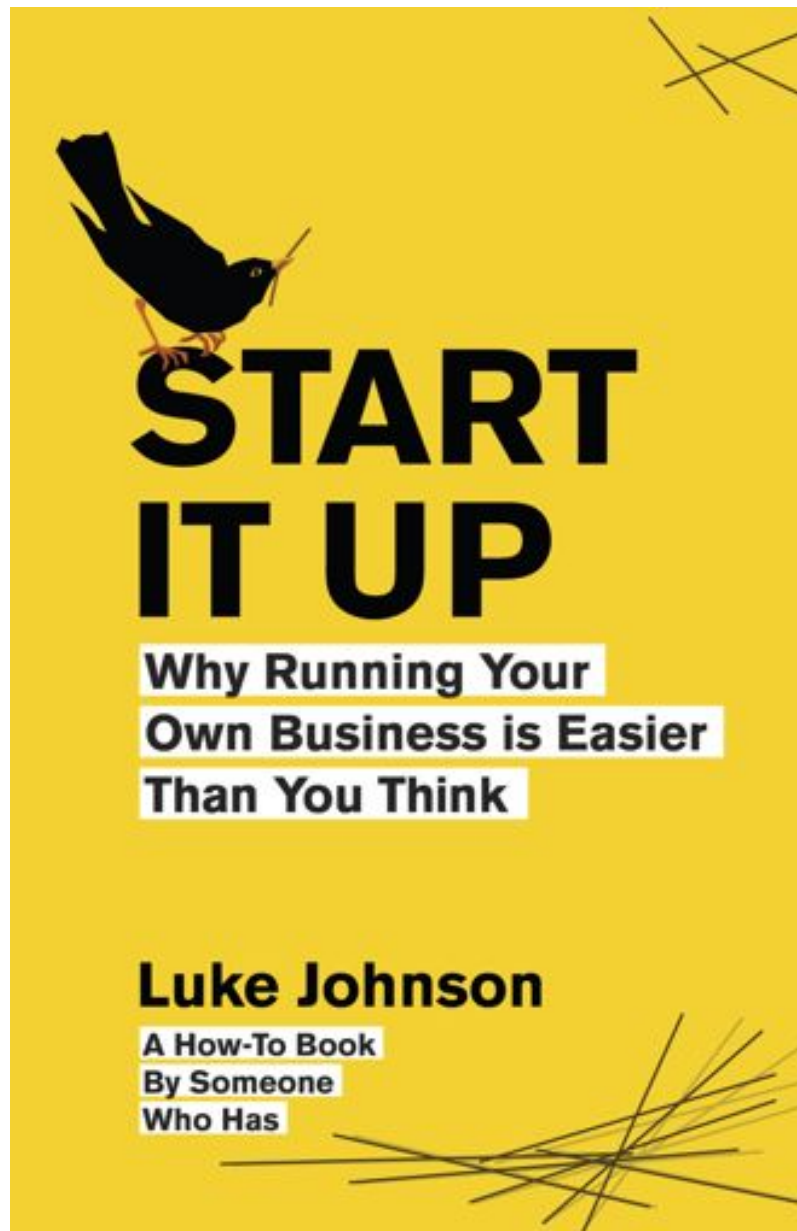


Publicity Campaign for
Start It Up! By Luke Johnson
published September 8th 2011
by Portfolio Penguin



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Analysis


Luke Johnson: BGF is 'wrong'; covenants key to PE's success
Source: **unquote** | 05 Aug 2011

"The Business Growth Fund is wrong in terms of its pitch," says Luke Johnson, co-founder of Risk Capital Partners in a video interview with Kimberly Romaine.

The former Channel 4 chairman and serial entrepreneur went on to say: "That space is very crowded with at least 50 providers of that sort of capital right here in the UK. There is no shortage of capital there, but there is certainly a gap further down," indicating the real gap is down at the angel investing level.

While EISs and VCTs go a way to plugging this, more can and should be done in terms of tax relief. "Very high risk projects need 100% tax relief on income tax for the equity invested," he says.

He goes on to say that returns will decrease on the back of lower leverage levels, though feels covenants have helped private equity deals retain restraint. "I do think that covenants can be a useful discipline. One of the benefits of a leveraged deal is that companies must be more austere and not waste cash, as they have a powerful focus to be as efficient as possible. It's healthy and such covenants are part of the key to PE's success."


Kimberly Romaine
Editor in Chief, UK

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Debunking the four myths of starting a business

In this exclusive book extract, Luke Johnson explains why the key to creating a successful business is responding creatively to defeat.

By Luke Johnson
9:45PM BST 27 Aug 2011

3 Comments

Let me start with a few small, frothy matters such as failure, ambition, money, happiness and success.

The older I get, the more I ponder the true meaning of those words and the harder I find it to define them.

Let's start with "failure". Now, I much prefer the word "setback". It has a more positive ring to it. But whatever you call it, I've had my fair share of business failures. Anyone who tells you they've never made any mistakes or had any losers is either lying, in denial or headed for a really big fail.

Most entrepreneurs prefer to talk about their winners. That is natural and healthy: probably all entrepreneurs are ultimately optimistic and believe in a brighter future.

But in a curious way the most useful examples in life come from the things that don't work. That is how you learn to handle the pitfalls; by recovering from disaster you become more resilient and ideally better prepared for

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Luke Johnson: Where to look for your first start-up loan

Don't believe that any source of funding will suffice so long as there's enough of it, warns Luke Johnson.

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1 Comment

Kurt Vonnegut might be unlikely inspiration for an entrepreneur, but he was right about at least one thing: the Money River really is out there for those who would only stand in it.

The most common excuse I hear from those who want to start a business but haven't had the courage is that they can't raise the money. In my opinion, any project worthy of support will always get the necessary backing in the end. Whether the economy is up or down, the world is always awash with capital looking for exciting returns.

Fortunately, there have never been more doors on which to knock. Since the advent of professional venture capital in the 1940s, the ecosystem for backing entrepreneurs has grown to the point where the options are

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August 30, 2011 10:52 pm

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Only a bold Start-up Act can help us

By Luke Johnson

Markets and politicians are deeply worried that the UK economy is not growing, which means we cannot dig ourselves out of the financial hole we have been in for the past few years. The Treasury has no money to spend, so cannot be the solution. There is only one answer. Somehow the private sector needs to be stimulated to invest in Britain, thus creating jobs and growth.

I have spent the past 25 years founding and backing growing companies. During that time, the state-imposed hurdles and taxes on business have grown dramatically. Meanwhile, the fruits of globalisation mean that in many parts of the economy the competition is far more ferocious than it used to be. We cannot just carry on hoping that recovery will take care of itself. The British are an ingenious people, and benefit from our history, language and location. But those attributes are not sufficient to ensure a revival. More must be done.

I suggest the government borrows an idea proposed by the Kaufmann Foundation, a US think-tank focused on entrepreneurs. We need our own dedicated Start-up Act that would be a real catalyst to the creation of new companies. Research shows that start-ups are the source of most innovation, job creation and growth. So we should pass specific legislation that gives entrepreneurs irresistible reasons to take the plunge.


For it to make a difference, the Start-up Act would need to be truly radical – a bit like a breakthrough business must be genuinely disruptive to succeed. Modest tinkering will not provide the jolt we need. The civil servants in Whitehall, committees in Westminster and bureaucrats in Brussels must be told that only a 10,000 volt shock will rejuvenate the patient.

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Joys and perils of a business partnership

Why I've worked with partners my entire
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By Luke Johnson
30 August 2011 @ 13:00
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Being your own boss is eternally appealing; being your own colleague less so.

For me, it has always been preferable to share the journey than to direct matters as a sole trader. Perhaps I have made less money than I might have but I believe the experience has been more fun, and I've got involved in far more projects than I could have working alone. Besides, very few of us have the genius of a Henry Ford or Sam Walton: for most of us, a partnership will improve the odds of success.

A partner helps relieve the isolation of being the boss and the stress of judging risks. While firms cannot function as democracies, pure dictatorships are vulnerable to all the whims and failings of an individual personality, such as overreach, emotional fragility, intellectual limitations and favouritism.

The easiest partnership is a 50/50 deal, each contributing the same capital and effort, and starting at the same point in the life of an enterprise. But such arrangements may well not be feasible or fair. Often one party has more cash or time or know-how, or has already initiated the operation.

Either way it means the partnership will not be equal, but that should not undermine its success as long as there is mutual respect, complementary skills and aligned objectives.

Most partnerships have a life span. My old colleague at Price Express, David Page, reckoned the typical set-up lasts ten years; I think it varies according to the circumstances. The trigger for dissolution is usually the sale of the joint undertaking. Frequently, one side has the urge to continue the chase, while the other wants to sit back and enjoy their wealth.

Sometimes it is death, divorce or simply diverging priorities that lead to a break-up. As with marriage, ideally such partings are not rancorous; but envy and festering resentments mean bitterness and litigation can flare up when things finish.

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September 2011
Market Leader



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How to pick a winner

ENTREPRENEURS ARE a poorly understood breed. If academics, investors, civil servants and politicians were more familiar with the entrepreneur tribe, returns on capital would improve and industrial policy would be more effective. Founders are by nature individualistic and hard to analyse. Literature on the subject is neither extensive nor profound, given the importance of entrepreneurs to job and wealth creation, it is a costly omission. Academics have tried over the decades to categorise entrepreneurs to provide insight into their motivations and likelihood of success.

For example, Robert Hornaday proposed a simple division between 'craftsmen', 'promoters' and 'professional managers'. The first type take great pride in the technical aspects of their products; the second are 'wheelbar dealers' who concentrate on making money; the final sub-species have a structured approach to their trade, adopting many of the habits of large corporations. Craftsmen are passionate about quality, but often insufficiently ambitious. Promoters lack a long-term perspective. Professional managers can build scale, but may be too inflexible.

Orris Collins predicated this work, with a study in the early sixties. In *Entreprising Men* (Michigan State University Press, 1966), he and his colleague David Moore wrote about 'trained' entrepreneurs, who study MBAs; 'like father, like son' types, who inherit a family business; and 'opportunistic' entrepreneurs, who seize chances as they arise.

And in the work of researcher Douglas Gray we find an extensive set of typologies, including soloists, investor-researchers, acquirers, speculators, lifestyle entrepreneurs

Successful entrepreneur
Luke Johnson acknowledges that researching the psychological make-up of entrepreneurs is difficult, but here he offers some tips on how to identify, and make the most of, potential

and conglomerates. In all this work there is a degree of confusion between personality types and outcomes. For example, a 'promoter' might become a 'conglomerator', and a 'professional manager' might be an 'acquirer' or an 'investor-researcher'. It all seems rather academic, in every sense of the word.

RULE BREAKERS

What interests me most are psychologies, backgrounds and sporting winners. Of course, actual people do not fit into theoretical definitions. By their nature, entrepreneurs are rule breakers who do not conform to sets of rules about their traits and what inspires them. If their magic could be simply identified, it would be a straightforward matter to recognise and back future business champions. Any venture capitalist will tell you how hard it is to know in advance which business prospects will turn into the big hits, and which will stumble and fail.

I like to think my judgment about prospective business partners is getting better, as it should after decades of trying. But there are no guarantees. The most impressive characters can suffer commercial disasters, and the most robust can have breakdowns. I read endless lists of what to look for and what to guard against. But that sort of perfection is

impossible in the real world; we are all flawed and, anyway, many of the true stars would never tick all the boxes.

However, I do hold one firm view about entrepreneurs: strengths are more important than weaknesses. If you have one or two remarkable talents, they may carry you to the top in spite of many shortcomings. So, if you are a wonderful salesman, or a brilliant investor, or a phenomenal picker of people – it might be enough, even if you are a poor general manager.

Entrepreneurs are not typically well-rounded human beings. Like artists, writers and other creative people, entrepreneurs have a mission and a skill they feel an overwhelming urge to pursue. In addition, drive and energy are necessary attributes, while luck and a special ingredient such as those listed above are also required. Even with a comprehensive database that enabled an exhaustive examination of every living entrepreneur, no one could deliver sure-fire predictions. The sheer breadth of personalities who ascend to the summit shows that there is no single gene for success. I think we can all take comfort from that.

SHOULD I INVEST?

There are five questions I ask myself before investing.

1 How good is the management team? The quality of the management of a business is the acid test. If I do not like the people who run the show, forget it. I do not ignore instinct – if my gut feeling tells me the operators are useless, I walk away. Management must have achieved things in their careers. Do not back mad no-hopers who are always pursuing a crazy new idea. These types will lose you money. Look



the winners who are obsessive about their business and who can demonstrate past performance.

Make sure the management team is honest. Working with crooks is partners to generate experience. I recall putting a small amount of money into a tiny paint company. Unfortunately, as soon as I returned the sales collapsed, although the business continued to use a constant amount of paper. The operator was doing thousands of the books, avoiding the taxman and me. I very quickly sold him my shares at a loss.

Blameless means high energy levels and be totally motivated. If they are sickly then the enterprise is doomed - no one else is fit to cope with the demands of building a profitable undertaking. Most importantly, the manager must have knowledge and experience of the market they must know the technology, customers, competitors and the best staff. Finally, none of the best management

have a large part of their wealth tied up in the enterprise. Most entrepreneurs are at least partly motivated by money, and so have cash at risk helps focus the mind and management's interests with those of shareholders.

2 Is this company going to be big? Rather than doing in and out of endless marginal situations, I look for investments that have the potential to grow substantially, where I can double, triple or quadruple my money. These are the investments that really make the difference to me. Mostly, I want to see companies that can expand their sales, margins and their multiple. In other words, I pursue situations that will attract a higher P/E ratio over time, having demonstrated significant organic growth in sales and profits. Generally, I ignore nice, safe little businesses with limited upside. An investment portfolio will only really

Any venture capitalist will tell you how hard it is to know in advance which business prospects will turn into the big hits, and which will fizzle and fail

The hardest thing in business is to build sales from scratch - so I prefer to support an entrepreneur who understands the marketplace and how to satisfy it

perform once it's found a few of the failed 'too huggers' (stocks which rise mindfully). Such investments will allow you to end up with excellent returns despite several miserable performers.

Both Peter Lynch and Warren Buffett - two of the legendary investors of our time - agree that longer-term investing in outstanding companies produces above average returns. The effective private investor focuses on a few sound businesses, running winners and dumping losers.

3 Have they found a solid niche? It's unusual to find big new British companies growing rapidly. I am much more likely to identify opportunities with a real niche among small, specialist companies. Such businesses should present decent barriers to entry, be it a brand, patent, contracts, franchise or other proprietary situation. Ideally, the company should be unique, since it must compete against large competitors which will be better financed.

In the real world, such companies should have products or services that are evolutionary rather than revolutionary, since markets can take years to accept radical changes. Such down-out plays can produce low annualised returns that fail to match those produced by small companies delivering follow-on, adapted technology that is usually quicker to profit.

4 Is this firm making sales today, or hoping for sales in future? I want companies that have sales and can market. I tend to avoid entrepreneurs with marvellous gadgets with no proven commercial potential. The hardest thing in business is to build sales from scratch for a new business - so I prefer to support an entrepreneur who understands the marketplace and how to satisfy it.

I avoid research-and-development specialists who do not understand the importance of distribution and coping with the competition.

5 Do management understand the numbers? Do I understand them? I read all available information about the prospective project - be it an annual report, a prospectus, business plan, budget or management accounts. They need to clearly explain the key facts about the probability, balance sheet and cash flow of the company.

They should identify any obviously scary items, and get me comfortable with them - or give up. There will always be another deal. If the transaction reveals

itself as a strider, I will walk away; no matter how much time and effort I have devoted to the proposal.

I must believe the numbers, and know how the funding and cash cycles and margins will work for the business in question. Only then can I make sensible valuation comparisons with other opportunities and make the right yes/no decision.

BAD BUSINESS PLANS

I spend a lot of my time studying business plans from entrepreneurs who are looking for investment. Many are impressive, but some are ghastly. Among the worst offences are the following:

Aggressive confidentiality clauses and on-over-obsession about non-disclosure agreements. I find this sort of pushy legal stuff very off-putting, especially for start-ups. Often you are expected to sign-up to very rigid terms without even knowing anything about the proposition. In such circumstances, I just turn the deal down flat. If the entrepreneurs distrust me that much, they ought to seek backing elsewhere. Would-be restaurateurs are often the worst offenders - would I really bother studying their idea?

Overly technical documents. Business plans should be written in layman's terms and avoid all jargon and needless acronyms. They should be readable and accessible, not obscure. Investors can get too wrapped up in their subject - they forget that there are always thousands of projects seeking money. Had promoters often use long-winded publicised to disguise a fundamentally bad idea. If I can't understand the deal, then I don't get involved.

Lack of focus. Plans that cover too much territory and companies that try to do too much at once don't appeal to me. Successful concepts are mostly simple, and successful entrepreneurs generally concentrate on a finite market and product range.

Preposterous valuations. Obviously, things that are far too expensive go straight in the bin. Such plans usually work back from a debt valuation based on wild future projections, or spurious comparisons. Indeed, valuations should be based on sensible estimates of what investors would actually pay. Of course, this means you raise the old Facebook, but I can live with that.

Biographies. These should be honest and full. They are perhaps the single most important part of the entire

proposal. I want to really know the owners and individuals who will make the thing happen. Vague or bland CVs make me suspicious. The chief executive and finance director's résumés are the ones that matter. Big-name non-executives cannot compensate for weak executive management who are actually running the business.

The numbers. This is really critical. The funding requirement, the estimated income, and the cash-flow projections - these must be attractive and sufficiently ambitious to be worthwhile. No one is going to put huge effort into a project that will never grow beyond 'one man and his dog'. The figures should all be stated up-front in an uncomplicated format. Do not bury them at the back of the pack. Everyone knows whatever you budget will be wrong, but a target is at least a better than nothing. The key calculation is your cash break-even point, once you let this revenue and cost combination, you know you can survive - then you can build.

Details of the competition. All capable entrepreneurs know their competitors well. If they say they have none they are fooling themselves. A solid business plan has plenty of specifics about their rivals, and why their particular proposition has a genuine competitive advantage. **Perfection.** Every situation is flawed, and if you look for an opportunity with no drawbacks then you will never invest in anything. I prefer like deals with a known problem, because then it can be addressed and the price can be adjusted to a compromise.

Huge appendices and too many spreadsheets. These might be necessary for loan applications, but equity investors need no details based on a few key points. All the supporting evidence and background material can be supplied later if the proposal is of real interest. Don't bury the buns with padding.

Getting someone else to write it. It shows when advisers rather than principals author a plan - it lacks authenticity. By all means have experts critique your work but actually do the first draft yourself.

Make sure it can be emailed. Do not rely on the post, or present would be broken with voluminous amounts of paper. Just get the email address and send them the core presentation online. Can't their attention early and it may lead to something.

Unbelievable margins, profits and revenues. Plans that suggest your company

will quickly achieve operating margins of 35%, returns on capital of 100% and so on are not credible. Be realistic and conservative and you are more likely to be taken seriously.

Writing a compelling business plan is an art. It should give a true picture of the best possible chance of securing finance and it is worth taking huge care over the task.

A LIST OF DON'TS

There are quite a few advisers out there helping start-up companies - banks, accountants, small-business agencies. Much of what they say is sensible enough, but few of these advisers have actually done it themselves. So allow me to present to you a handful of things entrepreneurs should not do when taking the plunge into self-employment.

Do not leave your job. Do not rest fancy commercial premises. Initially see your home or garage. And if you have to go quiet, make sure it's short-term, like serviced offices. In 1975, Bill Gates dropped out of Harvard and started Microsoft in an Albuquerque motel room. Do not be vain about such matters - low costs are everything.

Do not be put off by the prospect of a downturn. Many great companies are founded when times are tough, and often remarkable opportunities arise despite the economy struggling. I took control of *Prima Express* in 1992 - when Britain was in recession - and it changed my career.

Do not spend money on advertising. Especially for fledgling enterprises, PR is a much better bet. There are so many media outlets now, thanks to the digital revolution, that any new product or service can get some editorial coverage if you try hard enough. And not only is PR much cheaper - editorial attention has much more impact.

Do not engage expensive advisers. Teach yourself the basics of commercial law, accountancy, property and so forth. All these professionals will charge substantial fees to tell you things you can discover easily online or in a

beginner's handbook. By gaining a solid understanding of these disciplines you will make better-informed decisions. For complex matters, such as a 120-page term, you will need advice, but simple things like registering a company you can do yourself.

Do not take on partners in a rush. By all means work with others, but tread cautiously before actually setting up in business with someone. You need to know someone well - their motivation, their ambition, their honesty - before embarking on such a journey together.

Raising a company is often a demanding effort, and incompatibilities soon come out. Work initially on a trial basis as a partnership before making binding commitments.

Do not go ahead if your spouse or partner is against it. Make sure they

Use PR. There are so many media outlets now, thanks to the digital revolution, that any new product or service can get some editorial coverage if you try hard enough

are totally supportive of your plans. It is almost impossible to succeed in the challenging task of building a new business if you have huge domestic upheaval too.

Don't be over-ambitious. By all means dream of reaching the stars, but start on a realistic scale and grow. Develop a pilot, make it work, prove the concept, and then scale the deal. There will always be unexpected problems and obstacles. Learn how to overcome them while operations are small.

Don't be lazy or impatient about research and homework. Know your market intimately. Study your prospective customers and rivals thoroughly. Learn everything you possibly can about your scheme: the costs, technical issues, staff needs, pricing, marketing and so on. Prepare a comprehensive business plan, even if you don't need finance, simply as a discipline. ■

Luke Johnson is chairman of Risk Capital Partners Ltd. luke@lukejohnson.org

This is an edited extract from the book 'Start it up: If by running your new business is easier than you think', published by Portfolio Penguin, 2011.

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Thursday, September 8, 2011

What I've learnt: Luke Johnson

Luke Johnson, 49, is one of Britain's busiest and most successful entrepreneurs. During the 90s he made his name growing businesses such as PizzaExpress and Signature Restaurants, and he now heads up private equity company Risk Capital Partners, which has invested in numerous companies, including Giraffe restaurants and Patisserie Valerie. He also spent six years as chairman of Channel 4. His guide to entrepreneurship, *Start It Up: Why Running Your Own Business is Easier Than You Think is available in bookshops this month*



Richard Carroll

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Outsiders look at people who start companies and conclude that what drives them is principally money, but I don't think it is. The financial motive's there all right, but often entrepreneurs have an obsession with proving something. The phrase "I'll show them" sums it up. And it's the same for me. I come from a background where there is an emphasis on having a purpose and trying to do your best. Diligence matters. I enjoy the company of people who have ideas on the go and make things happen. Life is more exciting that way.

“The purpose in the world should be to try and get to a position where you look forward to Monday morning rather than dreading it.”

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How to be an entrepreneur

No one who wants to start a business can afford not to read this guide from one of the UK's most successful tycoons. **John McLaren** couldn't put it down

I've only once reviewed a book by a friend and, having innocently stored a couple of mildly critical spoonfuls into a large cup of praise, I instantly fell off his Christmas card list. But, as minefields go, being asked to review a book by another MT contributor is even more richly stocked with hidden explosives. Recommend it, and you look as if you've sold out; slag it off, and expect to wake up with a horse's head for company. So, before reading a word, I found myself plotting a strategy. If it was crap, I'd resign illness and fling the hospital pass on to some other unfortunate. If it was decent, I'd say so, but carefully use language restrained enough to hint that my enthusiasm had limits. Thus armed with a plan, I opened the front cover – and didn't stop till I closed the back one. If you're interested in doing a start-up or buying an enterprise – as opposed to dry theories of entrepreneurship – just buy this book, OK?

I could stop there, but I guess I'd better explain. Johnson beats most management writers hollow because he can actually write the style is direct, snappy, conversational. And he doesn't mess around in the content either. There is zero padding, just dollops of acute observation and dirty-fingered practical advice. He offers a brisk rundown of sources of finance – banks, VCs, private equity, angels (with the wazoo words for the last of these). He warns against considering only a true start-up, pointing out that acquiring a company is often a safer bet. He suggests having partners, who can share the burden as well as the glory or misery, may be wiser than flying solo. He's dubious about the need for entrepreneurs to be all-rounders, convinced that one or two remarkable talents may carry someone to the top in spite of significant shortcomings. He is cleverly suggestive to change – innovation, challenge to the status quo,



The author draws on his long experience in the hospitality industry



Start It Up: Why running your own business is easier than you think
Luke Johnson

Portfolio Penguin £12.99

calculated risk-taking – and repelled by the inertia and dead weight of complacency, bureaucracy and regulation. His most impetuous advice is never, ever offer any form of personal guarantee, especially putting your own house on the line.

Timing? Johnson thinks there is

of his investments, pointing out that, even when punters are feeling the pinch, they will still want to go out and have a bite and glass, if only to relieve their gloom.

I recall this from when I was a non-ope of Groupe Chaz Girard. At the ceremony stamped, we feared

There is zero padding, just dollops of acute observation

no such thing as a bad time to start a company, that shifts in the economic weather simply offer different issues and opportunities. When cold winds blow, it may be harder to find finance or customers, but assets will be far cheaper. Unsurprisingly, in this and many other matters he draws on the world of restaurants, which has formed the primary focus

of his investments, pointing out that, even when punters are feeling the pinch, they will still want to go out and have a bite and glass, if only to relieve their gloom. I recall this from when I was a non-ope of Groupe Chaz Girard. At the ceremony stamped, we feared

Arranged, but our business held up surprisingly well. However, as soon as it started to recover, our restaurants mysteriously emptied. Once customers realised they could again start saving for that new house or car, they wanted to save on non-essentials, like steak and chips.

The corporate wheel spins ever faster, which makes it trickier to

distribute brickbats and bouquets. Johnson excoriates Royal Mail and BA for being run primarily for the staff, and praises John Lewis. I would have agreed with at least the first and last of these comments until the John Lewis online shop comically bungled an order of mine and then responded to the problem in a pure 'Am I bawered?' fashion. Apparently, this was far from an isolated experience.

Naturally, the heart of the book is about what makes an entrepreneur. He sets their most important characteristic as an ability to take decisions and therefore what he terms 'a bias for action'. He adds 'They are not the same as other people. They have an ambition, a competitive urge and a lust to take risks that is way beyond the norm.'

That being so, it seems surprising that, having rehearsed the nature versus nurture arguments, Johnson comes down firmly on the side of nurture, believing the key ingredients emerge from a mix of hands-on experience, hard work and what entrepreneurs learned at their parents' feet. I reckon you need both nature and nurture. You'll never become a Diogenes or a Vivaldi without putting the hours in, but if you're born without exceptional co-ordination and lightning reflexes, the silverware will always elude you. I don't think I've ever met a serial entrepreneur who wasn't already flogging, trading or running something while he was still in schoolish pants. Johnson fits that bill precisely, having figured out at 18 a capital-free way to run lucrative events at a club.

This is a must-read for aspiring entrepreneurs, probably the best book available on the subject. So there should be no chance of my falling off Luke Johnson's Christmas list. But only because I'm not on it – we've never met.

John McLaren is chairman of the Barchester Group.

2nd September 2011

The Sun

Start It Up 4
Luke Johnson, £12.99

THE author believes there has never been such a great time to think about running your own business – a view backed by successful entrepreneurs.

If you have an idea but are not sure what to do with it, this guide may be the ticket.

Entrepreneur Johnson spent two decades on the business frontline and his simple “how to” formula is compelling.



4th September 2011

Sunday Times – Appointments piece

2 **APPOINTMENTS**

So exciting and you keep your clothes on

Leading edge Luke Johnson, the entrepreneur behind Giraffe and Patisserie Valerie

LUKE JOHNSON is chairman of Risk Capital Partners, which he founded with Ben Richmond in 2005. Johnson was educated at Langley grammar school, Berkshire, and Magdalen College, Oxford. He worked as a stockbroker's analyst before starting out on his own. In 1993 he took over Pizza Express with Hugh Osmond, growing it from 12 to 200 outlets. He started Signature Restaurants, which included the chains Belgo and Strada.

Apart from his restaurant interests, which today include Giraffe and Patisserie Valerie, activities past and present encompass fish distribution and greyhound tracks. Johnson spent six years chairing Channel 4 and holds that position at the Royal Society of Arts and on the advisory board of Team Track, which analyses private companies for the Sunday Times. The 49-year-old, who has just published *Start Up: Why Running Your Own Business is Easier Than You Think* (Portfolio Penguin), spoke to Andrew Lycett.

When did you first become a boss and how did it feel?

I was 18 and at Oxford running a nightclub for students. I got into it with a friend who became a business partner, Hugh Osmond. We were throwing big parties in my rooms and the dean of discipline said I'd be sent down if I carried on. So I came up with the idea of using a nightclub and Hugh came up with the idea of charging at the door, which turned it into a business. The experience of starting something from nothing was exciting – the most exciting thing you can do with your clothes on.

What have you learnt about leadership and how has your style evolved?

In my thirties I took a step back from executive duties. I am mostly a non-executive, there to direct the board and to motivate and encourage the chief executives. As a non-exec, you are not full-time, so you must never dip in and out. I try to restrain myself.

Have you been inspired by any one person or theory in the way you manage?

Great inventors such as Thomas Edison, a brilliant scientist and a practical man. In terms of handling people, Sir Christopher Bland was a very astute fellow – very tough and very successful. Sir Richard Branson's genius has been finding talented people who behave as if they are entrepreneurs. He makes it huge fun. At Pizza Express, David Page was chief executive and it was always enjoyable with him in the room.

What's the worst part of managing – and the best?

The worst is that businesses fail and you have to let people go. Closing a company is always a grim task but it's part of the very nature of capitalism. I love opening restaurants. You can tell in days whether you have got it right. It's scary.

What do you look for in hiring senior staff?

A work ethic, honesty and intelligence. I like people with high energy levels, self-confidence and self-discipline. They must have a sense of priority in how they spend their time; they don't indulge in office politics, they focus on what matters. In my experience, that's often what sets the winners from the losers.

Is there one question you want answered in job interviews?

Why did you leave your last job?

What's the best career advice?

Obviously, it's work for yourself. The freedom and independence of working for yourself is hard to beat.

Managers or MBAs?

Experience at the coalface is most valuable. I am not against MBAs – my wife did one. It made her more commercial, having worked in the health service all her career. Real hands-on experience and what I call domain knowledge are most valuable.



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5th September 2011

Wired – interview

<http://www.wired.co.uk/news/archive/2011-09/05/luke-johnson-business>

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BUSINESS

Why budding UK entrepreneurs should seize 'ugly opportunities'

By Oliver Siskin | 05 September 11



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People keen to take an *entrepreneurial* career path should consider providing unglamorous goods and services, according to **Luke Johnson**, chairman of private equity firm Risk Capital Partners. *Wired.co.uk* caught up with him to learn more.

"I think in a way many of us get seduced by things that are glamorous or sexy rather than gritty or seemingly mundane," Luke Johnson, one of the UK's most successful entrepreneurs, told *Wired.co.uk*. "Most of life is not fun things like the music business – it's the chemical industry or mining or utilities or energy. All these things are vital for modern life but not superficially quite such good dinner party talk and yet they are overlooked. Waste disposal is very important. Without it, where would we be? Covered in rubbish. The unsexy parts are often where the bargains and opportunities can be found."

He adds: "The easiest businesses to make successful are not the radically new ideas, which can be hard to launch, but the 'me too' ideas – a good replica or a similar business to one you've already been involved in and understand."

Johnson is no stranger to spotting opportunities. His personal fortune of £120 million stems from success with businesses that span a wide range of industries, including dentistry, media, restaurants, construction, automotive, construction and greyhound racing. A staunch believer that the UK economy needs more entrepreneurs, he argues that running your own business is easier than you think, in his new book, *Start 2' Up*.

"The level of participation in entrepreneurship is only about five to seven percent and I think it could be double that," he explains. "My book is a call to arms. By itself it won't transform the enterprise landscape, but it helps."

He explains that one of the biggest obstacles to starting a business is that people think that the risks are greater than they have to be. "You can protect yourself from, for example, being made bankrupt by never giving a personal guarantee to bank, landlord, leasing company or whoever."

Of course, it's impossible to immunise yourself from failure. Johnson even dedicates the first section of his book to his own and others' failures, which he

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7th September 2011

Real Business – tips

http://realbusiness.co.uk/advice_and_guides/21-business-lessons-from-luke-johnson

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SMALL FLEET?

21 business lessons from Luke Johnson

Investor and former Channel 4 chairman Luke Johnson gives 21 essential lessons for growing your business.



1. The world is in love with the romance of start-ups. But all other things being equal, I believe it can sometimes be better to buy a business than start one.
2. Never demand a certainty: if you wait for that, you will be on the sidelines for ever.
3. Leave behind the notion of the big idea and just do what most successful entrepreneurs do: copy and improve. Imitate first, and then devote yourself to constant incremental improvement.
4. Whenever you can, make sure a name has some underlying meaning. Don't copy the example of Diageo; one of the world's biggest drinks manufacturers. "Diageo" means nothing. It's not even easy to spell, or to Google. For everything that's bad about high-concept names, look no further than Diageo's own ice-outing explanation: "The word Diageo comes from the Latin for day (die) and the Greek for world (geo). We take this to mean every day, everywhere, people celebrate with our brands." I wonder if Diageo's management realize that having to listen to that sort of rot could well make its staff want to quit and start their own business.
5. Today is a better time to start a business than tomorrow, no matter how today looks.
6. Achievement changes people. Once someone attains status and wealth, their attitude towards sharing the spoils and the glory alters. It slowly dawns on them that actually all the clever moves and breakthroughs were their idea and, in fact, they are the only one who really does any work.
7. When I interview managers, I ask them about their customers and competitors. The high achievers will know them intimately, and can talk for hours about the strengths and weaknesses of their rivals.
8. I tend to respect actual experience in a line of work, or a specific trade qualification, over an MBA.

By Kate Bassett
7 September 2011 @ 10:50

(Permanent)

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<http://www.thisislondon.co.uk/standard-business/article-23984934-four-point-plan-to-build-our-future.do>

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8th September 2011

Ross-Shire Journal – review

<http://www.ross-shirejournal.co.uk/Entertainment/Books/Start-It-Up-Why-Running-Your-Own-Business-Is-Easier-than-You-Think-08092011.htm>

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Published: SEPTEMBER 2010 – Updated: SEPTEMBER 15, 11

Start It Up: Why Running Your Own Business Is Easier than You Think

Luke Johnson

Start It Up: Why Running Your Own Business Is Easier than You Think

(Portfolio Penguin) £12.99



Luke Johnson – an entrepreneur with an optimistic outlook on life

IGNORE that old adage about judging books by their covers when picking up this freshly published paperback.

If that Ross-shire title isn't clear enough, the cover goes on to state that this is 'A How-To Book By Someone Who Has'.

Which, of course, begs the question who exactly is Luke Johnson and what has he done that's so great?

In his time, he's paid the dues in a number of jobs including holiday relief position and laboratory assistant (before his brain was analysed of human experiment). Now, he's hailed as one of the UK's most successful entrepreneurs with an estimated personal fortune of £120million.

He is a former chairman of Channel 4 and of Plaza Express, which he helped grow from a fledgling 12-strong chain to a household name and the Royal Society for the Arts. In short, he's got a bit of experience under his belt and is perhaps worth listening to.

What makes this particular 'how to' book above the rest is the keen honesty with which he writes – starting out detailing some of his failures and, arguably, the lessons he has learned as a result. The occasional frustrating redundancy to name names in situations where he has had his fingers burnt is perhaps borne out of our increasingly litigious society.

While doubtless of huge interest to the budding Bill Gates of this world, the beauty of this book is that it's written with a light, jargon-free touch that makes it appeal to the general reader, too.

Some of Johnson's no-nonsense opinions will doubtless make uncomfortable reading for those with more entrenched corporate views. Meetings? The vast majority are 'longues of bullshit'. Conferences and seminars? 'Mostly a waste of time'. Trade shows? 'An excuse for a knock up'. He notes that companies spend thousands of pounds sending delegates to these 'valorous events'. And where office politics hold sway, the chances are that there's not enough real work to keep people busy.

Extolling the virtues of calculated risk taking, he stresses the precedence of execution over ideas and admits that much of what he has done himself has been derivative. He has picked up on good ideas and made them better, or fully executed their commercial potential.

Despite his own vast personal wealth, Johnson advises against lavish lifestyles and ostentatious business premises, pointing out that even Bill Gates started out his global business empire in a small motel room.

Johnson has little truck with those who insist that now is hardly the time to be thinking about new start-ups. He believes the world is awash with capital looking for decent projects, regardless the state of the economy. A lot of the experience he shares has been learned through the school of hard knocks. That's precisely what makes the book so readable.

Given credit where it is due, he devotes an entire section to the often undervalued importance of inventors in pushing things forward. This includes some lovely stories about those who have stumbled (often accidentally) on ground-breaking discoveries which have gone on to change the world.

Frappened throughout with favourite quotes from figures down history he admires, Start It Up is – as its title suggests – ultimately an encouraging, upbeat manual which extols the virtues of hard work and perseverance. To those unconvinced, he says, 'History suggests the magical combination of technology, capitalism and the spirit of invention is, despite the doubts of pessimists, capable of meeting every challenge.'

Things being as they are in our current economy, that's a comforting tale on the bigger picture.

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Sunday Times – Time & Place feature

THE SUNDAY TIMES
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Time and place
Luke Johnson

I felt like an intruder in my cramped London lodgings

On the mid-1980s, when I was in my early twenties, I was a lodger at 21 Boundary Road, a Victorian mid-terrace worker's cottage in Fulham, southwest London. The landlord was a university friend of my brother's, a little bit older than me, and married. I was there to help them pay the mortgage.

My landlord had done the house up a bit, and it was civilized, but it wasn't the most luxurious accommodation. It was quite small — there were only two bedrooms and my room was at the back. It had a few pieces of Victorian furniture and the window was just a few feet away from the railway line. The first time I heard the deafening noise of the trains roaring past, I thought I'd never be able to sleep through that, but after a week or so I didn't notice it.

I don't remember much about the rest of the house. I was extremely focused on my career and just came back to sleep. I never used the sitting room, and didn't cook, although I remember having friends or business partners round a couple of times for long late-night discussions about what we wanted to do with our lives.

At the time, I was working for Griessem Great stockbrokers. It was a perfectly good job, but I was restless, because I knew I wanted to be an entrepreneur. I had originally intended to be a doctor, but, after taking my undergraduate degree in physiology in Oxford, I quickly realised I preferred the idea of business and being my own boss to treating sick people.

Even when I was living in Fulham and working for someone else, I was moonlighting. I ran a club called the Dirt Box, in Fulham Wharf, and a few other ventures, including a software company and a restaurant in Mornington-Crescent, the LA Cafe.

I should never have been in the house. It's awkward being a lodger, and I felt like an intruder. I should have thought harder about buying my own flat or finding a flat-share, but taking the room was the easy option.

Fulham wasn't a fashionable area at the time, and there was a rough pub at the corner of the road, the Fulham Hotel. I came home from work one evening at open, and there was already a character slumped on the pavement outside the pub. It was a turning point — I'd had enough. I had to pull my socks up, find a place where I really wanted to live, and take the plunge and work for myself.

So, after nine months, I bought a flat on Shirland Road, in St John's Vale, northwest London. It was extraordinary how I got a mortgage. I went to one bank

to get an overdraft and used it as a deposit to get a mortgage with another, so I didn't have to put down any of my own money. I had to get a lodger, but it was a step up from life on Boundary Road. It changed my attitude to life and boosted my confidence.

Shortly after I moved there, the company I was working for was taken over by another bank and I decided it was time to become a full-time entrepreneur. I was involved with a net design company, a business that sold databases and another that restored classic cars. I was doing anything I could to find something that worked.

My timing was bad, because Britain went into recession in the late 1980s. It was quite hard, but I just kept on going and gained a lot of experience. The few months I spent in Fulham were definitely a formative time.

Start It Up: Why Running Your Own Business Is Easier Than You Think It Is
by Luke Johnson
Published by the Financial Times

Interview by Mary Whitty



Luke Johnson, 45, turned *Pizza Express* into a national chain in the 1990s. He ran a club while living in south London in the 1980s

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17th September 2011
Financial Times

LIFE & ARTS 15

Books

Sell it like it is

Straight-talking from the entrepreneur Luke Johnson.
By Richard Reed



Start It Up: Why Running Your Own Business is Easier Than You Think
by Luke Johnson
Viking £12.99, 256 pages

If you like hearing it told straight, then Luke Johnson's *Start It Up* could be for you. The book is part rum, part outpouring of useful knowledge gleaned from 20 very successful years in business – and, fortunately, someone forgot to send the text to the Editorial Correctness department before it went to press.

Johnson, an entrepreneur and chairman of private equity firm Risk Capital Partners who also writes a column for the FT, has a business approach that I suspect is not classic Harvard. Meetings are a waste of time (“inefficient engines of hubbub”); don’t bother with an HR department (“a burden on the backs of productive workers”); staff sick things (“sooner or later there will be a third on the payroll”); and forget the corporate social responsibility report (“whatever that is”). One could never accuse Johnson of holding back. But one admires his honesty, even if not always agreeing with his sentiments.

Start It Up is subtitled: “Why running your own business is easier than you think” – but it is neither one of the opposite. The book is interspersed with anecdotes of business failures, advice on how wealthy entrepreneurs spoil their children and other cautionary tales. I now go into work at my own company with a heightened sense of the possibilities of financial ruin, becoming a terrible parent and spending the rest of my life sitting at home in front of the television drinking cheap gin.

But there is a great deal here that is good and which the *editors* doesn’t convey. For banking business single, Johnson condensed 20 years of investment experience into two pages of useful and comprehensive criteria for choosing companies to invest in. The book also passionately articulates the transformational role that entrepreneurship plays in society, and how the large majority of new jobs are created by start-up companies, not established ones. Johnson’s simple but important insight is that if we want growth in the economy we need more entrepreneurs, and the UK could do more to create them. On this point alone, *Start It Up* is essential reading for politicians. We can’t out-engineer our way out of recession.

Collectors of soundbites will have a field day. The book is peppered with the wisdom of the great and the good, everyone from Socrates to General MacArthur speaks up at some stage. Warren Buffett’s “the internet isn’t going to change the way people chew gum”, uttered as he invested in Wm. Lewy’s at the height of the dotcom boom, struck with me. As did McDonald’s founder Ray Kroc’s “Press on. There is nothing in the world to replace persistence.”

Beneath all the rough language and tough advice, you can tell Johnson is really an old soul. He ends the book with a chapter on why to be an entrepreneur. Starting a company, he believes, is a creative endeavour that can scratch the itch, it is the best way of realising your own destiny and changing the world, of creating jobs and upsetting the status quo. And on all of those points I could not agree more.


Richard Reed is co-founder of Innocent Drinks

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19th September 2011

Financial News - Private Equity News – interview


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In the arms of angels

Dan Dunkley
19 Sep 2011

A glance around Luke Johnson's office at Risk Capital Partners in a mews near London's Warren Street tells the tale of a well-rounded businessman. TV and theatre posters, including Channel 4 hit shows *Lost* and *The IT Crowd*, adorn the wall, reminders of Johnson's time as chairman of the television channel and his tenure as chairman of the Royal Society of Arts. In fact, there is not much on show to suggest this is a private equity firm.

Engineered to absorb shocks.



22nd September 2011
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25

It is always the perfect time to start a business

The man behind Strada tells City workers to strike out on their own



LUKE JOHNSON

Would now be a good time to start your own business, when the economy is weak and all around is pessimism?

Well the truth is that plenty of great companies were started in downturns. In the depths of the Great Depression in the 1930s, Walt Disney launched his eponymous animation company, now almost the largest entertainment organisation in the world. Texas Instruments marketed the world's first transistor radio in 1953, during a recession. And Bill Gates started Microsoft in 1975 in a motel room in Albuquerque, while the US battled stagflation and the aftereffects of the oil crisis.

And on a rather more modest scale, with partners I actually launched Strada, a wood-fired pizzeria, in the months immediately after 9/11, when the mood was very downbeat. Our first branch was a flop, and it was only with the second and third openings that we realised we had a winner on our hands. Today that business has over 75 branches. And around the same time, Steve Jobs of Apple launched the iPod – perhaps the most successful consumer product of recent times, and a major part of the amazing revival of Apple.

For those who seek independence and freedom in their work, there is never a perfect time to go it alone. Of course, becoming your own boss is not without risks. I took the plunge in 1989, after having been an analyst at an investment bank. It was a struggle, as Britain was about to enter a recession, and for several years I felt as if I was making no progress. But in early 1992, partners and I managed to seize control of PizzaExpress, and our lives were transformed. No doubt we were lucky – but I think persistence also paid a part. I had been pursuing that opportunity for almost three years.

If you really want to control your own destiny, and create something in your life, then I believe there is no better route than through running your own company. You can leave all the bureaucracy and office politics of large organisations behind – success will largely be down to your efforts, rather than simply being a cog in a giant machine.

I recommend that those who fancy their chances prepare for the big leap from employment by moonlighting. You should use your evenings, weekends and holidays wisely – writing a plan, recruiting a partner, studying markets, analysing customers and perhaps raising finance. And possibly you should start part-time: nowadays the web permits many businesses to be run from home, even while holding down a job to pay the overheads.

No entrepreneur ever said building your own business is easy. It requires hard work and sacrifice, especially if you enjoy a well-paid job in the City. Yet there are plenty out there willing to give it a go. Just this week I heard from a banker who left to found a yoga and pilates offering, a financial journalist starting a digital publisher, and a lawyer retraining to become a chocolatier. So what are you waiting for?

Luke Johnson's new book *Start It Up: Why Running Your Own Business is Easier Than You Think* is published by Portfolio Penguin.

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26th September 2011

Financial News - Private Equity News review

FINANCIAL NEWS

Monday, 26 September 2011

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Book review: Luke Johnson's self-help guide

19 Sep 2011

"Society needs chancers if it is to keep moving – and it must throw money at them from time to time", according to Luke Johnson, chairman of private equity firm Risk Capital Partners, in his new self-help guide to entrepreneurship *Start It Up*.



The challenging and freewheeling life of an entrepreneur is the subject of Johnson's new book. Aimed at prospective small start-ups, the book covers the practical reasons for starting a business, alongside the philosophical and moral quandaries of running one.

The book, which is not aimed at private equity executives, in effect proposes matching business angels and entrepreneurs to form a partnership through which economic growth can be achieved. Unearthing gems, rather than polishing diamonds, is the aim.

Start it up

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Miliband shows why Labour are not fit for office

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Tuesday 27th September 2011, 11:39pm

Top entrepreneur strongly opposes the opposition's vision for Britain

LUKE JOHNSON

ED MILIBAND has just demonstrated why he is unfit to lead this country. Yesterday, he delivered a speech which showed he doesn't really understand business, and probably doesn't even believe in capitalism.

It was an oration full of vague phrases and void of specifics, but the sentiment was clear. He is suspicious of big business, private equity and the profit motive, and will choose companies to favour and others to export.

It was packed with emotional weasel-words like "predators" and "asset strippers." A reminder of what the Miliband family have always thought of the wealth creators.

If any national listeners in the private sector were wondering who calls the shots within the Labour party then now they know: the union paymasters.

The entire delivery was designed to appease his militant bosses. As ever, it was a list of wishful thinking, and entirely free from any practical proposals based on facts or experience. Miliband talked of productivity and supporting some British companies, but had no suggestions for how he would motivate entrepreneurs and encourage investment.

Investors in Britain should take note: Labour plans to meddle much more in business, taxing and regulating very heavily companies it doesn't like. Wise beside any risk takers and funders who thought the UK was a level playing field; if Labour takes office, then capricious and punitive legislation appears to be the order of the day. In fact, the speech was a useful reminder of just how profoundly confused and incompetent the opposition are when it comes to economic affairs.

Miliband has the brass cheek to suggest the nation turns to Ed Balls, his shadow chancellor, for advice in our hour of need. This is the same Balls who was a key confidant to Gordon Brown, the politician who endowed the coalition with the most catastrophic economic inheritance in British history.

It was the same Balls and Brown who saw Britain's public spending rise vertiginously to comprise more than half of GDP; who bloated the state payroll with non-jobs as a form of gerrymandering; who pushed up income tax to 50 per cent as a form of envy politics; and who enabled their close chum Sir Fred Goodwin - the chief executive who almost single-handedly bankrupted the British banking system.

This was the government that included Liam Byrne, the treasury secretary who left a note for his successor saying: "There's no money left... Good luck!" Byrne thought it very funny that Labour had spent so profligately in the good times that there was no surplus for the recession they helped create. How grotesque that our taxes were in the hands of such reckless, economically illiterate maniacs.

If the electorate allow Miliband and his gang of ugly socialists back into power, then we can consign Britain to a future of no growth, permanent deficits, a collapsing currency, eye-watering taxes and a massive brain drain. In a ferociously competitive world, we cannot allow the party chiefly responsible for the current economic mess to take control once more. One more dose of their toxic medicine and it would be time to man the lifeboats.

Luke Johnson's new book *Start It Up: Why Running Your Own Business is Easier Than You Think* is published by Portfolio Penguin.

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Allister Heath

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3rd October 2011

Contented Baby – interview with explanatory header

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Start It Up by Luke Johnson

When you've got a young family, the idea of being able to work for yourself can seem very attractive. If you can find the right business, you may even be able to work flexibly from home allowing yourself the freedom to work around your family. Many women ponder the idea, but worry that they don't have that one brilliant scheme or perhaps enough experience to consider setting up by themselves - it can take considerable self-confidence. For anyone who has ever thought of going it alone, we've got some tips and advice just for you from one of the UK's leading entrepreneurs, Luke Johnson. His new book, *Start It Up, Why Running Your Own Business is Easier Than You Think*, a How-To Book by Someone Who Has, is published by Penguin and tells you all that any budding entrepreneur needs to know.



Luke Johnson has an estimated personal fortune of £120 million. He is the former Chairman of Pizza Express, founded the Strada pizzeria chain and owns Gineffe and Patisserie Valerie. He's currently Chairman of Risk Capital Partners and the Royal Society of Arts, and is the former Chairman of Channel Four Television. He writes columns for the Financial Times and Management Today.

Do you think that you need to be a certain type of person to set up your own business, or can anyone do it?

I think almost anyone can start their own business. Perhaps only a minority have the ambition to create a large enterprise, but millions could be running their own part-time freelance operation.

Mothers are often interested in setting up their own businesses so that they can work flexibly around their children - do you think that is inevitably a far greater challenge, or is it just a matter of finding the right business?

Thanks to the internet I think the possibilities for home businesses have grown a lot. Obviously it needs a lot of energy to juggle children and a business, a supportive partner, and almost certainly sacrifice in terms of holidays, weekend time etc. But there are a lot of services that can be carried out remotely in one's own time that customers will pay for that can be fitted around the needs of a family.

Most people assume that to be really successful you have to come up with a brilliant new idea - is that always the case?

Not at all. Most small companies are not radical breakthroughs, but rather services for which there is an existing and known demand.

Buying a franchise is something many mothers consider - do you think that's a good idea, or might they be just as well off starting the same kind of business themselves?

I have never been a great fan of franchise offerings. Generally you pay a stiff fee for not much, and the restrictions can defeat the entire purpose of being self-employed. Usually the business model they sell is common sense - as ever the task is about execution.

11th October 2011

Economist – Babbage review

<http://www.economist.com/blogs/babbage/2011/10/entrepreneurship>


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**Science and technology**
Babbage

Entrepreneurship
Ambition ignited

Oct 11th 2011, 16:26 by RL

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MANY of society's ills, from economic stagnation to poor social mobility, could be solved by creating a more entrepreneurial society. But how do you encourage people to start a business? Writer and entrepreneur Luke Johnson makes the case for doing so, and also explains how. The result is a rare achievement: his latest work, "Start it up: How running your own business is easier than you think" (Penguin; 256 pages; £12.99), is a business book that is both well-written and useful.

Hailing from a literary family and Oxford-educated, he started up in the late 1980s, grafting a £120m fortune in the merciless restaurant trade, and later as a venture capitalist. He draws inspiration from, among others, Balzac, Chekhov, Euripides and General MacArthur, whose observation that "there is no security on this earth, only opportunity" captures the outlook of many entrepreneurs. The best of them, Mr Johnson writes, are driven by boundless ambition and "an elemental life force".

This he contrasts with the "dull conformists" and "pygmy bosses" of today's big companies, who "ride the merry-go-round of excessive remuneration" with their dubious claims of rare talent. He scorns business conferences as a "ludicrous" waste of time, and meetings as "magnificent engines of bullshit".



For those wavering between these two worlds, however, there are real dilemmas to resolve. It may be true that "nothing saps ambition like a steady income"; But a life of risk-taking, as he admits, can also take a heavy toll on family, health and financial security. Undaunted, he maps out some realistic pathways for those with the instinct, if not the guts, to go it alone. You do not need to give up the day job, at least not initially; start by freelancing in the evenings (as he did). Age need not be a barrier either. "Colonel" Sanders was 65 (and broke) when he founded Kentucky Fried Chicken. And if you are short of money, there are angel investors, government grants and even the odd "eccentric moneybags" to tap if you follow the book's advice on how to pitch your idea and craft a business plan. But never secure your loan against the family home, he cautions: nothing in business is more terrifying than "the gruesome mathematics of leverage in reverse."


The book disappoints in only one respect. As the obvious spokesman for the self-employed, Mr Johnson might have explained better what society gains from entrepreneurs, and what they need in return. For the budding entrepreneur, though, this clear, thoughtful and passionate how-to guide will be an excellent first investment.

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In this blog, our correspondents report on the intersections between science, technology, culture and policy. The blog takes its name from Charles Babbage, a Victorian mathematician and engineer who designed a mechanical computer. Follow Babbage on Twitter »
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14th October 2011 Money Week

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Our ever-sagging pound



If you had stayed at a room in Tokyo's Imperial Hotel in 1965 it would've cost you £2,500 – the equivalent of £2.50. If you stayed there today it would cost £26,600.

price of oil has risen by 394% in euro terms since 2001, by 463% in US dollar terms and by 552% in sterling terms. That's why, even as other people worry about deflation, the UK still suffers from high consumer price inflation.

Our cavalier attitude to our currency comes back to bite us every time we turn on a light, climb into a car, or try and manage costs to keep a business going. Does it have to be like this? I doubt it. We're addicted to the idea that the solution to all economic problems is a weaker pound. But given the failure of the policy we might think about having a go at being more like Switzerland. In 1965 a Swiss Franc was worth ¥83.754. It is worth about the same today and, as Brooke says, "it is not obvious that Switzerland has been made poor by this policy of maintaining the value of its currency".

"A weaker pound is not a solution"

If the exchange rate hadn't changed since the 1960s, that would mean a sterling cost today of £16.60. But as Robert Brooke of Halkin Services points out, the exchange rate has changed. Due to the fact that the pound has lost 99% of its value in the last four decades or so the room will actually cost you £227. We regularly devalue the pound, says Brooke, telling ourselves it can only make things better. When Harold Wilson devalued in 1967 he did so claiming that it would address the most cause of Britain's financial problems. So far, "history has proved him completely wrong".

Yet today we tell ourselves the same story. The pound has fallen 25% plus in trade weighted terms since the financial crisis began. The general view from the authorities is that this is a good thing. We're lucky we still have the ability to make ourselves competitive and to stimulate our manufacturing and export industries in this way, they say. They may be right (although I see little sign of it). But what they rarely do is mention the impoverishment that comes with regular devaluation. Take energy. The oil price has fluctuated wildly in the last ten years, but our weak currency has us paying more than anyone else for it. According to members from energy consultancy GEOS, the

on is that if we want to find a way back to growth we have to encourage fast-growth companies. But what kind of people will run them? And how do we encourage them? I interview one of Britain's busiest entrepreneurs, Luke Johnson, on page 20 and try to get to the answers to these questions. It was an interesting conversation – you should enjoy it. But I think that you will also agree that we don't end up with good answers. That's good, perhaps, that while failure is easily explained, what creates success is rather more elusive.

Merryn Somerset Webb

Merryn Somerset Webb
email: editor@moneyweek.com

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the Merryn Somerset Webb interview

What makes a great entrepreneur?



Merryn Somerset Webb asks Luke Johnson, chairman of private equity house Risk Capital Partners, what makes for a 'transformational entrepreneur'.

According to the blurb on the back of Luke Johnson's new book, he is "Britain's busiest tycoon".

What's more, he has a "personal fortune estimated at £120m". Assume the estimated amount is similar to the real amount (which seems reasonable, given that Johnson must have approved the PR gush), and this "independent, unorthodox" entrepreneur is clearly a very rich man.

So why, you might ask, would he want to write a book? After all, everyone knows that if you aren't Philip Pullman these days, Johnson tells me that he expects his book to sell something in the region of 10,000-20,000 copies. I reckon that will make him, at best £15,000. Hardly worth getting out of bed for if you've already got £120m in the bank, I say.

It isn't about money, says Johnson. "I do it because I like writing; because books endure; and because if you have written a book on a subject people take you more seriously about it." I can't believe that Johnson needs to write a book to be taken seriously as an entrepreneur. He is, after all, the man behind Pizza Express, Fong Shue and Strada.

Perhaps, he says, but "I also believe in the cause. I think it matters and I think it makes a difference then it is worthwhile." The real point, then, is to encourage other people to do what he has done: to break from the grind of working for other people, "to controlling their own destiny" and, with a bit of luck, to kick-start our slowly shrinking economy.

But can a book really help someone start a business? I've always seen how-to business books as being rather like diet books. People buy them not as a spur to action, but as a substitute for action. After all, no one really needs to buy a diet book to find out how to lose weight. And if the buying of diet books helped people lose weight, no one would have more than one and the publishing industry would be all but dead.



You can make your fortune from pizza - but you might be better off with tech

It is surely the same with business books. I'd bet that people who buy one read bits of it, do nothing and then buy another one a few years later. All these books are simply part of the self-help industry; they sell hope rather than a path to action that anyone will ever take.

"Working for others isn't a natural state for most people"

Johnson says I am "a bit cynical by nature". Maybe he is right. I think that not very many people are actually suited to running businesses: it seems to me that mostly people will take security over dream fulfilment any day. He disagrees. He turns his nose up at "lofty concepts" such as "life-work balance". He thinks that working for other people is not a natural state for most people to be in; and he reckons that, given the tools, most people are perfectly capable of starting a business. "I think you are wrong that only a small number of people are suited to

starting a business," he says, "probably no more than one in ten does it... but that's still quite a few."

So who are the people from the 20,000 who might go ahead with it? The type is changing. It used to be that the typical entrepreneur was "in his 40s, male... and not necessarily university-educated". These days it is "much more common for university-educated people to start their own businesses". The same goes for women, ethnic minorities and the young (new graduates in particular). The young are best at understanding the technology entrepreneurs need and if they get going before they have "a house full of screaming babies and dependants" they'll find it a lot easier.

OK. So what makes an entrepreneur? What will the person who looks at this book and uses it as a guide to actually starting a real business be like? "It isn't scientific... I look at my own career and the paths of others I've met and they are very haphazard." But there are still lots of "personality traits that successful entrepreneurs tend to possess". They are

the Merryn Somerset Webb interview

naturally optimistic, they are "perverse by nature, ie, they don't want to take orders; independence matters to them; they are willing to go against the flow in terms of their views on what makes an opportunity; they are often obsessive in general – that is, they will pursue a dream or an idea for years without success". Look at James Dyson. He spent "literally years in his garden shed building his first prototypes for this vacuum cleaner". They also tend not to be in it for the money but for either the status or the flexibility and freedom.

I pick up the idea of James Dyson. He is a great success story and a pretty good self-publicist. But there aren't that many Dysons around. I suspect that the vast majority of entrepreneurs find that attempting to live the dream is a total nightmare and that, if they can get it, they end up back in salaried work. So what of the failures? "I have met very few entrepreneurs who have said they regretted starting a business... and going to work for themselves," says Johnson.

I'm sure he hasn't. But then not only do people rarely admit to mistakes (which if you can't undo them is just as well), but Johnson is also unlikely to meet the failures. He'll meet the successes. Not at all, he says. He gives a lot of talks for the cause and they are mostly to "would-be entrepreneurs or very small funders, people who are struggling".

Isn't that my point, I say. Most would-be entrepreneurs will never be entrepreneurs and these days struggling freelancers are generally people who had jobs before the recession and are now making the best of it. I wonder if, given the recession, they aren't just desperate?

Well, one thing that we can agree on is that, whatever their reasons, anyone starting a realistic business should be encouraged. After all, given that much of the British economy is effectively ex-growth (see my blog for more on this at www.moneyweek.com/blog) and that there is no such thing as a job for life anymore, then if we want to maintain anything like full employment here, we have to offer helping hands to anyone who might prompt a little growth.

With that in mind, Johnson is all for putting in place a Start Up Act giving very generous tax breaks for start-up companies – exempting them from some of red tape, national insurance, corporation tax and business rates, for

example. I'm not entirely convinced on this one. A recent study in the US showed that the vast majority of small firms were set up to provide their founders with flexibility and have "no plans to grow", and Johnson accepts that in Britain too a lot of firms "didn't do it to get rich and they don't think they will get rich".

The fact is that it's not so much start-ups as fast-growing firms that provide jobs – regardless of when they were started. So rather than spending taxpayer money at every hairdresser who wants their own shop we should be targeting the help more carefully – perhaps not at start-ups but at fast-growing, medium-sized firms?

"It's not start-ups that count – it's gazelles"

Johnson thinks that is a "debate worth having" and it seems he has started having it with himself in the week since we met. This week he wrote an excellent piece in the Financial Times called "We need a Darwinian stance on start-ups". In it he noted research from Britain's National Endowment for Science Technology and the Arts (NESTA), which shows that, "when it comes to job creation, the new companies that really make the difference are not the mass of start-ups – which will never grow much or employ many staff – but the gazelles. These are the ambitious, bold ventures that innovate and build something significant". They are "transformational in terms of jobs technology and wealth creation".

It makes sense, then, that instead of being "fair" with tax breaks – ie, giving them to everyone – we should focus our deregulation, tax breaks and easy credit on the "real talent". We should "increase inequality to make sure help reaches the right places".

I'm not sure how this would work (getting someone to judge what is and what isn't real talent all seems a bit *Dragons' Den*), but I like the idea of distinguishing between lifestyle entrepreneurs and transformational entrepreneurs. The former are nice to have, of course. But the latter are just about the only thing that might get us through the next decade.

Finally, I ask Johnson what he would do if he was starting out today. His main focus has always been food. Would it be again? Probably not. For the last few decades the restaurant business has "broadly been a growth industry". It doesn't look so good now. If he had "grown up around technology the way people who are 21 have", he would be inclined to go into that. He likes the way anything to do with technology can immediately go global and he particularly likes the way that "you can fail quickly and cheaply online, remake your business model and try again". Just the thing for an experimental, persistent, perverse and optimistic entrepreneur.

Start It Up: Why Running Your Own Business is Easier Than You Think, by Luke Johnson, is out now. Publisher: Viking, price £12.99.

Who is Luke Johnson?



Luke Johnson, 48, is the chairman of private-equity house Risk Capital Partners. He studied medicine at Oxford University and graduated in 1983. His first job was as a media analyst for stockbroker Gravenor Grant (which became Kleinwort Benson Securities), but his big break came when he led the takeover of restaurant chain Pizza Express in 1993. Together with university pal Hugh Osmond, who later went on to found Punch Taverns, Johnson oversaw a rapid expansion of Pizza Express – it grew from 12 restaurants to more than 250 – before selling up in 1999. During that time the share price rose from 40p to 900p. He reinvested the profits in more restaurant chains, and became a prolific part-owner or director of a number of listed firms. In 2004 he became chairman of Channel 4. His tenure was a commercial success, with ratings and revenues up by the time he left in 2010, although detractors claimed that Johnson 'dumbed down' programming. Following in the footsteps of his journalist father, he wrote a weekly column, 'The Maverick', for The Sunday Telegraph for eight years until 2006, and he currently writes on entrepreneurship for both the Financial Times and Management Today.

16th October 2011

Bookbag – review

http://www.thebookbag.co.uk/reviews/index.php?title=Start_It_Up:_Why_Running_Your_Own_Business_is_Easier_Than_You_Think_by_Luke_Johnson



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Luke Johnson is one of our trusted tycoons, with a personal fortune which runs into nine figures. He's been the driving force behind Pizza Express and Chancer 4 and has a renowned column in the Financial Times. He's done all this over a couple of decades, so he obviously knows what the secret is in terms of getting businesses up and running - and then turning a profit. So, Start It Up: Why Running Your Own Business is Easier Than You Think is going to be perfect for my friends Mr and Mrs Cook, who want to open a restaurant, Mr Plumb, who's been hovering about splitting from the builder who employs him and Mrs Baker who thinks that our prosperous village is ripe for an artisan bread shop? Well, perhaps.

I'm confessing that I was expecting a practical guide to starting your own business, particularly when I saw the sub-title *A How-To Book by Someone Who Has*. I thought that all those daunting points which deter people - making business plans, dealing with government departments or the council or impressing the bank manager would be made simple. I should perhaps have read the back of the book before I began reading. Jeff Randall, Sky News presenter and Daily Telegraph columnist comments on the useful advice for wannabe tycoons. This is the book for the man (or woman - but I'll come back to that later) who sees himself as an entrepreneur - and they, I suspect, are a different breed.

So, I began by being rather disappointed, but as I read I warmed to the book. It's an easy read - and it's a fair one, but part of that might be down to the regular blank pages and the quotations in large font which take up a whole page. There's fascinating information, anecdotes and advice in there, based on Johnson's own experience in business. He's not frightened about telling us of the failures as well as the successes. His advice on what to look for in the management when you're buying a business is gold dust and I had every sympathy with his comments about those parts of a business which seem to grow like Topsy but never operate at the real level. I sat down for an enlightening read. Then he upset me.

Accordingly, the first business computer software program was devised by a woman.

Now, I know that I'm prone to comment that men are frequently under-rated and, provided that they're accompanied by a responsible adult, don't cause a lot of problems. But equally, I know that if I say this in print there's a strong chance that I'm going to alienate 50% of my readers. What Johnson's statement did do was crystallise an unease in my mind, so I looked back through the book I realised that it was really about men in business. There are three pages about women investors, but I'm not certain why and it felt like something tacked on to give a bit of balance.

I finished the book with a rather sour taste in my mouth.

Another tycoon has recently gone into print with his story: you might enjoy *Overand: How Starbucks Bought for Its Life Without Losing Its Soul* by Howard Schultz and Joanne Gordon. If you're looking for a guide to starting your own business in not such a big way then we can recommend *How to Happen: The Prince's Trust Guide to Starting Your Own Business* by The Prince's Trust.

 You can read more book reviews and buy Start It Up: Why Running Your Own Business is Easier Than You Think by Luke Johnson at [Amazon UK](#) and [Waterstones UK](#). If you spend more than £20 on books at Waterstones (online only) between now and Christmas 2011 you'll receive an extra £2 off, even if the books are already discounted. Enter code K74324 at checkout.

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Just send us an email info@thebookbag.co.uk and we'll put the best up on the site.

Start It Up: Why Running Your Own Business is Easier Than You Think by Luke Johnson

Format: [PDF](#)

Genre: Business and Finance

★★★★★

Reviewed: [Tara Higgins](#)



Summary: Not the basic book about starting your own business which you might have been expecting but an inspirational guide to the life of an entrepreneur.

Buy? Maybe **Summary? Yes**

Pages: 230 **Date:** September 2011

Publisher: Viking

External links: [Author's website](#)

ISBN: 978-0470918413

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Women in finance: Groups seek to fight 'loneliness at the top'

By Emmanuelle Smith

At the current rate, women managers will not reach pay parity with their male colleagues for almost a century – and while the gender pay gap might have narrowed for junior roles, it has widened for executives.

These findings by the Chartered Management Institute in the UK might be disheartening, but a growing number of organisations are working to redress the balance more rapidly.

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"Even when women reach the top, it can be lonely up there," says Nicki Gilmour, chief executive of theglasshammer.com and Evolved Employer – groups that, respectively, work to help women in their careers, and to influence those doing the hiring.

Ms Gilmour is unequivocal about the importance of initiatives such as hers: "I saw a real need for women to know that they weren't on their own. From one team to another and one skyscraper to another, there was probably someone who was in the same situation," she says.

"I wanted to create a community where women could be informed of their career path, I wanted to give them advice, inspire them by profiling other women who had conquered the glass ceiling and show them that we're not robots. There's more than one way to the corner office." The aims of theglasshammer.com are to "inform, inspire, empower".

"Empowering" is also central to Women in Finance, a South African network created "in response to a lack of financial literacy and access to finance of individuals and business owners", according to its website.

"Eleven years ago when you spoke to women about operating in financial services, they would redirect you to their husband or brother, and say 'don't talk to me'," says Coleen Larsen, who founded WIF.

The group, she says, seeks to provide women with the tools to succeed in the industry. "As long as you're skilled," says Ms Larsen, "that's where the power is. Our intention was to give [women] more skills and training and development so that they would ask the right questions in order to rise to the top. You can lobby as much as you like but if you don't have women to step into those positions, nothing is going to change."

However, Ms Gilmour argues that lobbying is important in order to influence decision-makers to instil "systemic changes" within companies. After all, there are undeniably talented, skilled, "empowered" women around who still struggle to rise to the top or be remunerated properly when they get there.

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Starting up

Date: 15 Nov 2011

Luke Johnson is described as "Britain's busiest tycoon". The man behind Pizza Express who has a personal fortune estimated at £120 million, Johnson knows the world of business inside out. At a time when the UK is crying out for new entrepreneurs, he has decided to impart some of that knowledge in a new book, *Start it Up*.



He says: "I see my role as being a practitioner of business as well as a writer with a focus on entrepreneurship. I want to champion entrepreneurship because I think Britain needs more people to start companies."

He realises that starting a business can seem intimidating, but says that the risks involved are perhaps sometimes exaggerated and that this intimidates people. "The good things about entrepreneurship – the freedom and independence – are underestimated," he says. "It's the satisfaction of controlling your own destiny rather than being part of a large organisation with a hierarchy."

He says it is becoming easier and cheaper to set up your own business. Many new digital businesses are now set up from home and the modern online world allows people to set up virtual businesses on the side of other jobs. This is the route Johnson recommends for those seeking to minimise the risk associated with starting a business. "You can try things more easily and you can fail cheaply," he says. He calls it "part-time moonlighting". "I'm in favour of all of that," he says. "It's what I did. I used holidays and weekends to run businesses on the side while I was in my early 20s and working in an investment bank."

He adds: "Having a salary allows you to trial things and make mistakes. You learn at someone else's expense."

He advises working in the industry sector you want to set up a business in so you "acquire domain knowledge".

Women entrepreneurs

Johnson believes female entrepreneurs are likely to be a much greater force in the future. "When I go around promoting my book I talk to audiences full of recent graduates and there is a much higher proportion of women than there used to be. Almost half of the audience are women. They are seeing starting a business as a viable career alternative."

He believes promoting more role models of women entrepreneurs will help to increase their number.

"More and more I'm convinced that our future growth in this country will come from unleashing the entrepreneurial spirit in business and, more importantly, I believe that the future will be predominantly female," he says.

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Want to be your own boss?



NOT THE RETIRING KIND

Take away the stress, the buzz, the flap and the friction and what's an ageing high-flyer left with? Literally dying of boredom is a serious risk — though there are ways around it, says **Luke Johnson**

I have spent over 25 years working with entrepreneurs of every different variety. During that period, one of my fascinations has been what motivates them — why do they keep going, even after they've made a fortune?

For some it's purely the money, but for most that is almost a by-product of success — and it is this latter group, for whom the financial rewards are very much secondary, that most interests me.

Not long ago I helped chair an event hosted by the Prince's Trust and attended by 50 high-achieving business owners. I asked a number what their main drivers were. For some it was a desire to create something enduring; for others a need to prove themselves, to show the sceptics that they had what it takes. Most were passionate about their business and enjoyed working with their staff, serving their customers, and were obsessed about their products — from Charles Dunstone at Carphone Warehouse to Richard Harpin of HomeServe. Meanwhile, at Richard Branson's house I heard a brilliant speech by Mike Clare, ex-owner of Dreams bed stores, who explained that his spur was a rivalry with his older brother, who had attended Cambridge, whereas Mike hadn't gone to university at all. He built Dreams to demonstrate that he could be a winner, too.

Yet one stimulus that few entrepreneurs mention is boredom. For me it is one of the greatest enemies in life — as I suspect it is for most founders, who by nature are people of action. One of the defining characteristics of almost every entrepreneur I have partnered has been a constant restlessness — a hunger to find new challenges.

Perhaps this need for stress is a little unhealthy, but at least it helps provide a purpose in life. So many people hate their job or lack a sense of direction.



Entrepreneurs rarely suffer from these failings. Rather, they sometimes allow their passion for business to upset a civilised work/life balance, and their domestic existence can suffer as a result of a raging focus on their company.

Yet possibly the worst aspect of all this manic concentration on their career is the aftermath of cashing out. Quite a few entrepreneurs I know have suffered from seller's remorse — not because the price they achieved for their business was inadequate, but because they hated being idle and had no grand task to address every day.

I recall dealing with an accomplished owner of a floor coverings business years ago. I took a controlling stake in the operation, while the seller carried on working for a couple of years on an earn-out, which he surpassed. He then stepped back and retired — which is apparently what his wife wanted — so they could enjoy more 'leisure' time together. I saw him only once after this, perhaps six months following his departure. He was a shrunken figure, immobile in an armchair while his wife vacuumed the floor — a shadow of his former dynamic self. Within a year he was dead of a heart attack.

My view is that traditional retirement simply does not suit entrepre-

neurs. By nature they are individuals with a sense of urgency, almost a calling. If you take that away, then for many, what is left? Very often such types have not cultivated lots of hobbies or a wide circle of friends outside their business. They live for the adrenalin rush of business, the drama of taking major decisions, the ego boost from being in charge.

Frequently there are compelling reasons to exit — children do not want to inherit a private company, there is a need to repay debt, or the fact that no-one can be the chief executive for ever. So what are the answers?

I think entrepreneurs are more capable than most of developing a diversity of interests that can keep them engaged. Perhaps golf is not the solution, but charitable causes, or at least social enterprises, can help fill the gap. Possibly one or two angel investments and non-executive directorships are part of the transition from a full-time role as boss. Many founders like acting as serial investors and mentors in growing private companies.

I have taught a case study about Pizza Express on many occasions at the London Business School over the years and have greatly enjoyed the enthusiasm and intelligence of the MBA students there. I suspect there are hundreds of entrepreneurs who would love speaking to young people at schools and colleges about their experiences. It requires imagination to find the right blend of pastimes and pursuits that can replace the excitement of running your own show — but the effort is surely worth it. *J*

Luke Johnson is the author of *Start It Up: Why Running Your Own Business Is Easier than You Think* (£12.99, Portfolio Penguin)



Quite a few entrepreneurs I know have suffered from seller's remorse because they hated being idle

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movers and shakers

Food for **thought**THE TWO MOST IMPORTANT INGREDIENTS IN BUSINESS ARE SELF-CONFIDENCE AND SELF-DISCIPLINE, SAYS **LUKE JOHNSON**

A former chairman of Channel 4, Luke Johnson has a finger in many pies. In 1993 he took control of PizzaExpress, growing the business from 12 restaurants to over 250. Johnson started Signature Restaurants, which owns The Ivy and La Caprice, and was also the man behind the Strada restaurant chain.

He founded Integrated Dental Holdings in 1998 and grew it to become the largest UK chain of dental surgeries with over 500 dentists.

Today he is chairman of private equity house Risk Capital Partners. Part owner and chairman of Greffo Restaurants, Patisserie Valerie, and Baker and Spice, Johnson also writes a weekly column on entrepreneurship for The Financial Times.

His new book, *Start It Up: Why Running Your Own Business Is Easier Than You Think*, is published by Portfolio Penguin.

WHAT WAS YOUR FIRST BIG OPPORTUNITY?

My great breakthrough came in late 1993, when I took over PizzaExpress with partners. At the time it owned about a dozen restaurants and had about 25 franchise branches. I was a 30-year-old with an overseas stint was emerging from recession, and so we were fortunate with our timing.

Suddenly demand grew for decent places to eat out. We took the business public and the shares climbed twenty-fold during the 1990s. We opened over 100 new restaurants and profits climbed ten-fold. There was a fantastic team running the business and it was a fortunate experience to be part of such a huge success.

WHAT IS THE SECRET OF YOUR SUCCESS?

The two most important ingredients in business are self-confidence and self-discipline. Entrepreneurs should also be optimistic, resilient, hardworking and humble. Energy and perseverance are also vital. Many business leaders are also extroverts who can inspire others. And innovators take a different approach – they are contrarian by nature, which enables them to pioneer.

WHAT HAS BEEN YOUR BEST MOMENT IN BUSINESS?

Launching and making Strada a major winner was very important. I had not really started a new restaurant concept from scratch before and I also had a fear that perhaps I would never achieve anything like PizzaExpress again. I think with Strada we created a strong new brand with better food and drink than PizzaExpress offers. So I feel proud of what we did with Strada, which now has over 75 branches.

AND YOUR WORST?

Unquestionably that was buying Borders, the bookshop chain. I thought it was a cheap turnaround opportunity – I was buying assets for pennies in the pound. But unfortunately the huge



Luke Johnson, "Start It Up: Why Running Your Own Business Is Easier Than You Think"

structural changes in the bookelling market – thanks to Amazon, supermarkets, and now ebooks – meant that large retail bookshops are doomed. This is a tragedy, but that is the nature of business: technology and behaviour change markets and industries, and if you don't adapt you die.

WHAT BUSINESS PERSON DO YOU MOST ADMIRE AND WHY?

I have great regard for inventor-entrepreneurs, so from history I would pick Thomas Edison, the prolific innovator. In the 21st century Steve Jobs.

"Acquire domain knowledge and stick to what you understand."

stood out and in Britain it's James Dyson, who transformed mundane things like vacuum cleaners and hair drying.

WHAT ARE THE CHARACTERISTICS OF A GOOD BUSINESS OPPORTUNITY?

An attractive opening needs to offer decent scale and not be too niche an idea. It should have reasonable margins and provide a healthy return on

capital. I like repeat purchase products and services, and I prefer consumer markets to industrial ones.

Ideally one benefits from barriers to entry through patents, copyright, trademarks or other technical obstacles, or perhaps a franchise. And I dislike heavily regulated sectors like financial services. Finally, it should be a business that you can feel proud to own.

WHAT'S THE MOST IMPORTANT LESSON YOU'VE LEARNT IN YOUR CAREER?

Acquire domain knowledge and stick to what you understand, work with partners. As it's a less lonely journey and focus on the cash, as it's much more important than accounting profits. Never ever give a personal guarantee and retain a sense of humor – always look for improvement, no matter how good your operation.

WHAT'S YOUR BEST PIECE OF ADVICE TO A BUDDING ENTREPRENEUR?

Consider moonlighting or starting part-time – that way you can earn a living while starting your company. Don't worry if other people tell you you're too old or too young – you can be an entrepreneur at any age. Don't try to be too bold in your early projects, as a slightly better version of someone that's doing well is often a more sensible idea when beginning your career as an entrepreneur.

Also, seek out a mentor, as wise advice from someone who has done it can be useful and a sympathetic, informed listener is a great support when times are tough. And don't worry about the current macro-economic downturn – what matters is your immediate micro-economy. **MM**

Winter

Finance Director Europe – feature

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The intelligence > Opinion

Unnatural progression

Renowned entrepreneur **Luke Johnson** argues that while a CFO may be the obvious choice to take over the top job of CEO, the two roles often require fundamentally different experience, temperaments and skill sets.



Do CFOs make great leaders? This is a key question, because often they are in pole position to take the reins of a company. But they are by no means always the best choice. I often wonder if CFOs are temperamentally suited to becoming bosses. For most of their career they focus on the numbers – especially the costs. By contrast, the start-up owner running the show must have other priorities: sales, staff, customers, products and services. My experience is that founders of companies tend to be extroverted, confident and strong communicators. They have grand ideas, but are often scared by administration, detail and spreadsheets. By nature they tend to be positive or optimistic – and sometimes dangerously over-optimistic. Such personalities need a reliable and cautious partner to initiate and police financial controls. That individual might be the chairman for women, but is more likely to be the finance director. It strikes me that enduring the necessary training to gain a chartered accountancy qualification, or similar, requires a degree of patience lacking in most start-up entrepreneurs. The visionaries I've worked with were too impulsive for years of post-graduate study. They wanted to get out there and follow their dreams. I suspect that founders tend to be right-brain thinkers: creative, intuitive and capable of seeing the whole picture. Accountants are likely to be left-brain, quite highly rational, analytical characters who are perhaps more passionate about the cash than the actual goods being sold. And given that a business that runs out of cash can no longer trade, I strongly approve of that obsession in a CFO. None of this is to say that CFOs cannot be bold thinkers, or capable of decisive action, and of course I am generalising somewhat. All manner of types qualify as accountants and become CFOs. Moreover, before they run an entire business, a chief executive has to come from somewhere. In most cases this experience will not be broad enough to allow them to understand all aspects of a business. So they will have the same disadvantage as a CFO who wants to run the whole enterprise. Perhaps CFOs are better placed to end up running large corporations, rather than building their own start-ups. Most entrepreneurs have a stomach ache that doesn't really fit with the expectations and training of a CFO. Such risky multi-tasking doesn't fit with the traditional concept of prudence that is at the heart of the accountant's philosophy. Yet while the CFO might not be a born business leader, he is also usually well-placed to become number one in an existing operation if the CEO dies, falls ill, grows up or gets sacked. Frequently the CFO is the youngest executive director on a board, with energy on his or her side; usually they are to all intents and purposes, the second in command, and they will typically have the respect of senior executives and stakeholders, who usually illustrate these appointments. Interestingly, while some CFOs can become the ultimate boss, former CEOs simply cannot become finance directors. They not only lack the qualifications, usually they would be too bullish and instinctively conservative. And they would be highly unlikely to possess sufficient expertise in such areas as tax, banking, company law and IT, a core skill set for a modern CFO. Meanwhile, this all assumes the person in question is mature – and I have met far too many founders who are simply deficient in this regard. Leaders might consider my views somewhat old-fashioned and rigid. They reflect the fact that I tend to back steady, entrepreneurial companies. Perhaps I have preferred working with CFOs who are content to carry out that set of tasks, rather than strive to run their own show. Every firm is a team effort, and at the top, every member is vital. Great CFOs are as valuable and as hard to find as outstanding CEOs – but I believe the talents needed are fundamentally different. ■

Richard Solomon of BDO discusses the CFO-to-CEO trend on page 48.

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The corner office > The perfect CEO

The ideal leader

Heading up a successful company may seem like a glamorous job, but it's no simple task. Risk Capital Partners chairman and renowned entrepreneur **Luke Johnson** reveals the ten key components that he believes make the perfect CEO.

The Bible tells us that from the Garden of Eden onwards, man is a fallen creature, blighted by original sin. Similarly, all bosses are flawed – the search for a perfect CEO is a doomed cause. But if one were to come across the ideal leader of an organisation, what attributes would he or she possess?

I have itemised a personal list of the skills that I believe any great CEO should have. If they own the full set, then they are a remarkable individual – and are probably well on their way to corporate heaven. I have accumulated these top ten pointers during a quarter-century of observing, owning and partnering with CEOs of every description.

- 1. Domain knowledge.** Every manager should possess a profound understanding of the company they run and its industry, markets, customers and competitors. I do not believe in 'generalist' bosses. In my opinion they should be steeped in the technology and detail of their business. An MBA in a classroom is no substitute for hands-on experience in the trenches.
- 2. Self-confidence.** To direct people requires an extrovert with self-belief. There is no room for serious doubt in the mind of a proper leader. Employees want someone in charge who has resolution, knows their mind and offers certainty.
- 3. Self-discipline.** No one succeeds in controlling others if they cannot control themselves. With wilpower can come follow-through, reliability, calm under fire and many other necessary attributes. If bosses have uncontrollable urges, then they will surely fail before too long.
- 4. Decisiveness.** Ultimately, being the boss is about making decisions.

“Employees want someone in charge who has resolution, knows their mind and offers certainty.”

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rather than procrastinating. Constantly hedging, instead of making a commitment and taking the plunge, is of no use at the top.

5. **Numerate.** A competent CEO should be good with figures and understand financial statements well. He or she does not need to be an accounting expert, but without a strong grasp of the financial terrain, a leader will be unable to carry out the job.

“Leaders should be able to enthuse their team and encourage them, even if conditions are difficult.”

6. **A positive outlook.** Leaders must know how to motivate people. They should be able to enthuse their team and encourage them even if conditions are difficult. Natural optimists make the best bosses – pessimists and depressives are not suited to the role.
7. **Communicators.** CEOs should be articulate and persuasive. They do not have to be a brilliant orator or highly charismatic (although both

Luke Johnson: in his own words

“I managed to get myself fired.”

As an investment banker, he boss reassigned his responsibilities. Johnson issued an ultimatum to his boss that he be reassigned to his previous stocks or he would leave. His boss didn't budge.

“My best deal was Pizza Express.”

Not because it earned him the most money but, at 30 years old, it transformed his life through the recession of the late 1980s and early 1990s.

“My worst deal was Borders.”

Johnson bought the book group for cheap and imagined it to be a quick turnaround, but due to massive structural change in the retail book industry, he effectively got crushed.

“Entrepreneurs are successful because they are individuals.”

Eccentricity, character and going against the grain are key assets of the successful entrepreneur.

“One in 1,000 is interesting.”

Out of all the calls and solicitations of business pitches and joint ventures, Johnson narrows down the ratio of diamonds to rough.

talents help, but they do need to be able to explain themselves clearly and convince others of the merits of their argument.

8. **Hard-working.** Any CEO who wants to achieve big things needs to be industrious. I don't believe a fantastic work/life balance is realistic if you want to manage a large enterprise. Jobs and slivers

have no hope of ever rising to the summit.

9. **Reliable.** Bosses must deliver and carry out their promises if they can. Bullshitters only get so far before they are detected and discarded. The world of business is full of fine-line artists, some of whom rise to considerable heights, thanks to charm and chutzpah. But eventually they always get discovered.

10. **Pragmatism.** At its heart, business is a practical art, not a theoretical exercise. Someone running a company cannot spend their time daydreaming – they must deal with real issues such as meeting payroll every month. The private sector faces the twin threats of bankruptcy and competition, which means a much tougher set of pressures than the public sector often faces.

Of course, there are many other proficiencies that the 100% CEO might command – the list could be almost endless. But any candidate I interviewed who could prove that they had the full complement from the above would get the appointment. ■

Luke Johnson's business snapshots

- Chairman of **Risk Capital Partners**, a private equity house.
- Chairman of **Fast Track**, the UK's leading networking events and research company.
- Chairman/part-owner of **Automotive Repair Solutions**.
- Non-exclusive director of art publisher **Phaidon Press**.
- Part-owner and chairman of **Superbrands**, **Giraffe Restaurants**, **Patisserie Valerie** and **Baker and Spice**.
- Part owner of **Bread**, the firm behind the **Gail's Artisan Bakery** chain.
- Majority stakeholder in casual dining firm **Ego Group**.
- Controller of **Feng Sushi**, a London-based chain of Japanese restaurants specialising in home delivery.
- Major owner and director of car park equipment company **APT Controls**.
- Director of theatre production partnerships **Playful Productions** and **Fiery Dragons**.
- Director of marketing agency **AKA UK**.
- Chairman of **Channel 4 Television Corporation** from 2004 to 2010.
- Took control of **Pizza Express** with partners in 1993 and subsequently became chairman. He sold it in 1999 and started **Signature Restaurants**.
- Founder of the **Strada** restaurant concept, which he sold in late 2005.
- Founded **Integrated Dental Holdings** with partners in 1995, which he sold in 2006.

BROADCAST

5th September 2011

CNBC – interview

7th September 2011

Talk Radio Europe – interview

8th September

Jeff Randall Show , Sky – interview

8th October 2011

Bottom Line, BBC Radio 4 – 30 minute discussion

<http://www.bbc.co.uk/programmes/b015crks>

The screenshot shows the BBC Radio 4 website interface. At the top, there's a navigation bar with 'BBC' logo, links for News, Sport, Weather, iPlayer, TV, Radio, and More, and a search bar. Below this, a banner for 'ON RADIO 4 NOW' features 'Woman's Hour'. The main navigation includes 'Home', 'Programmes', 'Schedule', 'Podcasts', and 'Blog'. A '4' logo is prominent. The main content area is titled 'The Bottom Line' and includes tabs for 'The Bottom Line Home', 'Contact Us', 'Archive', and 'My Bottom Line'. A 'Listen now' button is displayed with a '30 minutes' duration. Below this, a description of the programme is provided, mentioning Evan Davis and the topics of business and mistakes. A 'Listen now' button is also present. The right sidebar contains 'MORE DETAILS' and 'MORE FROM BBC RADIO 4' links.

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Startups and Mistakes

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Listen now (30 minutes)

Last broadcast on Sat, 8 Oct 2011, 17:30 on BBC Radio 4 (see all broadcasts).

The view from the top of business. Presented by Evan Davis, The Bottom Line cuts through confusion, statistics and spin to present a clearer view of the business world, through discussion with people running leading and emerging companies.

Evan asks his panel if it's getting easier to create a new business in the wired world, or does a lower barrier to entry mean it's more difficult to get noticed? They also consider how good businesses are built on the back of mistakes.

Evan is joined in the studio by Matt Brittin, managing director of Google, UK and Ireland; Lara Morgan, founder of Pacific Direct and Company Shortcuts; Luke Johnson, serial entrepreneur and chairman of Risk Capital Partners.

Producer: Ben Crighton.

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LUKE JOHNSON



Luke Johnson is the serial entrepreneur and chairman of Risk Capital Partners.

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Luke Johnson (Chairman of Risk Capital Partners and the former Chairman of Channel 4 Television): 'Jeff Scott did an excellent job in promoting my book. He was professional, responsive, and delivered great value. I would certainly use him again, and would unhesitatingly recommend him to other authors who want to achieve the right balance of quality and quantity of publicity for their books.'

Richard Lennon (Portfolio Penguin)

“At one point towards the end of the campaign I was chatting to the editor of a business publication. I happened to mention that we had published Luke’s book and his response (verbatim) was “that was you? That’s been everywhere! I haven’t opened any industry publications recently without seeing that book.” And of course this was not my work but was all down to the talents of Jeff Scott.

I was consistently impressed throughout the process of publishing Start It Up with Jeff’s work-rate, his knowledge of the right routes into both mainstream and niche business media and his ability to maintain constantly positive relationships with the publisher, the author and the author’s team and a veritable gaggle of influential media figures.

We have freelanced several campaigns in the past 12 months and always been happy with results but we have rarely received the combination of quality, quantity and depth of coverage that Start It Up received through Jeff’s constant attention and diligence. This seems to me to have been a truly great campaign built on in-depth knowledge of the right media, strong relationships with everyone involved in the process, an extremely sound understanding of the material and no small quantity of serious hard graft. Delighted with the outcome.”

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