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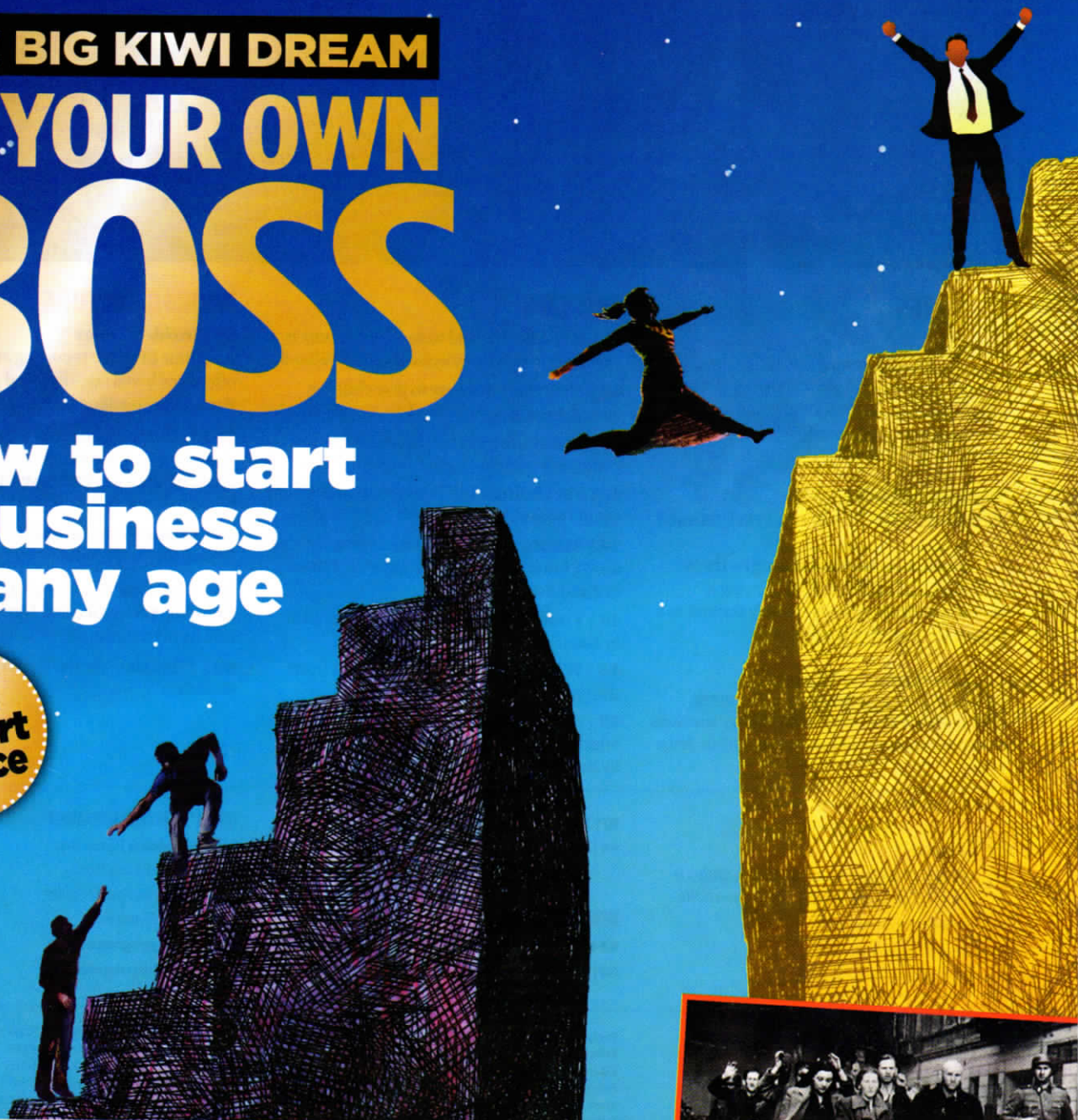
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THE BIG KIWI DREAM BE YOUR OWN BOSS

How to start
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The
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THE GREAT ESCAPE

You can now set up a global business from your kitchen table. So should you become your own boss? **by DONNA CHISHOLM**

One of Mark Smith's final acts in his corporate life was firing off an email to then Telecom chief executive Theresa Gattung outlining exactly how the company – his employer – was, in his opinion, failing to serve its customers. His only reply was “a bollocking” from his immediate boss. He resigned the following week.

Smith left behind the snappy suit, comfortable office, company car and \$150,000 salary and started a new life in business for himself – in rubbish removal.

There are several mantras about the path to business success, and “do your homework” and “be passionate about what you do” are always at the top of the list. Smith did no research and wasn't particularly passionate about other people's garbage. He'd bought a \$35,000 second-hand rubbish truck and a few bins a few years earlier to give an out-of-work mate a job, naming the fledgling business Rubbish Direct. He topped up his mate's earnings out of his own pocket, thinking that one day it might be a viable earner.

By 2003, when he made the jump from Telecom, a second mate had joined the business, which by then had three trucks and annual revenue of about \$80,000 – up from its first-year turnover in 1999 of just \$8000.

It was a frightening leap from the security of a six-figure pay packet, he says, “but I was reasonably confident in my ability to make it work”. And what gave him that confidence? “Ignorance.”

Smith, then single with no children, paid himself \$210 a week – his rent was \$420 – and lived off his savings. It took three more years before he earned a “survivable” income, but his optimism in the future of the business was well-founded. Ten years on, Rubbish Direct has 25 trucks, a staff of 60 and revenue of \$8 million a year. After

Smith left behind the snappy suit, company car and \$150,000 salary and started a new life – his company now has revenue of \$8 million a year.

working 70-hour weeks in the early years doing both administration and driving, Smith now works just 35-40.

He has hired a general manager to take over more of the day-to-day running, while he focuses on strategies to expand the business, which operates in Auckland only.

“We have a big hairy, audacious goal of

operating in all cities in New Zealand and five in Australia by 2025.”

Given that about 60% of start-up businesses fail – and he's broken most of the rules – it seems as if Smith is one of the lucky few. “You can look at that both ways,” he says. “We might be lucky we've done well or unlucky because we might have done a hell of a lot better.”

He says although he knew little about the rubbish industry, his motivation was always solving customer problems.

“I never had a passion for rubbish, but I had a passion for customer service.”

His business is based on it, from meeting the demands of customers who wanted a seven-day service when rivals offered only six, to starting a recycling operation because a large hotel didn't want the sound of glass smashing into bins outside the building.

PUSH AND PULL

Despite the odds being stacked against success such as Smith's, there's still no shortage of would-be entrepreneurs lining up to put their ideas, and financial security, on the line. Says Andy Hamilton, chief executive of business incubator The Icehouse, which works with about 500 businesses a year, including Smith's: “Now feels like a great time to start a business. The most important thing is to have an attitude that you want to.”





"I never had a passion for rubbish, but I had a passion for customer service."



It might be a case of, "Well, he would say that, wouldn't he?", but statistics seem to back him up. Last year, for the first time, the total number of small businesses (those with up to 19 staff) topped 500,000, and the number of people working in them passed two million.

In the past two years alone, nearly 26,000 small businesses have been launched,

the biggest jump since the global financial crisis, when numbers declined. The stats show just how much we love to be our own boss – more than 350,000 are owner-operator outfits that employ no other staff.

In *Zero to One*, his 2014 book on start-ups, US entrepreneur Peter Thiel, the first "outside" investor in Facebook, talked about the difference between businesses that improve on, but essentially copy, what others have done, and the real innovators. The first take the world from "1 to n"; the second from 0-1.



Trucking on: Mark Smith started his fledgling business in 1999. In 2003 he made the leap from his day job to full-time business owner. He now has 60 staff and 25 trucks.

those without solid answers will hit “bad luck” and fail. Hamilton uses them to challenge would-be entrepreneurs here. “They all freak out. I love it, because it’s a reality check. The reality is most people starting a business don’t want to know the truth.”

His advice is almost always the same: talk to 100 people who might be potential customers to validate the idea and evaluate its chances of success. It’s easy to do, he says, but most don’t want to do it. Likewise, many will take away Thiel’s list of questions and never be seen again.

Validation is not about asking what people think of an idea, says Hamilton, but finding out what they are doing now and the “pain points” they face.

Too often emotion gets in the way and the fledgling entrepreneur seeks validation from those least qualified to give it – partners, parents, siblings or kids. “They’ll ask, ‘Do you love my idea?’ rather than, ‘What’s the problem I’m solving?’”

A new business should be offering a painkiller rather than a vitamin, he says. “You want people who are saying, ‘I need to solve this pain now, it hurts me.’ An aspirin will take the pain away.”

DOUBLE YOUR WORK HOURS

Whatever the idea, the only guarantee is that success will not come easily, which is why one definition of an entrepreneur is the person who will work 80 hours a week to avoid working 40.

“If you reckon it’s going to be easy doing a start-up, you are in for a major shock,” says Hamilton. “It’s a 10-year commitment and it’s the most awesome experience but the consequences for family life are pretty massive. You’ve got to be up for it.”

There are obvious differences in the mentality and approach of the mid-lifer with a business idea and the teen or twenty-something who’s designed, say, a shiny new app. The older person comes with more experience and more networks but also more baggage.

“That potentially creates a challenge, because they come to the table with preconceptions about what they need to do,” he says. “The kids are all intuition, touch and feel. The more experienced person, if they hold their DNA – their preconceptions

– to the side, will be better. But they have to recognise this is something new, that they need to reprogram themselves and that it’s not the same as being a product manager at a bank.”

The younger set might seem to be naturally more flexible and fleet-footed, but Hamilton says that’s not necessarily so.

“When I’ve seen 19- or 20-year-olds come in, we’re like, ‘Dude, you need to get people around you because you have no pattern-matching skills in life.’”

That means the experience that comes from having been there and done that, and knowing how to make a better judgment call this time than last.

With the rate of start-ups gathering pace again after the GFC, it seems deeply ironic that one woman who’s spent much of her career advising other women how to make the leap into business has just jumped in the reverse direction.

Wendy Kerr, owner of UK-based company Corporate Crossovers and author of an Amazon best-selling book of the same name, and a second book, *My New Business*, was appointed director of the Centre for Innovation and Entrepreneurship at the University of Auckland Business School in 2015. After 12 years running her own company, she says it was one of the hardest decisions of her life.

But Kerr says on her return to New Zealand two years ago, after 25 years overseas, she felt unhappy and isolated dealing with a mainly Northern Hemisphere, “virtual” customer base.

“I hadn’t really landed in Auckland in my mind because I was still running a business in the UK. One morning I woke up and thought, ‘This isn’t making me happy any more. It was a dark night of the soul. I struggled with this notion for three or four months, thinking about it terribly deeply, questioning who I was and my values.’”

It’s the kind of mental gymnastics most of us go through when we decide to leave a job, but they’re even more anxiety-inducing when the leap is into a risky unknown. Commonly, she says, there are more “push” factors than “pull”.

Kerr interviewed 300 women in business when researching her *Corporate Crossovers* book and found only six who’d had a burning desire to go out on their own. Others

In the past two years, nearly 26,000 small businesses have been launched – the biggest jump since the global financial crisis.

We might be famous for our No 8 fencing-wire approach to innovation, Hamilton says, but we tend to be generalists in a world that craves specialisation.

“I think the Kiwi [business] mentality is one of incremental improvement – ‘Why can’t we do this better?’ I have no problem with that; we can’t build a society based on going to Mars. We are just a young country in the context of operating in the world.”

Thiel lists seven questions all start-up owners should answer before they launch their business (See sidebar, above) and says

were driven out by a “toxic culture” in their former workplace.

MEN WHO DIE WONDERING

Though she hasn't done the same research on men, she says in her years as a business coach at large tech firms, she frequently worked with senior male managers.

“You'd find their work life is not a bed of roses, and in many cases they are deeply dissatisfied about it, but they put up with the toxic culture, the long hours, the opaque decision-making and the poor leadership because they want to go for the big prize – the bigger job, more money, the promotion, the title. They are prepared to make sacrifices.” A woman, though, would begin

Some of the women were driven out by a “toxic culture” in their former workplace.

to feel unhappy, and then disenfranchised in the company culture.

“She feels she is not getting heard, decision-making and leadership are poor and she starts to get a feeling of unease in her workplace. She starts to think there has got to be more to life than this – that she is worth more than this.”

Icehouse growth and coaching director Liz Wotherspoon supports that view.

“I'm sure there are examples of people whose plan has always been to run their own show and their time in a corporate was a means to an end. But the majority are people who for whatever

reason have become dissatisfied in the hierarchy, been made redundant, or changes to the business have forced their hand.”

In a 2015 poll by accounting software company

MYOB, 41% of more than 1000 new entrepreneurs said their motivation was to control their own destiny, and 19% regarded their start-up as an investment strategy. For most, said MYOB general manager James Scollay, the business was about loving their work, finding their passion and taking control of their career.

But the research also revealed start-up owners were “significantly less satisfied” with their work-life balance than other small-medium enterprise owners, reflecting the hard work and long hours necessary, particularly in the early years.

Hamilton and Kerr say it's always a great time to start your own business if you're clear about why you want to do it and what you want as a result. If you're not, it's never a good time.

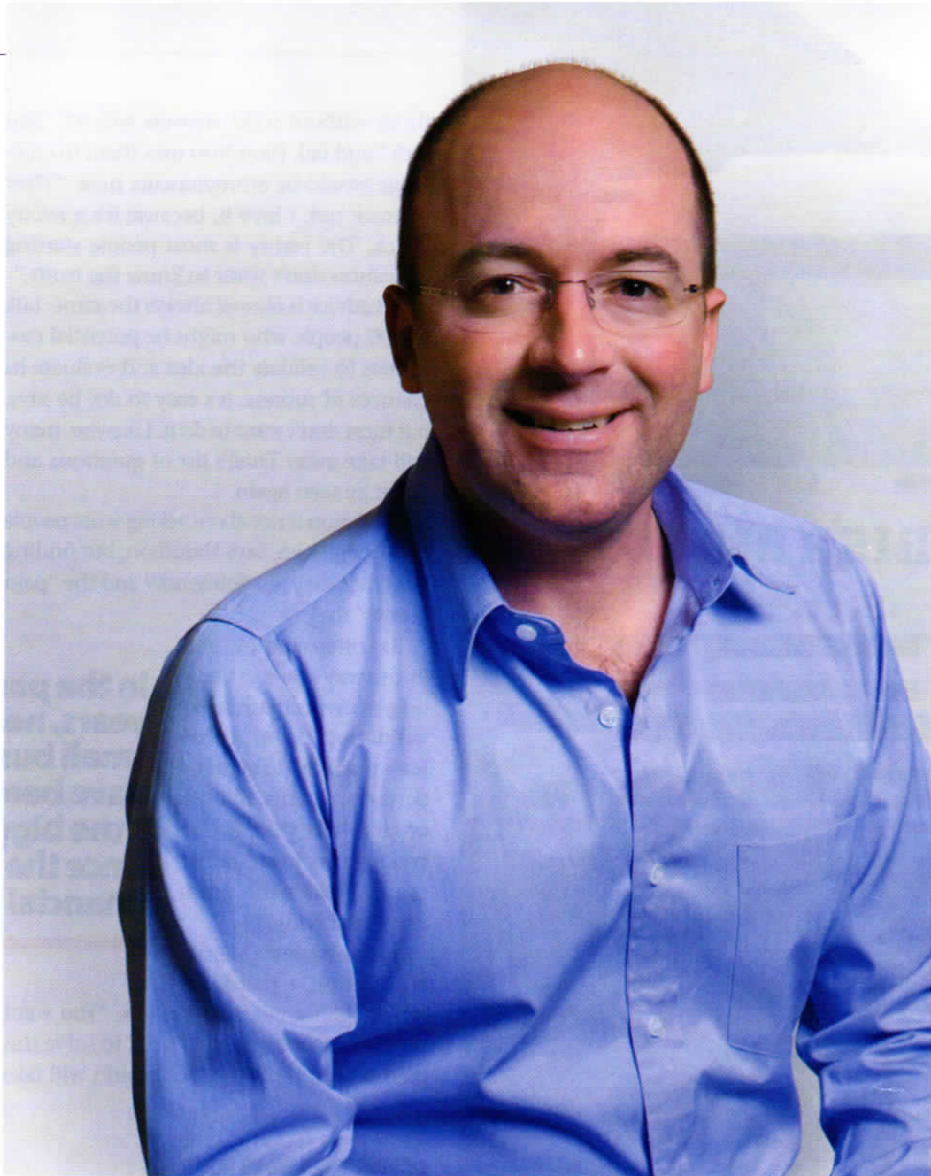
“In the past five or maybe 10 years, the

barriers to starting your own business have almost disappeared with the access to technology,” says Kerr. “It means you can set up a global business from your kitchen table. Having a website doesn't mean you are automatically going to have a global business, but it does give you the distribution channel to do that.”

Generational thinking has also shifted. “There's a real sense with younger generations that work isn't their entire life and identity any more as it was for the baby boomers. They're more questioning – if I'm putting this into my working day, am I getting what I want out of it? It's a bit more selfish.”

That's now combined with a greater visibility for entrepreneurs and an entrepreneurial mindset through TV shows such as *Dragon's Den* and *The Apprentice*.

One of the aims of the university business school is to inculcate an entrepreneurial mindset in students, says Kerr. “If you think



Strategist: former nurse Fiona Clark is now a business coach.





Andy Hamilton, left, CEO of business incubator the Icehouse, says a start-up requires a 10-year commitment. Wendy Kerr, right, author of *Corporate Crossovers*, found many women set up businesses because they felt they weren't being heard.

what any business owner does, it's about finding a problem, working out how to solve that problem, creating a solution that adds value and then charging for it."

"There's a real sense with younger generations that work isn't their entire life and identity, as it was for the baby boomers."

It might sound simple, but as the rate of start-up failures shows us, it's anything but.

CASH RESERVES

The elephant in the entrepreneur's room, of course, is money, and for someone who's leaving a job or being made redundant, it's about the financial reserves they'll need as a buffer against months of no or

very low income. Estimates of how much is enough vary, with some experts recommending three to six months' cash reserve. In *Corporate Crossovers*, Kerr suggests eight months.

The women she interviewed didn't want to invent the next Facebook, she says, but to set up a very small business with potentially a short route to market. "By having that buffer, they weren't waking up at 3am thinking, 'How on earth am I going to pay the mortgage this month?'"

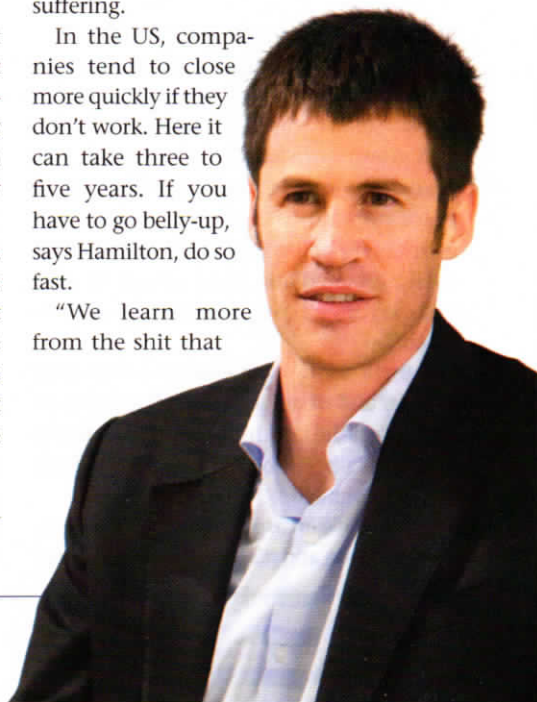
Failed business owners frequently cite lack of money as the reason, but Hamilton says that's wrong. "It's lack of sales and that's not the same thing. Most entrepreneurs believe if they had more money they would have been successful and it's clouding the fact they didn't get sufficient traction in the market. Sales trump everything."

Tax expert: Mark Lash advises small- to medium businesses.

As big a problem as slow sales, he says, is failing too slowly – the entrepreneurs who refuse to put their sickly baby to the sword before months or years of unnecessary suffering.

In the US, companies tend to close more quickly if they don't work. Here it can take three to five years. If you have to go belly-up, says Hamilton, do so fast.

"We learn more from the shit that





7 VITAL QUESTIONS

In his latest book *Zero to One*, US entrepreneur Peter Thiel (pictured above right), who co-founded PayPal in 1998 and in 2004 became the first “outside” investor in Facebook, posed seven key questions for start-up businesses to answer.

- **The Engineering Question:** Can you create breakthrough technology instead of incremental improvements?
- **The Timing Question:** Is now the right time to start your particular business?
- **The Monopoly Question:** Are you starting with a big share of a small market?
- **The People Question:** Do you have the right team?
- **The Distribution Question:** Do you have a way to not just create but deliver your product?
- **The Durability Question:** Will your market position be defensible 10 and 20 years into the future?
- **The Secret Question:** Have you identified a unique opportunity that others don't see?

happens to us than the great things.”

Mark Lash, a tax specialist and partner at Deloitte Private in Wellington, which advises small to medium businesses, agrees.

“I’m aware of a number of businesses that are continuing to evolve and I don’t think that’s necessarily in a positive way. The owners end up becoming, to some extent, overly invested and ‘can’t afford’ to stop. They say they have too much invested to let go.”

Sometimes the businesses are funding the founder and what the founder is going to do next – and the last thing that person wants to do is walk, tail between their legs, back into corporate life.

“They have an aspiration about being an entrepreneur, and it’s that dream that keeps

the flame flickering rather than acknowledging the business hasn’t been appropriately validated with what the market wants. They are tied to the aspiration, but don’t have the right governance structures around them to help decide when is the right time to pull the pin and move on.”

Quite often, the vision and passion for the idea clouds the realities, and overconfident business plans lack the necessary detail about how goals or sales targets can be achieved, and the threats that could derail them.

Nailing down a coherent business and financial plan might seem like Start-up 101, and it should be, but Lash says that’s often undermined by a “seat of the pants” approach. Unsurprisingly, he believes

‘Eureka!’

Growing a new business is no picnic, but a coach can help refine your goals.

Diane Stanbra’s “Eureka!” moment came at 3am the day after touring Auckland’s Silo Park for the first time in August 2011. Plans had just been unveiled for the development’s summer launch of activities including outdoor movies.

Wouldn’t it be great, she thought, if you could lie on a bean bag watching a movie and snack on a picnic?

Her partner, family and friends were used to her many grand plans for a new food business, but this was one they didn’t pooh-pooh. With a full-time job in business development for a property management software company, Stanbra had to work on the idea in her own time. Her partner, Richard Aitken, a director of what was then Waterfront Auckland, had her complete a 47-page business plan that forced her to carefully work through marketing, distribution and financials.

Other parts of her plan relied on friends, word of mouth – and Google.

“I went on Google and started writing ideas. Thank God for Google – I don’t know how anyone started a business before Google!”

Her market research involved making up boxes of picnic fare and getting a bunch of friends over to eat the food and answer questionnaires on menu choices and prices.

Then it was about making her new business, Picnic Box, a reality, sourcing quality ingredients, boxes, catering premises, mobile trailers and clients.

She produced 80 \$15 boxes for Silo Park’s first outdoor movie night in early December 2011.

“We’d be lucky if we sold 20.” She gave the rest away. It might have been demoralising, but Stanbra says the feedback was overwhelmingly positive. It gave her the determination to carry



Positive feedback spurred Diane Stanbra to keep going with her picnic-box business. But she works 11-hour days, seven days a week.



on with the idea over that wet and windy summer during which the weather restricted their trading to just nine days.

Good publicity during the first year and word-of-mouth recommendations saw demand and the client list grow rapidly. "Inquiries went nuts and I needed help and wasn't sure what to do."

"I've not had a weekend where I've completely switched off because I can't – there is always something to do."

After a call to her bank for mentoring advice, business incubator The Icehouse became involved, and she attended a one-day pressure-cooker course that helped her refine her goals and prices. The price of the boxes went up – to \$20 and then to \$25 and she contracted Harbourside

restaurant's former executive chef Phil Spathis to take over food preparation.

"A \$15 price was never going to be sustainable. I learnt that pretty much on day one. By the time I went to Icehouse it was \$20, but they said that's ridiculous and financially it wasn't stacking up. All the ingredients are top-end organic and free range, and they said you can't deliver that quality at that price."

Boxes contain either roast chicken or glazed ham (there's also a vegetarian option), garden salad, olive oil and balsamic dressing, cheese and crackers, baguette, brownie and grapes.

By 2014, sales had reached a point where she could give up her "day job" – although taking a pay cut of about 50% – and concentrate on growing the business. Her former boss backed her business aspirations and, until she left, allowed her the flexibility to juggle her working hours as she needed.

In the year after she went full-time, turnover increased nearly 200%, with weddings and conferences areas of big growth. The figures helped Picnic Box win the Westpac Business Award for best emerging business in the north in 2015.

She's still not yet earning what she did in corporate life, but is investing profits back into the business and aims to expand into other centres.

Stanbra works 11-hour days and it's a seven-day-a week job. She's taken the odd day off, but is never away from a phone or emails. If it was about an hourly rate, she says, you just wouldn't do it.

"I've not had a weekend where I've completely switched off because I can't – there is always something to do, and always emails coming in.

"I'd have this every day of the week rather than sitting here thinking when is the next order coming in? I don't ever not want to be busy."

VICTOR CARTER

business owners who do go under are likely to have failed to seek professional help, not necessarily from accountants, but also business mentors and other trusted advisers.

That said, though, Lash argues that those who've spent most of their life in the corporate world might be disinclined to take risks that could pay off. If they get cold feet, they tend to get them sooner.

"They tend to be more structured, and perhaps overstructure it, whereas sometimes in business it's about being prepared to take a bit of a punt."

Worse than that, financial constraints force them to operate outside their areas of expertise. "They're attempting in the first few years to be all things to all people. They're managing director, CEO, chief operating officer, HR manager, head of sales and chief financial officer because they can't afford to employ those people."

It's just one of the reasons Hamilton stresses the importance of building a team. "Teams win. Individuals don't. If you want to go it alone, eventually you are going to have to bring people on board, and the sooner you form a great team the better. But we also believe that you shouldn't force it, so if you can't find the right people to join immediately, run it by yourself until you do."

It makes sense to partner with people whose skills complement yours, he says, and who already know you.

"Starting a business creates an unbelievable amount of stress. We don't believe in forcing a marriage in a start-up. If they've had no history together personally, when it gets tough that relationship can burst. So we say to a lot of entrepreneurs, 'Who do you know who has project management skills or sales skills that you could work with?'"

Most important, though, is that entrepreneurs acknowledge their weaknesses, so they can work out how to fill the gaps.

Sometimes, the gaps will be plugged – or mitigated – by a professional consultant such as Auckland business coach Fiona Clark. Clark, a former cardiothoracic intensive care nurse, ditched a high-flying corporate role in medical product sales and marketing six years ago and set up BreakThrough Business Solutions to help companies increase turnover and profits. She's now launched a specialised programme to coach women in business.

She recommends her clients tap into a network of advisers who can be hired as and when required, from HR consultants



to social media experts.

"People are wearing too many hats, trying to do it all. You've got to do everything and you can't do everything in business."

There are common themes – from the

Franchise traps



Buying a franchise can seem an attractive middle ground for new business owners, with the support and partnership of a

franchisor to help get started. But there are traps here, too, usually resulting from a lack of research before the buy-in.

In a 2011 survey on conflict in the sector, Massey University senior lecturer Susan Flint-Hartle, pictured, found 44% of franchisees spent less than a month researching the opportunity, and 23% felt the relationship with their franchisor was not "fair". About half of the franchisees surveyed said their expectations were met, while a quarter said they were not and a further quarter had no opinion.

She told the *Listener* that many didn't even take the most basic step of checking if the business was registered with the Franchise Association, which would at least ensure they adhered to certain standards and ethical codes.

Only about 240 of 400 franchising companies in New Zealand are members of the association.

The group says franchises appear more popular among migrants than people leaving corporate life.

start-up owner who isn't making enough money or working too hard for the money that's coming in, to the person who's been successful for 20 years but now sales have suddenly dried up.

"Sometimes people are operating the same way for five or 10 years. You can't do that. You have to keep innovating, looking ahead and understanding what your clients want."

TRIAL AND ERROR

It's often hard for business owners to find the time to step back from the day-to-day running of the business to analyse and plan tactics, and she frequently assists them with strategies for helping staff to feel more connected with and invested in the business, rather than one person trying to do it all.

"It's not about turning a business on its head, but figuring out the priorities and breaking it down to a month by month, step by step process."

Sometimes it is about helping a business to convert leads into sales rather than just increasing the number of pitches, or using better techniques to secure a repeat sale or rebooking. "Staff can make you money or lose your clients and sales without meaning to. They just don't have the tools."

Online business has opened up both opportunities and challenges, but ultimately, good and return business is still based on loyalty and relationships.

It doesn't necessarily matter if the mid-life new business owner has missed the boat themselves with Instagram, Twitter and Facebook, she says, as long as they know to hire someone who can run that for them. Sometimes it takes a coach to point that out.

"No one teaches you how to run a business. You figure it out by trial and error and it can be pretty scary. It's long hours and hard work. But it's exciting, it's exhilarating and it's yours. It's the scariest thing I've ever done, but it's also the best thing I've ever done." ■

ONLINE GUIDES

Business mentors: businessmentors.org.nz
business.govt.nz

Ministry of Business, Innovation and Employment: mbie.govt.nz

Chambers of Commerce:
newzealandchambers.co.nz

Employers and Manufacturers Association:
ema.co.nz

Industry associations:
businessnz.org.nz/industry_associations

Information for employers:
myob.co.nz/employ