportunity and we've now got something to offer wherever the new government is going.'

David agrees: 'From our perspective it has given us an "innovation budget". Now we can build on that.'

Follow David on Twitter **@d_barker** and add your comments at **http://www.bcs.org/content/conWebDoc/36713**

SECTION 5: LEGAL

The Chartered Institute for IT

11 SETTING UP JOINT VENTURES

A joint venture is an increasingly popular way of doing business, especially in the high-tech arena. In this excerpt from a chapter in *A Manager's Guide to IT Law*, Andrew Katz discusses the issues that you should consider when embarking upon a joint venture.

INTRODUCTION

A 'joint venture' is not a fixed legal term: it covers a multitude of different business structures from straightforward channel-to-market arrangements (like agency and distribution) to collaborative partnerships between two or more parties, which may include the formation of a new business, complete with its own staff, premises, branding, products, supply chain and so forth.

What all joint ventures have in common is that each party believes it is offering something complementary to the other party (or parties). In combination the joint venture is greater than the contributions of the individual parties.

Most joint ventures also have an element of sharing risk as well as sharing the reward (something that brings its own legal problems).

Perhaps the biggest mistake the joint venture parties can make is to concentrate on the mechanism of setting up the joint venture without giving sufficient thought both to how the joint venture is to be run on a day-to-day basis and to how the parties are to exit from the arrangement.

In terms of day-to-day management the question is really one of managing expectations. Most joint venture documents give extensive thought to the amount of financial commitment that each partner will put into the project. Fewer, however, take time to think in terms of the non-financial input, particularly manpower. Even fewer joint venture documents adequately address the question of exit. Is one joint venture partner to be given an option to purchase the other? Is the entire joint venture to be sold as a going concern (and, if so, will it still require any input from the former partners)? The parties need to address these questions to maximise the success of a joint venture.

JOINT VENTURES AND IT PROJECTS

Perhaps the most compelling reason why joint ventures have been popular in the technology market is that they are perceived to be a quick way of getting a business up and running without a large cash commitment. Almost always it is theoretically possible for a joint venture partner to buy in the skills it needs if the cash is available. However, it may be more effective for a cash-strapped start-up to obtain that resource in exchange for a share in the rewards, rather than having to reach into its pocket and fund it. Much of the resource required may have a low marginal cost to the supplier when provided to the joint venture, but would be much more expensive to purchase on the open market.

Occasionally a joint venture is the only way forward in a relationship where a party has unique assets (for example intellectual property such as patents or software) that it is unwilling to transfer or license directly to the other party. That partner may feel more comfortable where the licence is granted to a third party over which it has some control, rather than on arm's-length terms.

Frequently the sales staff of the joint venture partners can be used to cross-sell each other's products, thus giving bigger market penetration and the benefit that the names of the joint venture partners themselves will add credibility to the joint venture project.

CASE STUDY

New.com wishes to offer a transaction-based service on the internet. Rather than purchasing both the computer hardware and the software it requires on the open market, it sees a joint venture relationship with the supplier of the software and with an internet hosting company as a low-risk and low-cost means of bootstrapping the resources needed to run the project.

The software company's cost is little more than running off a copy of its software on CD and the internet service provider can (at least initially) provide some disk space and bandwidth for the project that may not have been used in any event. They are supplying resources at low marginal cost to themselves in circumstances where they would probably not have made a cash sale to New.com in any event. For them there is little initial risk, investment or effort, coupled with large potential gains if the project takes off.

Care has to be taken in managing the expectations of New.com and the other partners. For example, can the joint venture expect the same level of support and attentiveness from the software company as its fee-paying clients? Will New.com become resentful of the other two partners when the venture becomes successful and it realises that its profits would have been much greater if it had bought the software and hosting for cash on the open market?

Establishing a joint venture

Non-disclosure agreements

Potential joint venture partners will necessarily spend some time finding out about each other's businesses and plans before committing to final documentation. This will frequently involve the parties disclosing sensitive information and before any of this information is disclosed, all parties should have entered into a non-disclosure agreement (NDA). Disclosures may involve patentable inventions, so failure to enter into an effective NDA could affect the validity of any later applications for patents. As well as covering secrecy an NDA can cover areas such as non-poaching of staff during and after the negotiations and ownership of intellectual property created during negotiations. The parties' lawyers can advise on the terms of a suitable NDA.

Heads of agreement

The heads of agreement (or heads of terms) document sets out the commercial terms on which the joint venture will operate in less legalistic terms than the full documentation, but nevertheless covering all the commercial bases of the deal. The key here is to negotiate the heads quickly so that the parties do not end up negotiating the same points twice. The heads are not typically legally binding (in lawyers' jargon they should be 'subject to contract' and the lawyers should ensure that they contain wording that expresses this properly).

Even so, in practice it can be difficult for a party to change its mind on a point once it has been enshrined in the heads. A few points follow on from this:

- Establish what is legally binding and what is not as soon as possible. It is possible for parties to create a contract by exchange of letters alone. To avoid this happening, ensure that all correspondence involving joint venture negotiations is marked 'subject to contract' until the final documentation is ready to be signed.
- Do not start operating the joint venture until you have final, signed documentation. If you do so, you could be deemed to have entered into a contract with your joint venture partner on terms that only a court case will be able to unravel.
- Establish who is going to pay the professional advisers' costs, whether or not the joint venture goes ahead.

Many joint venture negotiations end up nowhere, but that is likely to be a lot better than a failed joint venture for all parties in terms of cost, loss of management time and market perception. The heads of agreement document allows the parties to reach a red or green light as quickly as possible before too much money and management time have been wasted.

Managing expectations: the business plan

For a successful joint venture the extent and nature of the involvement of each party needs to be explicitly agreed and recorded as soon as possible. A software supplier in a joint venture with a hardware supplier may assume that its products are going to be sold by a hardware supplier's sales staff and that the products will be co-branded, but unless this is explicitly stated at the outset the hardware supplier may turn out to have different expectations. To argue 'we will both make more money that way' is never quite as simple as it seems and the perceptions of the partners must coincide. The documentation setting up the joint venture must address these issues explicitly.

The business plan is a critical document in articulating the joint aims and aspirations of the parties. A plan for regular review and updating of the business plan is vital in that disagreements arising out of the business plan can be dealt with before they grow into larger operational issues. Unstated assumptions tend to lead to disputes and a comprehensive business plan can usually weed out erroneous assumptions. ('What do you mean you've put in a £2000 monthly licence fee for the supply of your software? You're supplying it for free, aren't you?')

Day-to-day management

The partners need to consider how the joint venture will run on a day-to-day basis. It may seem to be micromanagement to think about things like the design of the letterheads or who will sign off stationery expenses, but it is at this level where real disagreements can surface (as anyone who has ever sat in a board meeting or partners' meeting can testify).

Transpose your own experiences onto the joint venture: think about the processes you are familiar with in your own business and use them as a basis for setting up the business processes in the joint venture. If you have an operations handbook for your own business, use that as a starting point and try to develop a similar handbook for the joint venture. If you do this in conjunction with the other partners, you should end up with a workable model for day-to-day management that has flushed out potential disagreement. This will not be a simple or straightforward process, but working together on the handbook and the business plan will give each partner an invaluable feel for the style and culture of the joint venture.

As an aside, do not fall into the trap of believing that because you have invested significant time and cost in investigating and negotiating a joint venture, you are obliged to enter into it. If, as part of the process of working together on setting it up, you become sure that you and the other partners cannot work together, walk away.

Ownership of intellectual property

Joint ventures frequently involve the development of intellectual property (IP). The parties may collaborate to develop new software, for example based on the software of one of the parties or combining the hardware of one party with the software of another. Generally the IP will belong to the joint venture, but the parties need to address whether the partners are allowed access to it for their own purposes and, if so, on what terms and what happens to the IP in the joint venture exit arrangements.

Commonly the joint venture will grant a royalty-free licence on the IP to the partners. If the joint venture folds, rather than have a squabble over who gets the IP, a sensible route is to put in place a mechanism whereby the IP can be exploited by each of the partners as if each partner owned it. Any subsequent developments belong solely to the partners who made them (this is known in the software business as 'forking'). The mechanism for achieving this can be a little complicated, but it is often the fairest way to proceed.

Exit arrangements

Joint ventures rarely last for ever and the partners should have a view as to how the joint venture is to end. Is the business secure enough to be sold on the open market? Can one party buy out the other? For example, if a channel-to-market joint venture establishes a bridgehead into a new jurisdiction, the supplying party is increasingly likely to want to purchase the joint venture to bring it into the group structure, in which case there should be an explicit mechanism for this to happen at an appropriate price.

This is part of the management of expectations: are the partners expecting a capital gain on exit within a defined period or a flow of profits from the venture? The exit aspirations of the venture need to be articulated because a venture in which one partner is keen on maximising short-term profits and the other demands constant reinvestment with a view to growing the joint venture for eventual trade-sale is heading for disaster. Joint ventures in which the partners are at loggerheads are likely to decline and fail very quickly, both because they are unlikely to have management teams that are sufficiently independent (or have the inclination) to steer the venture away from trouble, and because the partners are likely to be providing non-cash benefits to the venture that can easily be withdrawn in the event a dispute arises.

If the exit aspirations involve a sale of the joint venture company (or if there are plans for raising external finance), the joint venture company has to be groomed for an inevitable due diligence process and the partners' involvement in the joint venture company may have to be placed on a more arm's-length basis than was probably the case when the joint venture was established.

The joint venture may be so intertwined with the business of one or more of the partners that it cannot effectively stand alone; in those circumstances the venture has to be viewed as an income-only rather than a capital growth proposition and an orderly wind-down needs to be planned for when the joint venture comes to an end.

[…]

The operating agreement

All joint ventures should have some sort of operating agreement that sets out the main facets of the relationship.

The names and, to a certain extent, the structure of the various documents comprising the operating agreements will vary depending on the type of joint venture. For example, where a joint venture is formed using a limited company as the vehicle, the core documents will be the articles of association of the company coupled with a shareholders' agreement. There may be separate licence agreements (for the provision of intellectual property to the joint venture), management agreements (for the provision of specific management services by the joint venture partners) and property licences or leases (if one or more of the joint venture partners is providing space for the joint venture at their premises). For a partnership the core document will be the partnership agreement. However, whatever structure is finally adopted, the fundamental issues that need to be adopted in the agreements are largely the same.

Checklist for a joint venture operating agreement

This checklist sets out the main points that should be addressed irrespective of which business structure is adopted:

- Are the scope and nature of the joint venture clearly defined?
- What assets, resources (services and people) and finance will the joint venture need, both initially and over time? Which are to be provided by the partners and which from third parties?
- Are the partners providing trade mark licences or other IP to the joint venture?
- Are the partners trading with the joint venture (e.g. agency, distribution, licensing)? Are transfer-pricing issues relevant?
- Are there any legal hurdles to overcome from the partners' perspective (e.g. is consent required from an investor to take shares in a joint venture)?
- Where is the joint venture to be physically located? Are the partners to provide premises (and associated services)? If so, on what terms?
- What computer hardware and software will the joint venture need?
- Where is it coming from and who will support it? Will additional licences be needed or can the software be operated on a bureau or application service provider basis from the partners? Will the systems have to interoperate with the partners' systems?
- Who are to be the professional advisers and suppliers (lawyers, auditors, tax advisers, insurers and so on) to the joint venture?
- Does the joint venture need to be registered for VAT?
- Who handles the day-to-day issues for personnel, management, payroll and so forth?
- Does the joint venture have appropriate Data Protection Act notification and can personal data be legitimately transferred between the partners and the joint venture?
- Are there any sector-specific regulatory issues?
- Are there any restrictions on the partners competing with each other or the joint venture? Have competition law aspects been considered?
- Do you need provisions preventing partners from poaching staff from the joint venture or each other?
- What is the nature and structure of the joint venture vehicle? What capital/income contributions are the partners to make?
- Should there be any restrictions on the sale of the partners' interest in the joint venture vehicle (e.g. shareholdings) to third parties or businesses within the partners' group?
- Who are the partners' representatives on the management team (e.g. appointed directors)?

- How are meetings of the partners (e.g. shareholders' meetings) and joint venture management (e.g. directors' meetings) to be convened and run? What decisions can be made at these meetings?
- What powers should be granted to the management team (e.g. are they allowed to raise bank borrowings without reference to the partners)?
- What is the procedure for introducing new partners or allowing existing partners to leave?
- What is the policy for accounting/distributing profits (e.g. a dividend policy)?
- What value (if any) is attributed to intangibles contributed by the joint venture partners?
- Is there a fixed or minimum term for the joint venture?
- What happens if there is a deadlock in decision making between the partners?
- How does the management team get paid (if at all)? Are they entitled to expenses?
- Can a defaulting partner be forced to sell its interest? If so, at what price? How is that price calculated?
- What constitutes a default of the agreement? Breach of the main operating agreement? Breach of an ancillary agreement (e.g. a supply agreement)? Insolvency?
- What governing law is to cover the agreements (e.g. English)? Whose courts have jurisdiction? Is there a mechanism for dealing with disputes by escalation, arbitration or mediation?

12 PATENTS AND THE PHONE WARS

Tim Kitchin, BCS Innovation and Entrepreneurship Manager, looks at software patents because, whether you love them or hate them, they affect businesses of all sizes that are using and developing software and the recent 'phone wars' have illustrated the various ways in which software patents can be used.

A patent provides a monopoly, typically for 20 years, to prevent others using an invention. Patents are often therefore viewed as an aggressive tool to defend a market and this has clearly been seen in the phone wars.

It is not surprising to see Nokia, long dominant in the mobile phone market and seeing its market share eroded by strong entrants into the mobile phone market in recent years, amongst the phone wars aggressors.

With a large mobile communications patent portfolio built up during its years of dominance, Nokia came out fighting and enforced its patents relating to mobile communications against Apple in 2011.

Apple gained some dominance in the smartphone market, although others quickly caught up, and it is again not surprising to see Apple trying to defend its lead with litigation against its main competitors, Samsung and HTC. Given Apple's dominance is generally based upon user experience and interface, Apple enforcing patents relating to such features is as expected.

Protecting market share is not, however, the only way a patent can be used aggressively and recent high-profile cases have seen attempts at generating revenue by companies who neither make nor intend to make mobile phones.

Perhaps the most high-profile and controversial case is that of Lodsys, who neither manufactures mobile phones nor researches and develops technology, but has acquired large numbers of patents that have then been used to threaten application developers with litigation unless a licence fee is paid.

Perhaps less controversially BT decided to utilise its large communications patent portfolio, built up through years of investment in research, to generate licence revenue. Still less controversial, and perhaps where the patent system plays its most effective role, is the case where a small company is able to profit from their patented research and development.

While not yet seen on a large scale in mobile communications, at least publically, the case of i4i taking on Microsoft for knowingly using their patented technology in versions of Microsoft Word and winning substantial damages illustrates how the patent system can protect smaller companies.

However, patents aren't only used as an aggressive tool. Even if a company has no intention of ever pursuing others for using their technology, their competitors might adopt an aggressive approach such as those outlined above. In such a case a patent portfolio can be used to defend against any litigation and often a cross-licensing deal can be struck.

Such a defensive use of patents has recently been seen in the assigning of patents from Google to its customer HTC in order to help to defend against Apple's patent infringement claims.[19] So far Google has not been sued by any of the main mobile phone manufacturers and with Google acquiring Motorola Mobility for $12.5 billion for its patent portfolio, perhaps Google's competitors will think hard before doing so.

Follow entrepreneurship issues on Twitter **@BCSEntrepreneur** and add your comments at **http://www.bcs.org/content/conWebDoc/43288**

[19] For more recent developments on this see http://www.fosspatents.com/2012/06/itc-doesnt-allow-htc-to-assert-googles.html

13 DOING BUSINESS ONLINE

The rapidly changing world of electronic commerce continues to throw up new challenges for law-makers, for businesses and for the lawyers who advise them. In this chapter from *The Manager's Guide to IT Law* Jeremy Newton outlines the principal areas of legal compliance about which IT managers ought to know.

The UK's first conference on internet law took place in 1995, when businesses were starting to get to grips with the legal issues of doing business electronically. A frequent comment at that point was that the internet was lawless: a kind of 'electronic frontier' where wrongdoers were protected both by the anonymity of cyberspace and the complexities of seeking legal remedies internationally. Early commentators took the view that the law would be hard-pushed to keep up with the development of ecommerce and the new challenges to which it gave rise.

Since then electronic commerce has entered the mainstream of business, government and personal life to an extent that even the most ardent technophile could hardly have anticipated. In the UK, 71 per cent of retailers now use ecommerce and the internet as a channel to reach their customers, according to an Office of Fair Trading (OFT) press release in July 2010. The very term 'ecommerce' looks almost archaic: few people draw much of a distinction now between 'bricks' and 'clicks'.

Law-makers around the world have endeavoured strenuously to keep pace with the rapid developments in this field. In Europe, the broad legal and institutional framework for electronic commerce was largely in place by 2000. Ten years later, the massive growth of social networking websites, the commercial use of auction websites and technology, and the explosion of digital downloading are throwing up new challenges to conventional concepts of contract, copyright and privacy.

Against that background, this article will outline the following aspects of doing business electronically:

- the information to be made available to clients;
- the rules about forming contracts electronically (e.g. by email or via a website);
- the regulations about the client's rights of cancellation;
- the determination of the applicable law if the service provider and the client are based in different countries;

- the rules concerning marketing or other commercial communications sent electronically;
- the implications of non-compliance with UK regulations.

INFORMATION TO BE PROVIDED TO CLIENTS

The starting point for any discussion of the legal aspects of electronic commerce in Europe is the 2000 Electronic Commerce Directive, which originated in the European Commission and was implemented into UK law by the Electronic Commerce (EC Directive) Regulations 2002.

One of the key aims of the Electronic Commerce Directive was to promote trust and confidence in ecommerce. One of the main ways to achieve this is by ensuring greater transparency about the identity of any service provider.

The electronic environment can make it difficult for a client to tell exactly who they are contracting with and where the service provider is established, so the Commission proposed that certain information requirements should be imposed on all ecommerce service providers in order to help promote trust in their identity. The Directive (and the UK Regulations) accordingly set out the information that a service provider must make available to service recipients.

Besides these general information requirements, however, the law imposes an additional set of requirements in relation to consumers entering into ‘distance contracts’. These requirements arise mainly under the European Distance Selling Directive 1997 and have been incorporated into English law in the Consumer Protection (Distance Selling) Regulations 2000. These Regulations are not directed exclusively at information society service providers; they apply equally to businesses selling goods or services to consumers by mail order, telephone or fax.

However, there is a significant area of overlap between the information requirements set out in the Electronic Commerce Regulations and those of the Distance Selling Regulations. It should be stressed, though, that certain industries may be subject to additional legal requirements or codes of practice about the information that must be provided to clients.

Information requirements under the Electronic Commerce (EC Directive) Regulations 2002

Service providers must make the following information available in a form that is ‘easily, directly and permanently accessible’ (inclusion of this information on a website should be sufficient to meet this requirement):

- name of the service provider;
- geographic address at which the service provider is established;
- contact details for the service provider (including email address) to enable direct and effective communication;

- details of any trade or similar register in which the service provider is registered, together with the registration number;
- details of any supervisory authority where the provision of the service is subject to an authorisation scheme;
- details of any professional body with which the service provider is registered and of how the applicable professional conduct rules may be accessed;
- VAT registration number.

The Regulations also require that any statements as to prices must be 'clear and unambiguous' and, in particular, must indicate whether they are inclusive of tax and delivery costs. Additional information requirements apply where contracts are to be formed electronically.

Additional information requirements under the Consumer Protection (Distance Selling) Regulations 2000

Service providers must make the following information available in good time before the contract is made:

- the identity of the supplier and, where the contract requires payment in advance, the supplier's address;
- a description of the goods or services;
- the price of the goods or services (including all taxes);
- delivery costs where appropriate;
- arrangements for payment, delivery and performance;
- the existence of a right of cancellation;
- the costs of using the means of distance communication in question;
- the period for which the offer or price remains valid;
- where appropriate, the minimum duration of the contract (in cases where the supply of goods or services is to be on a permanent or recurrent basis).

The information must be given in a clear and comprehensible manner, in a form appropriate to the means of distance communications used and with due regard to principles of good faith. The supplier must also inform the consumer if it proposes to provide substitute goods or services if those ordered are unavailable and, if so, that the cost of returning such substitutes will be met by the supplier if the consumer chooses to cancel the contract.

The Distance Selling Regulations go on to stipulate certain additional information that must be supplied either prior to the formation of the contract or, at the latest, by the time that either the goods are delivered or the services are performed. This information has to be provided 'in writing or in another durable medium which is available and accessible to the consumer'.

The general view is that an email containing this information should suffice because the consumer can then decide whether to store the information electronically or to print it. The additional information consists of:

- the identity of the supplier and, where the contract requires payment in advance, the supplier's address;
- a description of the goods or services;
- the price of the goods or services (including all taxes);
- delivery costs where appropriate;
- the arrangements for payment, delivery and performance;
- the existence of a right of cancellation and information about the relevant conditions, procedures and costs associated with cancellation;
- the geographical address of the supplier to which the consumer may address complaints;
- information about any after-sales services and guarantees.

It should be noted that failure to provide this additional information has implications for the enforceability of the contract because the duration of the client's right to cancel a distance contract depends primarily on the date on which this information is provided.

FORMING CONTRACTS ELECTRONICALLY

Legal structure of a binding contract

Under English law, the following elements must be present in order to create a legally binding contract:

- An **offer:** an expression of willingness to enter into a contract on certain terms, made with the intention that a contract will exist once the offer is accepted.
- An **acceptance:** the unqualified assent to the terms of an offer.
- **Consideration:** the element of value that each party gives the other under the contract (e.g. the provision of goods by one party in return for the payment of money by the other).
- An **intention** to create legally binding relations (which the law normally takes for granted in commercial contexts).

This analysis of the elements of offer and acceptance is important for any business that sells its goods or services electronically. The general rule is that a contract is formed when an offer has been accepted. But displaying products and prices in an electronic 'shop window' can amount to a unilateral offer that, if accepted, can create a legally binding obligation on the part of the supplier to fulfil an unlimited number of orders on those terms. There have been numerous illustrations of retailers being caught out by this principle such as the Hoover Air Miles debacle in the late 1990s.

In the ecommerce space specifically, Argos was an early casualty in 1999, when it suffered some embarrassing adverse publicity after inadvertently advertising £299 television sets on its website at a price of just £2.99, with thousands of orders being placed before the error was noticed. (Argos managed to make a similar mistake a few years later, but many other companies including Amazon, Kodak and PC World have experienced similar situations.)

For this reason, it is important to ensure that offerings on a website are structured not as 'offers', but rather as 'invitations to treat'. In other words, the website does nothing more than invite offers from potential clients to purchase at the stated price, with the supplier then free to accept or reject the offer as it sees fit. The website should also state that no contract is formed unless and until the supplier has notified the client that it accepts the order. The risk can also be ameliorated by ensuring that the website terms and conditions include some suitable disclaimer wording along the following lines:

> While we try and ensure that all the prices shown on our website are accurate, errors may occur. If we discover an error in the price of goods you have ordered we will inform you as soon as possible and give you the option of reconfirming your order at the correct price or cancelling it. If we are unable to contact you we will treat the order as cancelled. If you cancel and you have already paid for the goods, you will receive a full refund.

Other legal formalities

The Electronic Commerce Directive requires all EU member states to ensure that their national law allows contracts to be concluded by electronic means and recognises the legal effectiveness of agreements formed in this way. (This was not really in doubt in the UK, but other member states had to get to grips with new and very different rules about the form of a contract in light of the Directive.)

There are some predictable exceptions to this general rule (for example contracts for the sale of land or those governed by family law), but the law is clear that the majority of commercial agreements can now be formed electronically and that electronic contracts should be upheld by the courts.

The Directive and the UK Regulations go on to stipulate the information to be provided by service providers where contracts are concluded in this way. Besides the general information requirements set out above, if a contract is to be concluded by electronic means, the service provider must provide the following additional information in a clear, comprehensible and unambiguous manner before the order is placed by the service recipient:

- the technical steps required to form the contract (e.g. 'Click to confirm order'), so that service recipients understand at exactly what point in the process they become legally committed to the contract;

- the technical means for identifying and correcting input errors prior to placing of the order;
- the languages offered for the conclusion of the contract;
- any relevant codes of conduct to which the service provider subscribes and how these can be consulted electronically;
- whether or not the contract will be 'filed' by the service provider (a legal concept that is primarily relevant to non-UK service providers and so is not dealt with further here) and, if so, how it can be accessed.

Orders placed through technological means must generally be acknowledged 'without undue delay' and by electronic means. (The requirements above do not apply, however, where contracts are concluded by the exchange of individual emails.) Any contractual terms and conditions provided by the service provider must also be made available in a manner that enables the service recipient to store and reproduce them.

PERFORMANCE AND CANCELLATION

As a further measure to protect consumers, the Distance Selling Directive required member states to introduce time limits for the performance of contracts by the supplier and to establish a right for the consumer to cancel the distance contract within specified time limits.

With regard to performance, the general rule is that the supplier must perform the contract within 30 days from the day following the date of the client's order (though the parties can agree otherwise). If the supplier cannot perform the contract within that period, it must inform the consumer and reimburse any sum paid unless the contract provided for the supply of alternative goods or services.

With regard to cancellation, the Distance Selling Regulations contain detailed provisions describing how and when the cancellation right can be invoked and the arrangements for reimbursement and the return of any products supplied. A detailed discussion of these is beyond the scope of this chapter, but the major point to note is in relation to the timing of the cancellation period. The cancellation period begins on the date of the contract and ends on a date determined as follows:

- If the supplier has complied properly with all the 'additional information requirements', the cancellation period ends seven working days after the consumer receives the goods (or after the date of the contract for services).
- If the supplier has not complied with those requirements, but provides the additional information (in writing or another durable medium) within three months of the contract date, the cancellation period ends seven days after the consumer receives the information.
- If neither of the above applies, then the cancellation period ends three months and seven working days after the consumer receives the goods (or the contract for services is concluded).

There are a few predictable exceptions to this cancellation right (for example contracts for the supply of goods that are likely to deteriorate rapidly, contracts where the price of the goods is subject to financial fluctuations, contracts for audio or video recordings that have been unsealed and contracts for newspapers or magazines), but most distance contracts with consumers do now carry this statutory cancellation right. Businesses selling their goods and services electronically must therefore ensure that their staff have a thorough understanding of the cancellation rules and time limits in order to minimise the risk of legal complaints by dissatisfied clients.

JURISDICTION

Regardless of the legality of an electronic contract, doing business across national boundaries inevitably raises questions as to whose laws apply and in which country one party may sue another. For example Yahoo! was ordered (by a French court) to block French users from viewing an online auction of Nazi memorabilia. The website in question was hosted in the USA (and Yahoo! is, of course, a US company), but the French court decided that it had jurisdiction to rule on the application of the French law prohibiting the display of Nazi symbols.

Operating as an information society service provider

The law relating to these issues is somewhat convoluted but, in the context of ecommerce, the main rules can be found in the Electronic Commerce Directive and in the UK Electronic Commerce Regulations, which regulate the principles applicable in what is called the 'coordinated field' (the set of requirements that relate to information society services or service providers, concerning the taking up and pursuit of the activity of an information society service, for example requirements relating to the process of forming a contract electronically).

Under the Regulations, service providers established in the UK, whether they are selling only into the UK or also overseas, must comply with any requirements within the coordinated field. UK enforcement authorities (like the Director-General of Fair Trading) are responsible for ensuring compliance by UK service providers but have no such responsibility with regard to service providers in other member states. By the same token, the equivalent legislation in other member states means that their national enforcement authorities can take action against businesses established in their respective countries in relation to the coordinated field, but not against UK businesses. This has become commonly known as the 'Country of Origin Principle' or 'Home State Regulation'.

It is important to understand the limits of this country of origin principle. It does not mean that a UK service provider is under no obligation to comply with non-UK laws. The coordinated field does not include, for example, requirements applicable to goods, so suppliers still have to be sensitive to differing national rules about quality, labelling and promotional arrangements.

The Regulations are also stated not to apply to matters such as data protection, competition law, gambling and taxation.

For companies looking to sell goods or services into non-UK markets, then, it remains as important as ever to understand the legal requirements of those overseas jurisdictions about the particular products on offer and the manner in which transactions are handled.

Consumer contracts

In terms of jurisdiction (which courts can hear a dispute), the Brussels Regulation that came into force in March 2002 provides that, in the event of a dispute based on a contract between an EU supplier and an EU consumer, the consumer will generally be able to go to their own courts to sue the supplier; or, to put it another way, the business 'plays away' in most cases. Any judgment given by the consumer's 'home' court would be enforceable through the courts in the supplier's jurisdiction. The other side of that coin is that a business that wants to sue a consumer also needs to do so in the consumer's own state.

(A few non-EU countries (Iceland, Lichtenstein, Norway and Switzerland) are also covered by the Regulation and Denmark, an EU member, opted out of the Regulation.)

A website is only caught by the Regulation if it is 'directing' its activities at the relevant states. There is little legal guidance on what that actually means, but a site is likely to be covered if it fulfils orders to consumers in a particular state or uses a particular state's language or currency for promoting its products.

The problem this poses for businesses is how to protect themselves against being sued in all the different territories. Businesses dealing in consumer products or services should include terms on the website clearly indicating their target markets and should ideally block orders from purchasers with a physical delivery address in other states.

Business-to-business contracts

Different rules apply in relation to business-to-business contracts, where the parties can generally exclude the operation of overseas laws and jurisdiction by clearly making the contract subject to the jurisdiction of the English courts.

MARKETING COMMUNICATIONS

The Electronic Commerce Directive and the UK Electronic Commerce Regulations set out strict rules as to how businesses go about marketing themselves electronically. These rules apply to a broad category of 'commercial communications' (practically any communication, in any form, designed to promote the goods, services or image of a business).

It is the responsibility of the service provider to ensure that any commercial communication it provides in connection with an information society service:

- is clearly identifiable as a commercial communication;
- clearly identifies the person on whose behalf the commercial communication is made;

- clearly identifies as such any promotional offers or competitions, together with any related conditions.

The Regulations also set out special rules for unsolicited commercial communications sent by email (spam). These must be 'clearly and unambiguously identifiable as such as soon as they are received': the rationale being to give the recipient the opportunity to delete them immediately without troubling to open them.

The rules for dealing with spam are now contained mainly in the Privacy and Electronic Communications Regulations 2003. Under these Regulations, businesses must generally have the prior consent of the recipient before sending unsolicited commercial email to individual subscribers.

(Note that this requirement applies equally to text (SMS) messages as to email, which raises the question how a supplier can provide all the required information within the limit of 160 characters. At the time the Regulations were passed, the Department of Trade and Industry (DTI)[20] guidance acknowledged this technological constraint, but concluded that the information requirements would be sufficiently met if the SMS message included the URL of a website where more information could be obtained.)

Companies should consult regularly and respect opt-out registers (for example the Email Preference Service) before sending unsolicited commercial communications.

CONSEQUENCES OF NON-COMPLIANCE

The consequences of non-compliance with the Electronic Commerce Regulations and the Distance Selling Regulations can be serious. The implications of non-compliance with the information requirements in the Distance Selling Regulations, in terms of a consumer's rights to cancel the contract, have been outlined above.

The consumer protection aspects of the Distance Selling Regulations and the Electronic Commerce Regulations are also enforceable by authorities such as the Office of Fair Trading or local trading standards offices, who can apply for an enforcement order (also known as a 'Stop Now Order') from the courts requiring the service provider to cease any breach of the Regulations that harms the collective interest of consumers. Failure to comply with a Stop Now Order can ultimately result in a fine or imprisonment.

Leaving aside consumer protection specifically, the Electronic Commerce Regulations also provide:

- that the service provider's duties with regard to the information requirements and the provisions about commercial communications are enforceable by clients by means of an action for damages for breach of statutory duty;
- that failure to provide a copy of contract terms and conditions may give rise to the client seeking a court order requiring the service provider to comply;

- that failure to provide the means for a client to identify and correct input errors at the time of placing an order results in the client having the unilateral right to rescind the contract.

OTHER CONSIDERATIONS

The law relating to ecommerce and doing business online continues to change rapidly and dramatically. This article has discussed the rules that are likely to be relevant to businesses generally in their dealings with consumers, but has not endeavoured to address any of the issues specific to individual sectors (for example there are completely separate regulations on the distance marketing of financial services) or to businesses operating as intermediary service providers or ISPs (the Electronic Commerce Directive deals at length with the liabilities of ISPs in respect of content that they 'host' or 'cache' or for which they are otherwise a conduit). Nor has it touched on some of the more advanced considerations for the service provider, such as the use of electronic signatures.

However, there are numerous other sources of information for any company seeking to establish online operations:

- The Department for Business Innovation and Skills (BIS) provides guidance about distance selling and ecommerce, and its website includes links to the UK Regulations: see http://www.bis.gov.uk/files/file14635.pdf
- The Office of Fair Trading website includes information for businesses about consumer protection, including a guide to distance selling: see http://www.oft.gov.uk/shared_oft/business_leaflets/general/oft698.pdf
- The Office of the Information Commissioner provides guidance about the collection and use of client data in the context of ecommerce operations including a guide on the application of the rules concerning email and SMS marketing: see http://www.ico.gov.uk/for_organisations/privacy_and_electronic_communications_guide.aspx

APPENDIX: CONSOLIDATED INFORMATION REQUIREMENTS

Information to be provided by all service providers

- Name and geographic address.
- Contact details for the service provider (including email) to enable direct and effective communication.
- Details of any trade or similar register in which the service provider is registered, together with the registration number.
- Details of any supervisory authority, where the provision of the service is subject to an authorisation scheme.

- Details of any professional body with which the service provider is registered and of how the applicable professional conduct rules may be accessed.
- VAT registration number.

Note that all price indications must be 'clear and unambiguous' and must indicate whether they are inclusive of tax and delivery costs.

Additional pre-contract information to be provided to consumers

- Description of the goods or services.
- Arrangements for payment, delivery and performance.
- Existence of a right of cancellation.
- Costs (if any) of using the means of distance communication.
- Period for which the offer or price remains valid.
- Where appropriate, the minimum duration of the contract (in cases where the supply of goods or services is to be on a permanent or recurrent basis).
- Whether the supplier proposes to provide substitute goods or services (if those ordered are unavailable) and, if so, that the cost of returning such substitutes will be met by the supplier if the consumer chooses to cancel the contract.

Additional post-contract information to be provided to consumers

- The existence of a right of cancellation.
- Information about the relevant conditions, procedures and costs associated with cancellation.
- The geographical address of the supplier to which the consumer may address complaints.
- Information about any after-sales services and guarantees.

TERMINOLOGY

Information society services: 'Any service normally provided for remuneration, at a distance, by means of electronic equipment for the processing… and storage of data, and at the individual request of a recipient of the service.' This encompasses (amongst other things) advertising and selling goods by email or on websites, as well as network access or hosting activities. The Electronic Commerce Directive (and the Regulations that implement it in the UK) deals generally with the provision of information society services.

Service provider: 'Any person who provides an information society service', for example a company that sells books over the internet.

Service recipient: 'Any person who, for professional ends or otherwise, uses an information society service, in particular for the purposes of seeking information or making it accessible.' This includes both individuals and corporate bodies. By contrast, a consumer is 'any natural person who is acting for purposes other than those of his trade, business or profession'. The significance of the distinction is that the law imposes more rigorous requirements on service providers in relation to their dealings with consumers than in relation to dealings with other businesses.

[20] Now the Department for Business Innovation & Skills http://www.bis.gov.uk/

CASE STUDY: BEING RESOURCEFUL

Even though Charlie Walker had a promising career ahead of him, he decided that starting his own business would be the way forward. He spoke to Henry Tucker MBCS about his experiences.

Charlie started out in IT recruitment in 2005. He specialised in supplying people with SAP, CRM and ERP systems. At first he worked in Bristol and during that period performed well. The company was successful and he was soon managing staff. However, during this time and from speaking to various candidates, he realised that there was a lot of potential for growth, particularly with markets like the NHS.

What gave you the idea to start your own company?
The company I was working for at the time ended up being on the Fast Track 100 for two years in succession. I think they were the 43rd fastest-growing company in the UK. As a result of doing well with that company I actually managed to get myself to a level where I was earning a good salary, but I was getting increasing management responsibility.

I was being treated very well, but from speaking to a range of candidates who had a broader range of skills, such as embedded firmware and C++ and systems analysis, I saw that, actually, if I was to leave, I could do more.

I knew this was a risk but I chose to use some capital I had built up. I could see that there was a lot of potential for growth, particularly with markets like the NHS.

This has changed now, but when I was starting out, around 2007–08, the NHS, with its National Programme for IT, was spending a significant amount. It was very much a candidate-driven market then so rates were very high and if you got a good person you could get them three or four interviews at any one time.

I left the company in February 2008 and set up Vivid Resourcing a month later, initially in Bristol.

Starting out on my own was not a barrel of laughs! I worked very long days to build up networks of contacts and candidates over that period. I managed to get the company to profitable levels in four months and then I moved it over to London and since then we've grown it progressively.

Why did you choose to start your own company rather than moving to a bigger one?
The company I was working for before was very well respected, but I think recruitment consultants and recruitment as an industry have a very bad reputation. I think with a lot of contractors, recruiters are seen as a necessary evil.

I don't think that's ever going to change, but I think the reason this is the case is because around 2000 the market was so immature for service provision in IT, even in the UK, with people chucking loads of money at getting IT systems put in, websites and all sorts, without having any real understanding of what they needed and what they were doing.

They were spending ludicrous amounts of money and I think it attracted a lot of your estate-agency types getting involved with recruitment, specifically with IT recruitment. So as a result of that a lot of the best practices went and people were getting into it to make a fast buck rather than as a long-term career. I think this has caused a bit of an issue now.

So one of the things I was thinking was that if I took a significantly different approach with candidate liaison and client retention, then I would be quite keen to put my own stamp on it and deal with people in my own way. I think this is why I outperformed a lot of people that I worked with – because I wasn't doing things in the typical way really.

The other thing, to be quite frank, was that I was aware of the potential that was out there. It was financial as well. I wanted strategic control over what I was doing because I think I'm not just money-motivated; I enjoy developing people and managing them and I think you get a bit more pride out of developing your own thing and making your own brand and also knowing that if you grow it to a large size then, as a director, you get dividends that you just wouldn't get as an employee.

Would you describe yourself as an entrepreneur? How do you feel about the term?
Strictly speaking I guess I am, as I actually do have fingers in a few other pies in terms of investing in different bits and pieces with a couple of online businesses. The core thing is Vivid Resourcing.

It sounds very prestigious, entrepreneur, and I feel a bit uncomfortable with that title, but I guess that I am in the sense that it was a big risk for me at the time as I had a good salary and career in front of me and 2008 was possibly the worst time to set up a business.

Do you think that entrepreneurship is something that can be nurtured or even taught or are you born with it?
I think a lot of it is inherent in people. I think to be a decent entrepreneur you have to have a relatively casual attitude to risk. By that I don't mean that you need to be reckless.

If you take a look at a lot of companies you will see that the people running them took relatively risky decisions when they set up or with expansion plans taking on extra responsibility; I think you have to have that kind of mindset to be a successful entrepreneur and that a lot of regular staff working for a company don't have that.

I think you can develop the ability to communicate more effectively, but I would say that it is fairly inherent or a personality trait of successful entrepreneurs – that people aren't shy of going out there and networking and introducing their circumstances effectively.

The other main characteristic to be successful is that you have to be resilient. This, I think, you develop through your lifetime, but to a degree you have either got that or you haven't.

Unless you are very lucky you will have some pretty severe knock-backs and a lot of detractors. I've had a lot of people throughout the years asking me why I was doing it and why was I taking on a big new office and you sort of have to go with it if you have periods of downtime.

Do you find that you need a support network of family and friends as well as business support?
Yes. In the first few months of setting up a business it can be quite lonely. My partner and my friends really helped during that period with a bit of moral support. I think I would have struggled without that, especially in 2008 when there were some very difficult times.

The thing I found with setting up your own business is that there is a big difference between being a good manager and being a good leader. It is one thing to manage a team of people in an already established organisation that's got a brand image, whereas it is quite different to create that from scratch.

It can be hard to motivate fresh graduates and tell them that it is possible to do a lot of business when they are coming to work reading that this is the worst financial crisis in 80 years. It is around those times that you need the support, I think.

Are there things that the government can do to make it easier for people to start their own businesses?
Since we have moved into this new office space we're in the same building as someone called Howard Graham and he owns a company called Made Simple Group. It is the main provider of limited company set-ups in the UK. I think it sets up thousands of limited companies every month.

So a lot of IT guys who have limited companies will have done so through his company. He was fairly closely linked with the previous government and used to attend meetings around the idea of removing barriers to setting up limited companies. He found that recently a lot of lip service has been paid by the current government to promoting entrepreneurialism.

He has been frustrated that there hasn't been enough proactivity there to help people set up on their own. I think with the present climate the question is whether things like corporation tax and such like could be restructured slightly for start-ups.

Has that been done effectively? It hasn't. It's perhaps not been looked at as well as it might have been.

What is the biggest problem that you have had to overcome in starting up on your own?

Probably establishing a brand image. This would be the same for others starting up on their own as a software supplier or whatever. When you are in a market that is relatively saturated, it is tough to differentiate what you do and get that loyalty from clients and get them to understand what you do.

In the first year, what you are relying on is a client buying into you as an individual; you haven't got that fallback of them understanding who you are and what you do. We actively marketed the brand in print, online and with web-based marketing as well. But it really takes 6–12 months to get recognition in many cases. I think that's the main thing, getting people to listen, to buy into what you're saying when they don't already know the product or the company.

With the social media tools such as Facebook, Twitter and so on, do you think it is easier to start up a company when you have these free tools at your disposal?

I actually do think that. In terms of IT professionals, I would say that LinkedIn is a very useful social networking tool. We spend a lot of money on IT, so we get pitched all the time for different bits of software that we use.

I think one way of getting around in the marketplace is through recommendation, through attending events or reading press releases and with LinkedIn.

If you can build a big enough network on there, it just offers you huge potential of hundreds, if not thousands of people, to market your company at. So yes, I do think that social media has made it much easier for people to start up on their own.

What are your top tips for someone starting on their own?

Don't get carried away with your costs at the beginning – make sure that you plan things financially. I think a lot of people who start businesses get caught up with the romanticism that it is great to be self-employed and spend too much money on websites with functionality they don't need and on very nice office space that they don't need. That's why companies go bust by spending £20,000 on furniture so that they have a nice reception when they don't even have any clients coming in yet.

'Don't be too flash' has to be one of my top tips. Our first website was functional but not that great to look at. We've changed it now but it didn't affect our business too much. The office space was pretty awful really, but it was what we needed at the time.

The other thing would be, don't take on staff too soon. So unless you really need to, don't recruit people on permanent salaries until you are sure that you have got enough revenue coming in. For us, in order to expand, we needed to have people on board. But for people running IT consultancies, for example, there is easy provision to take people on as consultants. This might mean that the profits are slightly lower, but are more sustainable.

Take marketing seriously. There is so much and so many low-cost opportunities to market your company using email marketing tools that loads of people don't use and I don't know why. Get that side sorted because it is not that labour-intensive and it really works.

What has been your biggest success so far?

I think the last financial figures that were published. We've analysed the compound growth rate of the company and it's just over 75 per cent. If we compare that with the statistics that are used in the *Recruiter* magazine, which highlights which companies are making what profits that they publish annually, that actually makes us the fastest-growing IT recruitment company in the UK. So for me, to do that in our first three years is something I am quite proud of.

Another thing is that I had people join me as fresh graduates back in 2008 and a lot of those people are still with the company and some of those people have been very successful. It's been nice developing them into managers and being able to delegate as well. And rather than it just being a small company where people make a bit of money, now I can see it turning into a proper business and I can see it growing over the next few years.

How have you found the delegating?

I found it quite difficult. I'm a bit of a perfectionist/control freak, I think. When you've got your way of doing things and in most cases you know that it works, letting go is quite difficult. So I've had to re-educate myself over the last year just to appreciate that sometimes you do have to let people make significant mistakes for them to get better rather than you stressing yourself out all the time trying to do everything for them. I found that very, very difficult to be honest.

Follow Charlie on Twitter **@charliewvivid** and add your comments at **www.bcs.org/content/conWebDoc/42931**

SECTION 6: FINANCE

14 SOMETHING FOR NOTHING? R&D TAX CREDITS

We are told that if anything looks too good to be true, it usually is. It is also a rare occurrence to get something for nothing from the government. However, as Roger Manners explains, that is exactly what is on offer through the UK R&D tax credits scheme.

Operated by specialist designated offices of HMRC, R&D tax credits are available to SMEs that meet three simple criteria:

(1) The business has been a limited company in the UK for at least 12 months.

(2) The company manages PAYE and makes National Insurance Contributions.

(3) Investment has been made in developing innovative or appreciably improved technology, software, IT solutions or products, materials, services or manufacturing processes or services.

This makes it possible for thousands of businesses within those sectors to make a successful claim.

The R&D tax credit scheme is an EU initiative that enables companies to recover part of their development costs invested in innovative product and manufacturing processes. The scheme is a key part of the UK government's strategy to boost innovation in business and reduce the real cost of investment, improving products and processes.

SMEs can benefit in cash terms whether they have made a profit or a loss; there are an estimated 150,000 SMEs that could benefit from the scheme. There is also an equivalent Large Company Scheme in place funded by the UK government.

In my experience 95 per cent of companies are eligible for the scheme, yet most are unaware of their entitlement.

So what can you gain from an R&D tax credit claim? The average HMRC R&D tax credit claim for SMEs is £40,000 p.a. and £300,000 p.a. for large companies.

Companies can claim for their previous two accounting periods as well as the current period. That is an average £120,000 back for a first time SME claimant and an ongoing £40,000 p.a. for every year they qualify. Those figures are based on

HMRCs average SME annual claim. HMRC states that the average time to cash from filing your claim is just 42 days.

In these tough economic times when banks are reluctant to lend, this has been an absolute boon in additional positive cash flow to many companies. Companies do not have to be making profits to make a claim and claims can be made for failed projects, not completed or taken to market.

Add your comments at **http://www.bcs.org/content/conWebDoc/43781**

USEFUL LINKS

START-UP NETWORKS AND ADVICE

http://www.startups.co.uk
Advice on starting up

http://yourhiddenpotential.co.uk
Yourhiddenpotential (YHP) is a UK-based leading platform dedicated to promoting and showcasing young entrepreneurs and talents

http://www.innovateuk.org
The UK innovation agency

http://www.theiw.org
The Innovation Warehouse was formed by a group of entrepreneurs in collaboration with the City of London Corporation and provides a community and runway for businesses to achieve sustainability and high growth

http://www.entrepreneurcountry.com
Entrepreneur Country is a community of entrepreneurs, investors, corporate partners and media who believe that entrepreneurship and independent business growth are vital to the future of the UK and Europe

http://www.techhub.com
TechHub, a community and workspace for tech entrepreneurs

http://www.entrepreneur.com
Entrepreneur, a site full of articles, tips and advice for people starting out

http://www.quora.com
Quora is a Q&A site where experts take the time to answer your questions. Sign-up is free and you can follow topics like 'start-ups' and 'entrepreneurship' and people like Fred Wilson or Mark Zuckerberg

FINANCES AND FUNDING

http://www.ariadnecapital.com
Entrepreneurs backing entrepreneurs

http://seedrs.com
Seedrs, an online platform offering a 21st century start-up funding approach, using crowd-sourcing techniques

http://www.caycon.com/valuation.php
Start-up valuation calculator

BLOGS

http://www.electronicsweekly.com/blogs/uk-technology-startups
Tech writer Nick Flaherty's blog on entrepreneurialism

http://www.bothsidesofthetable.com
Both Sides of the Table. Blog by Mark Suster, VC at GRP Partners and former entrepreneur

http://blog.penelopetrunk.com
Penelope Trunk, three-time entrepreneur and founder and CEO of Brazen Careerist

http://steveblank.com
Steve Blank, Professor of Entrepreneurship at multiple universities and author of Four Steps to Epiphany

http://www.allbusiness.com
AllBusiness. How-to advice, analysis and commentary from experts in all areas of business

www.avc.com/a_vc
AVC, musings of a VC in NYC. Blog by Fred Wilson, Managing Partner of two VC firms and influential thought leader in the entrepreneurial community

www.smallbizsurvival.com
Small Biz Survival. Blog by Becky McCray, self-described 'small town entrepreneur' and a few of her entrepreneur friends

http://smallbiztrends.com
Small Business Trends is an award-winning online publication for small business owners, entrepreneurs and the people who interact with them

http://www.drjeffcornwall.com
The Entrepreneurial Mind. Blog by Jeff Cornwall, Chair of Entrepreneurship at Belmont University

http://venturehacks.com
Venture Hacks. Good advice for start-ups

http://zdnet.com/blogs/feeds
Eileen Brown's ZDNet blog covers news on social media tools and trends

If you have been inspired, whether or not you are currently a BCS member, you will find details and joining information on the BCS Entrepreneurs Specialist Group webpage (**www.bcs.org/entrepreneur**) or alternatively at:

http://www.linkedin.com/groups/BCS-Entrepreneurs-4605504/about

http://twitter.com/bcsentrepreneur

http://www.youtube.com/bcs1957

Anil Hansjee, Chair of Innovation and Entrepreneurs Working Group, says:

> 'Innovation and entrepreneurship are vital in terms of helping drive the UK economy forward.'

We aim to enable generations of digital entrepreneurs, by creating a world class environment for business and professional advancement.

Through its 10 workgroups, BCS Entrepreneurs provides a focus for digital thought leadership, working on shared innovation projects, creating networking opportunities, events, tools and resources designed to support entrepreneurs and our influential community of over 70,000 BCS members.

Connect and help us to help you.

Published by BCS Learning and Development Ltd, a wholly owned subsidiary of BCS, The Chartered Institute for IT, First Floor, Block D, North Star House, North Star Avenue, Swindon, SN2 1FA, UK.
www.bcs.org

PDF ISBN: 978-1-78017-164-7
ePUB ISBN: 978-1-78017-165-4
Kindle ISBN: 978-1-78017-166-1

British Cataloguing in Publication Data.
A CIP catalogue record for this book is available at the British Library.

BCS, THE CHARTERED INSTITUTE FOR IT

Our mission is to enable the information society. We promote wider social and economic progress through the advancement of information technology science and practice. We bring together industry, academics, practitioners and government to share knowledge, promote new thinking, inform the design of new curricula, shape public policy and inform the public.

Our vision is to be a world-class organisation for IT. Our 70,000 strong membership includes practitioners, businesses, academics and students in the UK and internationally. We deliver a range of professional development tools for practitioners and employees. A leading IT qualification body, we offer a range of widely recognised qualifications.

Typeset by Lapiz Digital Services, Chennai, India.