

# Step One: Outline Your Business

1. What products or services do you want to offer? \_\_\_\_\_  
\_\_\_\_\_
2. What benefits do your products or services offer? \_\_\_\_\_  
\_\_\_\_\_
3. How will your product or service be used? \_\_\_\_\_  
\_\_\_\_\_
4. When (from the customer's point of view) will the product or service be used?  
\_\_\_\_\_  
\_\_\_\_\_
5. What unique features can you bring to the design, delivery, or marketing of this product or service? \_\_\_\_\_  
\_\_\_\_\_
6. Who will be your major competition? \_\_\_\_\_  
\_\_\_\_\_
7. What are their strengths? \_\_\_\_\_  
\_\_\_\_\_
8. What are their weaknesses? \_\_\_\_\_  
\_\_\_\_\_
9. How will you distinguish yourself from the competition?  
\_\_\_\_\_  
\_\_\_\_\_
10. If a product, will you manufacture it yourself? How? Will you buy ready-made products from suppliers? Who? Where? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# Step Two: Know Your Market

## Who Is Your Market?

Identify potential buyers of your product or service according to the following criteria:

### Demographics

Age	_____	Ethnicity	_____
Sex	_____	Family size	_____
Socioeconomic level	_____	Marital status	_____
Education	_____	Profession	_____
Religion	_____	Income	_____

### Geography

Neighborhoods	_____	Regional	_____
Segments of cities	_____	Multistate	_____
Citywide	_____	Nationwide	_____
Countywide	_____	Multinational	_____
Segments of states	_____	Global	_____
Statewide	_____	By climate	_____
Bicoastal	_____	By terrain	_____

### Lifestyle

Activities	_____	Interests	_____
Values	_____	Opinions	_____

Using the variables above (or any others pertinent to your ends), identify your market.

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## Step Three: Determine How to Reach Your Market

**Promotion:** How will you get the attention of your market? Check the applicable methods:

- |   |   |
|---|---|
| <input type="checkbox"/> Word of mouth                                    | <input type="checkbox"/> Flyers                         |
| <input type="checkbox"/> Newspapers                                       | <input type="checkbox"/> Brochures                      |
| <input type="checkbox"/> Magazines  | <input type="checkbox"/> Promotional speeches           |
| <input type="checkbox"/> Television                                       | <input type="checkbox"/> Demonstrations                 |
| <input type="checkbox"/> Radio  | <input type="checkbox"/> Introductory seminars          |
| <input type="checkbox"/> Trade publications                               | <input type="checkbox"/> Writing books and publications |
| <input type="checkbox"/> Outside advertising<br>(signs, billboards, etc.) | <input type="checkbox"/> Direct mail                    |
| <input type="checkbox"/> Trade shows                                      | <input type="checkbox"/> Telephone directories          |
| <input type="checkbox"/> Publicity  | <input type="checkbox"/> Internet                       |

**Delivery:** How will you distribute your product or service to the market? Check the applicable methods:

- |   |  |
|---|--|
| <input type="checkbox"/> Retail               | <input type="checkbox"/> Trade shows                   |
| <input type="checkbox"/> Wholesale            | <input type="checkbox"/> Field sales force             |
| <input type="checkbox"/> Mail order           | <input type="checkbox"/> Manufacturing representatives |
| <input type="checkbox"/> Multilevel marketing | <input type="checkbox"/> Independent agents            |
| <input type="checkbox"/> Franchising          | <input type="checkbox"/> Sell to manufacturer          |
| <input type="checkbox"/> Telemarketing        | <input type="checkbox"/> Web site                      |

# Step Four: Assemble a Team

Put together a team of committed, competent people who agree on the purpose of the organization. Listed below are important qualities to look for in building your team.

## Management Team

- |                                |  |
|--------------------------------|--|
| 1. Agreement on purpose        | 4. Highly motivated/dedicated  |
| 2. Complementary skills        | 5. Willing to risk getting less in the beginning for more in the end |
| 3. Complementary personalities |  |

## Professional Support Team

1. Credibility
2. Professional standing
3. Personal rapport
4. Prestige in the community
5. Support for your objectives

## Staff Team

1. Able to cooperate
2. Self-reliant
3. Positive
4. Growth-oriented
5. Willing to work long hours

In your view, what is important that members of your team understand to be the purpose of your organization?

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What undeveloped skills can you compensate for by having an individual on your team who is strong in that area?

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What weaknesses in your personality can you compensate for by having an individual on your team who is strong in that area?

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What is it about the concept and purpose of your organization that will attract highly dedicated individuals?

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What is it that you can offer the people on your team that will entice them to want to give their all (e.g., the opportunity to make a significant contribution, challenge, training and skill development, a financial stake in the organization, the opportunity to work with the very best, camaraderie, etc.)?

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What will be the initial size of your team?

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How many individuals will you require at each of the following levels?

\_\_\_\_\_ Ownership    \_\_\_\_\_ Supervisory    \_\_\_\_\_ Management    \_\_\_\_\_ Workers

### **Professional Support Team**

Identify the following:

Accountant: \_\_\_\_\_

Advertising Agent: \_\_\_\_\_

Attorney: \_\_\_\_\_

Banker: \_\_\_\_\_

Business Consultant: \_\_\_\_\_

Insurance Agent: \_\_\_\_\_

Other: \_\_\_\_\_

# Step Five: Decide on a Legal Structure

## 1. Sole Proprietorship

**Pros:** You have total control over it. Simple and very easy to start. Doesn't need to be registered with the state.

**Cons:** Personal liability. Limits access to capital.

## 2. Partnership

**Pros:** Simple, relatively easy to start. Doesn't need to be registered with the state. (You will probably want a partnership agreement prepared by an attorney.) Greater access to capital than with a sole proprietorship.

**Cons:** You are personally liable and may be vulnerable to lawsuits. A partnership usually terminates when one of the partners dies. Potential for conflict. (Don't start a partnership unless you really know and trust the individual[s] involved.)

## 3. Corporation

**Pros:** Limited liability for debts, taxes, and litigation. Continuous existence.

**Cons:** More difficult to start. Many corporate actions must be formalized by the board of directors. Legal fees involved. Must be registered with the state.

Investigate further; then determine the type of legal structure you would like to use.

My legal structure: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Note:** Be advised that tax consequences of the various legal structures are significant and should play a role in your decision. See a certified public accountant for up-to-date details.

# Step Six: Determine the Cost of Doing Business

## Onetime Start-up Costs

Equipment	_____
Furnishings	_____
Renovations	_____
Licenses, permits, fees	_____
Professional services	_____
Start-up inventory	_____
Rent prepayments	_____
Insurance prepayments	_____
Special advertising or promotion	_____
Printing stationery, forms, etc.	_____
Utility deposits and installation	_____
Start-up cash	_____
Other _____	_____
Other _____	_____
Other _____	_____
<b>Total</b>	_____

## Monthly Operating Costs

Rent	_____	Postage and freight	_____
Utilities	_____	Insurance	_____
Advertising/promotion	_____	Loan payments	_____
Professional fees	_____	Monthly payments	_____
Wage/salaries	_____	Bad debts	_____
Employee benefits	_____	Transportation	_____
Taxes	_____	Printing	_____
Inventory	_____	Other _____	_____
Supplies	_____	Other _____	_____
<b>Total</b>		<b>Total</b>	_____

# Step Seven: Raise Money

## Where to Get the Money

1. Start on a shoestring and slowly build.
2. Acquire a business on a no-cash basis.
3. Friends and family
4. Banks
5. Savings and loans companies
6. The SBA (Small Business Administration)
7. Venture capitalists
8. Silent partnerships
9. Organize a syndication
10. Small business investment corporations
11. State development commissions
12. Credit unions
13. Investment consultants (can help you find investors)
14. Suppliers (can give you credit)
15. Foundations

## Approaching Potential Investors

The first step to approaching potential investors is to decide what kind of investment you want: a security-based investment, an equity-based investment, or a purpose-based investment. Your process will vary according to the avenues you choose.

**Security-based Investments:** A security-based investment is essentially a loan. The prime consideration for this type of lender is security. Your task is to demonstrate that loaning you money is a safe proposition. Do this by convincing them that:

1. Your venture is based on solid planning, will be well managed, and has a high probability of success; in other words, that it makes economic sense. Be well prepared. Go with your business plan in hand, and make sure that all of the marketing and financial projections are realistic and solid. Bring along other important financial data, for example, recent balance sheets, profit/loss statements, etc.
2. You have sufficient collateral in case the unforeseen occurs. Some common security-based investors include: banks, savings and loans, credit unions, thrifts, small business investment corporations, friends and family. (Be clear and be careful!)

**Equity-based Investments:** Equity-based investors want a piece of the action. They become part owners of your business, for example, as general or limited partners, or corporate shareholders. The equity investor incurs greater risk than the debt investor, with the prospect of realizing greater profit when the business succeeds. Understand their point of view. First convince them, if you honestly can, that they have little or nothing to lose. Then convince them how much they have to gain. (Again, approach with a realistic and well-prepared business plan.) Your task with the equity investor is to convince him that your idea is viable, marketable, and will realize sizable profits for him. Some examples are: venture capitalists, silent partnerships, syndications, small business investment corporations, friends, and family. (Be clear and be careful!)





## Step Eight: Establish a System to Monitor Your Dough

You may want to purchase a small-business accounting software program (e.g., Quicken Home and Business or QuickBooks) or subscribe to one online. Similar programs (such as GnuCash) can be downloaded for free. Most of these programs are relatively easy to learn and operate. As your business grows, specialized editions will help you handle virtually any conceivable record-keeping issue. When you're first starting your business, an even simpler system for keeping track of your money will work fine for a time. It is listed below (adapted from *The Small Time Operator* by Bernard Kamoroff).<sup>6</sup>

1. Open a business bank account.
2. Deposit all of your business income. That way you'll know exactly how much money you're taking in.
3. Pay all bills by check. That way you'll have a record of all your expenditures.
4. Never use the business account for anything else. That way you'll be able to keep track of your business income and expenditures.
5. Decide whether you want to use a cash or accrual accounting system. If you use a cash accounting system, you record income when you receive payments and expenditures when you make payments. In an accrual accounting system, you record income and expenses at the time of the transaction, whether or not money has physically changed hands. Though a cash accounting system is simpler, the accrual system gives you a more complete picture of your finances. See an accountant for advice on your accounting system.

### Additional Financial Sources

***201 Great Ideas for Your Small Business, Revised and Updated.*** Jane Applegate. Princeton: Bloomberg Press, 2002.

***Keeping the Books: Basic Recordkeeping and Accounting for the Successful Small Business.*** Linda Pinson. New York: Kaplan Business, 2007.

***Pratt's Guide to Private Equity and Venture Capital Sources.*** Boston: Venture Economics. Updated regularly.

***Raising Venture Capital for the Serious Entrepreneur.*** Dermot Berkery. New York: McGraw-Hill, 2007.

***The Small Time Operator.*** Bernard Kamoroff. Laytonville, Calif.: Bell Springs, 2008.

***Working for Yourself: Law & Taxes for Independent Contractors, Freelancers & Consultants.*** Stephen Fishman. Berkeley: Nolo Press, updated regularly.

## Step Nine: Cut Through the Red-Tape Jungle

There may be a red-tape jungle separating you from what you want to do. Think of it as an obstacle course, set up to test the intensity of your desire and your willingness to go the extra mile to make your work happen. Here are just a few of the red-tape items you may want to consider.

**Business Identity:** Almost without exception, you will need to obtain a business license from the city and/or county in which you intend to run your organization. You will need to file for an Employer ID number or Tax ID number from the IRS in order to open a bank account for your organization. Articles of Incorporation will need to be filed for profit and nonprofit corporations. You will need to file a fictitious name statement if you call your business by a name other than your own surname. After completing the necessary research, indicate the red-tape obstacles you need to overcome to establish your business identity. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Regulations:** You will need to check with your city, county, state, and federal governments to make certain that your organization complies with all of their regulations. Some of these may include: zoning regulations, building codes, health codes, land-use restrictions, and special licenses and permits that are unique to the product or service you are providing. After completing the necessary research, indicate the steps you need to take to ensure that you are in compliance with all pertinent laws and regulations.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Taxes:** Consult a tax accountant and make sure that you are aware of and pay all necessary local, state, and federal taxes. These include, but are not limited to: income tax, self-employment tax, sales tax, property tax, payroll tax, federal unemployment tax, state unemployment tax, Social Security, federal excise taxes, etc. After completing the necessary research, indicate the red-tape obstacles you need to overcome to ensure that you are paying all relevant taxes and paying no more than your fair share. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Insurance:** Consult an independent professional insurance consultant who will go over with you what insurance coverage is mandatory and what is highly advisable for your particular needs. Armed with this information, you are then ready to approach an insurance agent to purchase the insurance you need. After completing the necessary research, indicate the steps you need to take to ensure that you are properly insured. \_\_\_\_\_

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**Employees:** As soon as you hire your first employee (or in the case of a corporation, if you are an employee), you geometrically increase the amount of red tape you will need to wade through. Some areas to be aware of include: Social Security Tax and Federal Income Tax Withholding, payroll tax, State and Federal Unemployment Tax, Workman's Compensation Insurance, Federal OSHA (Occupational Safety and Health Act of 1970) record-keeping requirements, as well as pension plans, welfare plans, Federal Wage and Hour Laws, and fair employment practices. Once again, I urge you to seek the help of a qualified professional in determining how best to meet these requirements. After completing the necessary research, indicate the steps you need to take to ensure that you are complying with all existing laws and regulations with regard to employees. \_\_\_\_\_

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**Miscellaneous Red Tape:** Include any additional action steps necessary to be on top of any red-tape requirements not listed above. \_\_\_\_\_

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# Step Ten: Concentrate Your Energy and Resources

Grow at a pace you're comfortable with. Seize opportunities while operating from a solid base. Understand that there are advantages to starting small. It allows you to perfect your product or service and your delivery systems before you try to market them on a wide scale. Determine realistic growth projections for the next five years.

Where I want my business to be in one year: \_\_\_\_\_

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Where I want my business to be in two years: \_\_\_\_\_

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Where I want my business to be in three years: \_\_\_\_\_

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Where I want my business to be in four years: \_\_\_\_\_

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Where I want my business to be in five years: \_\_\_\_\_

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