

COURIER PRESENTS

DON'T GET CAUGHT OUT



A GUIDE TO MANAGING BUSINESS RISKS

IN ASSOCIATION WITH


HISCOX

GOOD STUFF

BAD STUFF

Upside

The best-case scenario...

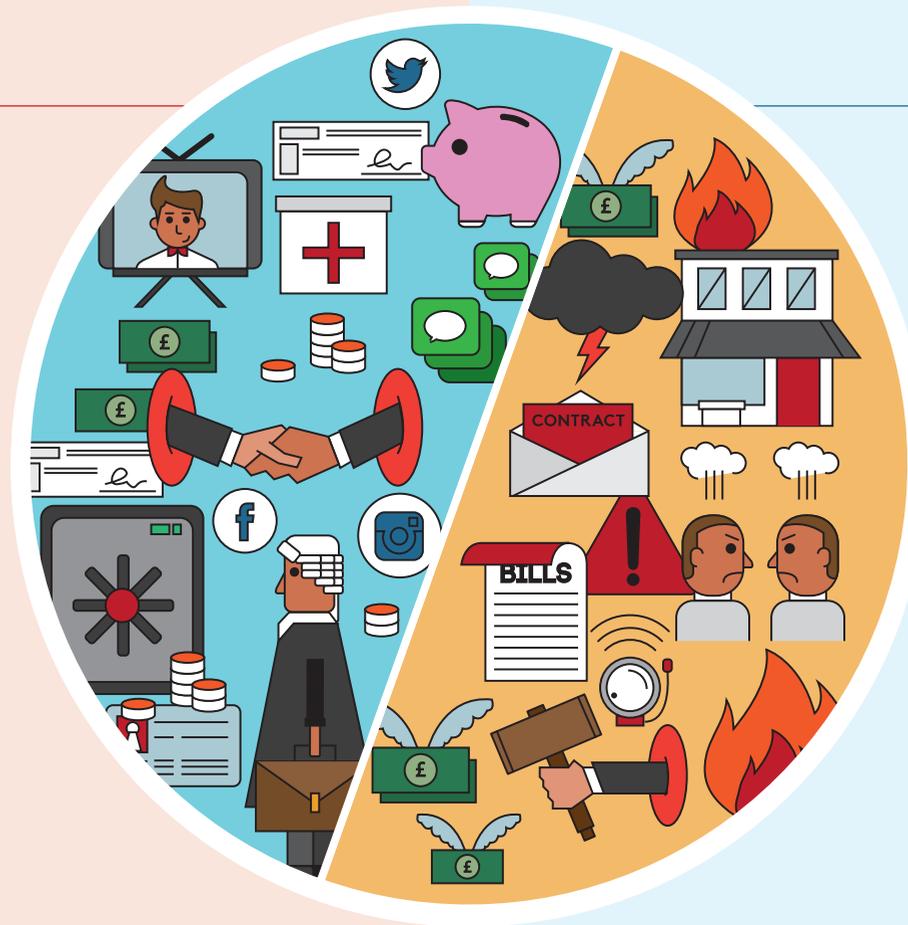
Starting a business is a white-knuckle ride filled with thrills and spills. Taking the leap to even start your own venture requires nerves of steel and a willingness to take a really big risk.

Every decision you make in the early days is important. Everything matters. 'What if I take out a loan and can't afford to pay it back? Can I trust this supplier to deliver my stuff on time? What if no one buys my product?'

And yet somehow, most of the time, it all works out. You use your judgement. You ask trusted people for advice. You read random stuff on the internet. You figure it out. The risks pay off. Your business starts to grow.

High on adrenaline, you're running with the pack. You're 'in business'. You recall a phrase... 'no risk, no return' and you smile to yourself for a second, before returning to the chaos that is an infant business.

Life is good.



Running a business takes guts and determination but it also helps if you do your homework. This guide contains all you need to know about the six most common threats to any small business and a set of simple actions that you can take to make sure when that rainy day comes, you've got a

decent umbrella. You'll also find insights from a range of experts to help shed light on how to outrun even the scariest threats.

To find out more about managing risk for your business, watch our 'Don't Get Caught Out' films at hiscox.co.uk/dontgetcaughtout

Downside

...and the worst

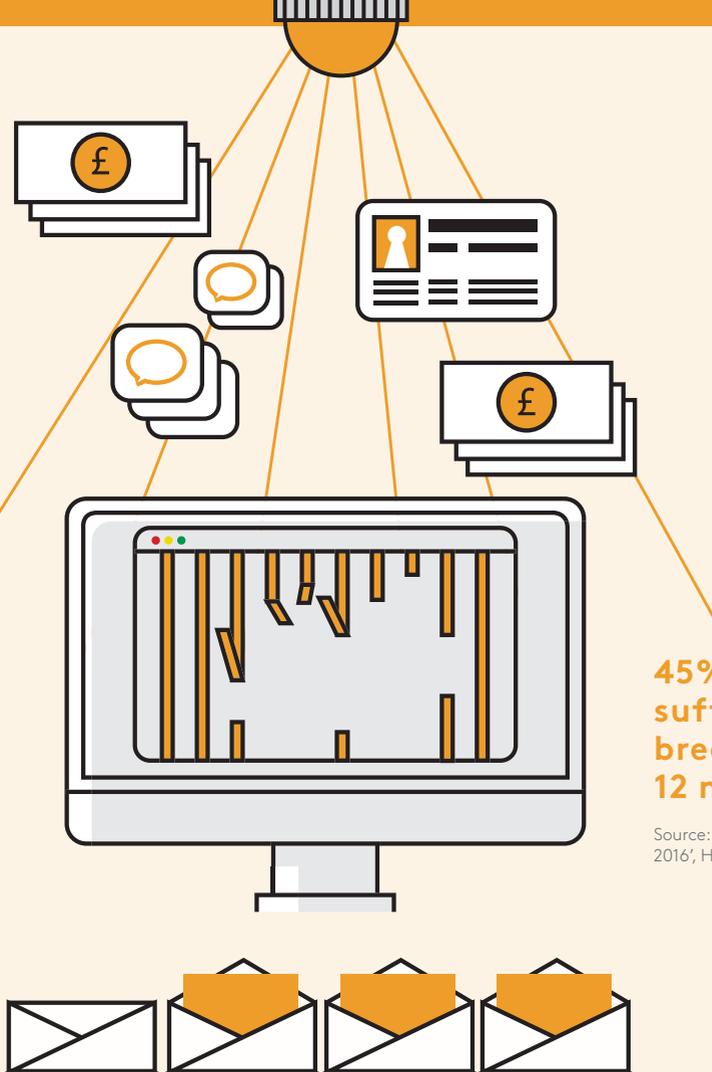
It's a clear sunny day. You're sailing along just fine. Selling stuff. Making money. And then fate deals you a random hand. Boom!

A customer slips and breaks their wrist. LAWSUIT. Your site gets hacked and your customer details are out in the wild. PRESS STORY.

You're on your own and it's a lonely place to be. No big dogs from the legal department or a Mr Fixit at the end of the phone. The buck stops here. You slump in your seat. Could this really be the thing that stops you cold? Damn right it could. It's a bolt from the blue that wipes out all your hard work.

Random stuff happens in life and in business. Like boy scouts, smart people prepare. They take the time to learn the risks and anticipate every eventuality.

For you though, it's game over. Do not pass go. Do not collect £200.



45% of SMEs have suffered a security breach in the past 12 months

Source: 'Cyber Security Breaches Survey 2016', HM Government

DON'T GET HACKED

CYBER CRIME

Beef up your online security



Think your business is too small to be hacked? Think again. Phishing scams and ransomware are increasingly targeted at small businesses on the assumption that they're less prepared than bigger companies. Personal data, such as credit-card information that you hold on behalf of customers, is often a target, potentially compromising the trust and loyalty of the people who deal with you.

Reinforce passwords

1 Avoid the obvious

You've heard it tons of times – passwords are important. The strongest are made up of three or more unrelated words, with a hearty dose of numbers, symbols and caps thrown in. Above all, make sure your email and online banking passwords are bullet-proof. If someone hacks into your email, they could easily crack into nearly all your other accounts, too.

Do an IT MOT

2 Keep cyber security software up to date

Install antivirus and malware software on all company equipment and make sure staff keep on top of their security upgrades. If you're not totally comfortable with how it all works, don't ignore it; get an expert in to help or at least take a look at the information on the government's Cyber Streetwise website.

Train your team

3 People are often the weakest link

It takes just one member of staff opening a dodgy email attachment to bring down your security. Build your human firewall – educate everyone on cyber risks, teach them what a malicious email looks like and make information security part of your culture.

Consider insurance

4 Protect your cash and your customers

This should be a no-brainer if your business is based on technology, especially if you hold sensitive customer data. Hiscox cyber and data risks insurance offers not just financial compensation but helps minimise damage to the business and its reputation.

THE EXPERT

MATTHEW WEBB

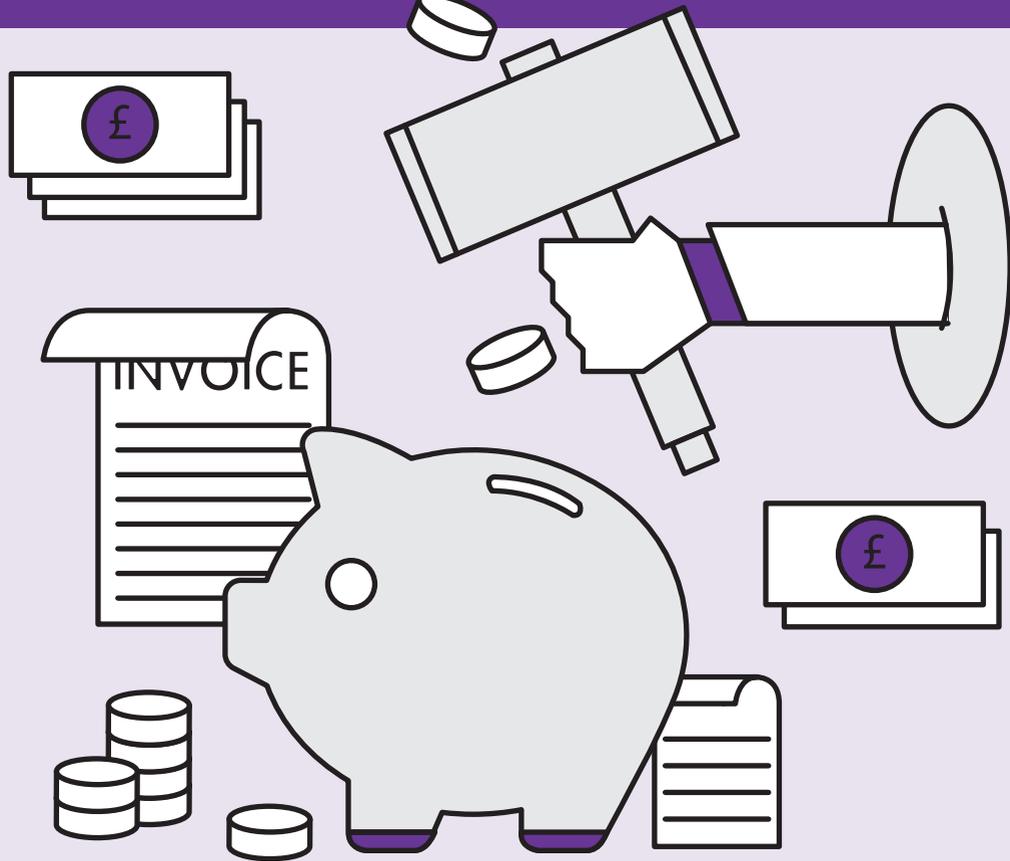
Head of technology, cyber and data underwriting, Hiscox



Criminals are increasingly looking to the low-hanging fruit that is the small-business community as their

next target. Partly because their defences often aren't as secure as those of larger companies but also because they know that the impact, particularly from ransomware, is felt much more acutely, so they are likely to get their desired outcome – that is, the payment of the 'ransom'.

However, access to cash to deal with such a matter isn't the most important part of dealing with an incident, it's knowing who to call. If your house is on fire, you call the fire brigade. A cyber incident requires an equally rapid response from experts in tackling this 'blaze' and that comes in the form of our IT forensic and legal partners.



Cash flow is one of the top five big challenges for creative agencies

Source: 'Agency Survey 2016', Wow Company

DON'T RUN OUT OF

CASH

CASH FLOW

It's more important than profitability



It would be great if money came in and out of your business just like clockwork, exactly how you expected it to, every month. But these things rarely work out perfectly; clients and customers don't always pay on time and unforeseen staffing needs or investment opportunities can make your bank balance shrink in the short term. Plenty of startups survive for years without making a profit but only if they have a healthy cash flow. So set up a few simple systems early on to save on stress in the long term.

Get forecasting

1 Keep on top of what comes and goes

Whether it's with a spreadsheet, or an online forecasting tool, keep tabs on your finances. Set budgets, check how well you're sticking to them, assess the effect new hires or business will have on your cash flow and make it easier to foresee when a late payment could cause problems so you can make a contingency plan.

Invoice on time

2 Make sure there's no delay on your side

Send an invoice as soon as work has been completed. Use email for speed and record keeping, and don't be afraid to chase late payments. Be charming but persistent; if you've done the work, you deserve to be paid for it. Spend a bit of time early on creating an invoice template that looks professional, contains all the necessary details for tax and legal purposes and clearly states who owes what and when.

Negotiate terms

3 Quick-paying clients are gold

Big clients are known for slow payments. Ideally get suppliers to pay within a fortnight but try to avoid terms longer than thirty days. Balance profit margins with quick payments; don't underestimate the value of gaining small clients who pay on time even if you don't make quite as much from your business with them.

Build a cash reserve

4 Prepare for the unexpected

If you can, put some money aside – it could help you put in a big order for stock at a discounted price or enable you to take on a new client without needing to delay while you borrow. Startups need to be able to cough up a lot of one-off payments – equipment, deposits, decorating bills, staff uniforms, insurance, you name it – making a buffer even more essential.

THE EXPERT

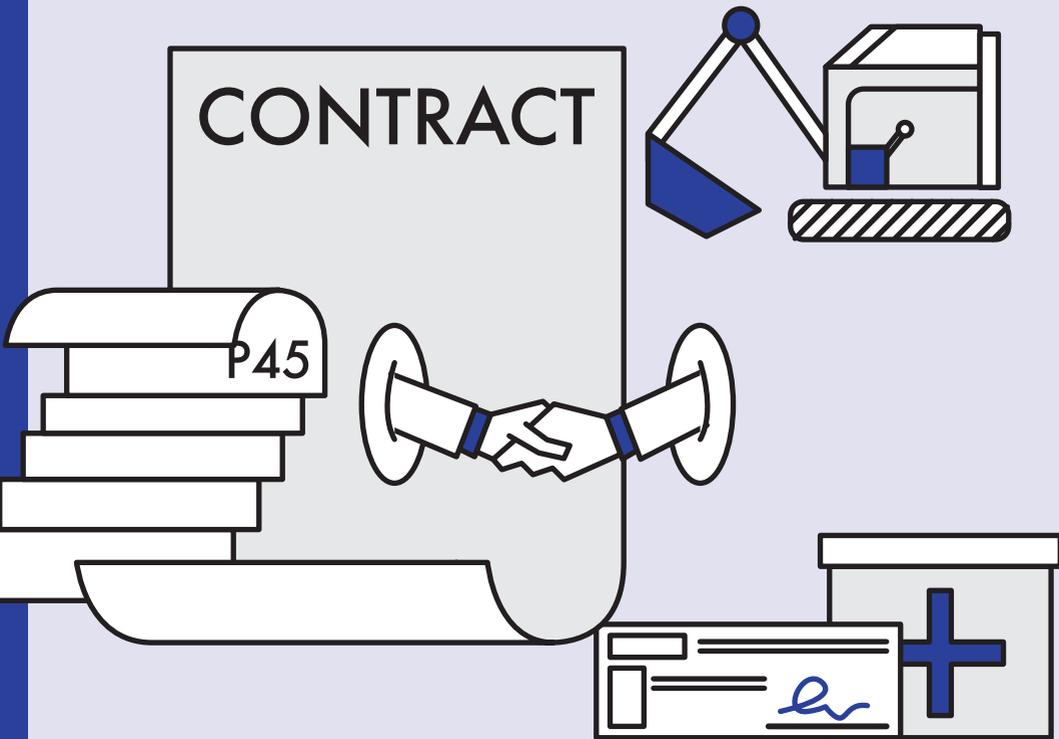
COLIN HEWITT
CEO, Float
(cash forecasting tool)



Cash flow is hugely important to startups as growth-focused businesses. The best advice we could give is to

set budgets and stick to plan, make sure your invoices are being paid on time and do a forecast to find out how much cash you will have in the coming weeks, months or years. Forecasting shows you the health of your business and helps you secure investment. It'll also help you decide how much you can reinvest and plan for any cash gaps that might arise.

Expert tip: Use accounting software that's connected to your bank, as this will ensure your accounts are always up to date. Get a book-keeper to reconcile your bank accounts at least once a week to make your cash flow as accurate as possible (the more often you reconcile, the better). This will help you avoid unexpected cash gaps and help you plan accordingly for the ones you know are coming up.



23% of startups fail because they haven't got the right team

Source: CB Insights poll of 101 failed US startups, 2014

MAKE THE RIGHT HIRES

EMPLOYEES



People: they're difficult. No matter what problems your product throws up, or what speed bumps your service hits, it's your own employees that are likely to create some of the biggest challenges for your business. An enthusiastic and dedicated team can be the making of a startup; a mismatched bunch could be its undoing. And regardless of who's in your team, if you can't afford to retain them – or keep them safe and happy – it's bad news for your business. So, before making that first hire, do a bit of homework.

Consider the commitment Don't rush to hire

1

Reassess your requirements

Hiring a full-time member of staff is a big deal. You're not just committing to pay them a set amount, on time, every month; you'll also need to shell out on National Insurance, pension, tax and payroll services. Can you definitely not do this work yourself, get help from friends, or use a part-timer?

2

Do your homework before recruiting

From how to write your job listing to where to post it, from what questions to ask at interviews to how many candidates to see, there are loads of things to consider before beginning the recruitment process. Don't rush into it or you might end up burdened with an ill-matched employee. This is one task you don't want to rush.

Prepare the paperwork

3

Make it clear where everyone stands

Note down a checklist of what documents you need to send to your new employee and what they need to give to you – offer letter, references, proof of right to work in the UK, contract, employee handbook and the rest. Writing a handbook might sound like a slog but having things like hours, holiday entitlement and notice periods clearly stated is a smart move. There's plenty of official information on gov.uk.

Keep staff safe

4

Look after your staff and your business

Whether your employees are using chainsaws or computers, you need to carry out a health and safety assessment. It's also a legal requirement to get employers' liability insurance from the moment you make your first hire. Hiscox insurance covers the legal costs of defending or paying out a compensation claim, in case your staff suffer from stress or slip on a banana skin.

THE EXPERT

LUCY ADAMS

Founder,
The Disruptive HR Agency



Your ideal candidates are looking for a company with a soul, something that can encourage a sense of belonging and identification. And pride. That's why culture is the glue that holds your company together and finding those who fit is the most important part of your recruitment process. Never compromise or as you grow, you might not like what you see. Here are some tips on finding the right people:

(i) Define and articulate what your culture is – what's your 'why'? What are your values, goals and 'the way we do things around here'?

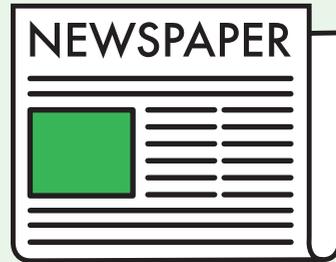
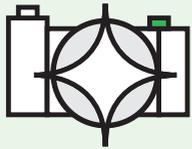
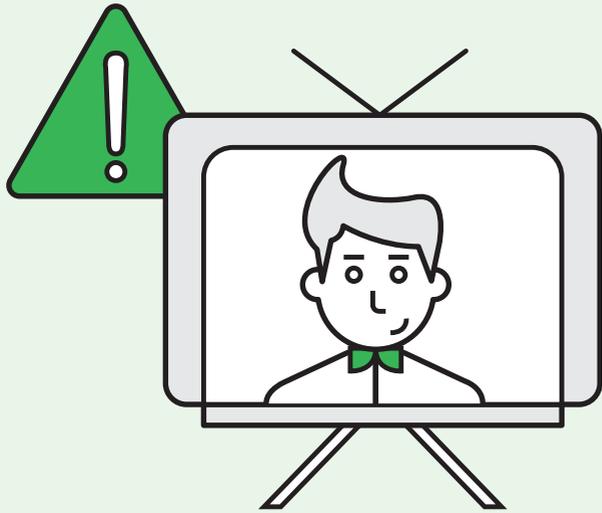
(ii) Have an 'always be recruiting' mindset. Build a community of potential candidates on social media that you can call on when you do have a vacancy.

(iii) Recruiting is now as much marketing as it is HR and your reputation is already out there. Raise your profile on social media and utilise job sites like TalentRocket and Glassdoor.

(iv) Avoid boring, long-winded job descriptions. Keep them short and interesting.

(v) Review your current recruitment process and ask yourself how you want candidates to feel. Even better, ask a few new recruits about the experience.

(vi) When you find that perfect candidate, think about the impression you want to leave with them – avoid tedious or frightening contracts.



22% of businesses that give professional advice don't have professional indemnity cover

Source: Datamonitor Financial's 2014 SME Insurance Survey

KEEP A POSITIVE PROFILE

REPUTATION

Keep in everyone's good books



It's been said a hundred times, but it's true: your name is your best asset. Plenty of tears and toil go into building and maintaining a good reputation but even the best are fragile. Everyone who starts a business wants to do the best job possible but mistakes happen and sometimes those slip-ups affect clients and customers. They could lead to minor problems – like a bad article on the first page of your Google search – or much bigger ones – like legal action.

Keep your ears peeled

- 1** Listen out for what people are saying

In a way, it should be easier than ever to manage your reputation – much of what people are saying about you will be on the internet. The challenge is finding it. Set up Google Alerts, keep tabs on media coverage, share the good stuff and do whatever you can to avoid repeating the bad.

Be polite and professional

- 2** Stay cool no matter what

No matter how tricky some clients or customers get, respond to them quickly, keep calm and don't slag them off to third parties. You might have a relaxed atmosphere in the office but make sure that all employees know the right tone to use when dealing with everyone else, in person or online.

Know some experts

- 3** Build a support network

Have a PR specialist and a lawyer that you know you can call on if anything takes off. In the thick of unexpected or unwanted media attention, you're unlikely to make the best decisions or know what's the best thing to say. But with good advice, it might be possible to turn bad press into useful exposure, turn angry customers into happy ones, or at least minimise the long-term damage.

Indemnify yourself

- 4** Protect your business against mistakes

Most accountants, lawyers and architects are required to get professional indemnity insurance. But any business that offers advice, design or a service should consider taking it out, in case a grumpy customer comes after you. It will also cover you for any accidental breaches of copyright – say, if someone claims you've used their logo on your site.

THE EXPERT

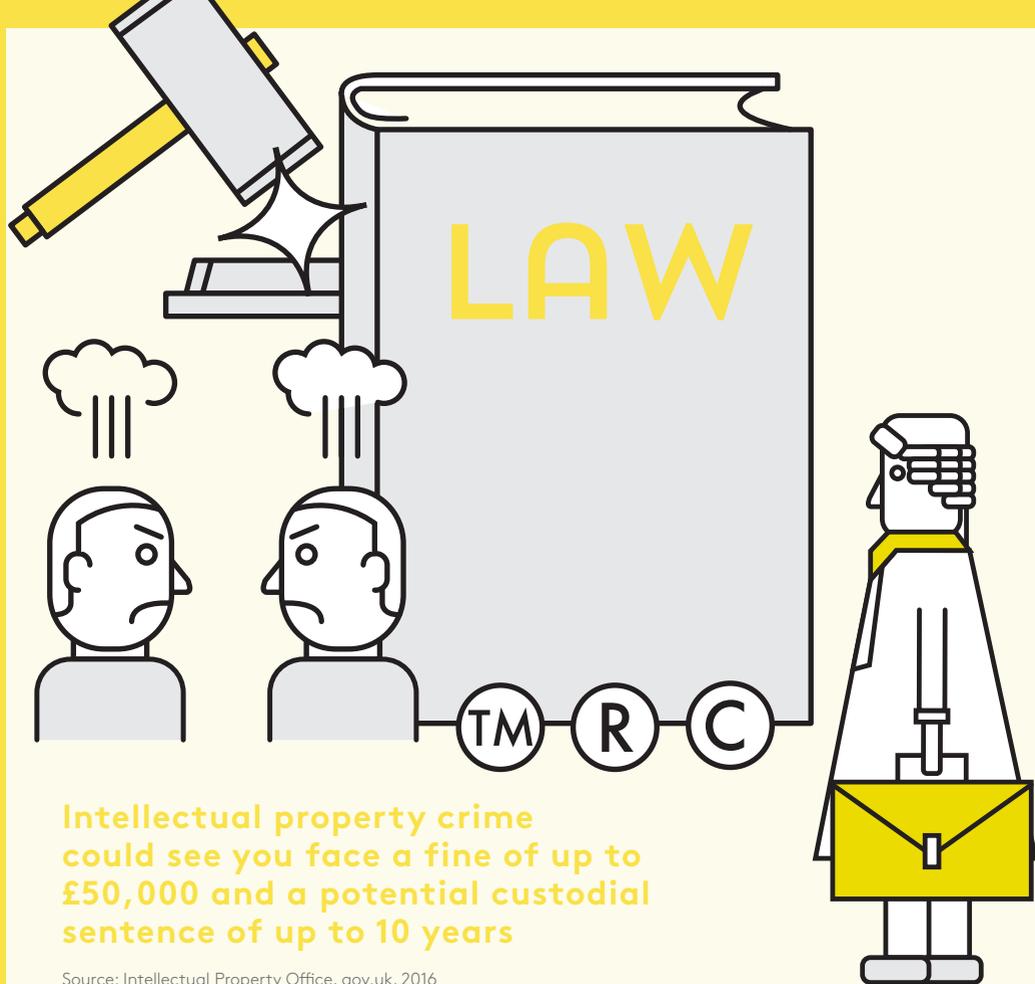
JAMES BRADY
Head of media, UK & Ireland, Hiscox



Reputations can take years to build and only seconds to destroy. Never more so than

in today's connected world, where a poorly timed social-media post or slip of the tongue at an industry event can have adverse consequences. On top of that, negative feedback from a customer or shortcomings in your work can now reach a much wider audience.

At Hiscox we understand how critical our clients' reputations are and tailor our cover and claims handling to ensure that reputational issues are protected and on-going commercial relationships can be preserved where possible.



Intellectual property crime could see you face a fine of up to £50,000 and a potential custodial sentence of up to 10 years

Source: Intellectual Property Office, gov.uk, 2016

DON'T GET

SUED

THE LAW

Lock down the legalities



Like it or not, when it comes to starting and running a business, there are some legal loopholes that you've just got to jump through. But don't let scary-sounding phrases like incorporation, confidentiality, terms and conditions, privacy policies and data protection send you running for the hills. Remember, you don't have to get your head around them by yourself – that's what lawyers are for.

Get a good lawyer

- 1 Make sure they've got the right experience**

Just because a lawyer advertises as a startup specialist, they might not be the right fit for your business. Before working with legal professionals, look at who they've helped before, whether those companies faced similar legal issues to yours and work out whether they could be a useful ally for your business in the long run.

Anticipate a split

- 2 Work out how to resolve disagreements**

If you're starting a company solo, forget this one. If you're starting it with someone else, pay attention. Even with the best intentions, business relationships don't always work out. Don't pretend that it won't happen to you and your partner – make sure you've got a clear founders' agreement that spells out how to resolve disputes if you fall out.

Work up contracts

- 3 Have your paperwork ready to go**

Write shareholder agreements and employee contracts ahead of time, making obligations, requirements and entitlements crystal clear. Draft a template supplier agreement and/or service contract to tweak as appropriate. Have a look at what others in your industry include in theirs but definitely make it clear when payment is due and where liability lies.

Protect your IP

- 4 Safeguard against copycats**

Intellectual property sounds mysterious but it's actually quite simple – it covers the unique things that your business creates, like your product design, and it's worth protecting. Trademark your logo, register your name, copyright your media output and register your designs. This stuff can get complicated, so seek advice from someone who understands it well.

THE EXPERT

NIKKI LYNDS-XAVIER

Founder of sportswear company Xavier Athletica and former solicitor



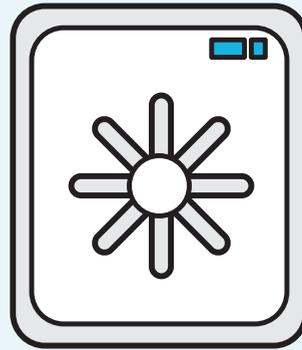
The legal requirements for your business are often overlooked in the rush to get your venture

off the ground. And believe me, I've seen it from both sides, as a solicitor and now as the founder of my own startup. In the beginning, you are full of optimism; what can go wrong? Well, pretty much everything – being fined, sued or just folding. I saw a startup make multiple millions in two years and then get brought to its knees – all because of one badly drafted contract.

So take advice, and not from a friend of a friend. In everything I've done for Xavier Athletica I've had an eye on the future. I look at those we aspire to work with, who can handle high value when we need it and then negotiate their rate down to startup level. And I do exactly the same with lawyers.

More than half of small- and medium-sized businesses in the UK have been targeted by crime, costing owners up to £25m

Source: Victim Support study of 500 small to medium business owners, 2015



PROTECT YOUR SPACE

PREMISES

Looking after the bricks and mortar



Taking on premises of any kind – workshop, store front or rented, owned or shared office space – is exciting and often fairly key to your business's success. It's also an extra responsibility to add to the pile. So once you've found a great spot, decorated it and decked it out with the tech and equipment you need, make sure to protect it.

Stay secure

1 Scrutinise your building's safety

Regardless of what your landlord says, double-check that your windows and doors are secure, install a burglar alarm and smoke detector, and, if your business is based in an area with a high crime rate, or likely to show up on a thief's radar, think about adding CCTV. Consider your employees' safety, too – if possible, don't rent a space in the dodgy part of town.

Use good judgement

2 Don't forget the obvious measures

Keep the office or workspace tidy and free from hazards. Back up your stuff – saving duplicates of any crucial documents and data – and keep expensive equipment out of sight. If you deal with money on-site get a safe, and set up clear practices to ensure that there's never too much cash left in there.

Set some rules

3 Be sure your staff take responsibility

Everybody makes mistakes but putting routines and rules in place can help us avoid them. Teach staff how best to use equipment and machinery as soon as they join. Consider limiting who has access to the premises, keep an eye on who comes and goes and make it clear what equipment can and can't be taken off-site.

Get covered

4 Cover yourself against the unpreventable

It's not just thieves or fire and water damage that might mess things up for your business – should a client or member of the public be injured while on your premises, you could be held responsible. Find a good insurance policy with a sensible excess to help your business get back on track if you have an unlucky week or two.

THE EXPERT

JOE BROWN

Commercial lines underwriting manager, UK & Ireland, Hiscox



Once you've taken on premises for your business – whether a high-street shop or an office space – there are two types of coverage to consider: building and contents.

If you rent your space, it should be your landlord's responsibility to get building insurance but make sure to check that they do have it. If you own your premises, this will cover the cost of any repairs or even rebuilding.

Contents insurance, on the other hand, is relevant for just about every business. It covers everything that's inside your premises, including stock, equipment and furniture, and can also cover goods in transit.

Also think about getting cover for any profits that you might lose in the period after an incident. Remember that if, for example, your restaurant burnt down, you wouldn't only face the financial burden of replacing fittings and stock, you'd also lose several weeks or months of business.