

Starting up in Business

Working for yourself might sound like a dramatic option, given the current economic climate, but it's an attractive choice if you have ever felt stifled by the UK corporate culture, or fancy trying your hand at a wider range of projects than your current job offers. As you may have noticed, there's often short term contract work available in authorities and consultants.

Extracts from CIAT's advice to starting up in business (CIAT magazine, September/October 2008)

Six secrets of success

1. Know your rights

Read your employment contract carefully to ensure you understand your entitlements if redundancy is likely. Basic guidance on redundancy is at www.direct.gov.uk/en/employment.

Seek assistance if necessary from a solicitor who specialises in employment law.

2. Understand your obligations

Another option is to join an existing small partnership or consultancy.

If you set up on your own you will need a current Professional Indemnity Insurance (PII) policy (see below). This can be costly so, in effect, you do need to be certain of your decision to work direct for clients. Remember, it can take some time to get all the paperwork in order.

Another crucial issue to consider is your obligations to your former employer. Some employment contracts prevent former employees talking to former contacts for a fixed period.

You can take out special employment insurance in case of a problem.

3. Professional Indemnity Insurance

Read the construction trade press and it sometimes seems like the industry is not about building things, but suing people! For a sole practitioner, PII may be the single largest annual outlay, but it is essential.

It is also important to note that the PII is only valid while the current policy is in force, so if you stop paying, there is no cover for previous work.

A 'run-off policy', which you typically maintain for six years after you have ceased trading may be preferable.

Another good reason to think very carefully before going it alone.

4. Business matters

There are numerous sources of guidance for people setting up small businesses or turning self-employed. A good – and free – source of information is BusinessLink (www.businesslink.gov.uk).

Finding an accountant is crucial. Talking right at the start will allow you to learn how to record inputs and outputs. And doing it right keeps the accountant's bill down.

Try to find a firm through a personal recommendation.

Contracts are another area where professional assistance may sometimes be required.

Always put estimates and agreements in writing.

5. Finding work, and somewhere to do it

Providing you act professionally, former colleagues and business contacts are arguably the best source of work, particularly in the early days.

Checkout business start up offices locally. Such hubs allow new trades to grow together. If you're working from home, try to keep work and home separate.

6. Running your own business

Starting up is, of course, only the beginning; keeping going is the really tricky part.

Building and maintaining a reputation is crucial; coping with peaks and troughs of workflow is an ever-present problem; and then there's the paperwork.....