

# START YOUR BUSINESS

Starting a business and being an Entrepreneur. What an exciting time! What a busy time. This could be the best time ever! I'm glad you have decided to take on the most challenging thing you have ever done in your life. Yes, it can be very rewarding and fulfilling. But make no mistake about it, it will be challenging. Entrepreneurship, or an entrepreneur is defined as...*one who organizes, manages, and assumes the risks of a business or enterprise.*

My job however, is to teach you the good, the bad, and the ugly about *entrepreneurship*. When attend one of my seminars or workshops you will learn first hand what it takes to succeed in business, and how to stay away from the pitfalls. This doesn't mean that you will not fail along the way, but I can at least give you some of the background and the foundation to build on.

In the University courses I teach at the University of Utah, I start off the semester with phrases like... "How many of you want to become an entre-manure? How much have you researched about entre-manureship? How many of you are an entre-manure?"

By now I have their attention, and it is rather comical to watch the looks on their faces. They also turn to their neighbor and whisper... "Is he saying that right? It sounds like he is saying manure. Who is this bozo anyway?"

We all get a good laugh out of it when I confess that owning a business is often like running a manure factory...it's usually piled high and deep, and you are wading in the middle of it most of the time.

I don't want to scare you...just set a basic foundation. I want you to know that all the hype and excitement of owning your own business requires good planning, hard work, strategy, capital resources, sales, good people, sound management practices, good suppliers, a good product or service, technology, brand identity, enough insurance, contacts, and about a thousand other things I could list here...if you want to succeed.

So, let's go over some of the first steps to get you started.

## First Steps

- Do you have what it takes - what it means to own your own business?
- The right small business for you - new business ideas, plus the pros/cons of buying a business.
- Evaluating your chances of success - what it will really cost you to start a new business.
- Getting started - turn your small business idea into a reality.
- Now that you're up and running - common problems faced by startups and gauging success.
- Your home office - decide if running your business from home is right for you.
- Business facilities outside the home - Purchase or lease? The right location? How much space do you need?

## Business Plan

- What can a business plan do for you - why go to the trouble, when to create or update a plan.
- Preparation - know your audience, how to gather the information needed, formatting the plan.
- Writing the plan - organizing and presenting your plan, what documents to include and why.
- Using the plan - compare to real world results, how to handle the unexpected.
- Case studies - sample plans for a manufacturing concern, a service provider, and a retailer.

## Getting Financing

- Business financing profile - financing options, how much money you need, finding money locally and a "quick pick" chart showing your best financing options.
- Debt vs. equity - compare financing and combining for your advantage.
- Equity financing - pros & cons of venture capital, "angels," sales of securities, franchising, and employee stock ownership plans.
- Debt financing - where to get, how to get and the types of business loans.
- Government programs - Federal SBA and other government financing programs.

## Getting Customers

- Market Analysis – Locate the type of customers you are looking for and what their buying patterns are.
- Marketing Strategy – getting the word out to your potential customers that your products and your company exist.
- Sales Strategy – some customers need more “hand holding” than others, and they expect different things to convince them to buy.
- Unique Selling Advantage – What makes your product/service unique among all the noise out there, and convincing someone to buy from you.
- Customer Service – how you take care of a customer after the sales depends on whether or not they will buy from you in the future.

## Responsibilities of Ownership

In the U.S., it's estimated that only about 30 percent of all startups are still in business after five years. In some states the number is only about 10 percent. These are startling numbers, and yet they are somewhat understandable. Most small business owners are too busy to plan for the future...or at least they think they are too busy. The fact is the better you prepare yourself and understand the challenges ahead of you, the more likely it is that you'll be one of the survivors.

Probably the two most common reasons that a business doesn't succeed are that (1) the business is poorly managed because the owner lacks the necessary skills and (2) the owner underestimates how much money it will take to start the business...or they are undercapitalized. In the following sections we'll look specifically at the first cause and try to help you determine if you have the necessary skills.

To begin the process of preparing yourself, let's take a look at:

- Pros and cons of owning a business— here's where you can get a good sense of the challenges — and the rewards — of owning your own business.
- Roles you'll be expected to play— how many hats must you wear as a small business owner? Are you ready to be one of Uncle Sam's sales tax collectors? Are you ready to "manage" your customers? Are you ready to be the boss?

## Evaluating Your Chances for Success

Once you've decided that you have the right stuff to be an entrepreneur, you're ready to determine if your business idea has the right stuff. Before you pump your life savings into a small business, you want to know if it has a chance to succeed.

Here's a look at the prime considerations for determining if your business idea has a chance to succeed: Market assessment— is there a market for your product or service? If so, how much income can you expect to derive from it?

Profitability assessment— how much will starting a new business cost you? Can you afford a lengthy "red ink" period following startup, as well as periodic lulls in cash flow? Can you afford to fail?

Financing assessment— will you be able to obtain the necessary financing for your business? If so, from where?

Legal assessment— what potential legal liabilities are you exposing yourself to by starting a new business? Are the costs of protecting yourself worth the trouble?

Researching your industry— how can you learn more about your chosen industry and about the resources that are available to help you?

Once you complete these assessments you will be able to begin to understand the viability of the idea that you have. A closer look at the Free Enterprise Model may help you understand this cycle a little better:

## Free Enterprise Model

As I have worked with hundreds of companies over the years, there exists a certain model of basic entrepreneurship, or free enterprise. It consists of three basic principles, with a few subsets, or elements that drive the model. In fact, whether you own a business, or you are a manager of an enterprise—small, medium and larger enterprises can use this model as a valuable tool in moving an idea forward. This model is universal, and allows all types of managers in all types of industries to work with an idea and bring it to fruition, or ban the idea.

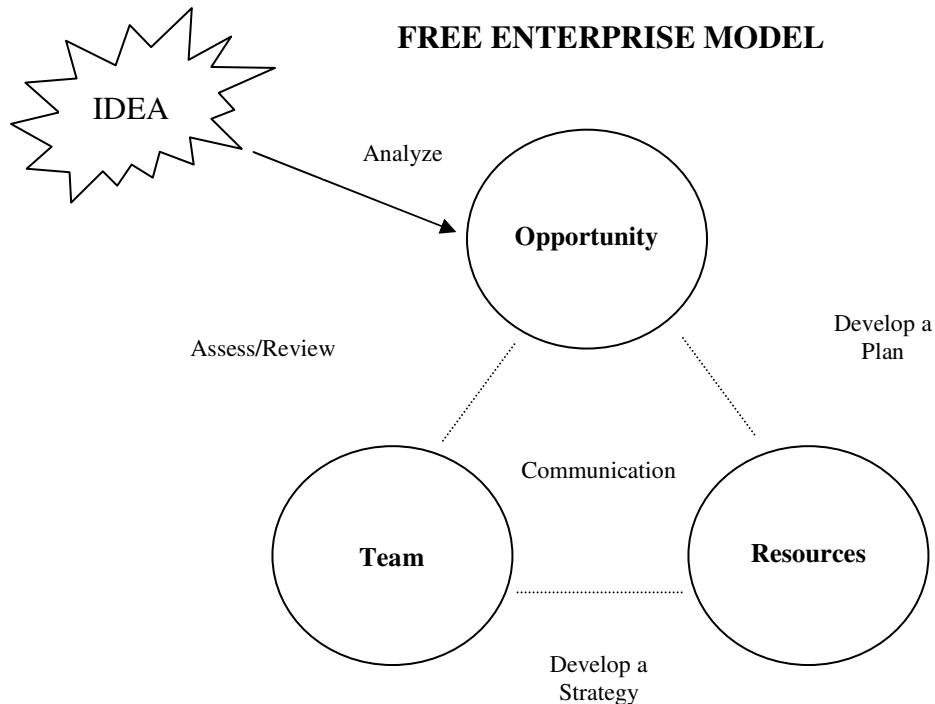
First, beginning with an IDEA moves the manager to some form of action. The idea begins to take shape as the *opportunity* is sized up and analyzed. The manager then begins to communicate his or her idea to others, and conducts further analysis of the OPPORTUNITY. This analysis is required to realize just how viable the *opportunity* may or may not be.

Once it is determined that there exists a fairly practical OPPORTUNITY the manager then begins to design a plan for gathering the proper RESOURCES. In this case the *resources* are those elements that are needed to turn an opportunity into reality. The *resources* required here may vary from organization to organization, but there are a few basic resources to consider: Tools, Technology, Capital, Industry Best Practices, Partners, Suppliers, Value Added Resellers (VAR's), and most important People, or staff--not the management team. (We will discuss the TEAM in just a moment). Resources are vastly important in the overall success of making the opportunity a reality.

After the Resources have been identified and even allocated, the next step is to formulate the TEAM that will be responsible for driving the entire concept into a formidable, moneymaking *opportunity*. The team

is made up of individuals who will be held responsible for the success (or heaven forbid, failure) of the *opportunity*.

**Figure 1.1: Free Enterprise Model**



As you go through the exercises of sizing up an opportunity, gathering the proper resources and assembling the best management team, let's not forget that there are very important elements which should not be overlooked as the process continues. Those four elements are:

- Communication
- Plan of Action
- Strategy
- Assessment/Review

**Communication** is paramount throughout the entire process. If it breaks down, the process breaks down and will ultimately fail. As in the Power Planning Model™, Communication is the foundation of all successful planning operations. Pay close attention to the communication between members of the planning committee and management. Keep a close watch that someone is driving the process forward, and that no back-biting or undermining is occurring.

**Develop a Plan of Action** and see the fruits of your planning labors. This is where you will actually begin to *implement* what you have designed. Your Action Plan is your Implementation Strategy.

How will you put into practice what you have committed to writing? Although the Strategic Plan itself is a call to multiple forms of action, a succinct Plan of Action to get things moving is also required. It

outlines the steps you will be taking, the milestones you and your team will be achieving, who is responsible for the completion of the milestone, start and end dates, and a budget for each element.

**Strategy** is defined as **1 a** (1) : the science and art of employing the political, economic, psychological, and military forces of a nation or group of nations to afford the maximum support to adopted policies in peace or war (2) : the science and art of military command exercised to meet the enemy in combat under advantageous conditions **b** : a variety of or instance of the use of strategy **2 a** : a careful plan or method : a clever stratagem **b** : the art of devising or employing plans or stratagems toward a goal **3** : an adaptation or complex of adaptations (as of behavior, metabolism, or structure) that serves or appears to serve an important function in achieving evolutionary success.

And **Stratagem** is defined as **1 a** : an artifice or trick in war for deceiving and outwitting the enemy **b** : a cleverly contrived trick or scheme for gaining an end

Whether it comes down to war, winning a game or beating your competition, formulating a strategy is the first step to achieving success.

**Assessment and Reviews** should occur after you have implemented your plan. You will need to assess how well your plan is working. You should review with your team what things are working and which things are not. Has the plan been implemented? What are the bumps in the road that have occurred? What changes should you make? Who should you reward if things are going well? (Don't forget this item...people like to be recognized for doing a good job).

We will cover this area in more detail later.

## Roles You'll Be Expected to Play

If you're currently employed, you have first-hand knowledge of what it's like to be an employee. If you think going into business for yourself will mostly mean doing the same thing, but for yourself, you're in for a surprise. Small business owners are responsible for the entire business, which involves a lot more than just providing goods or services. It's likely that all the administrative and managerial duties currently performed by your employer will fall on you.

We've all heard of the beleaguered executive who moans that he's overworked because he has to wear two or three hats at his company. Well, most small business owners would give anything if they had to wear *only* two or three hats.

Sales taxes and payroll or self-employment taxes will have to be collected and paid. Accounts receivable and accounts payable will arise in almost any business setting. Providing customer service, keeping the appropriate equipment and supplies in stock, as well as tracking and maintaining inventory and work in progress are activities vital to most businesses. As a new small business owner, it's more than likely there'll be no one except you to do them. And you'll be doing these things *in addition to* the activities that directly relate to providing goods or services to your customers.

Here's a look at some of the roles you can expect to play if own your own business:

- Tax collector — if you sell goods at the retail level, you're responsible for collecting a sales tax for various government entities; also, if you have employees, you're responsible for collecting payroll taxes from them.
- Manager/boss — if you have employees, you'll be responsible for all of the human resources-related functions, including recruiting, hiring, firing, and keeping track of all the benefits information; you'll be the one filling out all the insurance forms, answering employee questions and complaints, and making the decisions about whether you should change the benefits package you offer your employees.
- Sales/marketing/advertising executive — in addition to having to plan your marketing or advertising campaign, you'll have to carry it out; you may write advertising copy, do some preliminary market research, visit potential customers, and make sure existing customers stay happy; depending upon the type of business you own, you may have to join business groups, attend various breakfasts, lunches, and dinners, and just generally network with anyone who could help your business prosper.
- Accountant — even if you have an accountant, you'll have to know a lot about accounting; you'll have to know which records to keep and how to keep them; if you don't have an accountant, you'll also have to prepare all of your tax forms, and you'll have to know how to prepare and interpret all of your own financial statements.
- Lawyer — even if you have a lawyer, you'll have to know a lot about the law; if you don't have a lawyer, you'll have to prepare all of your own contracts and other documents and understand all of the employment laws if you have employees or want to hire someone.
- Business planner — as you own your business, you'll inevitably want to make changes, perhaps to expand the business or add a new product line; if you want to make a change, it'll be your responsibility to do it; you'll have to plan it and execute it, and you'll have to consider all of the ramifications of your decision.
- Bill collector — when customers don't pay, it'll be up to you to collect from them; you'll have to know what you can and can't do when collecting; you'll have to decide how best to collect from them and when to give up.
- Market researcher — before you start your business, you'll have to find out who your customers are and where they're located; you may also have to conduct market research at various times during the life of your business, such as when you are considering introducing a new product.
- Technology expert — as a small business owner, you will probably come to depend upon your computer; you'll have to fix it when it breaks, install upgrades, and load software; you'll also have to keep up with the newest products and the latest changes in technology.
- Clerk/receptionist/typist/secretary — even if you have clerical help, you'll inevitably do some of your filing, some of your typing, some of your mailing, and some of your telephone answering; even if you have someone else, for example, keep track of overdue accounts, you'll have to know how to do it so that you can teach them what to do.

I included a list of the important responsibilities of running a business so you can realistically start to appraise your chances for success. Obviously, much of your time will be spent on the mechanics of complying with the requirements imposed on you as a business owner. If you're going to succeed, you'll have to do so in the time that remains. Don't make the mistake of underestimating the cost, in hours, of

being in business for your self. A person who spends 40 hours a week focused on his or her work will have to work a lot more hours as a business owner to get in 40 hours of activity directly relating to providing customers goods or services. And during the startup period, you'll probably be the busiest you've ever been in your lifetime.

## Pros and Cons of Owning a Business

Owning a small business is not just another job. It's a totally different lifestyle. You have to ask yourself whether you're ready for a complete commitment to the success of your business. Just as importantly, you have to ask your partner, if you're in a relationship, whether he or she is completely committed to supporting you in your efforts.

As a small business owner, you're going to have less time for your personal life and you'll probably be using much of what you own as collateral to raise money for the business. If you are willing to make those sacrifices, then let's move on to some of the advantages and disadvantages of owning your own business.

### Pros:

- You have the chance to make a lot more money than you can make working for someone else.
- You'll be your own boss and make the decisions that are crucial to your business' success or failure.
- You may be the boss of other people.
- You'll have job security — no one can fire you.
- You'll have the chance to put your ideas into practice.
- You may participate in every aspect of running a business.
- You'll learn more about every aspect of a business and gain experience in a variety of disciplines.
- You'll have the chance to work directly with your customers.
- You'll be able to benefit the local economy, such as by hiring other people to work for you.
- You'll have the personal satisfaction of creating and running a successful business.
- You'll be able to work in a field or area that you really enjoy.
- You'll have the chance to build real retirement value (for example, by selling the business when you retire).
- You'll have the chance to put down roots in a community and to provide a sense of belonging and stability for your family.

### Cons:

- You may have to take a large financial risk.
- You will probably have to work long hours and may have fewer opportunities to take vacations.
- You may end up spending a lot of your time attending to the details of running a business and less time on those things you really enjoy.
- You may find that your income is not steady and that there are times when you don't have much income coming in at all.
- You may have to undertake tasks you find unpleasant, such as firing someone or refusing to hire a friend or relative, or collecting receivables.
- You may have to learn many new disciplines, such as filing and bookkeeping, inventory control, production planning, advertising and promotion, market research, and general management.

**Special pros and cons of the home-based business:**

- Your startup costs will be lower.
- Your operating costs will be lower than they would if you were renting space and paying utilities.
- Your commute will be shorter.
- If your location is unimportant to your business, you can theoretically live anywhere and still operate your business.
- You may be more flexible in your schedule if your business can be conducted at your convenience or outside "normal" weekday business hours.
- On the other hand, you're much more vulnerable to interruptions from family members, neighbors, and door-to-door salespeople.
- You may have trouble attracting qualified employees.
- You may be less accessible to suppliers.
- You may have an image problem, although with the growing popularity of home businesses, that's less common.
- You may run out of space at home if your business grows.

This information was an excerpt from Brian Hazelgren's book *The Entrepreneurs Game Plan...*