



**Entrepreneurship
in
Construction Consultancy**

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Abstract

This study is an exploration of entrepreneurship in its relation to consultancy in the construction industry. Highly skilled and specialised knowledge based professional service sector has been the fastest growing business sector across industries in the past two decades. Despite this growth, understanding of entrepreneurship in this business segment is limited. Lack of information has created a gap in the knowledge about new business entities establishing themselves in this sector. The study endeavours to bridge this gap.

Nine interviews were conducted with ten entrepreneurs and senior managers of consultancy firms operating in the city of London. Their experience of establishing and running a professional practice is captured, analysed and presented. The study builds upon previous research done on entrepreneurship, and interviews with business founders in this sector.

Various aspects of entrepreneurship are explored to understand how a new business practice is established and developed in this industry segment. The study discovers that previous research done was not sufficient to understand entrepreneurial behaviour within this sector. Respondents of this study have provided with additional information that is complementary to previous research.

Key words:

Entrepreneurship; Construction consultancy; Professional services; Small business; and Young practices or firms

Word Count: 10,039

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chapter 1

What this study is about?

Introduction

This study is an exploration of entrepreneurship in its relation to consultancy in the construction industry. Entrepreneurship is the process of creating, managing, developing and successfully growing a new business enterprise. Construction consultancy is the knowledge based professional service sector for and within construction industry. The study endeavours to find connections between the two and potentially open doors for further research. The two main questions this study attempts to answer are why and how professionals create a new consultancy enterprise in this industry and secondly, what does it take to manage, develop and grow this practice into a successful organisation. ✓

This chapter, henceforth, begins with a brief discussion about entrepreneurship. This is followed by a discussion about types of consultancy practices in the construction industry and their characteristics. It will then provide justification and purpose of discovering links between the two entirely different fields of study -

entrepreneurship and construction consultancy. Following which the chapter highlights aims and objectives of this study. The chapter will finish with a detailed discussion about how and where this research study was carried out and what were its limitations.

The next chapter discusses the work done by previous researchers and scholars on the subject of entrepreneurship. It will also review the requisites of establishing new businesses. Third chapter discusses and analyses what entrepreneurs in construction consultancy sector have to say about their experience in establishing a business practice. Last chapter summarizes learning from this study and recommends possible directions of further research.

Entrepreneurship

Entrepreneurship has been one of the favourite subjects of research for many. In last three decades, increasing number of research has been done and several articles, papers and books that discuss one or more aspects of entrepreneurship have been published across the world.

The term '*entrepreneurship*' has its origin from a French verb '*entreprendre*', which means 'to do something' or 'to undertake' (Barringer & Ireland, 2006, p5). The word was used to refer to the process of business establishment that involved taking of risks. Several attempts have been made in past to define and redefine this term and its definition has been updated with each attempt. Numerous definitions of entrepreneurship are therefore available in various economic and management literature describing business processes. Some economists use it as an economic term describing a process of bearing risk and conducting business while others refer to it as a concept of bringing together the factors of production. Lately, some have also associated entrepreneurship with creativity and innovation (Di-Masi, undated).

All of these definitions, however, have a common agreement i.e. entrepreneurship is the process by which individuals (i.e. entrepreneurs) identify a business prospect, react to it and come up with an idea to exploit the opportunity by launching a new venture and/or by creating a new enterprise. The process includes, not necessarily always, bearing risks, bringing together various resources, creativity and innovation (Barringer & Ireland, 2006, p5).

Construction consultancy

Word '*consultancy*' is derived from Latin a verb '*consultare*', which means 'to discuss'. A consultancy firm is therefore an organization of specialists who discuss issues and offer professional advice to their clients who are, usually but not necessarily, other

businesses. Consultancy firms are characterised by their knowledge and expertise in a particular field.

Along with services from consultancies that provide their expertise, across industries like legal, finance and accounting for example, construction industry also requires specialized professional services. On the basis of their area of expertise firms providing these services can broadly be classified into three major types: a) architectural consultancies; b) engineering consultancies; and c) cost & management consultancies.

What differentiates these services from others outside construction industry is not only the kind of expertise they have to offer but also the project based nature of this industry. Unlike accountancy consultants who can be sure of workload from clients, as the client has a statutory obligation to file accounts and returns every year, construction consultants have no guarantee of such a continuous work from clients. Clients may not need to plan and construct another building or structure. These consultancies are therefore likely to face irregularity in their workload and this irregularity presents firms with booms and slumps of projects. Hence, firms' resources are to be managed in accord with these booms and slumps, which is a tricky and tough job.

Research rationale

"No studies have been done on the success factors for new professional services."

Brentani & Ragot (1996, p518) claimed this in their attempt to identify factors that govern success and performance of new professional services. Since then (1996) a little work has been done to address their urge but it is not sufficient enough to understand how new professional practices sustain existence. Secondly, there is certainly very limited work done to identify success factors of new knowledge based professional consultancy firms within construction industry.

The UK has witnessed a drastic growth in the number of construction related businesses over the last 15 years. Also highly skilled and specialised knowledge based services have been the fastest growing sector, not only in the UK but across the globe, in the last two decades (Brentani & Ragot, 1996). In spite of this growth, understanding of entrepreneurship within construction industry and particularly in consultancy sector is limited. Insufficient number of studies and lack of information has created a gap in the knowledge about dynamics of new business entities establishing themselves in this competitive industry. Hence, entrepreneurship within this sector of construction industry stands as an under-researched area. The study attempts to bridge this gap.

Research aims and objectives

The two main aims this research study endeavours to achieve are: a) bridge the mentioned gap in the knowledge about construction consultancies by identifying important characteristics of entrepreneurial firms by the virtue of which they thrive and succeed; and b) provide a platform for further studies in this area so that the wheel of our knowledge and understanding is continuously upgraded.

To realise these aims, the study makes an attempt to look at how these enterprises adapt themselves in terms of their business prospects and strategies and adjust in accord with market and competition. It will then try to identify if there are any observable trends or patterns in these characteristics and business strategies that lead to sustained growth over a long term.

The study will build a framework of ideas and general characteristics of successful entrepreneurs and then testify this framework for professional consultancies within the construction industry. Doing this it will provide a better understanding of entrepreneurship in this industry segment. Hence, this study is expected to present future entrepreneurs of this industry with the guidance in identifying opportunities and develop ideas and strategies to realize rewards of their entrepreneurial ability in the form of a successful business practice. It will also help them overcome constraints/barriers of entry, by offering them insights of proven business strategies and decisions. Entrepreneurs can therefore comprehend these strategies in order to manage their survival and growth in the market.

Research methodology

The research aims to understand the characteristics of a successful construction consultancy practice, and therefore it was considered inappropriate to quantify its outcomes in terms of statistical figures. Thus a qualitative research methodology (personal interview) was adopted to realize its aims.

Ten entrepreneurs and senior managers were interviewed in nine different interviews to collect relevant information about the experience of entrepreneurs establishing and running a new practice. Interviews were preferred over case studies because in general interviews offer more flexibility and expose the ideas of interviewee in a much better way than case studies. These interviews were semi-structured and were more like a general discussion on a few topics (discussed later in this section). Semi-structured natures of these interviews helped in pursuing a consistent line of inquiry and maintain flexibility to allow any unexpected yet important theme/issue to come up while discussion. A set procedure to structure these interviews and define a line of inquiry, as highlighted in Yin (2003), was followed. This procedure involved a review of relevant and available literature,

analysis of research aims & objectives and then indentifying research questions to prepare a list of issues that needs to be investigated. Interviews were initially planned to last for one hour, but because a few discussions revealed some important and interesting facts some of the interviews were slightly elongated by 10-15 minutes.

Interview agenda was designed in a way to first make interviewees comfortable about the subject and then allowing them to open up and confidently share their experience of running a business practice. This was done by first building up a general conversation about their business background and experience at the beginning of their new business and then shaping the conversation as required. Interviews were concluded with a general discussion about any advice or suggestions that these already established entrepreneurs would like to pass on to the next generation of entrepreneurs. A list of areas of discussion that was prepared initially is as follows:

- Experience at the very beginning/start of the business;
- Motives behind business undertaking(s);
- Opportunities that were identified and the way they were seized;
- Overall market condition at that time;
- Key management strategies;
- Barriers of entry and problems faced in establishing the business;
- Assessment of the most important successes and mistakes/learning; and
- Suggestions to young and future entrepreneurs in this sector.

Apart from these discussion topics a couple of issues popped up that were not expected initially, but they were found interesting and relevant. As a result of this, these topics were also introduced in the agenda after a couple of interviews. These areas of discussion were:

- Role of contact networks and relationships in developing a practice; and
- Experience of managing a new practice.

Designing interviews was the easiest part of the research. What was difficult was to convince really busy consultants to donate an hour of their fee earning time for this study.

Only those firms that passed the initial filtration procedures were sent invitations of participation. A list of almost all consultancy practices within construction industry that were established after 1987, and have their head offices in the city of London (within zones 1 - 4), was prepared from various internet sources like FAME database, UK Data Ltd. and Yell.com. This list was then rearranged to identify the firms that had maximum information - like address, telephone numbers, website & email address and the company profile - available over the internet. Finally top

thirty practices in the list were invited to participate. Invitation letters and emails were sent and several phone calls were made to reach and convince these entrepreneurs for an interview. Only twenty out of these thirty firms honoured invitation by responding to it, but later eleven of them denied the request for reasons best known to them. Finally, nine interviews were conducted with ten entrepreneurs and senior managers of the remaining consultancy firms. This study is extremely thankful to them.

All the respondents were kind enough to allow audio recording of their interviews. Detailed transcripts of these were prepared thereafter (attached as Appendices) to help analyze the information collected (discussed in detail in chapter 3). The study draws an evidence of entrepreneurship in this sector based upon the analysis of primary data collected from these interviews and the secondary information from literature available.

Limitations of this study

Like all other research studies this study was also presented with some constraints and therefore it had some limitations. These are discussed here with a hope of being addressed in future research.

The first constraint was of location and time. As mentioned earlier only nine firms that have their head offices in London were interviewed. Ideally at least 10-15 entrepreneurs from each of the major cities in the UK should have been interviewed to get a comprehensive understanding of consultancy entrepreneurship in construction industry. This research was carried out in the period of three months and therefore it was not possible to arrange this many number of interviews.

Furthermore, interviewed firms were less than 20 years old and hence most of them were founded after the recession of early 90s. And because of an economic boom since early 90s, businesses of these firms were therefore supported by a flourishing market. As a consequence this study is benefited from the information of managing a firm in an up swinging economy, but on the other hand it was prevented access to sufficient information of running a new business practice through a complete economic cycle.

Another limitation is the fact that most of the new firms are managed privately and access to their financial statements is denied to general public. Therefore, interviewed firms were not selected on the basis of their financial success, which was an important criteria for many related research in past. Moreover, as a result of this entrepreneurial characteristics were not studied in the context of entrepreneur's financial success. Aims of this study were therefore restricted to concentrate on

entrepreneur's experience of running a business in this industry sector and not on how they performed financially. ✓

Lack of sufficient number of studies that related entrepreneurship with project based professional services was also a potential constraint for this research.

Chapter summary

This chapter has introduced the fields in which this research was conducted. It also discussed the purpose of conducting this research and drew attention to its aims and objectives. Following which research methodology and limitations were discussed in detail.

chapter 2

What others have said?

Introduction

This chapter highlights the work done by previous researchers and scholars on entrepreneurship. It also reviews some of their key findings. The discussion concentrates on entrepreneurship in general and traces the journey of an entrepreneur from the idea of conceptualizing of a new business to successfully launching and developing it. The chapter covers all the aspects of entrepreneurship that are available in literature despite limited number of studies on entrepreneurship in professional services sector.

Entrepreneurial motivation

Entrepreneurial motivation has been one of the most widely researched topics. Several research studies have explored various motivations and their effects on entrepreneurship. Shane *et. al.* (2003) reviewed these studies and concluded need for achievement, locus of control, vision, desire for independence, passion and

professional drive to be some of the key motivations for entrepreneurs that force them to choose an entrepreneurial career.

Analysis of these motivating factors reveals that all of them revolve around a common central point – satisfaction. Need for achievement relates to satisfaction from success or dissatisfaction from failures. Locus of control is related with satisfaction achieved by the virtue of power and ability to control outcomes. Vision corresponds to satisfaction from realization of self-beliefs and aspirations. Desire for independence is associated with the satisfaction from the sense of being responsible for own. Passion is self-centred love for work, linked with the satisfaction achieved after doing this work. And professional drive is the energy that pushes for the accomplishment of ambitions or professional goals. It is related with the satisfaction of achieving these goals. Earlier research studies have also suggested that desire of satisfaction urges individuals towards entrepreneurial careers (Powell & Bimmerle, 1980; Shapero & Sokol, 1982; and Herron & Sapienza, 1992).

Research studies also show that self employed entrepreneurs are much more satisfied with their works after starting their own business than before that. Furthermore, they are more satisfied with their undertakings as compared with individuals who take up employment with other organizations. The ownership of a business and the feeling of freedom bring a deep sense of satisfaction to entrepreneurs. Autonomy, flexibility and greater skill utilization in self-employment were identified as other key reasons (Cromie & Hayes, 1991 and Hundley, 2001). Cromie & Hayes (1991) concluded 'desire of autonomy' to be a major motivating factor for individuals who intend to establish a separate business.

Another important motivation for many entrepreneurs is the monetary reward they achieve on success. Many researchers and scholars consider this to be the primary motivation for entrepreneurs (Baumol, 1990; Campbell, 1992; Langan-Fox & Roth, 1995; Kuratko *et. al.*, 1997; and Shepherd & DeTienne, 2005). However, these researchers do not claim it to be the only motivation, but assert it to be a factor that strengthens motivation through a promise of financial reward.

Opportunity identification and development

Opportunity identification and development constitutes a big share of literature on entrepreneurship (Venkataraman, 1997 and Shane & Venkataraman, 2000). Numerous entrepreneurship models have been presented in recent years that place opportunity development process in early stages – prior to venture launch (Gaglio & Katz, 2001). Common phases in this process are identification of an opportunity, its evaluation and development of strategies to seize it (Bhave, 1994; Schwartz & Teach, 1999; Singh *et. al.*, 1999, De Koning, 1999; Sigrist, 1999).

Several factors that affect the opportunity identification and development process have also been identified. Entrepreneur's prior knowledge, information asymmetry and entrepreneurial alertness are amongst the most commonly studied. These are also accepted to be the most important factors that influence an entrepreneur's ability to pick up an opportunity.

Prior knowledge and information asymmetry

Prior knowledge refers to an individual's distinctive information about a particular subject matter (Venkataraman, 1997 and Shane, 2000). Entrepreneurs thus spot opportunities based upon their existing knowledge and by virtue of which they realize the value of a new piece of information.

It is impossible for all potential entrepreneurs to have same knowledge and information at the same time. As a result any opportunity that exists will not be obvious to all of them. Opportunities are therefore discovered as a result of information asymmetry amongst different groups of people and entrepreneurs exploit their knowledge to explore these opportunities (Hayek, 1945 and Shane, 2000).

The postulation that prior knowledge of an entrepreneur influences his/her ability to observe a piece of information and discover opportunities has also been supported by other researchers (Sigrist, 1999 and Shepherd & DeTienne, 2005). Furthermore, as entrepreneurs with more knowledge are likely to identify more opportunities, number of opportunities identified rise in proportion with the level of entrepreneur's prior knowledge.

Moreover, knowledgeable entrepreneurs do not follow a step-by-step process of decision making. And if they identify opportunities in the field in which they have experience and good understanding their decision making ability is further enhanced. They make their decisions much faster in an '*automatic manner*', which is one of the essential mechanisms of entrepreneurship (Shepherd & DeTienne, 2005). Moreover, Shepherd & DeTienne (2005) claim that if entrepreneurs fail to make decisions quickly they are likely to miss opportunities that ceases before they are realized.

Entrepreneurial alertness or awareness

Entrepreneurial alertness is an attitude of receptiveness to available opportunities that are somehow overlooked by a majority of people (Kirzner, 1973). Various research studies assert that entrepreneurs identify opportunities on the basis of their attentiveness towards new information. Literature refers this attentiveness as a distinctive set of information-processing skills possessed by entrepreneurs (Ray & Cardozo, 1996 and Gaglio & Katz, 2001). Some studies also claim entrepreneurial awareness to be the driving mechanism of the opportunity identification process (Gaglio & Katz, 2001). These research studies state that entrepreneurs, in general, are

more alert to new opportunities compared with other individuals. These studies further claim that by being: a) attentive towards new information; and b) aware of things happening in their surroundings; entrepreneurs learn new things and gain more knowledge. Hence, entrepreneurial alertness helps individuals to discover new opportunities around them. It is also better for the development of strategies to en-cash these opportunities as entrepreneurs continue to learn new things (Kirzner, 1973; Ray & Cardozo, 1996; and Gaglio & Katz, 2001).

Social networks and relationships

Network of contacts and professional relationships are the most important assets that an entrepreneur needs in order to establish and develop a new business. Increasing number of researchers and scholars have realised the importance of these intangibles over the last two decades. They have concluded that entrepreneurs need different contacts and resources at different phases of their entrepreneurial journey (Larsen & Starr, 1993; Greve, 1995; Hansen, 1995; Greve & Salaff, 2003; Watson, 2007; and Parker, 2008).

Research and studies reveal multiple ways in which entrepreneurs use their networks. Resources like information, capital, skills and labour are essential to initiate business ventures and founder(s) of a small firm are unlikely, especially at the beginning, to possess all of these resources. Hence, they rely on their contacts to meet their resource deficiencies (Aldrich & Zimmer, 1986 and Hansen 1995). Also, they continuously keep expanding their network to shorten the access path to these resources and position themselves in a way to maximise returns on their social capital (Blau, 1977; Burt, 1993; Granovetter, 1973; and Greve & Salaff, 2003).

Studies also explain how this network of contacts can be either formal or informal (non-work contacts) and reach beyond colleagues and professional connections to family & friends (Hansen, 1995). While working in established firms would-be entrepreneurs develop relationships in a network of suppliers (of labour, goods, and capital) and customers or clients (Saxenian, 1994). entrepreneurs use a major portion of these relationships developed at previous jobs to develop their new business (Gompers *et. at.*, 2003; Rauch & Watson, 2003; and Rauch & Watson, 2005). Though there is no strong evidence in terms of statistics, what supports this is a fact highlighted in the 1992 Economic Census of the United States. According to this report about 50% of nonminority male business (services) owners had previously worked within the same sector as an employee (Rauch & Watson, 2003).

Resource collation and management

/ Resource based view suggests that entrepreneurship is a process of identification, acquisition and accumulation of resources to exploit identified opportunities

(Stevenson *et al.*, 1994; Bergmann-Lichtenstein & Brush, 2001; and Haber & Reichel, 2007). Some studies highlighted that resource collection and accumulation are important concerns that need prime attention by entrepreneurs to develop and grow their business. These studies have also explored how entrepreneurs gather and combine resources in start-up stages (Bhave, 1994 and Haber & Reichel, 2007).

A few studies also claim that acquiring and managing resources like human capital in any entrepreneurial venture and small organizations could be a dilemma for its owners and managers. Despite this fact neither/researchers pay much attention to human resource management in small enterprises, nor do the owners & managers of such firms employ appropriate human resource management policies (Singh & Vohra, 2005).

Barringer & Ireland (2006, p128-131), draw attention to some of the major problems related to human capital that entrepreneurs usually face during the start-up stages. Building up a founding team and hiring key personnel are a few of them. They claim about 50-70% of new firms are founded by two or more individuals, which is an advantage to the firm as a team can bring in more talent, resources, ideas and professional contacts. However, the decision to choose between homogeneous (from same professional background) or heterogeneous (from different professional backgrounds) partners is often a struggle for entrepreneurs. They also underline the fact that human capital is the costliest resource to acquire or hire for any organization. And therefore, especially for new start-ups, a bad hire can be devastating (Adams, 2002, p240).

Entrepreneur's education, experience and reputation

The role of entrepreneur's education on his/her business performance has been another area of interest amongst various scholars and researchers. Douglass (1976) was amongst the first few to discover that entrepreneurs are much more educated than general public as opposed to prevalent belief of his times that entrepreneurs are uneducated. However, he also concluded that entrepreneurs' educational advantage may or may not be a factor contributing directly to their success. Later on, Robinson & Sexton (1994) examined the effects of education and experience of US entrepreneurs (mainly farmers and professionals like doctors, lawyers, accountants etc.) on their success. They quantified in entrepreneurial success in terms of entrepreneur's earnings. Their research study showed that entrepreneurs are highly educated and there lies significant positive relationship between entrepreneur's education and entrepreneurial success. Furthermore, their studies also reveal that entrepreneur's experience also contributes to his/her success in entrepreneurial venture.

Some other studies explain how entrepreneur's previous experience could be helpful in his/her new venture. They claim that while at employment would-be entrepreneurs learn how to run companies by participating in various managerial or entrepreneurial processes (Gompers *et. at.* 2003, p578). It is therefore reasonable to accept that previous experience of an entrepreneur should have a positive impact over the new firm's success (Barringer & Ireland, 2006). This issue, however, stands under researched despite numerous attempts to establish and identify the relationship. Two primarily reasons for this are: a) lack of appreciation and understanding of extensive meanings of the term 'experience', for example experience as a business owner, a manager or a professional; and b) failure to recognise 'experience' as a qualitative term that cannot be measured only in terms of number of years or disciplines (Reuber & Fischer, 1994).

Entrepreneur's reputation is another important factor that could impact his/her success in establishing a new business. With good reputation entrepreneurs can attract increasing number of resources and clients or customers to develop their firm. Many research studies have also concluded '*founder's track record*' to be strongly related with the new firm's reputation building process as it reduces risks and motivates stakeholders to continue their relationship with the entrepreneur (Dollinger *et. al.*, 1997; Shane & Cable, 2002; Deutsch & Roass, 2003; and Fischer & Reuber, 2007). Nonetheless, it is understandable that if the entrepreneur has a good professional or business history, the new firm will gain a good reputation fairly easily and quickly.

Reputation building, as a corporate strategy for newly founded and/or small businesses has also been widely researched and is concluded as one of the biggest challenges for entrepreneurs (Reuber & Fischer, 2005 and Fischer & Reuber, 2007). All new small businesses have to bear the '*liability of newness*' And therefore, to be able to provide a clear evidence of their ability they have to build up and maintain a positive reputation amongst their stakeholders (Stinchcombe, 1965; Barringer & Ireland, 2006, p128; and Fischer & Reuber, 2007). This is in particular applicable to all project based environments where firms are considered only as good as their last project.

Chapter summary

This chapter presented what research studies in the past have discovered about entrepreneurship. It discussed various motivation factors that drive entrepreneurs to start their own business. These factors were found to be very closely related with job satisfaction and potential financial rewards of running one's own business. It also discussed why opportunity identification is important and what factors affect an entrepreneur's ability to realize opportunities around him/her. Prior knowledge,

information asymmetry and entrepreneurial alertness and awareness were discussed as major influencing parameters. The chapter also unveils why developing contact networks and relationships and accumulating resources are important in establishing and running a new business. Resource management is discovered to be one of the most significant challenges. Entrepreneur's education, experience and reputation were also discussed and found important factors of success in entrepreneurial careers.

chapter 3

What they have to say?

Introduction

This chapter discusses what entrepreneurs have to say about their experience in establishing, running and managing a practice in the construction consultancy sector.

Nine interviews with eight founding members and two senior managers of consultancy firms were conducted. These interviews are analysed and presented here. Major topics that were discussed are as follows:

- Idea and motivations behind the establishment of a new practice;
- Opportunities, market prospects and strategies;
- Role of contact networks and relationships in business development;
- Challenges and barriers to entry; and
- Experience of managing a new practice.

Table 1 enlists details of entrepreneurs and managers who were interviewed, details of their firm and notations used to refer to them. Detailed transcripts of these

interviews are attached as Appendices A - J. One of these respondents asked for details of his company to remain confidential.

1.	Mr. David BLIGH	Firstco Limited	1998	Control Systems & Engineering	Interview 1; Respondent 1	Appendix A
2.	Mr. John DUTTON	Collinson Dutton Limited	2001	Rail Engineering	Interview 2; Respondent 2	Appendix B
3.	Mr. Adel HAZIME	Famedean Limited	1994	Architectural Consultants	Interview 3; Respondent 3	Appendix C
4.	Mr. David HEWISON	-	-	Project & Cost Consultants	Interview 4; Respondent 4	Appendix D
5.	Mr. James HORAN	JPH Project Management Limited	1993	Construction Consultants	Interview 5; Respondent 5	Appendix E
6.	Mr. Jim MARTIN	Martin Associates	1999	Chartered Surveyors, Project & Cost Consultants	Interview 6; Respondent 6	Appendix F
7.	Mr. Chris PRIESTLEY	Bolton Priestley	1995	Consulting Engineers	Interview 7; Respondent 7	Appendix G
8.	Mr. Mark SKELLY & Mr. Tristan COUCH	Skelly & Couch LLP	2007	Building Environment & Services Engineering	Interview 8; Respondents 8	Appendix H
9.	Prof. Chris WISE	Expedition Engineering Limited	1999	Civil & Structural Engineering	Interview 9; Respondent 9	Appendix J

Table 1: Details of interviews

Idea and motivations

Founders of all nine firms were employees of large organizations prior to establishing their practice. Changes in their work and/or surrounding environment triggered a majority of these people to split from their employers and establish a new business practice. Some respondents said that the companies they were working with were taken over (or liquidated) by larger groups with whom they were not happy to work (Interviews 2, 5 and 7). Where-as some of them mentioned that while growing at their previous jobs they were gradually shifting away from doing what they desired and wanted to do, towards fulltime senior management positions (Interviews 7 and 8). Respondents 8 in this relation said:

Mark: "...as we were growing to senior positions in our previous employment, the management practices were getting large. So the management responsibility took our lot of time leaving very little for engineering bit..."

Tristan: "Yes, it was like doing management work on the expense of engineering... we found ourselves doing more of managerial jobs than engineering and design."

Dissatisfaction with employment is another reason that triggers such a separation. Interviews 1, 4 and 6 reveal that founders desired to have more control over company decisions and/or wanted a share of ownership that were not coming despite of their hard work. Respondent 9 showed dissatisfaction with his previous job as he found his routine work to be monotonous.

None of the entrepreneurs - except Respondent 3 and 7 - had a long held aim to be the proprietor or founder of a consultancy firm. Respondent 3 wanted to have his own business since his teenage years. However, he was not sure about what business it would be. Respondent 7 mentioned that setting up his own business was like his wish that was always present at the back of his mind, but he never planned to set-up his practice until he felt he was not enjoying his job. And therefore, he was equally happy to work as an employee with certain organizations till then.

All of these interviews provide a strong evidence of job satisfaction being the most influencing motivations for entrepreneurs to start a new consultancy practice in this industry. In terms of the model developed by Shane *et. al.* (2003), discussed in previous chapter, locus of control was the primary motivation for Respondents 1, 4 and 6 where entrepreneurs were looking forward to own the practice and control its decisions; desire for independence, was the motivation for Respondents 2, 5 and 7 where entrepreneurs did not want to work with a particular company or with a particular group of people and wanted to break out; passion and drive were the motivations for Respondents 8 where they wanted to pursue their own desires; vision was the motivation for Respondent 3 who had a long held aim to own and

develop a business; and need for achievement was the primary motivation for Respondent 9 where he wanted to change the way engineers and consultants work.

Monetary reward in itself was surprisingly not a motive for any of the entrepreneurs except for one. Though all of these entrepreneurs have turned their practices to a profitable and a cash generating business, none of these entrepreneurs accepted money to be a motive behind their endeavour, except Respondent 3 who wished to have his income unlimited.

Opportunities, market prospects and strategies

The evidence from the respondents in this study indicates that not all entrepreneurs in construction consultancy sector first identify an opportunity and then start their own practice. Some of them first separate from their employer, set-up or register a new practice and then create opportunities to sustain their business. As the decision of starting a new business is a consequence of accumulation of certain circumstances, some of these entrepreneurs did not have enough time to think and make a rational decision (Interviews 2, 5 and 8). What they had were ideas about what, where and how will they start their practice to accomplish their goals. For example, Respondents 2, 6, 7 and 8 knew before starting their own practice that the market is on its way up and where they can go to get jobs and sustain their practices. Thus, instead of following the entire opportunity identification & development process these entrepreneurs tend to follow their instincts to start a new business.

While discussing what opportunities they (Respondent 2 and his partner Mr. Andy COLLINSON) identified to set-up their business, Respondent 2 answered...

“When we first started there were no opportunities on the table... we began to breathe when we created opportunities. I would rather say when we were given two opportunities by individuals whom we knew and had worked with in the past... These (opportunities) came along probably two months after we set-up Collinson Dutton Limited. I mean they did not exist before we decided to set-up a business...”

Hence, both Respondent 2 and his partner knew what they were going to do despite the fact they had not spotted any opportunity prior to splitting and establishing their own practice. Respondents 5, 6, 7 and 8 also knew where and how will they go for win work for their firm prior to establishing it.

On the other hand, it is not the case that entrepreneurs in this sector do not pick an opportunity before setting up their firm. Some interviews did confirm that while making a decision entrepreneurs knew there were some business prospects around them which they would exploit (Interviews 1, 3, 6 and 7). Moreover, things were much easier with Respondent 9 in the beginning. Opportunities knocked at his doors

in the form of a world famous architect even before he resigned from his employment.

All of these respondents knew what the market was going to offer them. Exploiting this information most of them established their business when the market was on a rise i.e. after economic crisis of early 90s. During this period of economic growth the government had plans to invest in public spending and improve the overall infrastructure of the country. Following these initiatives by the government there was a boom in the entire construction industry across the nation. As a result of this people knew there will be opportunities all around to cash on (Interviews 2, 6, and 7). It was their knowledge and information about the industry, investments and upcoming projects that helped them to identify and generate opportunities to make the most out of booming market.

It is quite likely that more entrepreneurs will see opportunities in a boom time than in recessions. Reason for this could be the fact that during economic booms markets are more friendly and positive towards new businesses. Now, from discussions in previous chapter it is known that picking up opportunities that are not clear to many people is a characteristic of entrepreneurial behaviour. And therefore, spotting an opportunity during a depression could be remarkable and rare. Respondent 1 highlights one such evidence. Mr. Mark CALNAN prior to setting up Firstco Limited with his other partners worked with his colleague Mr. John MYERS for their consultancy named JMC Partnership. JMC was started by them in 1989 when there was a lot of pessimism in and around the market. Respondent 1 reports this as:

“When Mark and John started JMC the market prospects were not very good. The construction industry was heading towards a recession. I think what they thought is that there must be lots of little jobs around... and there must be some clients who might not want to pay the kind of fees large organizations charge. So I think they saw an opportunity in doing relatively inexpensive work for clients... and their advice might have saved clients some amount of money, which is a big thing if it happens in a pessimistic market scenario.”

Mr. Calnan and Mr. Myers therefore demonstrated how entrepreneurial alertness and awareness help to pick up favourable opportunities even when everything seems to go wrong.

Identifying a good opportunity is just the first half of opportunity development process. Real challenge is to develop a strong strategy and employ it to gain from the identified opportunity. Now, as different entrepreneurs will pick-up different opportunities and have different perspectives to look at them, their strategies are bound to be different. Despite these differences there was one thing identified to be common amongst the majority of them. Irrespective of their corporate or operational strategy, everyone aimed to develop a good reputation as a company in the market

and especially amongst their existing clients (Interviews 1, 2, 3, 6, 7, 8 and 9). They also confirmed that their personal reputation from previous employment/work was an advantage in building good reputation as a company. A number of respondents confirmed this to be the only source of work when they just began to operate separately from their employers (Interviews 1, 3, 6, 7, 8 and 9). Delivering a quality service in spite of focussing on the quantity of work was a key strategy for Respondents 3 and 4, through which they were trying to build a good reputation in the market as *'quality traders'*.

Other common strategies include expanding network of contacts to increase client base; building relationships with existing clients to ensure repeat business and project referrals; being client oriented & trying to secure a position close to them in the supply chain; diversifying in terms of business sectors to minimise risk and dependency on limited number of clients; and acquiring professional accreditations for the new firm to attract clients (Interviews 1, 2, 3, 6, 7, 8 and 9). Amongst these strategies expanding network of contacts and strengthening existing relationships were also learnt to be very important in terms of business development.

Contact networks, relationships and business development

All respondents accepted that consultancy is business that revolves around people. And especially in project based industries, like construction industry, people tend to follow those individuals with whom they have worked on previous projects. In any typical supply chain of a construction project there is a team of client representatives, architects, engineers, cost & project management consultants and others who work very closely with each other (Interview 7). After completion of a project these teams separate and move to other projects. However, while working together individuals in these teams develop a relationship with each other. Based upon these relationships some of the members from these teams continue working together on other projects. These members also recommend each other to potential clients. Likewise, individuals continue to expand their network of contacts and develop a client base for the companies they work for. These relationships are therefore secured at individual level and at organizational level. This fact is particularly applicable to project based consultancy firms that provide knowledge based services as individuals deliver projects through their skills. And because of this characteristic people with good network of clients become assets for their firms (Interviews 1, 2, 6, 7, 8 and 9).

If these people separate from their employing organization, they tend to take away some key relationships and contacts with them. When these individuals start practicing on their own they take advantage of their reputation and existing relationships. They continue growing their business through these contacts, which

were developed at previous jobs (Interview 4). Respondent 6 highlights rationale of his speculation at the time when he decided to start his own practice as:

“...I was a well established person within the sector. I had a personal reputation within the market and had developed good relationships with some key people in here. So I felt that people would give me work because of my reputation and relationships with them. And being well established as a consultant and having connections within the market was very advantageous to develop and grow the new firm.”

Therefore the importance of both reputation and network of contacts with potential clients is obvious. A firm can boost its growth if the owners/managers have a strong base of contacts through which they pull in more and more work.

On the other hand, networks and relationships developed while as an employee somewhere may not always help in developing business and securing projects for a new practice. Respondent 6 supports this fact and states that clients have very little loyalty towards consultants. Moreover, Respondent 9 recalled his experience that underlines the fact that people might not always help (or be in a position to help) in spite having very good relationships with them in the past. He informed that one of the renowned architects stopped working with him and denied any help as soon as he (Respondent 9) started his own practice. Respondent 5 had a similar experience and he explains the reason for this as:

“...what you find being where I was a corporate director or a corporate vice president of a big company is that people come to you for work. So, you develop strong relationships. However, when you go on your own as an individual you find those relationships do not exist anymore. Many people whom you thought would give you work, want to see what experience you have as a company. And when you have no experience as a company, it becomes very difficult to get work.”

Therefore it seems where relationships are vital for new practices in terms of project acquisitions; speculations based entirely on past relationships might be disappointing. Nevertheless, one failed relationship could not undervalue the prospects that a single sustained relationship can offer.

Challenges and barriers to entry

As a business owner one has to strive for every success. And for a young business practice challenges are amplified. One of the major challenges that young practices face in this industry/sector is of size and track record as a company. As most of the clients invite only those companies for tender who have a track record of similar projects and/or have a turnover in excess of certain amount in previous years, it becomes extremely difficult for young practices to qualify and win projects. In spite

of the fact that these companies are capable of delivering projects and meeting client's expectations, they are denied a chance and prevented from bidding in competitive tenders. These firms also find it difficult to secure a place in client's approved list of consultants or framework agreements (Interviews 1, 2 and 6).

Another major challenge, that young business faces, as highlighted and discussed in previous chapter, is of management of human resources. As young firms are denied a number of projects because of their size, it becomes difficult for owners/managers of such firms to predict their workload and hence allocate adequate resources. Worrying about conditions of no work and idle staff, which could be significantly expensive for young firms, managers do not recruit prior to winning projects (Interviews 1, 2, 3, 4, 7, 8 and 9). Respondent 9 details his experience and explains this dilemma as:

"In terms of developing a business... we went in to a period of time when we were asking ourselves shall we hire more staff. And we would think what if the work did not come, have we got enough work for them. Precisely at that moment we thought no, we have not. So we did not hire anybody. What happened thereafter was that we were getting more work and we found that we do not have enough people to deliver it. After a while we realized that we were very bad in predicting how much work would come in. So we tried to track back and find how much work came in that we knew and how much came in that we did not thought of, so that we may plan accordingly in future. What we realised consequently, is that there is no correlation amongst them... So for about 2-3 years before we understood this, there was a block on the growth of our practice..."

Respondents 2, 4 and 7 also confirmed that they are reluctant to take up work to which they cannot allocate sufficient resources. And even after acquiring projects they find it difficult to attract quality staff to young practices (Interview 7). As a result of this they too felt a pinch of temporary blockage in their growth.

Managing the finance and cash flow within a small project based firm is also very difficult. Because in project based environments money comes in after a while (during or after project delivery), initial cash flow is negative because the cash outflow is regular. Managing cash during this intermediate period is therefore often a challenge for young firms (Interviews 5, 6, 8 and 9). Respondents 2, 6 and 9 also confirmed that when practices grow cash flow is ought to become negative because of investments made in hiring new staff and setting up office systems. This makes managing cash even more difficult for such firms. On the other hand, Respondent 2 also asserts that consultancy practices are always cash generating businesses and if managed carefully a practice can always be healthy in terms of finance.

Experience of managing a new practice

Unlike large organizations that have separate departments to look after various fronts of running a business - engineering, production, finance & accounting, IT, human resources, administration, legal to name a few for example - young organisations have very limited resources to afford these departments. Hence, owners/managers of a new firm are not only liable for all the statutory requirements and formalities, but are also responsible for managing the infrastructure and systems within the firm. Managing a new practice is therefore the most significant challenge that all the entrepreneurs are likely to face.

Respondents claimed that people need a considerable amount of time and energy to manage a new practice (Interviews 1, 2, 4, 6, 7, 8 and 9). And because there are only a few people who can do everything together it becomes essential for entrepreneurs to either buy in some of the services or devote extra time in the business making it 60-70 hours a week or do both if required (Interviews 1, 2, 6, 7, 8 and 9). In such long days, weeks, months and years even a little help and support from close friends and family members play a significant role. On being asked how did they (Respondent 7 and his partner Mr. Paul Bolton) manage all these things, Respondent 7 answered:

“Fortunately we anticipated that and we discussed this beforehand that we are setting up a business, we are engineers and we will look after engineering things, but who shall look after our finance and other stuff. And I was so very fortunate that my father-in-law... agreed to look after the paper work for us, especially finance. He was actually quite happy in doing that... it really relieved Paul and me to look after our bit... and he (father-in-law) managed all that very well...

...My wife’s background, from her career, is human resources. So she helped us a lot with that. Of course we had to attract staff and recruit them, but then she managed the contracts and compliance with employment law and that kind of things.”

Not only Respondent 6 was fortunate to get help from his family but also Respondents 7 and 8 were. They too appreciated their families for assistance in managing and running a new practice. For other respondents these tasks were divided among the founding partners and as their business grew in size they either hired professional services from outside the firm or brought in some staff to manage these issues (Interviews 1, 2, 4 and 9). ✓

Other findings

Education

Though educational background of entrepreneurs was not discussed, it is known that all entrepreneurs and their partners had multiple professional qualifications related to their practice. One respondent graduated in accounting but took a few

related professional courses later on. These entrepreneurs also have certifications and memberships of various professional institutions. Furthermore, as consultancy is knowledge intensive sector, owners of knowledge based firms are expected to be professionally educated. Hence the importance of education is significant.

Previous work experience

All respondents, without any exception, accepted that previous work experience as professionals is very important in managing a new practice in this sector. Having worked as an employee enabled them to learn and understand the system and working of this sector. These respondents not only accepted their experience to be helpful in setting up and running a professional practice, but also explicitly advocated its importance. They suggested future entrepreneurs of this sector to first learn how firms work and understand what they can achieve from their learning prior to making an attempt to establish themselves in the market (Interviews 2, 5, 7, 8 and 9). Referring particularly to engineering and architectural services Respondent 9 says:

“...people say you do not grow as an architect until you are 50. So when you have 30 years of experience then you are thought of as a young architect. In engineering, when you are 70 years of age you are being taken as a young engineer.”

Professional experience is also a route to build up personal reputation, which assists in winning work and developing a good reputation for the new firm (Respondent 9).

Chapter summary

This chapter highlighted a strong pattern in entrepreneurial experience across construction consultancy sector. Analysis of interviews with ten respondents was made to understand why and how professionals quit regular salaried employment to undertake an entrepreneurial career and how do they make it a success.

Various aspects of entrepreneurship were explored to understand how a new business practice is established and developed in this industry segment. It was discovered that previous research done was not sufficient to understand entrepreneurial behaviour within this sector. Respondents of this research have provided with additional information that is complementary to previous research.

Entrepreneurial fronts like motivation; opportunity identification, market response and strategy development; role of contacts network and relationships in business development; challenges and barriers to entry; experience of managing a new practice; and entrepreneurs' education and experience were explored. Responses show that in some of the areas respondents are in strong agreement to the findings of previous research, but have a mixed opinion on others.

chapter 4

What do we learn from this study?

Introduction

This chapter summarises the findings from this study. Discussion builds on the findings from respondents in previous chapter and arguments made by others in past research as discussed in the second chapter. This discussion is followed by conclusions of this study and recommendations for further research.

Summary of key learning

The study has attempted to explain the entrepreneurial behaviour in this highly skilled and knowledge based sector of construction industry.

The key areas of research were: entrepreneurial motivations; opportunity identification and development; role of contact networks and relationships; major challenges and barriers to entry for new firms; and experience of managing a new practice. Finds relating them has been summarized below:

Entrepreneurial motivation

low amount of motivation

Job satisfaction was found to be the most significant driver amongst all motivations behind the establishment of a new venture. Respondents of this research revealed how certain circumstances motivated them to give up their previous employment and take up an entrepreneurial career.

Most of the respondents agreed that a monetary reward of running a consultancy business was not a primary motivation for them. It could follow from the fact that all of the entrepreneurs were working with large organizations and were earning good salaries. Nevertheless, this is a very interesting discovery!

Opportunity identification and development

Researchers and scholars have stressed opportunity identification and development to be one of the essentials before establishing a new business. However, not all respondents of this study found it necessary. They have successfully established themselves without actually undergoing such a process. This study has discovered that opportunities are not always spotted before starting a new practice. They are often created by entrepreneurs after starting their business. Instead of picking up a gap in the market, some entrepreneurs of this sector preferred to start their own practice by leverage their existing contacts and relationships to generate.

The study also confirmed that individual's knowledge and information about the industry and an entrepreneurial attitude towards things that happen around him/her helped in identifying business prospects.

Role of contacts network and relationships

Literature on entrepreneurship suggests that entrepreneurs use their networks and relationships to complement their existing resources. Of course, it is true and understandable from resource based view of entrepreneurship and might be applicable to various industries, especially manufacturing and production industries. But findings from respondent interviews disclose that for professional services industry, particularly construction consultancy, contact networks and relationships are not only used to acquire resources for new establishments, but they are also, and more prominently, used to acquire work and sustain existence. Nevertheless, this research provides strong evidence of the fact that accumulation of substantial amount of intangible assets like these prior to business establishment is extremely important for development and growth of a new business practice.

On the other hand, an analysis of responses also suggests that contact networks and relationships may not always be successful in pulling work to a new organization. Insufficient experience as a company prevents a client to give work to an entrepreneur despite having long held relationship with him/her. Speculations based entirely on these intangible assets may therefore attract severe

disappointments. Lack of experience as a company becomes the most significant barrier for a new firm in such cases. ✓

This generates a need for young firms to develop a track record of projects and reputation building becomes the most important strategy for these firms. Good reputations also enable these firms to secure repeat work and ensure client referrals to future projects.

Major challenges and barriers to entry

As soon as entrepreneurs start practicing on their own they find themselves battling with the top players in the industry for projects. Because young and small entrepreneurial firms do not have sufficient track record of projects and turnover in past years they often face a defeat in such encounters. Moreover, this turns up as a constraint for small firms to build up a reputation as a company. Thus competitions with already established players of the industry to win work and secure a place in the client's approved list of consultants and framework agreements is one of the most significant barriers to entry for new firms.

Furthermore, predicting and managing workload also becomes a difficult task as these firms are not sure of whether or not they will win projects. Managing human resources in line with their fluctuating workload presents more obstacles. Moreover, owners/managers of young organizations find it extremely difficult to convince and attract good quality staff to work with them. It is probably because qualified professionals in the market have their own aims and desire security in terms of employment, which they feel young organizations cannot offer. So again they (entrepreneurs) find themselves in a major dilemma. If they do not have good people to deliver projects, they cannot build a good reputation. And if they do not have a good reputation and track record of projects they cannot stand a competition with their peers. Hence, they head towards unsustainable conditions. All these things hold back a young firm from developing and growing. And therefore entrepreneurs are left with very little choice and have to rely upon their contacts and relationships for first few projects.

Experience of managing a new practice

Small firms cannot afford overheads of support mechanisms like having separate departments for finance, human resources and like that. Therefore, essential tasks and statutory requirements of managing cash flows and financial accounts, ensuring compatibility with employment laws, filling tax returns and so on, only amplify the problems faced by the founders of these practices. These things take up so much of time and energy that entrepreneurs are left with very little to concentrate on projects. Inability to manage all these things simultaneously forces them to either outsource some of these tasks or work 60-70 hours a week for years until they grow up sufficiently large to employ people to look after these things.

Help and support from friends & family in managing these tasks comes as a gift in these circumstances. Nevertheless, the amount of time and hard work that is required to set-up a practice cannot be underestimated. And therefore, challenges presented by this responsibility and strategies to face them successfully need further research.

Other findings

Importance of education is obvious in highly skilled knowledge based professional service sectors like construction consultancy. As a firm in this sector sells its expertise in one or more fields, owners of the firm are expected to have professional qualifications in some of these fields. But how entrepreneur's education helps to sell his/her expertise and establish a new firm stands as a question for further research.

Gaining professional experience prior to starting one's own business practice is also extremely important. This study has provided strong evidence of the fact that experience is required to learn and understand the working in this industry, which is essential prior to establishing a new business. It is also important in terms of establishing a good personal track record and reputation as a professional, which significantly helps in attracting work and developing reputation for a new firm.

Conclusions of this study

Based upon the evidence of entrepreneurship provided by the respondents, information provided by others through a variety of literature and discussions in previous chapters, key conclusions of this study are as follows:

- Job satisfaction is a strong motivation for entrepreneurs in construction consultancy sector while monetary rewards are not;
- Entrepreneurial alertness, prior knowledge and information help in identifying new opportunities. But, in construction consultancy opportunities are not necessarily identified prior to establishment of a new practice. Entrepreneurs often create them after setting up their practices;
- Contacts network and relationships make the most important factors of a successful practice in this industrial segment. The more they are, the more are the chances of success. Furthermore, these are not only used to acquire resources for a new establishment but are also, and more prominently, used to acquire work and sustain existence;
- Contacts network and relationships are not always successful in bringing in work for a new organization. Lack of experience as a company may stand as significant barriers;
- Building up a good reputation, to secure repeat work with key clients and attract new ones, is the most important strategy for new firms;

- Challenges of size and track record as a company are amongst the major barriers to entry in this sector;
- Human resource management and attracting quality staff to young organizations are other significant challenges that are capable of holding up the growth of a new firm;
- Managing and running a practice requires a significant amount of time and hard work. Help and support of friends & family is essential to make life easier for entrepreneurs;
- Being a knowledge intensive sector, where professionals sell their expertise, professional education is important for entrepreneurs; and
- Professional experience is extremely important not only in learning and understanding the system and its working but also to build a good personal reputation as a professional.

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Recommendations for further research

In its endeavour to achieve aims, this research has raised up a few questions that need further investigations. These are as under:

- Previous research has suggested 'potential financial rewards' to be one of the strongest motivations for entrepreneurs that drive them to quit employment and pursue an entrepreneurial career. However, it was strongly opposed by the entrepreneurs of this sector. A quantitative research that could statistically verify this and find reasons for the same is recommended.
- Unlike large organisations, owner/managers of small firms have to take up responsibility of all the statutory and other requirements of running a business. There are no or very few subordinates to whom these responsibilities can be delegated, especially in the first few years of establishment. Challenges faced in delivering these responsibilities are significant. Despite this fact, this aspect of entrepreneurship has remained almost unexplored. Research is encouraged to explore these challenges and possible strategies to face them.
- It is suggested by various researchers and scholars that entrepreneurs' education helps them to establish a new business practice. Research is urged to investigate how it affects their success.
- How professional experience helps entrepreneurs to develop relationships and expand their contacts network is another area of potential research.

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Appendix A

Mr. David BLIGH: *Marketing Manager of Firstco Limited (Control systems & engineering consultants)*

To begin with let us talk about how Mr. Mark CALNAN and Mr. John MYERS developed an idea of starting a business of their own.

Well, both John and Mark were working with a huge company that employ around eight to nine thousand people. They are very much involved in big infrastructure projects. Mark and John were working with building controls side of it and they were very much into heating, cooling, ventilation, lifts & elevators and security aspects of it. And that really comes down to the subject which is controls and monitoring systems.

They decided that they did not want to stay and work in a big company. They thought there is a glass ceiling for them and wanted to be a bit independent rather than going through ranks up the hierarchy. They wanted to say and make decisions for the company rather than waiting for 20 years to rise up to that level and the wait for somebody to retire or die.

So they were good friends. Mark had very good sales skills. He is very good at making contacts and building relations. So, I think when they started JMC, the idea behind it would be that Mark will go out and win business, make contacts and build a network with people and John would do the delivery part of the projects coming in.

So that was in 1989 and Mark particularly at that time was involved with Channel Tunnel Rail Link. At that time assistant project manager of the channel tunnel invited Mark to solve some problems near the end of the channel tunnel with fire and safety systems. And Mark, not surprisingly, did a very good job.

Now, a few years later Mark was invited to advice on commissioning and comment on the system design for Heathrow Express, because of his excellent performance at Channel tunnel. So, that was in 1997-98 when the Heathrow Express was being built. At the same time another guy, Mike Grey who was working with Liang O'Rourke on their technical systems, had contacts with Mark. Also, Mike knew a guy, Bill Martin, who worked with one of the major equipment suppliers. I think John Myers also knew him. Anyway, one way or the other the idea was all of them were from control services background. And therefore in 1998 they decided on doing something together. They all were working for big companies and ridiculously long hours. So they decided to form Firstco. Limited in June 1998. To begin with Mike carried on his

work with Liang O'Rourke and was not formally employed by the company until a few months later when there was a little work around.

So, these are the real reasons why they started their own practice. One, they did not want to work with big companies. Two, they wanted more control and more balance of work they are doing and they did not want to work 16 hours a day.

Mr. Bligh would you please tell me what were the market conditions and business prospects at the time they started their business?

When Mark and John started JMC the market prospects were not very good. The construction industry was heading towards a recession. I think what they thought is that there must be lots of little jobs around that might keep them interested and there must be some clients who might not want to pay the kind of fees large organizations charge. So I think they saw an opportunity in doing relatively inexpensive work for clients... and their advice might have saved clients some amount of money, which is a big thing if it happens in a pessimistic market scenario. So, I believe there had been a little value of their proposition for clients.

From an entrepreneurial perspective it was very important in building up reputation this way. I mean they could have easily delivered what they were asked to. However, they said to the client that we as a company could sell you this, this and this but actually we recognise that you only need this. And I think this is what which differentiated us from other companies.

And also, I think they were a bit concerned about their roles, you know because there had been a sudden slump in the construction industry and they might have thought how to secure their position in the client's company. I mean their position was secured but they did not have enough power and control over the conditions within the projects.

By 1998-99 the market conditions had improved pretty much. So by the time Firstco was formed there was a little optimism around. And certainly there was a fair amount of optimism amongst the four guys who formed the business. There were a lot of projects under construction and at planning stages. And for a small company like us that specialises in control and communication systems it was not very difficult to find business and gradually become more successful.

Well apart from market recession, which actually came up as an opportunity rather than a challenge, what other obstacles and challenges you think they faced in establishing themselves.

Well the biggest challenge is to get into the door with a big project. And interestingly I believe we face bigger challenges today than we faced 10 years ago. Now, it is so because 10 years ago Mark, John, Mike and Bill can go to clients and say look... We can help you with this... we are just four guys... it is not going to cost you too much, but look how much money can we save for you. And very often people think... it sounds like a good idea... and then they give them job. So, they were not threatening anybody by taking a job away, they were only adding something.

Now days, when we go after bigger projects, obviously, we want to sit in the more prominent part of the supply chain. However, to do that one of the biggest barriers to us is the fact that we are not big enough. A lot of tenders in this particular sector require tendering companies to have at least £10 million or £20 million, or whatever, turnover. And we know that we can do the work; we know what scale we are and we are capable of taking bigger projects like that. But a barrier to entry in those projects is the balance sheet and turnover for the last three years. So, the barrier is that we are not big enough although we know that we can do the work.

Now to get away with this issue we have to go into partnership with bigger companies and work as specialised part of these companies. But then the issue with this is, despite we have a bigger project and the rates are pretty good, that we do not have a seat at the top of the table. We are actually working for the people who have a seat at the top. And to a great extent it dilutes the personal side of what we do. It becomes as if we are staffing agencies providing people into the project rather than owning the project.

So, we have to keep a balance with the big jobs and try to influence the ones at the top so that the end client gets what they need and want. We are now spending a lot of time not only doing the work but also ensuring that we are helping the '*middle man*' recognise why we make them look good. But we also know that at some point they will not want to work in a project any further because it dilutes their brand. And at the same time we still want to stay in there. So, that creates a barrier and it is a real challenge.

When somebody starts a new business, the one has to look after everything, which is quite different to working for a big organization that has separate departments looking after everything from finance & accounting to human resource management etc. So how do you think Mark, John and others have managed it?

Well the sure answer is that at the initial stages of a company there is very little time spent on things like finance, accounting and administration. It is so because there is not much of money coming in and there is very little office management work.

The other side of the question is about the people. And the answer is very few people can do everything. So you have a need at some point in time where say Mark and John are spending 40 hours a week doing projects when is the time to do finance and sales accounting. And the answer is that you have to make time for it. So instead of working 40 hours a week you have to work 60 hours a week. Now of course it might go against the reason why they set up a business in the first place but on the other hand because you own the business yourself there is a lot of motivation to work hard and harder as the reward comes to you.

So at the beginning they just added their time and worked longer hours doing these stuffs. But after a little while when they started growing they had a little help from others like in part time book keeping or if someone who is good at writing advertisement or things like that.

Let us now discuss some of your key successes that boosted your growth and got you more work and also some of your mistakes that might have just pushed you a little towards the edge or in other words lessons learnt from experience.

From the success point of view the Heathrow Express project was definitely a big success which acted as a catalyst and suddenly from a 10 people company we became 30 people company. We felt bigger. It gave us some security in terms of short term future work leads. The other big success was the delivery of T5 where we saved BAA about 5 million pounds on their control systems.

I think our reputation, which as you said led to other work, is one of the most important assets we have built over the course of time. And building this reputation and continuing to deliver best to clients is the most important success we have achieved. Now, because of our reputation we have now been awarded another project with BAA - Heathrow East, which will replace terminals 1 and 2. And in this project we are involved at very early stage.

In terms of failures or lessons learnt as you said... we went after some of the jobs which were not worth our efforts and probably we should not have done them. So I guess saying no is a problem for us. Though we are keen and hungry for jobs, there are a few jobs that we should not have taken. I will not say doing these projects are the major mistakes but yes probably not very fruitful. I don't really think we were doing the job we were actually good at.

Staffing has also been a big issue a couple of times when we got our staffing ratio wrong. Obviously no company will want to carry more number of people than what it could afford. And you are never quite sure of when you are going to win work. So, you are always behind the curve like after winning the job you try and get people that can do it. In this sense we have been very lucky as our clients give us time to

build up a team but that is possible only when we are involved at early stages of the project. And yes, even we are reluctant to recruit before getting the work. But then the key to this problem is to have a few staff on contract, which you can hire as and when required. However, as a company we do not really like to do that. We want our people to be the part of our organization and culture but it is also useful to have a little staff with a range of skills as buffer. The risk with that is they might not be available when you need them and the up side is that you may cut your costs and overheads quite significantly.

Mr. Bligh, do you have any suggestions or comments for people who wish to start their own business in this sector, not necessarily in technical consultancy but in general for any consultancy practice in the construction industry.

It is a very good question and I think I have answered it to some extent. I think the trick is to have passion for whatever you are doing. There should be something personal in it. It should mean something to you as a person in owning challenges and successes. And importantly you need to make your clients understand that you are worth and you are in for them. Make them understand that both of you can grow together and more than what you can grow individually. Now, to do that you have to keep in mind what your client is trying to achieve out of a project and how that project is going to serve your client's need or business. So your plans, ideas and strategies to deliver should be built around that. And if you manage to do this you have much better chance to succeed in running a practice.

What we see in bigger companies is that they get a piece of job and deliver it. However, they fail to understand that people's expectations change with time. And when the duration of projects are long, chances of expectations to change increase. Whatever is written in contract is written today and the projects will finish after 3-4 years times. The conditions will be different as the client's business will be changed with the changing world.

Why I believe entrepreneurs to think like this is because 5-6 years ago BAA was a huge public entity. A big PLC, having lots of shares, capital & assets and acting like a very big corporation, set a plan for terminal 5. And then, 2 years ago, they were bought by another private company and somewhere in the line their expectations changed. They were not the same company anymore. The way they set up their projects, expectations and management strategies have changed and now are in line with a private Spanish company.

So, the tricks is stay close to clients, make them realise you care for them and understand the way their business evolves and the market they operate in.

Appendix B

Mr. John DUTTON: *Chief Executive & Founding Partner of Collinson Dutton Limited
(Rail engineering consultants)*

Let us start with the experience at the very beginning of this practice. Would you please describe how you and your partner, Mr. Collinson, developed an idea of starting your own business rather than continue working wherever you were working?

Well, it was all circumstantial. Both Andy and I had reached a point where we decided to set up a business for ourselves. Both of us worked for a company, which was a fairly large and multinational organization with people in excess of 5000 around the world. And in January 2001 they decided to sell a component to even larger organization. Andy decided that he did not want to be a part of the new business and I concluded after a short period that even I did not want it. We both left that company and went our separate ways joining different companies. But later we ended coming up together. In April 2001 we established 'CDL', just the two of us. So it was actually circumstances in our situation, which provoked us to go on ourselves and see where we get. That is how CDL was initially conceived.

Andy was the Managing Director and I was the Deputy Managing Director in that company. Both of us knew each other probably for 7 or 8 years before we set up CDL. We already had an established relationship from our previous employment. And we were the two individuals who were in ascendancy until its purchase. It was clear that they are going to work in a different way, which was not acceptable to both, Andy and I. It did not sit in the value we had. The model they use and the model that we used were totally different. Different from the model we wanted to use. They were majorly into large projects where we had spent most of our time in local business and staying closer to our clients. We did not want to work their way and this was the principle reason.

Alright, so was it the only reason and motivation or you had some other motivations as well? I mean would you please highlight your motives when you started this business?

Well, we believed at the time we set up this company that we have the skills to establish a consultancy that was niche and could add value to clients in terms of their organizational & project requirements. And we wanted to create something that had our name on it, effectively to start with. When we started we marked it as

Collinson Dutton Limited because that was all we had to sell when there was only Andy and myself and that is it. So from the very start the motives were to create something; to do on our own.

Mr. Dutton, when somebody starts a new business venture, the one first identifies some opportunities and then tries to seize it by own means. I'm sure that you and Mr. Collinson had identified some opportunities on which you speculated your business sustainability. Would you please tell me what opportunities did you see?

Well, round about that time both Andy and I were working on some fairly large projects. In the late 90s I was involved with CTRL (Channel Tunnel Rail Links) and Andy was involved in with the development of Waterloo international terminal. And the expenditure on the infrastructure in the UK was continuing on a very large phase. Also, looking around the industry we thought that there was scope in long term business with respect to the investment that is going on. And then there were relationships that we had developed over a period of time when we were at our previous jobs. So these were the thought that came up after we left that company. Because when we left we had no plans to set up our business, as I said we both went our separate ways. But we certainly had an extensive network of contacts in the railway industry that allowed us to go to the clients and talk about what skill we have got and what value can we add to their business and help them in the areas where they have particular problems.

When we first started there were no opportunities on the table. I can go back to conversations that both Andy and I had when we were sitting in the evening at a CPD (Continuous Professional Development) session in Nottingham, where we were talking about how much longer would we live here before we actually call it a day. And within a few months of that, i.e. on June 1, we began to breathe when we created opportunities. I would rather say when we were given two opportunities by individuals whom we knew and had worked with in the past. These (opportunities) came along probably two months after we set-up Collinson Dutton Limited. I mean they did not exist before we decided to set-up a business. That was a little bit of luck in some sense.

Mr. Collinson I'm sorry for picking you up on a point that you mentioned about investments in infrastructure and now taking it a little deeper in our conversation. As I understand with increasing investments, the market prospects seemed good for a doing business. But, how did it actually help your business?

In terms of opportunities, if you look back over the past seven years where the business is growing at 12% per year in terms of fee income or money that we have

generated, it had a positive impact. Part of it is because of the type of people we are bringing into the business; a part of that is because of our skills in owning and finding opportunities that exist in the market and then using the strength of the team and the team's network and their relationships to foster growth in the business. Where it was first started by just Andy and me, in a few years we became 3 or 4 people and in that way we were expanding the network and personal relationships to develop opportunities. But as we were expanding our team, the market was also on the increase. So as we were trying to seek our more opportunities, through the relationships we had, to capitalize we pulled in more resources to those opportunities so as to bring them together and achieve the business growth that we were seeking.

Let us talk about some challenges that you had to face on your journey till here. As you just said the market was showing some good signs, I believe there must been some major players who might have grabbed a major market share and were making it difficult for relatively smaller players to compete. So how did this affect your growth and business moves?

As a small organization one of the biggest problems that we faced, and to some degree we continue to face, is the one of size – in terms of business turnover. It shows itself through the application by our business to prospective clients for framework agreements. As a business in 7 years we have managed to get ourselves in a position where we are probably on 2 frameworks, whereas previously we were on at least 12-14 frameworks in our previous employment. And the difficulty in that is simply because of our size and the perception that the clients have that we do not carry all the skills that they seek. It is partly how we portray ourselves to clients but the clients should also look beyond the big players and it is generally that only big players end up on these lists. It is the real blocker for the smaller organization trying to grow and therefore what you end up doing is you tend to operate in a different way. You drive the personal relationships harder to secure the work. And that is a continual frustration.

And a part is also depended upon getting the right message across. So as a small business we have invested a lot of money in becoming ISO 9000 accredited, ISO 14000 accredited and Occupational Health & Safety 14000 accredited. Now there are not many businesses of our size that have all those three certifications. And that has some values in it.

Finance was not a problem as we started our business with small firms' loan guarantee. And then we have been really fortunate that we are a cash generating business. So as long as you have the work and as long as you have control in invoicing on you debtors then you can make and generate cash to manage your cash

flow. The only issue with the cash was when we decided to invest in Australia and that took cash out of the business. So that means that we have always been in cash positive situations, apart from 1 or 2 times, which is a very healthy situation.

Mr. Dutton what were the strategies you employed to overcome these barriers? Would you please elaborate your key management strategies?

One of the problems that we experienced very early on in our business is that we were working for one particular client at which we had 4 people involved in their business. That organization changed its strategy overnight and effectively put our 4 people out of their business on a very short notice. And that had a big impact on us as a small business with that client.

And then all we have tried to do is to have a maximum number of clients that we work for. And now we do not have more than 10% of our turnover focused on any one particular client. So that if anyone of them decides to change their position again then we are not affected too much. We diversified in terms of our client base but all within the railway sector. So as a strategic objective we have a target for ourselves to bring in one new client into our business every quarter. So as we grow we keep that number diversified. And the challenge is how you manage that because inevitably with peaks and troughs you do end up having more than 10% with one client, but you got to keep relationships to manage that as the business grows and develops. So it was quite a challenge to set ourselves.

As the market grows, and it is in buoyant phase at the moment in terms of infrastructure, it brings opportunities with it but you have to keep an eye over what is going in and around you in terms of actual investment profile, because if there is a sharp down turn you should be able to manage your way out of that. It is far better to prepare for that well in advance. So we run quarterly strategy sessions where we go through a pre-defined structure of what the market place is doing and how we position ourselves to respond that in the best possible way. And in some cases we might not even go near to any particular client as we know they are standing next to an end of their life span. And also we are very busy in building and anchoring our relationships with key and potential clients.

Once we have developed a relationship with client we also look at what other services we can provide them. So we may go in initially to provide strategic advice on a particular issue or a project but we will also want to sit down with the client and talk what other service we can provide them as a business that actually cut well across their business. In that sense we can build that relationship for longevity. We do not want to just go in, do a bit of work and come back out again. We do not want to be perceived as an agency type consultancy. It is about relationships and adding

value to different parts of their organisation. As a strategy we will always try and adopt. So for us it is all about the relationships, very important to us as a strategy.

Mr. Dutton I believe you started this firm in 2001 when there were only 2 people - you and Mr. Collinson - but today you are more than 50 in head count, which is a great achievement and a huge success. I would like you to please put some light on key successes and some critical mistakes in this journey.

I will go back to a point that I made at the very start that when both Andy and I left our employment and went our separate ways, we came back and thought we could run a business. And to a certain extent that is true. But what you do not realise is that in large organizations you are surrounded by lots of support and services that can help you get through with what you need to get through. Whereas for a very small business, in this instance for just two people, you then really find out about how to run a business and what we found was that we knew a very little about that as a lot was taken for granted, certainly in the early days.

I always described it as three steps of fear. And fear in some instances is a positive feeling but in some instances it could be overwhelming. And that is how you control that. Certainly one of the things that both of us found is that we did not anticipate that. So the first fear was that we both decided to start a business. And everything that goes with it - all the reporting you need to do and all the systems you need to develop for the employees - was not overwhelming but manageable, but we knew what we have do and we just needed to get along and do it.

The second set of fear was actually taking in the first employee. So from that point you become responsible for somebody else's salary. And so making sure you have enough money to pay them, making sure they get paid at the time you promised and all the stuff that gets wrapped around with the conditions of employment and all those systems that need to be developed to ensure that you comply with the legislation and all those aspects.

And the third one is when you win the first job and you have to deliver it. And this time it is not a large company doing it. It is a small organization delivering it and this time it was Collinson's and Dutton's name that was on the stake.

But very quickly you get over that and certainly we did that and the pace of growth takes over these fears. It is like driving a car the first time you do it, you are a bit anxious about it, but when you have done it for like dozens of times you are fine and everything moves along smoothly.

In terms of successes one of the very early success was in securing a long term relationship with Heathrow Express, which was a contract that was ordered initially for three years in 2002 and it being renewed every year ever since. And that has been

a key like a backbone to our business. Again all built around relationships. I knew the MD over there, although we went through all the tendering processes. So that was a very early success or a break through.

Securing other key resources within the business that had the same beliefs and passions that we did in the start were a very important step for us. And three of the early individuals that came in are now our board directors. So we have worked with them for like 5-6 year and they have been an important success for our business.

And I think one of the failures that I suppose we made is that we did not give equity soon enough. The business was wholly owned by Andy and I and it was until 6 months ago probably, even lesser than that. I think we could have allowed other individuals to participate in the ownership by shares from Andy and I. I think as an owner-manager of a business, regardless of its size is, you always treat the business like your baby. It is very hard, and certainly Andy and I found it very hard, to let that baby grow up and then be owned by some other people. And it is a common problem, what I know from my contacts, that owner-manager businesses have. However, to let that equity go and let other people participate in the ownership, for us, has been a success because it has given the people who participated in it the renewed energy and a feeling that they own something that they are being a part of while growing and developing. But it is been fairer in another sense as it happened a year or two late. Not for any other reason other than that we would have two years of more renewed energy from those individuals. But it is like that. If you want your business to grow on a regular basis you have to give some equity away. It is very important for everybody involved in a business.

In terms of other failures from our prospective would be that it is always difficult to find right people where at the point in the business where all the relationships that both Andy and I had for bringing people into the business are getting close to expiry and the people that are coming into the business, you do not necessarily know them because you have never worked with them. They may be known to one or more people in the business but you are very much into a different type of recruitment rasing. And I will not say it is a failure but I think it is a challenge for our business. The people are unknown when you read their CV and interview them. And if nobody knows them then the risk is higher. And that is going to be an issue as we grow and as we grow higher the more we are going to be exposed to it. The matter is how we manage that risk.

This risk is not there for a small company. If you are a small company, say if we were to stay at 45 people now or we do not want to grow anymore or we will keep the business in Australia only up to 5 or 6, then that is fine. And if you manage the reward side of the business with your staff then you can manage that group for a fairly long time, with just general attrition being replaced by one or two people. And

generally the group will be of the individuals that you know. But, if you are going on a steep growth curve from 55 people to 200 people you are not going to know all of them. And that is a bigger risk for the business because what we are going to do is to go through that process and maintain high level of outputs that we want to deliver to our clients and not everyone is going to work that way. So that is what stands as a real challenge for our business – to make sure that we have got the right business organization structure; the right delegated authorities; the right cultural behaviour; the right induction process and we can go on and on to make sure that we have the output what we want, whether we want to be 25% business or a 250% business. And that is a real challenge, because you cannot judge everything when you are a 250 something in your business. You have to rely on other people and that is a challenge. It is not like a manufacturing business. We are not producing goods and products that are mechanically produced on which you can do a quality check every five days to make sure that the quality is fine. This is a people business. And people have emotions and behaviours that you cannot control.

Another challenge is that you want people come into your business so they can understand how it works and what is important in it but at the same time you cannot afford too many people, as I would say, sat on the bench. In a consultancy business where your assets are your people and that is how you make money, you cannot afford to have too many people sat on the bench and doing nothing. So the challenge is to get that fine balance. And it is more difficult when you are in a path of growth. If you do the mathematics and you want to go to 250 from 50 in four years' time, it is 50 per year that is around 1 person growth per week. But you know it is not going to happen that way. You will have fists of people coming into your business. What you need to make sure is that you have support mechanisms around you to deliver that. But there is no guarantee that there will be no failures. What we can do is at the most prevent too many failures. You are not going to have no failures, there will be some. It is very difficult to get all the bits of a giant jigsaw puzzle together. All we can ensure is that we have the key bits in place to hold in together.

Mr. Dutton, when you were only a few people in your business, it must have been difficult to manage all the things like as finance & accounting, office administration, looking after employees, their payrolls, contracts and keeping them satisfied with their work and stuff like that. So how did you and Mr. Collinson manage these things along with your routine work?

It is a very good question. I think people do not really understand some of the key issues that a small business faces. When we first set up the business, we split the activities between ourselves. Andy focused very much on marketing and business

development. So getting all the CVs in the standard format, all the project description in a common format and all such things were looked after by Andy. I focused very much on the systems including the finance. We did employ an accountant to deal with the returns and IT stuff. But all that was done over the weekend. We did a 5 day week on the job and then we go home over the weekend where Andy would be writing the CVs, project descriptions, capabilities statements etc. and I would be processing accounts and doing all those activities. We literally spent every weekend, pretty much every weekend for the first two and a half years, on business administration. And one of the things that we did during the first two and a half years was to set ourselves a target to lower the fee earnings of Andy and myself to move that work from weekends into the week. So by the end of the year three we got that placed. We had one or two support staff to help with that. So it was not until the year three when we brought somebody in to just look after the administration and finance. Up until that point we did all by ourselves on excel spreadsheets. So it was extremely hard work to do.

Mr. Dutton one last thing before we conclude this interview. Do you have any suggestions or information that you would like to pass on to the future entrepreneurs in this sector?

Well, the first one is not to underestimate the level of hard work that is needed to make it happen. The key aspects for establishing and running your own practice are relationships and networks not just within the sector that you want to do business but also take the opportunity to learn from other people and build up your network outside of your business sector. There may be things that you pick up outside your sector and by bringing in to your sector you can create a Unique Selling Point (USP) that adds value to the client.

And all I would say is work really hard, at least for the first 2-3 years to get your growth to a point where you can bring in people to support you. And you should do it before you are 30, because we started when I was 38 and doing those types of hours constantly is definitely tiring. I remember when we went to see the bank to talk about funding, they said aren't you a bit older to do this. Looking back and asking would us be any better if we started 10 years earlier? Well the answer is yes, of course because then our business would have been 17 years old and we would have built a fairly large number of relationships compared with what we have now.

Part of this is about having experience and part of it is about having skills to use and bring other people into your business to grow it. You do not necessarily need to have bags of experience; in my view you need to have a degree of experience. But actual aspect lies in the skills that an individual has got to make sure all the systems are in place - more like project management. I believe business is like a project. You take it

from one stage to the other and then you review where it is and then you take it further. So what you need is some experience and energy to do it - lots of it. So if you are starting at 40 then forget about it. You might not have that much energy. But at the same time I will not suggest anybody to go straight out of the college and start doing it. You need to get into organizations first to learn, a) how they work; b) what you can get from it as an individual and; c) how you can utilise that to establish your own business.

So basically it is a combination of experience, passion, energy, enthusiasm and all of those things with a bit of good luck. You do need some good luck. It is very important. Being in the right place at the right time is often sufficient to kick off things.

Appendix C

Mr. Adel HAZIME: *Founder of Famedean Limited (Architectural consultants)*

Let us start with the experience at the very beginning of this practice. Would you please describe how you developed an idea of starting a business of your own?

I think it is related to how I grew up when I was little. When I grew up I learnt from my father that when you work for others you are just wasting your time, so you better do your own business. This was the image I had - doing my own business. Also, when I was about 12 years old, I used to help my father in his business in the evening after my school. Therefore, I grew up thinking that doing your own business is the right way. So, this (running my own business) is inherent in me. To be employed and work for others is like staying in the same state; whereas my father who sometimes made a little profit but sometimes made very good profit. So this was the benefit I saw in being in business of your own. I was influenced by my father's business and what he used to do in terms of business and employing others.

By your background you are an architect from Lebanon and then you moved to London to study masters at the UCL. What inspired you to come here and start your architectural consultancy firm?

I didn't come to London to start my business. I came here to study and after I finished my masters I did a research, also at the Bartlett and while I was doing research an opportunity came up to me.

To start a business you need to have social links. Now being in the community Lebanese people living here had heard about my good grades (in graduation) in Beirut. And also while I was doing my post graduation at Bartlett I had a chance to make a presentation to all the students and staff members. These things spread in our community for me like a good guy - a good architect. And thus a job came along in 1989 before I finished my course. A headquarter of a Lebanese newspaper was going to be established in London. And my friend recommended me to the head of the newspaper to supervise the work. So that was the first opportunity for me to work in London.

But before I could have my own business, I needed money and experience. So I opted for an employment for a few years to gather money and know the system. I didn't really have an aim to establish a business here. It was not fully planned to do business in the UK. It wasn't the idea.

However, it was simple; you needed money and knowledge about the system so you need to work for an architectural firm. When you work you have opportunities opening up for you as people come to know about you and you build professional relationships. Thus, people outside the firm start to know you and then you are socially connected. This is the most important thing in establishing a new business, the more you are socially connected the more people will know about you in different capacity, which is not the capacity of an ordinary man. They start referring to somebody who needs an extension. And then you need plenty of courage to start this first job.

After I finished my employment I established my company... in 1994. And usually a company comes up with a referral – with a job. And when people tell you do we deal with you as a person or as a company? So what I realized was that I needed a company. That is the time where you have to open a company. So, you start with your own and then you say I need to add value to the services I do and I better establish a company to support it.

Let us now talk about the motives you had at the time you established yourself as a company. As you have already mentioned your parental influence was one of the key motives for you as not to be employed by others?

When my father was under employment for 25 years we were very poor. We were struggling. It became better when he started his own business. So it was more like a lesson or learning form the family's history. I realized the advantages of running my own business. Employment to me was equivalent to be poor. It was like by being employed you cannot develop. So the issue at the beginning was to decide that do I want to stay with a limited income or do I want my income to be not limited. Not limited meant be your own boss, have your own company and if you want it limited go for employment.

In terms of academic literature entrepreneurship is developed into segments like where do entrepreneurs come from; what do entrepreneurs do and how do they do? It all basically relates to opportunities and strategies used to seize them. Would you please highlight some opportunities you saw and the strategies you applied to capture these opportunities?

I saw an opportunity and identified a gap in the architectural services to the Islamic community. However, I started my employment because at that time I had no chance of running an architectural business on my own as I was not connected with the community.

The strategies were honesty, doing the job to the best you can – delivering the best, keeping the client in the picture – being client oriented, working very hard, to do the job as if it was mine – like dealing the job as if the job was for me.

In setting up a business, the first thing is to be socially active. And then the business comes; it is not the other way round. The majority of my business does not come from general people living in the UK but it comes from the Lebanese community and their acquaintances living here.

Mr. Hazime what were the market conditions at the time you established your firm. What prospects did you anticipated for yourself?

It was a good time. But as I told you the constraints for me were related to from where I get my business and usually I get my work from Lebanese community. I started my business with two big jobs – one for £3.40 million and another for £1.20 million – from the people who had their money coming out of the UK. So in the beginning economic situations were not really relevant to me. But as business grew and I started dealing with other businesses and small jobs related to personal references, issue of the market condition popped in. With sometimes clients facing problems in getting their money to get the jobs done and at other times clients had plenty of it to get the jobs done. And now the business comes from all over the UK but still the majority of it is from Islamic community.

Would you please tell me about some of your important successes in business?

Staying in it..! Well the number of projects and their quality is my greatest achievement. I'm very well known to be expensive but to do the *first class* job. There had been no one in until now who has pointed a mistake in the work I've done. So my reputation in the market stands as one of the most important successes. This is something that I carry all the time with me.

Well this was about the success you have achieved. Would you mind telling me about the some critical mistakes that you made in your career from which learnt a lesson and improved upon?

Putting on too much of overheads in a way where your reputation overrides reality of where you are. So, I mean to say that people do not come to you because you have good offices; rather they come to you because they know the job would be done right. This is something that I learnt. It may have prevented me from growing. I spent a lot of money on thinking about some things that are important but when they are not. The important thing here is that people deal with you as a person and

what you can do for them in terms of service. A very few people get impressed with things like what sort of offices do you have. Majority of them do not.

Another thing was hiring too much of employees, where I could have done on subcontract basis. This is the new policy I have developed to significantly cut overheads. We have moved to one office instead of two. So it allows us with little jobs to compete - fewer jobs but we can survive.

I relied on the community in the beginning and I thought that you can only get business from people you socialize with. But later on I realized that professional organizations - of whom you could be a member - that do referrals and can bring you business. This could let you in the community as a whole, i.e. in the entire UK.

To conclude our discussion would you like to suggest something or like to give a piece of information to entrepreneurs of the future in this industry and particularly in the consultancy sector?

Do not say no to any job that comes to you, however big or small. As I've said no to some of the jobs which is probably my another mistake. And small jobs if you do them correct will refer you to bigger jobs. So, treat the client as somebody who is a potential advertiser. So even if it a small job and even though profits may not be much, do it and you will pay the bills for your employee at-least. This would help.

I'll advise them to be patient and believe that even if one year went bad or with no business, they can still do better next year only if they are still there. Be like you do not die. Should have keep hope and faith in the fact that if you are there, may be just existing, one day somebody will refer you.

Appendix D

Mr. David HEWISON

Let us start with the experience at the very beginning of this practice. Would you please describe how the founders of this firm developed an idea of starting a business of their own?

Well all of them were working as employees in another company in the early 80s. And they decided to branch up on their own and form their own consultancy. They were initially two and then later joined by the third one. After about two years they were joined by another person. In mid 90s one of the partners left and one retired. So originally out of four only two are left in the company.

Do you have any idea what were their key motives behind this? I mean motives behind coming up their own practice.

I think they thought they could attract enough work on their own and form a consultancy. I mean they can be their own way rather than being tied to the company they are working for.

So you can probably assume it to be related with the levels of satisfaction with what they desired and what they were doing. There could be some financial motive behind it but I'm not very sure about it.

Mr. Hewison, academic literature has divided entrepreneurship in themes like where do entrepreneurs come from, what they do and how they do. This basically relates to the opportunities entrepreneurs see or identify and then develop strategies to seize these opportunities. So what opportunities do you think founders of this firm had identified. (4'13")

I suspect that they thought they could sustain their company by finding their own clients, their workload and employing staff and they were better. So, that would probably be... we can do better, we know enough people to bring in enough work to sustain a separate company than what we are working with.

So, I imagine they had developed relationships based upon their reputation and personal contacts. Probably from project that had done or they were working on and also associating from people involved in those projects.

Now that is the way normally young companies start up. They break away from their original employers; they take away some important clients and some of the jobs

with them. And then they start running and growing on their own contacts and networks.

Opportunities are mostly related with the market conditions. And I guess market prospects were not good when they started their practice. Industry was coming down and construction industry observed a correction until early 90s. So how do you think they managed to survive a recession at such an early stage of their business life? (10'05")

I think they had some key clients that they work for. And they relied heavily, probably too heavily on one or two of their clients. And they got those clients from their previous jobs.

Every business faces some sort of challenges, especially when it is in the initial stages of its establishment and while competing with major players of the market. So what do you think would have been the key challenges that these people have faced?

The key challenges at that time have been related to the location and basically office collation & staffing and maintaining the balance of those. They had grown to about 50 people at four locations by the beginning of 90s. And they have to lay off some people that time when the big downturn happened and they were probably reduced to about 10 or 15 people. So that would have been their major challenge to overcome which they did by contracting in size. And that would have been the only way they survived.

I might suspect that some of their clients also turned them down and probably did not give them much work. I know they lost an important and a major client in the early 90s. So that would have been again a major challenge to fill that gap. I think in order to survive they had to look out for new opportunities, one of which was to look abroad and they in fact did set up an operation in Poland, which was very successful. It had been successful until this year, but it is now sold to another company. It existed for probably 15-16 years and very successful and provided another means of funds to keep business in place. Anyways, I suspect they had several major challenges on a couple of fronts.

Let us now talk about the strategies that have enabled this organization to grow from a very small firm, started by a few people, to a company with about 55-60 employees.

The strategy is to provide personalised quality service tailored to the demands of our clients. It is quite simple as that. We are not volume traders rather we are quality traders. So we do not do what large consultants with thousands of employees do. We do much less turnover with a fully qualified staff. We do not require any major assistance from each other. We all are capable of managing our projects on our own. And that is the strategy we have adopted and it is working very well.

Mr. Hewison, when some people start their own business, they have to manage all the work by themselves. This includes managing finance and accounts, human resources, office administration, contracts and things like that. And apart from these they have to then manage doing the work they have started the company for. Can you please tell me how do you suspect they would have managed it?

By just working hard, very simple isn't it? They obviously had to do everything. I believe they had accountants to help them with their finances. They had solicitors to guide them. But yes they managed everything say from deciding to take on another office to employ another staff. They would have done all of that.

Well, our next agenda is assessment of key successes and failures. It is said that one success brings you more work and leads you to another success. However, in this chain of successes we often make mistakes that push us towards the edge. So, would you please describe some of your major successes and some of your critical mistakes.

I think the key success is to develop the client base. These are the clients we have been successful in attracting and keeping them with us. We also have some long term clients with us from last 12 to 15 years and we have been successful in our tenders with them multiple times. Now obviously we are quite well on what we quote. But, we always keep an eye on how we are being seen by our clients. And this is, no doubt, the most important success we had in our business – building a long term relationship with key players in the industry.

Now it is true as you said we do often make mistakes in a chain of success, but looking at one mistake would be unfair like taking one failure and applying it over across the board. And also I have to struggle to find any mistake, because as long as I remember there had been no fundamental mistakes that we made. What you define as a mistake is another matter, but yes there might be occasions when we have sailed a little closer to the wind. But what I see from my current liabilities, I mean current workload, is that we do not have any major litigious clients or any legal challenges like that. So I have to say mistakes are very few and if we did make any they are relatively very small and are rectified.

Well, the way I define mistake is something from which you have learnt a lesson and then applied that learning to perform better in the future.

Okay so you meant mistakes at operational level. I thought it to be related with the delivery of projects. Well yes, at operational level we think resourcing at staff level is difficult especially at times like this. We tend to have sufficient staff at all point in time. We will not take on work if we do not have enough resources to deliver it. But yes, predicting the length of staff is definitely a difficult for any director or a group of directors of any organization. And mistakes in resourcing can be expensive.

I'm sorry Mr. Hewison to pick you up on what you have just said and questioning you on it. You said you will not take up work until you have enough resources. Do you think it as a barrier to the growth of your firm?

Yes, it could be. I could well be. And that is why we try and anticipate what our workload is going to be in order to get our staff in place and we do not turn down any work. We turn down work very rarely. Like, we will not take on work if it is not appropriate to take it on. And as a result we tend not to turn down work but that happens only when the time is buoyant and, you know, work is coming in times of a downturn, i.e. potentially now.

The directors are paying much attention to individuals' workload, projections of the time that they need to deliver a project and anticipating how much time would new project take to come in. So we have a very close touch on our workload projections and resource projections.

Well Mr. Hewison, just one last question, in fact not really a question. I just want your advice or suggestions that you think is important for the new entrants in this industry.

Well, again I'm giving these purely on my personal experience. Developing a company and making it a success is usually a combination of 2 or 3 or 4 people working together as partners. And the single most important thing is to trust each other, because if you do not trust each other you might not just start.

Appendix E

Mr. James HORAN: *Founder of JPH Project Management (Construction consultants) and Director of Construction, Gemini Commercial Investments (Commercial real estate developer)*

Let us start with the experience at the very beginning of this practice. Would you please describe how you developed an idea of starting a business of your own?

I worked for a developer in New York and the developer had a project here in London at Canary Wharf. I went to Canary Wharf from New York - transferred to look for the initial development. The company I worked for went bankrupt. My wife is English and at the time she did not want to move back to America. The Director of Canary Wharf project, Mr. Peter Marano who formed Gemini Commercial Investments, which is basically deals real estate, asked me will I be interested in working with him, at which I said yes. So, I formed JPH Project Management, which is a consultancy firm, basically to work with Peter on the development of construction projects.

I started my business because the company I worked for went bankrupt and secondly because my wife didn't want to live in America at the time. Nothing more than that, nothing to tell that I wanted to be my own boss. It was all circumstances. Basically it was years of estimating, being able to pick up cost of buildings, project management and having an experience in construction. So we got a team together to build. We built three buildings - one over there (across the road), Broadgate West and Holborn Place.

Let us now talk about your motives behind establishing your company. Would you please tell me what your motives were?

I had no motives. One motive in fact was that I did not really want to go and work for anyone else. I could have actually worked for a new developing company in Canary Wharf but I did not want to do that because I did not particularly get along with some of the people over there. I get along very well with Peter. So, Peter and I work together on the development of real estate. I do the construction and Peter does real estate.

Mr. Horan when you started your company the market was at its worst. British economy was under big time crisis. How did it affect your business?

Basically the commercial real estate business has ups & downs and it goes in a cycle. Now in the real estate businesses, depending upon how you come in, you go with supply and bust with 7-10 year cycle. The market here in London collapsed in late 80s; in mid 90s it came back in certain sectors but not in commercial real estate business. Commercial real estate business here was good for period of about 3 years. It just started to get going in 2006-07. Now the market is in debt again. How long it will stay down, we don't really know. Last recovery was a very short recovery; it was not a long recovery.

Economic booms and slumps have played quite an important role. That building over there (right across the road) when we started it, we rented it right away. We went into this building (Broadgate West) and we did not rent it and then we stuck with this for 5 years before we fully rented it. We did well there; we did not do well here. We did Holborn. With Holborn we were consultants and developer but we did not own the building. That building went very well peaked out with top at the market with Sainsbury's renting it. So, it depends upon how you pick and how you fall out on the market place. The financing was fine for this building, but we were stuck for 4 years before it was fully rented and we are still feeling the economic pinch.

So, yes the supply & demand, economic booms & slumps have played an important role. If you look at the last real estate collapse, it has some very big names that went bankrupt.

Every business presents some challenges and barriers to new entrants. So, what were the main challenges and barriers of entry for you while you were establishing JPH project management?

First, we had no business. Money was the problem. Cash flow was the problem. And then getting credit as credit rating was zero. So, we did not get any credit. Banks want security. So, the overall status when we were doing it was a problem.

And then we got the work from my existing relationships. However, what you find being where I was a corporate director or a corporate vice president of a big company is that people come to you for work. So, you develop strong relationships. However, when you go on your own as an individual you find those relationships do not exist anymore. Many people whom you thought would give you work, want to see what experience you have as a company. And when you have no experience as a company, it becomes very difficult to get work. It is like going in circles. So when you have done your first job, you do your second job based upon experience. But, people are reluctant to take you on or to give you work you do not have experience of. It is the same thing like when you go to get a job and they say what

kind of experience you have; you say I do not have any; and then nobody gives you a job.

Would you please tell me about some of your important successes in business?

The big successes we had, was doing that building as it rented relatively quickly. We did Holborn with which we were fine. So these were two relatively good successes. And this one was not a big success.

So, would you take doing this building as one of your mistakes?

Buildings are never a mistake, what is wrong is the timing. If you look in the UK the most successful projects now are the projects started by an entrepreneur and many of them lost and went bankrupt. But they are now successful. Canary Wharf was started by the Reichmanns, they went bankrupt; Broadgate West the original developer went bankrupt on it, and now owned by British Land, and are doing good. So, the idea is that if the building was ahead of its time the people initially may not survive but the project itself is successful. The timing in real estate market is very important. If you pick the building at the top of the market which is going down then you are in trouble. If you take in the rising market then you make money. So it depends on what... we were on the rising market with that and the one in Holborn and we on downturn on this one.

In doing these buildings here we basically did not make any mistake. That was rented in a period of nine months; and it also came on in budget. Holborn was a bit difficult and was about £6 million over budget as it had problems with it. This one was done and we waited for another floor. We wanted two more floors in this so we stopped construction until we had planning consent on it. Otherwise it would have been the ninth floor instead of eleventh floor. If we did not go for planning approvals we may have rented it but we stopped and waited for some time, which was a mistake.

However, it is not a mistake now as we have rented the floors. Now the rent is for 25 years, so it does not really make much of a difference as we are going to get the rent over a fixed period of time. So, as long as banks work with you it is okay. If the banks stop working with you, then you have a problem.

Mr. Horan, do you have any suggestions for young entrepreneurs who will start their own business within this industry in some time to come? (27'00")

Well, go to America. In America people will judge you on what you are and they will give you a chance to prove your value. You go out here people are not

interested and you are back to square one. I'm not anti-English; I have been living here for years and my wife is English. But, entrepreneurial careers come well in America, Australia and places like that... not in the UK. It does not work here. The most people I know and I talk with have the same thing to say.

I talk with guys who have set up business and saw that they could not get credit. The banks are not really interested initially. They will not put any credit on your name. When I went to banks they did not give me money because I had no collaterals.

Further, it depends on what kind of business you are in. The construction business is a very tough business to make money and survive. So, I would not recommend anybody to get into construction industry. If I were to start an entrepreneurial career I would go for a management company. It is a much easier thing to do, you have open forums, you have money coming in and you get paid for your debts. Where as in construction you have a job today, you may not have a job tomorrow. You may have to fight for a job. Anybody going in this business will find it is going to be very tough. Then you have recessions and you have no work. You also have to deal with price increases. Construction prices go up astronomically without warnings. Oil prices have gone up Steel and concrete prices have gone up. Some time ago prices of steel have grown by 35%. I mean they are silly numbers. But it is a very competitive industry to start a business.

Appendix F

Mr. Jim MARTIN: *Founder of Martin Associates (Chartered surveyors, project & cost consultants)*

Mr. Martin let us start with your experience at the very beginning of this practice. How and when did you come up with an idea of having your own business?

I was a partner in a consultancy. It was a very successful consultancy. I joined there as a surveyor and grew up in 11 years to become a partner before I started practicing under my own name. I was 42-43 when I just got fed-up working with them. Actually it was an argument with the owners of the practice over equity and the ownership of the firm. I was a partner but a non equity partner and I wanted a share of the business, which not actually coming. So I left. What you might find is that a lot of start-ups are consequences of something like that.

Now the thing here was that I was a well established person within the sector. I had a personal reputation within the market and had developed good relationships with some key people in here. So I felt that people would give me work because of my reputation and relationships with them. And being well established as a consultant and having connections within the market was very advantageous to develop and grow the new firm.

I was very well looked after when I was there. I had all the perks and they paid me well but I did not own the business. There comes a time in life when you do not work to live but you live to work. So the work had become very important to me I was not going to work for money. It did not matter how much money they would have paid me, it would not have satisfied me. I wanted ownership of the firm. It was about dissatisfaction with my present position in that firm as a non equity partner.

So as I understand the motive behind this practice was to have the ownership of the business. Apart from this was there any other motivation for you to run a business for yourself?

No, for me it was really a question of controlling my own destiny. Working in that practice I was one of the nine partners. There were five equity partners, me and three associate partners. I often found very frustrating to suggest things only to have it overruled. Being in charge of my own firm I make my own decisions and mistakes are also owned by me.

Mr. Martin as you just mentioned you felt that people would give you projects or jobs because of your reputation. So after starting your own practice did they come to you with work? And can I say it was because of the relationships you have developed with key people in the sector while you were working at your previous job?

Yes, they did come to me with jobs and it was all based upon my reputation and relationships that I had developed with them. I was quite confident about it, although I did not really know. There was a risk it, however I was sure that may be not all of them but at least some of them would give me work.

Mr. Martin when you started your business did you pick up any opportunity or a gap in the market to take the advantage of it or you just speculated upon your existing relationships?

I started this company in partnership with Roger - my nephew - who newly qualified as chartered surveyor and was also working with Baily Garner. Roger was very early in his career; he was in his mid 20s. So when he qualified I had the opportunity to combine my experience and his enthusiasm & energy and make a very good proposition to start up something of our own.

Where I had great expertise in some of the areas Roger had an edge over new technologies and we were able to apply new technologies to what we did. Certainly in early days of our business understanding of new technologies was a huge advantage to us. Though almost all of our competitors were larger than us, they were run by mid aged people like me. They did not really know about computers and did not understand new technologies like email and the power of web. So that gave us a real start.

If we talk about opportunities in terms of market, then at that time social housing was becoming a political issue. So there was a commitment from the government to renew the housing stock. We were on the rise, particularly in the Thames Gateway region. So we used what was going around us.

As we know that since 1993-94 recessions the market has come up and you started in 1999, which was the time when market was heading a sharp rise, what do you think if it would not have happened? I mean how would it have affected your business growth?

Well, we would have not grown as quickly, we certainly would not have been this large and we would have been different.

The thing is you need to be flexible in your business. And we are quite flexible. We are not into housing sector only. We do jobs in education and leisure sectors as well. We have some very prestigious clients from leisure sector. But yes housing is our major field. And the thing about housing is that we all need it. One thing in common for all the 60 million people on this island is that we all need to go and sleep somewhere in a place we call home. So it is like baking bread or selling milk. We can do without hotels; we can do without swimming pools; we can do without office blocks but we cannot do without homes.

Mr. Martin, would you mind telling me some of the strategies you employed to seize these opportunities and establish yourself as a new practice?

Well the first one was to invest a tiny bit on new technologies. We were having our website from day one. We immediately started using emails to communicate. You might think it is very common but about 10 years ago there were not many consultants who had websites. So the strategy was to make people aware of your presence in the market place. You have to make sure that people know you are there, it is the key thing.

Then the next strategy was to establish our credibility. It is another important step in establishing a successful business practice. People may have known me as a person but they might not know me in my capacity. So we had to build our credibility as a company. And once the credibility is established then you can go on developing long term relationships with your clients. We want our client, who has come in for the first time, to be our client forever. So these are the three basic strategies for any business.

The market is like a musical chair. Say if somebody retires from a position a second person sits at that place and the third one takes the place which second one has left vacant and so on. So as consultancy is people's business if a person, who is our client from one firm, joins another firm we tend to follow him/her to continue our relationships. You see, it is all about relationships. You can spend thousands and thousands of pounds brochures, developing websites and all those fancy imaginable things, but it is all about face to face talks. It is all about networking and doing the job and getting repeat business. This is the key.

Mr. Martin, breaking into any business sector is a real challenge. Would you please tell me what the key challenges you faced? I mean what were the barriers to entry for you?

Well the 'barriers to entry' is a key issue. In our business all of our clients have a list of approved consultants. To get on to this list you as a consultant should have a

proven track record of x number of project worth some million pounds. And it is very important to get on to that approved list. So these approved lists are barriers to entry for new consultants as they do not have any track record. And as they are not on approved lists with any clients it becomes more difficult to build up a good track record. Now these approved lists were at the time when we started our practice. They do not exist anymore.

What exists now is 'Construction Line'. It is a government run initiative. Now days you have to register with construction line and they take up references, they will give you writing, they will chase you for insurance and certificates. So theoretically clients who are new to you can contact construction line and get to know you. But practically if you have not track record you get a very low rating and no one approaches you.

Also to get on to the framework of clients is a major challenge. It is much more difficult these days and involves a lot of administration work and paper chase to qualify for a position on such frameworks. So if you were to start your own consultancy tomorrow and public sector is where you want to work then you will find it very difficult to get in anywhere. It is a major barrier to new entrants in this industry.

Mr. Martin when you were working at your previous job I think you were looking after a very specific area of work as all big organizations have separate departments to manage different aspects of a business like for example human resources, finance, legal, administration, etc. However, when you started to practice on your own everything must have been done by you. So would you please describe how did you manage that all and what was the experience like?

That is a very good question and I think a lot of people do not appreciate the amount of work and time that is involved in establishing a new practice.

First thing is that you should have help and support from your family. It is absolutely the most important thing, because without that you are lost. And you have to get help for wherever you can. Initially for the first year my wife did all the accounts.

As a small company we did manage all by ourselves. The biggest challenge for any company is to manage its cash flow. And during initial years the bigger you get the difficult it becomes to manage cash flow. Another major challenge is to manage staff and other resources. Again we were fortunate to have a very good friend to look after employment contracts and payrolls. But I know how difficult it is to manage all these things when you are young.

Mr. Martin would you please put some light on the key successes you had in and some critical mistakes or learning while running a practice?

In terms of key successes I think our sixth job, number 1006 I remember, was a monster and a huge job. We were called in for cost consultancy. Roger and I were working on that one night and we decided to use excel spreadsheets. We were using excel spreadsheets for the first time on any project. What we ended up doing that night is something we are still using in our projects today. We made a residual land valuation model. The results of that model are amazing and we were able to provide with some very good consultancy to our clients. We are using that model ever since to get amazing results. So the development of this model was really a great success for us.

If we talk about mistakes I would say that everybody makes mistakes on a day to day basis. I do not know if it is a mistake or not, but things would definitely be different if we had an office set up in Central London than in here. It is difficult to say whether or not it was a mistake. Also looking back I cannot really say we should have entered education sector earlier or not, or we should have developed a hotel or anything of that sort. May be those doors were not open for us then. You have to do with whatever is available.

In terms of learning, I would say every day we learn something new. The first one I can figure out is that clients have very little loyalty. You cannot '*rest on your Lords*' here. I mean you cannot rely on your past successes or reputation. People do not buy that. This business is all about performance, price, responsiveness and competitiveness. From clients' perspective it is all about how good you are in doing their job for them on that day. How good have you been in past does not matter. It is very well said that you are only as good as your last job. And that is very true. So that is the greatest lesson I have learnt.

Another lesson that I learnt is that quality is something that comes very naturally in people. Everybody who works for you wants to produce quality work. They do not want to do rubbish. However, there might be problems and cards can pull someone down. But in a business you have to manage that to sustain it. We cannot tolerate low performance over a long time and therefore it often becomes necessary to sack such individuals. We have had problems with a couple of people in past who were, supposedly, taking advantage of the systems and facilities we provided them. We had to fire them. It was necessary because if you do not get rid of such people then others might start taking things for granted as well.

Mr. Martin, the last question, do you have any suggestions or information out of your experience to share with entrepreneurs yet to enter this industry?

Well go for it. This is what I will say. Do not wait for anything, just go out and start doing it.

Be flexible and have an understanding of the market you are in. The more specialised you get the more secure your work load would be.

Appendix G

Mr. Chris PRIESTLEY: *Co-founder of Bolton Priestley (Consulting engineers)*

Mr. Priestley, let us start with your experience at the very beginning of this practice. How and when did you come up with an idea of having your own business?

I had this idea in about 1993 that the time is right to start my own business. And when the time is right the most important thing that you have to see is that people are with you who can do the work with you to run a business. So, prior to make a decision one has to build a base of contacts. That is the main point.

Now I'm not saying that since 1977, or whenever, we were thinking like in twenty years of time we are setting a business. So what we did is just working in the industry. And we have been working with different companies and gaining experience and becoming chartered. Usually the actual trigger to quit working somewhere else and start your own practice is not planned. In my case it was just a set of certain circumstances that made me think that now it is the time to break out.

I worked for a company and I was actually a director of a company in London - very large Irish company. The company was taken over by a larger European company. They took over its Irish office and in doing so its London office was also taken over. I was quite happy as I became the head of structures department in the large European company. And I worked there for about 3 years on contract. But, I found myself moving away from what I enjoy doing, i.e. engineering and I was becoming more of a manager of people. So that sort of thought process started bubbling up where I was not enjoying what I was doing.

I have a lot of contacts in the industry; I have a good potential partner - Paul Bolton, with whom I've worked for about 20 years. So, perhaps it was certainly the time to set up our own office.

The industry in the early 90s was just coming from a recession. It went under recession in late 80s and during 1993-94 it was moving up. The pull was towards public spending. So I actually tested my clients to see what they think about me and Paul setting up Bolton Priestley. These were the clients with whom we have worked for more than 10 or 15 years. Actually it is a peoples' business at the level we work. So the clients tend to follow people. They were actually very supportive. They said if you set up your own business professionally we would continue to work with you. So that was quite important in terms of setting up a business. You got to have some work.

Also, you cannot set up a business in this sort of sector. You cannot be looking for the work, doing the work and running a business. In that case you end up in a business with one person sitting in a room and doing some work. So, in order to set up a business that you want to grow, you have to set up good foundations.

So, the decision to set up our own business originated from the fact that both I and Paul wanted to engage ourselves in engineering on day to day basis. Both of us did not like sitting in the office and manage people and being remote from engineering. So, we set up our business to keep ourselves involved with our clients and engineering.

Basically, you can conclude by saying it was all about job satisfaction that provoked us to start our own company.

Mr. Priestley let us take this discussion to further depth. What were the key motives behind the establishment of your practice?

Well the main motive was to control the work we do by ourselves. We wanted to be in charge of our own work. We can now decide who we work for, what projects we work on all that by ourselves. We are not working with a large organization where we are just a part of it. So, the main motivation was to see if we can actually control our day to day work experience and the way we work.

It was not actually a financial decision that we wanted more money. It was much more than that and was about the life style decision; eventually what we enjoy doing. And that is what which motivated us. So basically again our professionalism was the key motive.

Also, it was not planned when I was a graduate. Although, it was always in the back of my mind that one day perhaps I should have my own practice. But, in the entire span of my career I was equally happy working with certain organizations. Sometimes things just trigger off just like that. You are working with a large European group and start getting a feel that you are not too sure about working with this and thus, it triggers you to do something else. So, it was not planned from day one. It was however, always like a wish that I wanted to. But as I said I was equally happy for 15-20 years while working for other companies. It were just some circumstances that now I'm running my own business.

Entrepreneurship, as highlighted in literature, follows the process of opportunity identification. So let us now talk about opportunities that you identified and how did you plan to seize them?

As you set up business, there are a couple of things that are very important especially in this industry. One is reputation in the market place and other is the service that you can deliver to the clients.

Now, as individuals both Paul and I from our previous work experience have developed a good reputation. Not just as persons but also as teams. We had developed some good relationships with some clients for our good reputation. Those clients then had a trust in us that if we set up our own business we would continue to provide and maintain the same level of professionalism in our services. So, it was all based upon relationships totally. And in fact the whole industry is based upon reputation and relationship. If you are at the peak of the industry are bidding for

work internationally, it is the reputation that counts. But there it is their company reputation; there are individuals in the company that build these reputations.

But coming down the pyramid there are lots and lots of companies like us who provide different types of packed services. What we provide is based upon relationship and clients come to us as they know that we would do very professional work, we would give very professional service and there will be very experienced people working on the projects.

Both Paul and I are very experienced engineers in servicing the clients and that is the statement we continue to sell to our clients now. We do not do any marketing. Our work comes from the word of a mouth, referrals, recommendations and that sort of things. And now the same sort of professionalism is given to our staff. They are trained to give the same sort of service to the clients and make sure the projects are delivered with highest standards.

Now, the work we do involves a closely related design team - clients, architects, project managers, quantity surveyors and others. As most of the team is involved working on the project and if we continue to do provide good service than anyone in that team can be influenced by that. And when other projects that they may indulge in, comes up with a requirement of structural engineers, they can always say... well we know a structural engineering company that gives good service and we have tried them previously. So, we work on our relationships for future work.

To conclude you can say that at our previous work we had developed some good relationship and gained some good experience - which was essential - that had sowed the seed of our success.

Mr. Priestley you mentioned that the market was coming up and you saw good prospects of starting a business at that time. However, market is always a risk. So, how do you think economic booms and slumps might have affected your business prospects?

Our work experience form previous 20 years had been in various sectors of this industry, clients from which were primarily in government, institutional and owner occupier type. We worked a lot in education sector that is government sector of state schools or private sector of private schools. Now as the market grew the government had started investing a lot of money in this sector - 1995 onwards. So, we were fortunate in that sector and had already built up good relationships within that sector. Also, we saw the position of that sector was growing. There were some high profile school projects coming up. The government had decided that all the schools in the country over the next 20 years were to be built up to a certain standards of the future. So, we were there in at the very early stage of the school building program through our client contacts.

The other area was health. We have been involved in a lot of private and government health work. And again the government was pushing to improve services and standards of this sector round about that time. So these were the two key areas that contributed to the majority of our work load.

Now, this sort of work load is not cyclical as say residential market. Where you see that the market went down in late 80s and early 90s and then rose up since mid 90s until recently when it is heading a downturn. So, the more commercial market where the clients are building to sell to consumers is more prone to cyclical market scenarios. We had and have similar work but it is just 15% of our total work load. So, it does not really affect the business.

So, irrespective of market conditions our business stayed steady because our work, which was more institutionalized and very well funded. And it was pure luck that we were in this sector, which was a little isolated from the market booms and slumps. It was like an opportunity which we looked at that time. So, when you look at the time you look whether or not it is the right time; what is your potential client base. And you can see that all of them were well respected clients who have actually developed our business. Obviously the client base has expanded, but they have provided a core base of our competence. And we knew that if we did a good job and if they admire it they would give us more work in the future. So, what we have seen is that we have some core clients with a lot of repeat work.

Things might have actually gone wrong if we would not have performed. But also at the same time we knew we had enough competence to deliver the best. We had that confidence.

Mr. Priestley when you started your company, you must have come across with several challenges and barriers to the entry. By barriers to entry I mean challenges and problems that are specific to this sector, like for example competing with already established players in the market, getting and arranging finance to support your venture and things like that. So, would you please elaborate on the strategies you employed to tackle these challenges?

Well the key management strategy was to set up the company professionally. And in order to do that we had to first join professional organizations like Association of Consulting Engineers (ACE). That helped us to set up Professional Indemnity Insurance (PII) which is very important. So, we needed these because a lot of clients look for these standards especially if you are new company. So, these were quite important from strategy point of view.

Also, that in terms of how do we work in our office and the standards we had needed to meet standards we have in the industry. We need to have quality control procedures, which may be inherent as it is a mind thing to make ensure out client with regards to quality. These standards are very important because at the professional level to get work we need to show our clients that we have maintained our professional standards.

With regards of finance we always had very good clients that paid us regularly. So, we never had to worry about our finance and cash inflows. While setting up our business, you know as we were only two people, we did not have a high set up cost. It was just for a couple of computers, desks, phone lines and that sort of stuff. So, we never had to borrow from anybody.

It is also because in our own company we can choose whom we work with. From our past experience if we came across a clients who are poor payers, and we had to work with them again we would want them to pay us before or regularly.

Mr. Priestley it has been generally observed that a business grows with a series of good things happening with it. As one good thing leads to other, one successful project would bring in more work that could be delivered successfully and eventually building a chain of success. However, in this chain of success we often make some mistakes that just push us towards the edge. So, would you please highlight some of your key successes and critical mistakes while running and managing this practice?

Managing and holding to our clients is one of the most important successes that we have achieved since the start of this business. That is a real key to our existence.

Mistakes... we had not anticipated the problems that we might face getting the staff to join our company. To attract staff to a small company is very difficult. So, human resource had been a big problem and it is still a big problem. However, it was particularly a big issue when people are not willing to join a company which is only a year old and they have their own ambitions and then see a risk in it by themselves. We found it quite hard in first 5-6 years to grow the business. And you can only grow the business by growing the number of staff in it. I mean, one thing is work, but you cannot really grow a business without growing the number of staff. So, yes, it was a mistake that we did not realise we will have an issue with it.

Mr. Priestley, when you were working with a large organization it might have various departments to look after accounting, administration, legal issues, HR etc. And I believe you worked in one particular department. However, when you started your own business you might have taken all such responsibilities on your own. So, would you please tell me how did you manage it what the actual experience was like?

Fortunately we anticipated that and we discussed this beforehand that we are setting up a business, we are engineers and we will look after engineering things, but who shall look after our finance and other stuff. And I was so very fortunate that my father-in-law had just retired about a couple of years ago. He is an engineer and a very professional person. And he agreed to look after the paper work for us, especially finance. He was actually quite happy in doing that and it really relieved Paul and me to look after our bit. He was not funding the business but he was doing the banking, accounting and that sort of stuff. He did that for first 4-5 years and he (father-in-law) managed all that very well. So, we had people around us to help us.

...My wife's background, from her career, is human resources. So she helped us a lot with that. Of course we had to attract staff and recruit them, but then she managed the contracts and compliance with employment law and that kind of things. So, initially we did not have much of a problem. Later on my wife, who already had an

MBA, decided to study an accountancy qualification. So she could then look after pay rolls and manage cash flow etc.

But as the company grew we started bring in more and more people. And now we have an accountant as in a bookkeeper. But previously when the company was smaller all this office work was done by family members or people around us.

But predominantly both Paul and I spent seven and a half hour a day, on average, working on projects and looked after rest of these things for about half an hour a day. We did not do it like a day in a week for each of these things. But yes we had a support team, which was made of very closely bounded relationships.

Mr. Priestley before we finish would you like to give some advice or information to the entrepreneurs of the future in this industry?

Well before you start your own business you have to get some experience and got to develop some relationships and prove yourself capable of delivering services to high standards. You have to develop a good reputation amongst the people you are working with.

People might initially give you projects if they are your friends but you have to deliver it to their expectations by taking personally from the start and till the end, getting the feedback and seeing it through. So, if you were going to work somewhere you have to stick with your projects right from the start till the end, because you would never know if the client is going to be happy with a project until it is finished. Otherwise it will be like designing a project which is never going to be built, so you will never come to know whether it is a success or not. So you have to come back and forth in the loop with several clients and projects until you have set yourself some kind of track record behind you to show that you can produce things - good things.

And also, the most people who will set up their own business successfully will know where to go for their key people. I mean initially, but when you are well settled with a track record with a company, getting jobs become much easier.

Appendix H

Mr. Mark SKELLY & Mr. Tristan COUCH: *Founding Partners of Skelly & Couch LLP
(Building environment & services engineering consultants)*

Let us start with the experience at the very beginning of this practice. Would you please describe what were the motives behind coming up with your own business rather than continue working?

Tristan: Both Mark and I were working with a consultancy that was moving towards doing much larger projects, which we thought is moving away from what we were doing that is engineering and related things. We also found that we were not taking in smaller projects that could be of great interest from our point of view and also in terms of building relationships with architects and clients. I think the key issue was that both Mark and I were trained in a particular approach towards design and we wanted to maintain that approach which they were losing by saying no to smaller projects. So we decided that we would drive that by starting our own practice keeping those principles in mind.

Mark: Another motive was that as we were growing to senior positions in our previous employment, the management practices were getting large. So the management responsibility took our lot of time leaving very little for engineering bit. Although you can argue that setting up a new practice involves a lot of management work but then running a large organization is also a lot of work. And in that sense we might not have been better off. But here we are also decision makers.

Tristan: Yes, it was like doing the management work on the expense of engineering, despite management is a part of engineering and design. But we found ourselves doing more of managerial jobs than engineering and design.

Mark: And that is why it was not a pre-meditated decision to start our own practice, rather it was pretty much a snap decision made in a couple of weeks time.

So, would you please highlight on how and when you came up with an idea of splitting and starting your own practice?

Mark: Tristan and I used to work together in the same team, but then we got split and did not talk to each other much. He was on the top floor and I was somewhere on the lower floors. That is the nature of large practices, as we both were busy with our work we had not time to meet.

And I was working really hard to do my best, but then I think I had a realisation that if I stayed here there is a possibility that I would end up doing more of management and less of engineering. Round about the same time I met Tristan and discussed this.

Tristan: From my point of view, it was getting frustrating. You know working really hard for long hours to get along with a deadline and then finding there is another deadline in three days time. And I think this crystallised in my mind that it is not working. Then once while crossing a street we met and the discussion started with a joke of starting our own practice. We resigned two weeks later.

Do you think it would have worked if you started your practice earlier, I mean prior to taking up employment or may be just after a few years of that?

Mark: No, it would not have worked. When we were together in a team we did discuss this idea but at then we were separated by floors and did not get time to talk.

Tristan: It was a combination of few things. I mean at that stage I was not sure whether I will be staying here or going back to Australia, as I come from Australia. And also I was enjoying my work. So there was not a real reason for doing it.

I think the difference between then and now is that we have done the management thing; we got the experience of designing and running a practice; and have made lots of contacts.

Mark: I think that is the key element of the last year's success – contacts and a lot of loyalty from people. I also agree with what Tristan he said. Experience and learning have also been very important.

According to literature on entrepreneurship, somebody first identifies an opportunity in the market and then thinks about starting a business to exploit that opportunity. So what opportunities did you identify?

Mark: While we were working over there, as we have mentioned, we were turning down a lot of work which was under £5 million. And we knew that others were also doing the similar thing as the market was very buoyant. Therefore we took it as a gap in the market. Also, there were a few clients who approached us with their support when they came to know we were leaving.

Tristan: Yes, so basically it was the size of projects which interested us. There were a lot of small projects being turned away by a lot of organizations and there we saw an opportunity in order to maintain the relations with our clients. We were repeatedly getting into a position where we said our clients and architects that we are sorry the project is too small and we cannot take it. It was annoying at both the ends. They

then looked at some other organization and began to develop relations over there. It was affecting our practice as well as our long held relationships.

Mark: Now we are getting projects through recommendations from people we had developed relations at our previous work. And not just relations but also our reputation as consulting engineers has allowed us to win some work, but the majority comes from referrals.

Running a consultancy business is not like running a normal manufacturing business. It is about people. Clients tend to follow people rather than the brand names. We do not have any asset other than our people.

Would you please tell me what were the market prospects when you started this practice? I mean until last year the market was in a boom and now the economy is facing a downturn. So did it affect your practice and now what are your strategies in facing the recession?

Tristan: It is true; the market was very buoyant that time. Projects worth £20 million were coming in almost every week. But when we set up we were expecting and aiming at projects from £1 to 10 million and doing lots of small stuff. But I think what surprised me is that it has not at all been like that in a sense that we are also doing similar project that we used to do. But I think they are coming from the expectations of our clients and architects and trust they have on us.

Mark: Now when the market is coming down, it is a challenge. In fact I think it was a challenge to set up a practice like this one. Our business plan was to develop a good reputation as a company by delivering good projects even in recession. And we did see that a recession was about come but certainly did not expect it this quick. We expected it to come in 2011-2012 near about the finishing of Olympics.

But the thing is that we have quite a big range of sectors in our portfolio. We are not heavily dominated by any one sector or yes may be by education sector, which makes about 50% of our work, but then it is a mix of private and public and they have a different market. Anyways, so as a strategy in recession I think we have already started to broaden the base of architects we rely upon and diversify our portfolio as much as we can. This would hopefully keep us safe if recession hits one or two sectors. So we are developing our relationships with increasing number of clients and architects and also keeping a check on our growth.

Tristan: Yes, I think that is another big challenge to manage our work because of which there are pressures of growth. It is very difficult to programme how much work is going to come in and managing resources to deliver that.

I'm sorry to interrupt but as you have just said that you are keeping your growth in check, I have a question. You would take only that work to which you feel you and your staff are be able to deliver. Now looking at the other side of the coin, can I say that it is actually preventing you from growing? I mean you can have a couple of extra heads and do the work which you might not take because of lack of resources.

Mark: Well, that might be right in a sense. But then we incorporated this practice in June last year and started working full time in September. That time there were just two of us and my wife who is a Chartered Accountant and helped us with some things. And then by December or January we had a couple of people coming in and the work as well. So that time, somewhere in January, we decided to grow as per requirements.

I mean we were working from our home earlier and as some of the larger projects were coming in we decided to develop our practice more formally - to have an office with sufficient furniture and systems. So I would not say we restricted ourselves from growing. We have grown from 3 people to 9 i.e. 200% of growth in less than a year. But while we were setting up office we were too busy in getting things in place and ensuring everything is working fine and well. So that time we decided we are not taking any more people for next 6 months until we are settled comfortably. Yes, in that sense we did consolidate a bit to get all the systems in place.

Tristan: Also as it is very difficult to find likeminded people who have same or similar approach towards designing and delivering projects. So when you hire someone you have to first train him/her for some time until he/she learns how thing work here and integrate in the environment. And then it is very difficult to train people when they keep coming in all the time. So that was another reason why we decided to stabilize.

Well, apart from the market and human resources are there any other challenges which you are facing?

Tristan: IT has been a biggest challenge of my life here. It is very frustrating when you are working hard to meet deadlines and suddenly everything crashes and system goes down. So we have outsourced IT just to make sure we do not lose at such ends.

Managing our workload has been another challenge. And specially managing enquires is a challenge because we have to do it in a way which do not exposes us as overloaded and also does not turn down any work which comes.

Mark: Apart from these other things are managing finances and cash flows. However, we have been very fortunate to have a Chartered Accountant with us from day 1, but I know it takes a lot of time to understand and do it.

When you were working for a big organization it must have had all the departments that look after finances & accounting, human resources & payrolls, IT, general office administration & management, quality & certifications and all sorts of things that need attention in running a practice. But now when you have started your own practice what is your experience with these things?

Tristan: Well just work hard for long hours and in the end what you find is that it is 60-70 hours of work a week. And then later on we hired staff to help us with such things. Or we just outsourced like IT.

Mark: Yes, it is like an investment where once everything is set up you either buy services by employing professionals or outsource them. And also there is a strong motivation to get things in place when it is your own; it becomes more personalised. But it is true that it takes in a lot of time and hard work to learn and put all things in place.

What would be your assessment in regards with key successes and critical mistakes or rather I shall say learning for 1 year of experience in running a practice?

Tristan: One year isn't very long enough to judge that, is it?

Mark: Well I think the way we set our office is a success. We have provided our staff a good work environment and when clients come here they feel it is a nice place and attracts them. So this is our success in a sense.

Another success is that we are able to get repeat works from our clients and we are able to develop good relationships.

Tristan: That is true. Also, the type and number of projects we are able to bring in and then deliver is a big success for us.

In terms of learning, I think our biggest lesson was to manage cash flow. During the first few months it was a very tight situation. And from that situation what we learnt is how to manage cash.

Before we finish let me ask you one more question. Do you have any suggestions or information that you would like to pass on to future entrepreneurs who wish to develop their own practice in this industry?

Mark: Well one thing is surely that if you want to run your own practice, you should have a desire to learn and do things and make them happen as and when you want them. You need to have some leadership skills in that context.

Another thing is that as consultancy is a people's business you need to have contacts with people at least with those people whom you think are going to get you projects. This is also one of the main things because it is where the money is coming from.

Tristan: Make sure you jump in at the right time. You should have the required knowledge, experience and expertise about the working of the industry. You must have some sort of track record behind you and have developed sufficient reputation in the market.

Appendix J

Prof. Chris WISE: *Co-founder of Expedition Engineering (Civil & structural engineering consultants)*

Let us start with the experience at the very beginning of this practice. Would you please describe how and when did you come up with an idea of having your own business?

That happened about 10 years ago. I graduated in 1979 and so by 1999 I have been working for 20 years in various parts of the world. And I was 42 years old and let's say about half way through my career. To be honest I never really felt it necessary to do anything on my own, because the opportunities were always available inside a big organization. These projects were very significant & enjoyable and I was learning a lot all the way through. So, every time I and a group of people would do a new project, we would work in the areas that have not been explored before – might be in a different country or in a different physical environment or a different architectural proposition and all such things. We also worked with different sorts of people along the way who shared all the excitement about those new sorts of projects.

There came moments – well, I suppose round about that time – when I started thinking I'm half way through a normal working career and if I stay here there are chances that I just end up doing exactly the same thing all over again. So, I go back into more interesting projects and work in different countries. But, effectively I might end up going through the same loop again. I took a decision actually just to take a sabbatical to think about it, as it is very hard to think about what to do if you are involved in projects all the time. I decided I will just take a year off or so.

As soon as I did that, I had a number of phone calls from people saying how we are going to carry on doing projects together. And one of the people who phoned was a great & well known architect and with whom we had done a lot of work in past. He said, I want to do a lot of projects with you. I'm still very happy to work with you even if you are not working with Arup.

And thus, I had a choice at that moment either to carry on with sabbatical or to take advantage of that opportunity and say may be can set up some sort of practice which can do some projects with Roger. If you work on projects with one of the world's most famous architects I think you have very little choice. Anyway, in the end I discussed it with a few people and we decided that we will take that opportunity. So, to answer first question, the origins of our company came out of an opportunity that arose and that opportunity only came up because of all the previous things we

have done. We did not realize we are doing it but we made an opportunity for ourselves from previous 20 years of work.

If you are starting a consultancy from scratch you cannot do that, because you have not got 20 years of previous work. We were in position of inventing some intellectual products and then try to go out in the world and say 'hey look... here we are and we are new give us an opportunity to work and we will try to do something good for you... we have done lots and lots of good things in the past and all has happened is that we have slightly changed the environment we are working in, now we work for ourselves rather than for a big multinational consultancy. Nevertheless, we have same people; same talent; same skills; and we can still do it'. And that turned out good and we are using our previous experience as a demonstration of that we are capable of doing important projects. And that made people want to give us work.

What happened once we started to practice a number of people came to us. Some of them were who we have never worked with before, because they never wanted to work with large organizations. A number of people came to us and said we want to work with you, let us do a competition or let us do a project together.

I cannot say I had a long held ambition to run my own practice but what I did have was a long held desire to keep learning. And the whole reason to start with a sabbatical idea after 20 years was to work out what was the best place to put myself with carry on learning and not stagnate.

Prof. Wise, let us now talk about the key motives behind the establishment of Expedition Engineering? I mean what was it that you really wanted to achieve through this practice?

Well, one motive was to find out whether we it is possible for us to do these significant projects on our own. We had projects of £200 million construction cost or something like that. And then I had a feeling that may be the reason that we have been doing projects of that scale inside a huge organization as it has lots of staff and people think it is very safe to do work with and it is nothing to do with our ability to do the projects. So one of the motivations was to find out whether or not that was true. And what we really wanted to find out is that whether or not we could get work through our ability as engineers as oppose to our ability being a part of a large organization. It turned out that we can get work through our ability as engineers. It was a test - a personal test - to find out if we could stand on our own feet and that was very important.

Another motivation was to say... well, we have come from a large organisation which has a history going back 50-60 years; has a lot of traditions and culture; lot of

shared values and things like that. They may have been born 50 years ago and they may not be the right set of values for now. So, we have the opportunity to invent our own culture and that was very interesting as well - to redefine the way engineers work in contemporary world. I with other partners had an aim - not to be very experimental, it is unsafe - but to study, to work and to look for the ways with which we could change the world of engineering consultancy so that it is better tuned in to this day rather than 50 years ago. So, satisfaction was the motive.

Money was not the motive. I mean it has turned out to be a very profitable business and a very profitable step but of course it has been very risky - we may have ended up with no work and nothing. For the first six months we did not pay ourselves salary. We had no projects, no offices, no staff and no money. So, we had to get work we had to do it and we had to get paid. So, when we got our first cheque from a paying client, it was a really important moment. But now it is a commercially successful practice and we are able to attract very good staff.

Prof. Wise would please elaborate on what were the market prospects at that time and how did it affect your business?

In 1999 it was reasonable good. There was certainly a downturn in early to mid 90s but the things were on the up towards the late 90s. So during the end of 1999, when we started, market seemed reasonably good, not the best as ever been but not the bad. For year and a half it was okay and then 9/11 happened. After 9/11 the stock markets took a crash, a lot of projects that people were thinking about doing, slowed down or stopped. So, we went to a downturn at that point. Then it built up again until last year when it was very good. And now we are in the middle of a downturn again because of the credit crunch. It has always happened but we have worked on the basis that we will always get work because of the reputation.

To establish a new practice means facing lots of challenges. So what were the major challenges that you faced while setting up this firm?

Well as I have already mentioned, the first one was not having any work. So, we paid ourselves absolutely minimum. And in terms of office we worked at my spare bedroom, I mean when we first started we kept our costs minimum and low as possible as we could. And then we got a large project giving us a million pounds fee late in the first year, which is quite a good thing and was very useful. But then that project died with 9/11 so, we were doing pretty well on that and it stopped. Therefore, managing fluctuation in cash flow, for any small company, is very difficult. And still we are not of that scale where we are completely free of that. So the biggest thing is managing cash, which I believe everybody thinks.

The other important thing was to get some serious clients realize that we are more than just a boutique engineering companies who just did some fancy projects. Because, we did anything and we can go out at any project and do better than most of the people. And it was difficult for us for a long time, because of our reputation of doing very high end projects, where people who did not have high end projects to come to us. So, without realizing we found ourselves that we had to compete directly with our high end competitors. Because that was the only work that people knew us for. So, they don't take us on any project. They only thought we can do a 50 storey skyscraper or a stadium rather than a house extension. Whereas small practices normally start with house extensions and then gradually work up. So, we actually started working up to down. So, we had to face difficulty in convincing people that we can do smaller projects. It might sound strange but it is true.

Also, if you find yourself in charge of lots of people then of course it is a big responsibility. Especially, when you have to think about all the people and their wives or husbands, children & dependents and everything else - it might be about 200 people affected directly by what we do in this practice. And I think it could be quite a large responsibility.

And would you please tell me what the key strategies were. I mean how did to come over these challenges and attracted clients and staff?

Well the first one was that we chose the name of the practice that was not my name, because we wanted to show it as a team activity. Unfortunately for a long time people just thought it was me. But for the last 3-4 years people have started talking about practice and less about me which is very good.

Initially the way to get work was through my reputation. We could get work with good architects because they knew that I'm personally available and would take the responsibility of many of the projects that were around. And so, they came to me and then there was a chance to get more projects. So, initially to get the work it was only through me and it was not really a strategy but a necessity. But, we have always - as I have said - tried to make it a team work and now some of these very talented people are coming up and winning work on their own, which is very good for the future and take the practice to the next level.

Prof. Wise, do you think relationships and contacts that you have developed while working at your previous job helped you get projects and work when you started working for your own firm?

They did in terms of architectural work - like as I said in the form of one of the most famous architects. But, one of these famous architects did not help at all; he stopped

working with us the very minute he found out that we have started our own practice. He refused to talk to me anymore in spite of the fact that we have worked together for 15 years and did many projects together.

But, what has happened since then is that we have actually started working with a lot of other architects who we have never worked before. And one of the reasons they would not work with us when we were inside Arup is that we were doing most of the Richard Roger's projects or Foster's projects. They thought we did not have any time to do the other ones. So, they never came to us assuming that we would not work them or will give a priority treatment to Roger and Foster. So, now we have a better opportunity to work with people and win more work as they see us working on their projects. So, I think it is easier to bring more people to work with us than it would have been if we were inside Arup.

Prof. Wise, would you please highlight some of your key successes and some of your critical mistakes or learning in terms of projects and in terms of running a practice as well?

Some of the key mistakes were - well, I will not mention Millennium Bridge as that. The only thing interesting about Millennium Bridge in terms of this conversation is that it was a project that I personally and very closely identified and the fact that it appeared to go wrong in the public eye could have sunk our practice. But actually it had a positive effect on the practice because people were really, for the first time, associating engineering design with something that was fantastic like Millennium Bridge. And facts that it has to be fixed in a way... well you are doing an adventurous project and you cannot expect everything to go right. And I think people were very supportive when I used to go for talks around the country while that was all going on and the bridge was wobbling. And I had to stand for it and people thought it was such a brave project. In a sense it was a mistake but it is a mistake I'm sure we might make again because there is nothing we could do to stop it.

In terms of developing a business we learnt... again I will not say it as a mistake... we went in to a period of time when we were asking ourselves shall we hire more staff. And we would think what if the work did not come, have we got enough work for them. Precisely at that moment we thought no, we have not. So we did not hire anybody. What happened thereafter was that we were getting more work and we found that we do not have enough people to deliver it. After a while we realized that we were very bad in predicting how much work would come in. So we tried to track back and find how much work came in that we knew and how much came in that we did not thought of, so that we may plan accordingly in future. What we realised consequently, is that there is no correlation amongst them. And then we decided that

if we saw somebody good, we will just hire them. Now we work on the belief that we will keep getting work afterwards. So for about 2-3 years before we understood this, there was a block on the growth of our practice, because we would not hire unless we thought we had work. We were afraid that we will not be able to pay their salaries. And in fact when we just changed the strategy to hire anybody we find good, we realise it is easy to find work so we need not worry.

It is the question of how much confidence you have on your ability to plan your work load. And the reality is that, you would find the same when you talk with most of the architectural type engineering practices, that they have very poor ability to find how much work they are going to get, because this world is not really predictable. I'm not talking about heavy civil engineering design practices that do water or electricity power plant projects because they have a longer term agreement and they can certainly predict their work. But when you talk about one of projects it is very hard to predict. Now we have done hundreds of projects and the ones which we think will definitely go ahead quite often never happened and the others which we thought we'll never go ahead with, we had quite a number of times. And yet we have a bit of experience and can judge but been wrong at many times. So, I would not say it as a mistake but as a lesson that we have learnt and now having learnt that lesson we now make better decisions about how we grow the business, how do we recruit staff, how many people do we need and all that sort of things.

Also, as we have grown older as a practice we have been able to control the size of the practice so we are now 50 but 6 months before we were about 60 and that was too many as we could not fit into this office. At the moment we are controlling our work load against our staff to try and maintain the balance. So we are in the period of consolidation where we are trying to handle our fast growth. We have taken a conscious decision to consolidate and improve our skills to teach ourselves and we have sent our staff to university to do masters. So there will come a time again when they will try to get the work and try to grow the practice again. And at time we might have to make serious decisions about... do we move the office, do we employ more staff and so what is the time scale for that, how much money do we put in that...

Actually, when you grow up practices what happens is that your cash flow is always negative because you spend more money on bringing in new staff, bringing in new furniture and that sort of things. You have to pay the staff before the money comes in from the projects they are working on. So you are always in a cash negative situation. And when the practice shrinks, it the other way round. So at the position of balance we are actually able to bring in money at about the same time as it goes out. So, basically we are cash neutral.

Prof. Wise when you were working with a very large organization that had all the departments like engineering, accounting, administration, legal, HR, purchasing and all others. And I believe you were working in one particular department. However, when you started your own firm I think you had to manage all the work by yourself. So, would you please tell me what the actual experience was like?

Well it is true that when we were in our original companies it had all the departments like finance, HR and all. And we would only see a very small part of it. So, actually the benefit of starting your own practice is that you are forced to understand and find out about all these things, which is interesting.

And, let us not say that we wanted to do it as a full time job. When we started we were three directors or shareholders - I, Sean Walsh and another guy, Chris Smith. Sean is very strong technically, I mean on the design side and Chris was very strong on organizational side of things. And it was Chris with most of his time studied HR and organizing pay rolls and stuff like that. So, he became like the General Manager of the office and did a lot of that stuff. And gradually we brought in people who could take on some of his tasks. So, when he left after 2-3 years to join a property development company, he left behind him some serious people who were ready to take it on their own. I think it is very useful for the leaders of the practice to have been involved in that sort of work at some point. It simply gives a better understanding of what everybody else is doing.

Prof. Wise being a teacher and having a lot of experience in this industry - first as a director of a large organization and then as a successful entrepreneur running your own practice - what advice or information would you like to pass on to the future entrepreneurs of this industry?

Well, the first thing is that it depends upon the field you are operating in; the country & the culture you are operating in; and the amount of risk you are ready to take.

In the world of engineering it is very unusual for people to go out of the college and start their own practice. Even in architecture people say you do not grow as an architect until you are 50. So when you have 30 years of experience then you are thought of as a young architect. In engineering, when you are 70 years of age you are being taken as a young engineer.

So, I think if you are doing engineering as a consultancy business, you have to be very sure of your market and really understand it good enough so that you have a chance that it would give you work. As in the end it does not matter how good you are unless you get a project.

Even if you understand your market you need a '*plan B*'. What might happen is even with the best research in the world when it actually comes to ground people do not employ you. I mean we never had to look for '*plan B*', but you have to have a '*plan B*' in mind.

There are not many people who are tempted to do their own business, certainly in the world of architecture and engineering. So the fact that you have even thought about doing it is a very good thing.

The other thing is that I would be very honest and open with people about why and what am I doing. I would not attempt to pretend that I'm, in some way or shape or the form, the same as an engineer coming from a large organization. And I think you have to treat your own personality and do not pretend to be somebody you are not. You know there is a great temptation to think that if I manage to use exactly the right language, I dress exactly the proper way and I use exactly the right communication software and have the right email address, all will magically come in the place. Well the answer is; it will not.

It is much more than that. You got to look at somebody in the eye, explain them what you can do for them and see whether they believe you or not. And it is like you have to get something to offer them. You have to find a way in which you can offer them something which they can get from you and not from somebody else. And especially if it is a small organization it would be the personal involvement in the projects. Your number one selling point will be that the person they had the first discussion about the fees of the project will also be the person who designs the project for them and also be the person of contact if anything goes wrong.

For all that you have to be good. And that is an absolute necessity. If you are not good, forget about everything. Even if they trust you and give you their projects and you cannot deliver it, you are sunken.

At last what I would say is, look carefully at yourself and try to workout at what skills you particularly are strong at and then those for which you are not strong at and you think you need find somebody else to do those. And find a person who actually enjoys doing those things. Like in our set up we had Chris Smith who enjoys managing things. He was very happy to find about the company laws and that sort of stuff. He was interested in doing that. I could have done that but I was not interested and I'm actually better at designing projects. So, it was much better for me to spend time designing my projects and for him to look at all that stuff. If you tried to do all by yourself, it is quite likely that you will be very frustrated and bored half the time. And also you will not be able to spend most of your time in what you should be doing, which is what you are best at.

The whole point of running a practice of your own is to do thing that you are good at and you enjoy. And you can be your own boss and make your own decisions. And that is it.

