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THE HIDDEN COSTS OF STARTING A BUSINESS



BY ALAN MANLY / START-UP, TIPS | ADVICE / 02 FEB 2018

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Startups with good a business plan give comfort to entrepreneurs and investors in part because the plan details the objectives, strategies and tactics along with the anticipated profits. There is however a wide variation in business plans.

Some are voluminous demonstrations of thorough research, while some exist as a mere template borrowed from the internet to meet the formalities. Others, it has been found, reside in the mind of the entrepreneur.

History shows that all styles of business plans can prove to be successful. However, no matter what style of business plan is being used they all have one dangerous characteristic, the undocumented costs of starting up a business. These costs are so named because they are neither in the small print nor found between the lines.

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Avoiding

They are truly hidden until time and experience brings them to the fore.

Below are a few of the hidden costs in setting up a business:

Time

Keen to get up the startup established the entrepreneur can quickly find that the sense of applied that took the venture from an idea, to a business plan and now an embryonic business is not shared by others. Those time lines for tasks in the business plan, often based on some experience and more than a little optimism, now highlight that whilst you may be able to manage your time, you are powerless to manage those who have more time than you.

The reality is that even if absolutely nothing is done in any one week to advance the startup, time will keep moving on! Time, or more precisely lost time, costs money. Just how much time is usually lost in a startup is mentioned later.

Costs

Time is a cousin of costs. Time is expressed as marching on and graphically expressed as a timeline from the left of the page to the right. Costs don't so much as go from left to right on a page they appear in financial reports where they change colour from an understated black to a worrying red. Costs are termed to be mounting, and in the extreme, are deemed to form a mountain of debt. These potential mountains of debt start as mere delayed income resulting in increased debt/investment on the books. These incidental events, mere speed humps on the road to success can grow into a small mountain of debt that a small startup can't scale.

Relationships

Dealing with suppliers as a startup is always a hard task. They are happy for you that you are taking a risk. Whilst they may be happy to deal with you as a person, when you link yourself to a startup they manage your account and your needs according to the risk that you present. Your relationship is now strictly based on the old adage, business is business.



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As a startup you see optimism. As a supplier they see risk in big red lights. The end result is when a service is to be supplied, you will still be served, but last as you are the least of equals. The cost of this situation is across all KPIs in the business plan.

Sleep

When the day is done and every opportunity possible has been exploited the wins are celebrated, the losses accepted as they were to be expected, and the disasters, well they are deemed to be an investment in your personal education. The next thing to do is sleep.

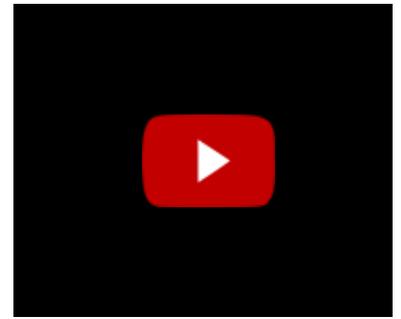
Entrepreneurs often relive war stories with humour whilst slipping in a few pearls of wisdom. The universal measure for extreme challenges is the number of sleepless nights. The eloquent may deem a few sleepless nights were had. The more flamboyant will declare far too many and the extraverts may regale hysterical tales of creditors being delayed, banks being demanding and a last minute customer saving the day whilst slipping in, endless sleepless nights! The hidden cost of many sleepless nights is hidden in a lesser performance by the entrepreneur.

The 'rule of twice'

In understanding the hidden costs of starting up a business the "rule of twice" is one of the most reliable. The base line is to take any assumption in a business plan, and apply the time or cost and make it twice what is expected. Then remember that nothing worthwhile is achieved without being brave enough to commit. Whether it be personal relationships or going for a drivers licence. If you wish to gain something it will demand more of you than you thought. The hidden costs will be forgotten in the super buzz of setting a goal and having achieved it. That excitement may also stop you from getting to sleep.

About the author

Alan Manly is the founder of Group Colleges Australia and author of the new book, The Unlikely Entrepreneur. His previous contributions to Dynamic Business



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