

Growing your business

As your business expands and your turnover grows, you'll need to manage a number of new issues like developing contracts, subcontracting work out or looking for a new business partner. Will rapid growth mean recruiting more people or moving premises? Also, what about raising more cash to finance all this growth?

Developing contracts

Contracts are common in business life and as your business grows you will come across them more often. They are used to agree business between you and your customers, suppliers, bankers, landlord and employees.

A contract is a legal document used to set out the responsibilities of the parties that sign it. If one party doesn't do what they said they would do in the contract, the other party can impose penalties, such as withholding payment or not completing the work that needs to be done. A contract will normally commit your business to a particular course of action.

Contracts are often complex and include a certain amount of legal jargon. When you need to draw up or sign a contract it's important to understand the full implications of the agreement so ask for help from a legal professional before you sign anything.

Subcontracting

As you take on more business you can subcontract work to others if you don't have the space or long-term need to hire more staff. Getting someone else to take on additional business or manage your internal administration can be useful – it gives you the freedom to concentrate on your core business and new projects you have lined up.

Subcontractor: a freelance worker who carries out work for you but isn't directly employed by your business

The types of work you might want to subcontract could include:

- smaller jobs
- part of a job which you do not have expertise in
- managing your accounts or information technology

To find trustworthy and reliable subcontractors:

- ask them to submit a trial piece of work related to what you need them to do.
- check references and testimonials from businesses that have used them before.
- check their qualifications - are they really members of the associations that they say they are?
- draw up a contract or agreement setting out what needs to be done, any deadlines that need to be met and the payment you have agreed.

Finding a business partner

Want to expand your business but don't have the knowledge or expertise in the area you want to develop? For example, you may be really good at making your product but as your business grows you may start to need help from someone who knows a lot about marketing and sales. This is where joining up with a partner can help. You could agree to sell your partner's products through your business or to sell yours through theirs. In addition, a business partner could invest funds into your business as well as providing the new skills you need.

You can find business partners by:

- talking to other business owners at local business events and trade shows.
- approaching other businesses that fit the bill – for example businesses whose customers may need your product or service.
- using Company Partners who provide a search facility for you to look for potential partners on their website www.companypartners.com or by calling 0118 989 1648.

Recruiting staff

Hiring staff for the first time can be a daunting task. But if you work out exactly what you need the new employees to do first, finding and recruiting them will be a lot easier.

Start by drawing up a description of what the job will involve, including:

- job title
- purpose of the job
- type of role (full-time, part-time or temporary) and hours of work
- main responsibilities and activities
- who the role reports to
- pay and benefits

It's also a good idea to create a person specification for the role which details:

- qualifications and skills needed
- experience required
- interests

This will give you an idea of the ideal person for the job. But remember you may not find someone who meets all your requirements - someone who meets most of them could also be able to do the job just as well.

You can find potential candidates through:

- word of mouth – through your business and networks
- a recruitment agency
- your local job centre
- a newspaper or trade magazine advertisement

You will receive CVs from people who want the job. Use these to draw up a shortlist of four or five people who you think might be right for the job.

These people can then be invited for an interview where you can ask questions about their previous experience and why they want a job with you. It's also an opportunity for them to find out more about you and the job that is on offer.

Prepare interview questions in advance and have ready answers to questions

you anticipate from candidates. At the end of the interview you should explain the next stage of the process to the candidate.

When you've identified a candidate you think might be right for the job, it's normal business practice to take up references on the candidate, with their permission. If you're satisfied by their references, the next step is to make a formal offer.

You will then need to agree an employment contract. This is a written statement of the main particulars of employment including details of pay, hours, holidays, notice period and an additional note on disciplinary and grievance procedures.

When the person accepts the job make sure you prepare properly for their arrival:

- organise the necessary office equipment – for example a desk, telephone and computer
- draw up an **induction** for their first week in the business

Induction: training to introduce a new employee to the business, their environment (including health and safety), job responsibilities, activities and work colleagues

When you employ staff, you take on the additional responsibilities of managing them and fulfilling your legal responsibilities as an employer. This means setting aside time to manage, motivate and train your staff on an ongoing basis. Make sure they know what work they need to do, how well they are performing and how to raise any problems or concerns they have with their work.

Appraisal: meeting with your employee to monitor their performance, praise good work, receive feedback and set objectives for the next year

It's good business practice to carry out regular **appraisals** with your staff. This is a formal way of letting each member of the business know how they are performing and where they can improve. Appraisals should be a two-way process - encourage your staff to give you feedback on how they are enjoying their jobs and what they expect from you.

For information and guidance on employment issues contact Acas on 0845 747 4747 or visit their website: www.acas.org.uk.

Moving premises

As your business expands, a number of factors may make you think about moving premises:

- an increase in staff
- lack of space to store stock or manufacture your product
- improving your access to transport links and customer markets
- an increase in costs such as rates and local taxes
- wanting to invest in your own premises, rather than lease

When you look for a new space, think about the future growth of your business and how much room you are likely to need over the next few years.

Relocating a business can cause a lot of disruption. To minimise problems try:

- giving notice on your current lease before you move
- notifying any staff as soon as possible
- telling your customers and suppliers
- printing new stationery and brochures with your new contact details
- making sure your mail and telephone calls are redirected

Raising finance

As your business grows you may need to find additional money to invest in your business - for example, to finance new equipment or to fund working capital for the increased trading volumes of your business.

There are a number of potential sources available:

Bank loans

Banks are a key source of finance for small businesses and are often the easiest way to fund expansion. A bank will need to understand your business performance and how a loan will be repaid before they'll lend you any money. Different lengths of loans, interest rates and repayment schedules can then be agreed to suit the needs of the business. The bank may ask for security, such as your own home or business assets, as a guarantee for the loan.

Grants

Grants for business development are available from a variety of sources such as Business Links, Regional Development Agencies and some charitable organisations. Often they will only fund specific activities or projects and many will be restricted to certain geographic areas.





Equity

Venture capitalists (private sector investors) and business angels (wealthy individuals) can invest money in return for a share of the ownership and often an element of control in your business. Normally investors will also receive money in the form of dividend payments which vary depending on the growth and profitability of the business. Equity investors will normally take a more hands-on role in your business by providing management expertise and being in contact regularly to understand the business's performance.

You can learn about equity investment at the British Business Angels Association at www.bbaa.org.uk or 020 7089 2305 and the British Venture Capital Association at www.bvca.co.uk or 020 7025 2950.

Before you take on any expansion funding make sure you shop around for different offers and get advice from your accountant, Prince's Trust contact or business adviser. Business Link's website www.businesslink.gov.uk is a useful source of information or call their helpline on 0845 600 9006.

Top tips

-  Contact a legal professional when drawing up commercial contracts, including employment contracts. They can explain the small print and help you to negotiate terms that will benefit your business. The Trust has a free legal helpline available to businesses it currently supports which can help with legal queries. Ask your Prince's Trust contact for the reference code and telephone number.
-  Using subcontractors can be more flexible than hiring more staff but if they work on your premises, make sure that your insurance covers them.
-  As you take on extra staff, consider getting some management training to introduce you to your new role as an employer. The Chartered Institute of Personnel and Development provides information on useful training courses at www.cipd.co.uk or call 020 8971 9000.
-  When moving premises, use promotional items and gifts to let customers know your new details. Don't forget to get your address changed on your business cards, letterheads and marketing materials.

Many of our loans benefit from a guarantee provided by the European Investment Fund under the European Community's Multiannual Programme for small and medium sized enterprises.



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