

Entrepreneurship: Self-Employment, Franchising and Freelancing

Does the idea of working for yourself seem appealing? Many people are attracted to the potential financial and lifestyle rewards of running a business. Along with the independence of being wholly self-reliant rather than depending on an employer for your income, your timetable is your own and you only have one boss to answer to – yourself! At the same time, success is never guaranteed, the hours can be long and the stress levels high, so it's worth thinking carefully about your own background and personality before deciding whether or not this career path is right for you.

The term 'entrepreneurship' broadly describes the activities of an entrepreneur, defined by the Oxford English Dictionary as 'a person who undertakes a commercial venture'. There are a number of different routes within the field. As you explore the world of self-employment, give some thought to the type of self-employment which might suit you best based on your natural abilities. How naturally entrepreneurial are you? Do you want to launch your own business idea, or work independently within an established framework? Are you interested in marketing a skill or developing a product? Are you a risk-taker, or do you tend to be more cautious?

DIFFERENT ROUTES TO SELF-EMPLOYMENT

Business owner

As a self-employed business owner you set up and run your own company, either as a sole trader (alone) or in partnership with others. You and any colleagues must generate sufficient income on which to live, while building up demand for your services.

Franchising

As a franchisee, you buy into an established business such as a restaurant chain. The company provides raw materials, training, support and a recognised brand name, all of which you pay for. Beyond this you are largely autonomous and responsible for generating your own profits at a local level.

Freelancing (or contracting)

As a freelancer, you work for another company on a temporary contract basis covering a particular project or commission. Once that has finished you have to look for another assignment. Typically, freelancers need a specific skill (such as IT or writing) which they can offer to companies.

ADVANTAGES

You're in charge! Generally speaking you have the freedom to make your own business decisions and to grow your organisation in your own way and at your own pace. You can work the hours you choose without having to justify yourself to a manager, and there are numerous tax benefits for people who are self-employed. Also, any profits and kudos are yours alone.

DISADVANTAGES

The responsibility for the business starts and ends with you, and one badly-judged decision can have a major knock-on effect financially. You may also end up labouring at all hours of the day and night, particularly if you're a sole trader, and keeping yourself motivated can be a daunting task. Also if you don't work, you don't get paid: taking a holiday may result in a sharp drop in earnings.

SKILLS FOR SUCCESS

There is no template for a successful business person, but he or she is likely to have most of the following attributes:

- **Some commercial (business) awareness:** reading the *Financial Times* every day isn't necessary, but you will need a basic understanding of how to make a profit, attract customers and market whatever you are offering.
- **Energy and resilience:** it takes a lot of effort to build up even a moderately successful business and there are often setbacks along the way. You will need considerable emotional stamina to stay optimistic during difficult periods.
- **The ability to multitask:** setting up your own business may entail having to do everything yourself, from accounts to marketing to web design. Freelancers can find themselves juggling several jobs at once. Self-employment requires the ability to learn fast and respond quickly to unexpected situations.
- **Good organisational skills:** you will need to keep careful track of paperwork, schedules, company expenditure and deadlines. You are also responsible for invoicing your clients and making sure you get paid!
- **The ability to network:** successful self-employment requires contact with as wide a variety of people as possible, so that you can tell others about your business and find new clients or partners. Some useful networking organisations are included below in the Further Information section.

WAYS IN

In some professions, self-employment is a requirement because full-time permanent jobs are virtually non-existent. Creative roles such as artist, musician or TV researcher or less well-established jobs such as sports therapist fall into this category. Those wishing to enter these fields will need to feel reasonably comfortable being self-employed and working on a contract basis in order to succeed.

The majority of people ease themselves into self-employment slowly while working for an employer. This has the advantage of giving you the time to learn your trade and make mistakes before branching out on your own. In more traditional areas, such as accountancy, law or health, this part of your professional development cannot be side-stepped, as employment with an organisation is necessary in order to qualify. Initially, working for someone else is also a way to save money to put towards your own enterprise: remember that there is no such thing as a steady salary when you work for yourself. Experience also adds to your credibility and is sometimes a prerequisite for acquiring jobs later on, particularly if you are a freelancer. A recognised and respected company name on your CV will help reassure your clients that you know what you are doing.

A final possibility is to support yourself by taking another job while you become established in your own enterprise. This could be something fairly routine such as office or bar work or it might be part of a 'portfolio' lifestyle – a paid professional role for part of the week, month or year, combined with running your own business the rest of the time.

GETTING STARTED

Formal education is not a requirement if you wish to work for yourself, as some of the leading lights of industry such as Richard Branson and Alan Sugar prove. However, if you are interested in finding out more about the basics of self-employment, consider taking a short business start-up course. These are often provided by local councils, Learning and Skills Councils, adult education colleges, charities and bodies which encourage enterprise such as Business Link. Her Majesty's Revenue and Customs also provide workshops around the country on the financial and tax implications of self-employment. See the Further Information section for more details.

For those who want to explore the subject in more depth and meet like-minded people while doing so, there are now master's courses in entrepreneurship. The idea behind these is to generate and develop ideas and contacts and they are usually focused around practical projects. Formal research can be carried out at The British Library which has a comprehensive section on all aspects of setting up in business: much of this information is available online [see Further Information].

FUNDING

Some start-ups succeed with just a phone, a computer and a kitchen table. For others, there may be quite costly initial outlay on items such as equipment and premises. For these, sources of funding are:

- **Loans or gifts from family or friends:** these often have the advantage of being interest-free, but to prevent misunderstandings it is strongly advised that you have a formal legal document drawn up, clarifying the arrangement.
- **Bank loans:** you will need to convince the lender that you will use the money wisely and be able to meet any repayments when the time comes.
- **Grants and loans:** money from charities, sector-specific organisations (such as The Arts Council), local and central government bodies and the business community. These may be loans, 'matched funding' (where you will have to find half of the money needed yourself) or grants (which are not repaid, but often require formal written bids).
- **Prizes and funds:** sourced from competitive initiatives such as Shell Livewire and the National Council for Graduate Entrepreneurship.
- **Business angels (early stage investors) and venture capitalists:** these people will want to see a return on their investment and also to have some say in how it is spent. This option is mainly for start-ups that envisage large profits in the short and medium term, rather than for very small enterprises.

PRACTICALITIES

In the rush to get your business up and running, pay attention to:

- **National Insurance contributions:** these are paid separately if you are self-employed or freelance. Contact the local tax office to register.
- **Tax:** this should be declared and settled on an annual basis. Many freelancers and small businesses run into difficulties because they forgot to factor this into their financial equations, fail to pay up on time and suffer heavy fines as a result. Consult an accountant to check what you can legally set against tax and seek their help with your first tax return.
- **Legal and financial advice:** a small investment of time and money at the outset can pay large dividends in the long run. A partnership document is the business equivalent of a prenuptial agreement and minimises the hassle if you go your separate ways. Your status (sole trader, partnership, and so on) needs to be defined from the start. Copyright and patent issues may need to be sorted out, as will landlord and tenant matters.

- **Insurance:** guard against damage to equipment and premises, plus some form of health insurance in case you cannot work.
- **Health and safety:** take care of yourself, any employees, clients or visitors and the general environment in which you are operating.
- **Overheads:** such as rent, repairs and business rates.
- **Private pension plans:** unless you want an old age spent in penury.
- **Membership of professional bodies:** it's often well worth the annual fee in terms of networking, advice, marketing and access to opportunities.

WHAT THE CAREERS SERVICE CAN OFFER

Your own college careers service is likely to have information on setting up in business or going freelance. The Careers Group, University of London runs an annual 'Start Your Own Business' course. Due to be held in June, this is a two-day seminar, featuring outside speakers, self-employed graduates and practical activities. Places are limited. Full details are on The Careers Group website, www.careers.lon.ac.uk.

FURTHER INFORMATION

- *Start up and Run Your Own Business*, Jonathan Reuvid & Roderick Millar, Kogan Page, 2006
- *Teach Yourself Running Your Own Business*, Kevin Duncan, Teach Yourself Books, 2005
- www.businesslink.org Offers practical advice and information on all aspects of starting up and running your own business
- www.fsb.org.uk The Federation of Small Businesses is a membership organisation which provides services to and campaigns on behalf of small business owners
- www.smallbusiness.co.uk Includes practical advice, news, blogs, an events calendar and useful case studies
- www.startups.co.uk Features a list of the UK's 100 best new businesses as well as articles on such topics as Social Enterprise and Green Business
- <http://www.berr.gov.uk> Website of the Department for Business, Enterprise & Regulatory Reform
- <http://www.bl.uk/bipc> The British Library's Business and Intellectual Property Centre website where you can read the 'success story of the month', apply for a free advice session with a business expert, or find out about the many resources available at the library for aspiring business people
- www.hmrc.gov.uk the HM Revenue and Customs website provides tax information for the self-employed.
- www.chamberonline.co.uk The British Chambers of Commerce is the national body representing many local chambers across the UK. Their website provides business news and information about current campaigns
- www.shell-livewire.org The Shell Livewire programme provides information, advice and support to 16-30 year olds starting their own business
- www.ncge.com The National Council for Graduate Entrepreneurship provides resources for entrepreneurship educators.
- www.bbaa.org.uk The British Business Angels Association provides investment funds and support to promising new businesses
- www.prospects.ac.uk/startup Provides checklists, case studies, information and links to help you in starting your own business

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