



News and Events...

Hello! Welcome to the August edition of our newsletter! Our newsletter will now be published on a quarterly basis and as always, we welcome any thoughts and feedback you may have.

24 June 2016 The David Lee Solicitors team attended the Kenilworth Business Expo at the Holiday Inn in Kenilworth. It was fantastic to see many of you there and we are sure to attend next year's event too.

New website As part of our continued commitment to stay fresh and evolve, we will be launching our new website in weeks to come. Please look out for this and further details will be announced on our Facebook page:

https://www.facebook.com/davidleesolicitors/?ref=aymt_homepage_panel

Why All Businesses are Risky - Alan gives a comprehensive overview on Risk in Business

I've spent over 35 years as a litigation solicitor. This gives you a very jaundiced view of things. People only come to see me when things have gone wrong. So I'm very used to risk – a major part of my work is managing risk. What can I pass on?



All businesses have risk

If you are running a business and your income is larger than your expenses you make a profit, and if they aren't you make a loss, and in many businesses the difference is a very thin line. So there is a risk.

It is part of being a business. You can't eliminate it. You have to recognise it, and then live with it. And do remember there is the world of difference between being good at an activity – say photography – and being able to trade successfully as a photographer. You need many extra skills. Risk management is one of them.

Going into business is risky – but then so is living. We could all avoid the risk of being knocked down by a bus by staying at home all day. But we don't – we just remember to look both ways for the large red (or blue) things. And the budding photographer can manage his risk by getting his staging checked, having the children chaperoned, and taking lots of pictures so that some of them are what the clients want.

Risk isn't bad in itself. It's unmanaged, unrecognised risk that is the problem. Of course you don't always have to take the risks offered. If you don't like what you see you can:

- avoid the activity. I don't know much about conveyancing. So I don't do it, and any that comes my way is sent on to others who know better; or
- protect yourself by taking precautions, or insurance, or using contractors, so you aren't in the line of fire if things do go wrong.

And remember, risk can be a reason for you to charge a premium price for a tricky job. And if you do enough of something you ought to get pretty good at it, so you have a niche, and are doing difficult things that are well within your comfort-zone. Taming lions doesn't bother a lion-tamer, although it would certainly bother me.

Risk is good!

Types of risk

It's essential to recognise & evaluate risk when you see it. At any rate you have to know when there is a problem. As a partner said when I was a trainee in London:

*You don't need to know where the mines are. We have people to tell you that. But you've got to know that you're in a b****y minefield!*

A major reason for business failure is not providing for risks properly. If you're a buy-to-let landlord you have to factor in the risk of voids. Or say that you are an IT company and allow one customer to account for say 40% of your turnover. You are very vulnerable if their business fails, or is taken over by somebody who doesn't continue the relationship. You have to keep your wits about you.

There are two main types of risk – risks of trading, and personal risks. Risks of trading are things like bad debts/insolvent debtors, changes in the market, unexpected costs of repairs or research, supply problems, employee problems, landlord or tenant problems.

Personal risks are things like illness or death of owner or family, or key workers, or the divorce of owner(s) or key workers, or internal disputes inside company, and age and succession difficulties.

And then there are always black swans – totally unexpected developments that you could not foresee (like the discovery of black swans in Australia when all the rest of the world's swans are basically white.)

What to do

Before you start *research* the business thoroughly. The internet is a wonderful tool, as are books, but they are not enough in themselves. Not everything they say is right, and your particular type of work, or location, or skills, may be different. There is no substitute to practical

hands-on working as close to your proposed business as possible.

Once you have started take as much *advice* as you can. You don't need to follow all of it, but you ought to consider it. There are a lot a potential places to get advice – colleagues, contacts in your trade, networking contacts, friends and relations. And use the professionals – accountants, lawyers, surveyors, IT techies. And pick the right one – ask around, don't just read their blurb or go for price.

And then take *precautions* - set up your organisation properly, get terms of business and contracts and use them, keep records, insure. And don't fall out with your wife, or business partner. That will really mess things up.

If you are in trouble seek help early. Talk to your bank before you're in trouble. All professionals find it so much easier to help you if they are called in before matters are going terminal.

Further information

There is a lot of training out there which can give you useful skills. Obviously keep your technical knowledge up to date. Things can change very quickly – don't get left behind. However, do beware that a lot of “training” is really just a way for the trainer to make a living, rather than being a lot of practical use to you.

Books, the internet, trade periodicals and so on can be excellent in showing you the way into a problem, or in keeping an overview on an aspect that you don't come to very often, or in showing the current trends and interests in your field.

If you need detailed help in a technical area you can go to a professional. For most small businesses the accountant is the first port of call, and they should be able to direct you to appropriate lawyers or surveyors or whatever if it isn't their sort of problem.



Finally

So, as I said before - *Risk is good.*

Or more accurately - *Managed, understood, recognised, prepared risk can be good in appropriate circumstances.*

But even then, beware of black swans!

Alan Lodge

Useful Information...

Don't forget that our website can provide you with useful information on a variety of subjects.

Click the link below to take a look. Or if you need further advice, you can contact us directly.

<http://www.davidleesolicitors.co.uk/articles.aspx>



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