

# STEPS FOR STARTING A SMALL BUSINESS

## OUTLINE

- I Introduction
  - ◆ What is a Small Business?
  - ◆ Common fears about starting a business.
  - ◆ Is Small Business an attractive career?
  
- II Getting Started
  - ◆ Exploring business ideas.
  - ◆ Identifying skills - PS#1.
  - ◆ Evaluating strengths and weaknesses - PS #2
  
- III Finding A Business
  - ◆ What will work?
  - ◆ Eliminating guesswork.
  
- IV Planning, The First Key To Business Success
  - ◆ Why planning is important.
  - ◆ Business Plan - what is it, how to put it together, why have one? \* Business Plan outline.
  
- V Choosing A Legal Structure
  - ◆ Sole Proprietorship.
  - ◆ Partnership.
  - ◆ Corporation.
  - ◆ Limited Liability Company.
  
- VI Marketing Considerations
  - ◆ Knowing your market (TM Worksheet).
  - ◆ Knowing your competition (Comp. Form).
  
- VII Financing Your Business
  - ◆ Will you need to borrow money?
  - ◆ How much will you need?
  - ◆ What are the sources of financing?
  
- VIII Projecting Cash Flow And Income
  - ◆ Personal Financial Statement.
  - ◆ Sources and uses of cash.
  - ◆ Cash flow.
  - ◆ Profit and Loss

- IX Insurance - (Fact Sheet)
  - ◆ What is needed and why.
  
- X Keeping The Books
  - ◆ Why keep records.
  - ◆ What records to keep (Checklist)?
  
- XI Checklist For Starting Your Business
  - ◆ Choosing a name.
  - ◆ Choosing a location.
  - ◆ Licenses, Taxes, Permits.
  - ◆ Bank account.
  
- XII Small Business Resources
  - ◆ Local Resources:
    - A. Small Business Center and SBTDC
    - B. Chamber of Commerce
    - C. Economic Development Office
    - D. Cooperative Extension Service
    - E. Public Library
    - F. Employment Security Commission
    - G. CPA'S, Attorneys, Bankers, Consultants
  
  - ◆ State and National Resources:
    - A. Small Business Administration (SBA)
    - B. University and Community Colleges
    - C. Trade Associations
    - D. North Carolina Rural Economic Development Center
    - E. Business License-- Information Office (1-800-228-8443)
    - F. Self-Help Credit Union-Fayetteville Office (910) 354-1010

## **10 QUESTIONS BEFORE PLAYING THE GAME**

1. Is your product or service different from others already in your marketing area?
2. Do you have the right kind of business experience?
3. Can you prepare a detailed, credible business plan for the first three years?
4. Do you readily take responsibility?
5. Are you a good organizer?
6. Are you ready to put in long hours?
7. Will you stick to it even during the rough times?
8. Do you have your immediate family's support?
9. Are your resources and credit adequate – or, preferably, more than adequate?
10. Is your health up to the tasks ahead?



## Personal Assessment Worksheet - 1

Skills

Interests

Personal Qualities

Business Ideas

## DO YOU HAVE WHAT IT TAKES?

Starting a business *is risky* at best; but your chances of succeeding will be improved 'if you understand the problems you are likely to encounter, and have them worked out before you start. The first question you need to answer is about yourself- do you have what it takes. The following 10 questions will help you evaluate your qualifications.

### 1. ARE YOU A SELF STARTER?

- I do things on my own. Nobody has to tell me what to do.
- If someone gets me started, I follow through well enough.
- Easy does it. I don't put myself out until I have to.

### 2. HOW DO YOU FEEL ABOUT OTHER PEOPLE

- I like people, and can get along with just about anyone.
- I have plenty of friends. I don't need anyone else.
- Most people irritate me.

### 3. CAN YOU LEAD OTHERS?

- I can get most people to go along when I initiate something.
- I can give the orders if someone tells me what we should do.
- I let someone else get things moving, then I take part if I feel like it.

### 4. CAN YOU TAKE RESPONSIBILITY

- I like to take charge of things and see them through.
- I'll take over if I have to, but would rather let someone else be responsible.
- There's always some eager beaver around wanting to show how smart he is. I say let them.

### 5. HOW GOOD AN ORGANIZER ARE YOU?

- I like to have a plan before I start. I'm usually the organizer when the group wants to do something.
- I'm fine unless things get too confusing; then I quit.
- Something usually occurs that presents too many problems. So I just take things as they come.

### 6. HOW GOOD A WORKER ARE YOU?

- I can stay motivated as long as I need to. I don't mind working hard for something I want.
- I'll work hard for a while, but when I've had enough, that's it.
- I can't see that hard work gets you anywhere

### 7. CAN YOU MAKE DECISIONS?

- I can make up my mind in a hurry if I have to. It usually turns out fine, too.
- If I have to make up my mind quickly, I later think that I should have decided the other way.
- I don't like to be the one to decide things.

### 8. CAN PEOPLE TRUST YOU?

- You bet they can. I don't say things I don't mean.
- I try to be on the level most of the time, but sometimes I just say what is easiest.
- Why bother with the truth if the other person doesn't know the difference?

### 9. CAN YOU STICK WITH IT?

- If I make up my mind to do something, I don't let anything get in the way.
- I usually finish what I start – If it goes well.
- If things don't go right immediately, I quit. Why beat my brains out?

### 10. HOW GOOD IS YOUR HEALTH?

- I never run down!
- I have enough energy for most of the things I want to do.
- I run out of energy sooner than most of my friends.

Total the number of checks you have next to the first, second and third answers. If most of your checks are beside the first, you probably have the skills needed to run a business. If not, you're likely to encounter more trouble than you can handle by yourself. It would be advisable to find a partner who is strong in the areas where you are weak. If many of your checks are beside the third answer, then a good partner will not be able to shore you up.

# CONTENT OF A BUSINESS PLAN

## COVER TITLE PAGE

### EXECUTIVE SUMMARY

- Purpose of the Plan
- Business Structure
- Principle Owners
- Financing Proposal - size of funds required, collateral, purpose of funds, repayment schedule
- Key to success in this venture

### TABLE OF CONTENTS

#### DESCRIPTION OF BUSINESS

- Disadvantages
- Type of Business
- The market - who, size, and expected market share
- Competitive Advantages
- Present status of Business
- Trend in the business and industry

#### BUSINESS LOCATION

- Business Address and why this location
- Building – leased or rent, terms and length, any renovation
- Neighborhood – conditions, other businesses
- Future outlook – expansion, renewal of lease

#### LICENSE AND PERMIT

- Registration with the secretary of state (required for Inc.)
- Type of license and permit required for your business
- Time frame for license and permit applications
- Affect of Zoning Regulations
- Business risk and insurance coverage

#### MANAGEMENT

- Management Personnel Profiles
- Organization Chart
- Proposed salaries and wages for management personnel
- Other non-in-house managerial personnel
- Future management team outlook

## THE MARKET

- Description of products or services
- Channel of distribution
- Market size and trend
- Present stage of products or services
- Product Life Cycle
- Copyrights, Patents or Trade Secrets
- Research and Development Activities
- Warranties
- Description of target customers
- Expected market share
- Competitors
- Competitive Advantages and Disadvantages
- Marketing Strategies – Product, Place, Promotion, Price

## OPERATIONS/PRODUCTIONS

- Operation or production procedures
- Operation or production capability
- Operating or production competitive advantages and disadvantages
- Materials suppliers and origin

## FINANCIAL DATA

- Source of funding
- Start-up Cost
- Opening Day Balance Sheet
- Proforma Income Statement (1 year, 3 years, and 5 years)
- Proforma Cash Flow (1 year, 3 years)
- Break-even Analysis.
- Concluding Narrative

## SUPPORTING DOCUMENTS

- Picture of Products or Services
- Resumes of Key Managers
- Letter of Reference
- Personal Financial Statements
- Market Research Results
- Any other information related to the business or company

NOTE: THE BOTTOM LINE IS: WILL YOUR BUSINESS MAKE A PROFIT?