

Approaches and process of starting a small enterprise

Starting a business involves a whole lot of moving pieces, some more exciting than others. Brainstorming business names? Filing taxes. Etc. The way to successfully getting your business off the ground is to plan and organize your materials, prioritize properly, and stay on top of the status and performance of each and every one of these moving parts. From registering with the government to getting the word out about your business to making key financial decisions. This lecture will show an overview of what you'll need to do to start a successful business.

Summary on the process

1. Write a business plan.
2. Review the legal requirements to start a business.
3. Determine your business' legal structure.
4. Register your business' name.
5. Understand small business tax requirements.
6. Create a customer acquisition strategy for your business.
7. Market the business.
8. Sell your products and services.
9. Keep your customers happy.
10. Fund the business.

A Business Plan.

A business plan is a document that maps out the details of your business. It covers what your business will sell, how it will be structured, what the market looks like, how you plan to sell your product or service, what funding you'll need, what your financial projections are, and which permits, leases, and other documentation will be required. At its core, a business plan helps you prove to yourself and others whether or not your business idea is worth pursuing. Here are the steps to take when coming up with a successful plan:

1. Narrow down what makes you different.

Before you start writing business plan, think carefully about what makes your business unique first. If you're planning to start a new athletic clothing business, for example, then you'll need to differentiate yourself from the numerous other athletic clothing brands out there. What makes yours stand out from the others? Are you planning to make clothing for specific sports or athletic activities, like yoga or hiking or tennis? Do you use environmentally friendly material? Does a certain percentage of your proceeds go to charity? Does your brand promote positive body image? Understanding your brand's positioning in

the market will help you generate awareness and sales. Remember that you're not just selling your product or service -- you're selling a combination of product, value, and brand experience.

2. Keep it short.

Business plans are shorter and more concise nowadays than they used to be. While it might be tempting to include all the results of your market research, flesh out every single product you plan to sell, and outline exactly what your business will look like. The business plan doesn't necessarily have to be long at the same time not too short. It should encompass every aspect of the risk you are about to take at the same time it should also be a summary.

3. You should change it as you go.

Keep in mind that your business plan is a living, breathing document. That means you can update your business plan as things change. For example, you might want to update it a year or two down the road if you're about to apply for a new round of funding.

How to Write a Business Plan

1. Write an executive summary.
2. Describe your company and business model.
3. Analyze your market's conditions.
4. Explain your product and/or service.
5. Outline all operations & management roles.
6. Design a marketing & sales strategy.
7. Detail a financial plan with business costs, funding, and revenue projections.
8. Summarize the above with an appendix.

1. Write an executive summary.

The purpose of the executive summary is to give readers a high-level view of the company and the market before delving in to the details. The executive summary should be about a page long, and should cover in 1–2 paragraphs each:

- **Overview:** Briefly explain what the company is, where you'll be located, what you'll sell, and who you'll sell to.
- **Company Profile:** Briefly explain the business structure, who owns it and what prior experience/skills they'll bring to the table, and who the first hires might be.
- **Products or Services:** Briefly explain what you'll sell.
- **The Market:** Briefly explain your main findings from your market analysis and product market fit.
- **Financial Considerations:** Briefly explain how you plan to fund the business and what your financial projections are.

2. Describe your company and business model.

Next, you'll have your company description. Here's where you have the chance to give a summary of what your company does, your mission statement, business structure and business owner details, location details, the marketplace needs that your business is trying to meet, and how your products or services actually meet those needs.

3. Analyze your market's conditions.

One of the first questions to ask yourself when you're testing your business idea is whether it has a place in the market. The market will ultimately dictate how successful your business will be. What's your target market, and why would they be interested in buying from you? From there, the question of age and demographics comes in. What age groups are you targeting? Are there new market trends you need to include? Include both an analysis of research that others have done, as well as primary research that you've collected yourself -- whether by customer surveys, interviews, or other methods. This is also where you'll include a competitive analysis. Outline the strengths and weaknesses of your potential competitors, as well as strategies that will give you a competitive advantage.

4. Explain your product and/or service.

Here's where you can go into detail about what you're selling and how it benefits your customers. If you aren't able to articulate how you'll help your customers, then your business idea may not be a good one. Start by describing the problem you're solving. Then, go into how you plan to solve it and where your product or service fits into the mix. Finally, talk about the competitive landscape: What other companies are providing solutions to this particular problem, and what sets your solution apart from theirs?

5. Outline all operations & management roles.

Outline your business' unique organization and management structure (keeping in mind that you may change it later). Who will be responsible for what? How will tasks and responsibilities be assigned to each person or each team? Includes brief bios of each team member and highlight any relevant experience and education to help make the case for why they're the right person for the job. If you haven't hired people for the planned roles yet, that's oaky, just make sure you identify those gaps and explain what the people in those roles will be responsible for.

6. Design a marketing & sales strategy.

This is where you can plan out your comprehensive marketing and sales strategies that'll cover how you actually plan to sell your product. Before you work on your marketing and sales plan, you'll need to have your market analysis completely fleshed out, and choose your target buyer personas, i.e., your ideal customers. On the marketing side, you'll want to cover

answers to questions like: How you plan to penetrate the market. How you grow your business. The channels will you focus on for distribution and how you will communicate with your customers. On the sales side, you need to know your sales strategy, what your sales team look like, and how you plan to grow it over time. How many sales calls you will need to make to make a sale and what will the average price per sale be.

7. Detail a financial plan with business costs, funding, and revenue projections.

Finally, outline your financial model in detail, including your start-up cost, financial projections, and a funding request if you're pitching to investors. Your start-up cost refers to the resources you'll need to get your business started and an estimate of how much each of those resources will cost. Are you leasing an office space? Do you need a computer? A phone? List out these needs and how much they'll cost, and be honest and conservative in your estimates. The last thing you want to do is run out of money. Once you've outlined your costs, you'll need to justify them by detailing your financial projections. This is especially important if you're looking for funding for your business. Make sure your financial model is 100% accurate for the best chance of convincing investors and lenders to support your business.

8. Summarize the above with an appendix.

Finally, consider closing out your business plan with an appendix. The appendix is optional, but it's a helpful place to include your resume and the resume(s) of your co-founder(s), as well as any permits, leases, and other legal information you want to include. It might just boost investor confidence

Legal Requirements to Start a Business

Once the business plan is in place, the other part of planning comes to play, the paperwork and legal activities. This includes things like determining the legal structure of your business, nailing down your business name, registering with the government, and, depending on your business structure and industry, getting a tax code, a business license, and/or a seller's permit. Furthermore, businesses are regulated on the national level, the county level and at times at even local level. It's important to check what's required on all three of those levels. When you register your business with the government, be sure you're covering registration on all the levels required for your business' location. Your business won't be a legal entity without checking these boxes, so stay on top of it.

Business Legal Structures

The 4 most common business structures are:

1. Sole proprietorship

This is a a business that's owned and run by one person, where the government makes no legal distinction between the person who owns the business and the business itself. It's the simplest way to operate the business. You don't have to name your business anything other than your own, personal name, but if you want to, you can give it its own distinctive name by registering the name.

- **Pros:** It's easy and inexpensive to create a sole proprietorship because there's only one owner, and that owner has complete control over all business decisions. Tax preparation is also pretty simple since a sole proprietorship is not taxed separately from its owner.
- **Cons:** It can be dramatically more difficult to raise money and get investors or loans because there's no legal structure that promises repayment if the business fails. Also, since the owner and the business are legally the same, the owner is personally liable for all the debts and obligations of the business.
- **How taxes work:** The individual proprietor owns and manages the business and is responsible for all transactions, including debts and liabilities. Income and losses are taxed on the individual's personal income tax return at ordinary rates. In addition, you are also subject to payroll taxes, or self-employment taxes, on the money you earn.

2. Partnership

This is a single business where two or more people share ownership, and each owner contributes to all aspects of the business as well as shares in the profits and losses of the business.

- **Pros:** It's generally pretty easy to form a business partnership, and it doesn't tend to be super expensive, either. Having two or more people equally invested in the business' success allows you to pool resources. It also means you have access to more than one person's skill set and expertise.
- **Cons:** Just like a sole proprietor, partners have full, shared liability if the business doesn't do well in terms of profitability. That also means that partners aren't just liable for their own actions, but also the actions of their partner(s). There is a variant on partnerships called a limited liability partnership, or LLP, that protects against that which is how most law firms are organized. Finally, when more than one person is involved in decisions, there's room for disagreement which means it's important to have an explicit agreement over how the obligations and earnings will be split, especially if/when things go wrong.
- **How taxes work:** To form a partnership, you have to register your business name and also register it with the tax revenue authority like in Kenya, the Kenya revenue authority, KRA.

3. Limited liability company (LLC)

This are a type of business structure that's more complex than sole proprietorships and partnerships, but less complex than corporations. They are called "pass-through entities" because they're not subject to a separate level of tax.

- **Pros:** As the name suggests, owners of an LLC have limited liability, meaning that they personally are not responsible for any financial or legal faults of the business. This reduction in risk is what makes an LLC a very popular business structure.
- **Cons:** LLCs are often more complex than sole proprietorships or partnerships, which means higher initial costs, and certain venture capital funds are hesitant to invest in LLCs because of tax considerations and the aforementioned complexity. That being said, they're simpler to operate than a corporation because they aren't subject to as many formalities.
- **How taxes work:** LLCs have the benefit of a "flow-through" tax treatment, meaning that the owners – not the LLC – are the ones who are taxed. Having only one level of tax imposed makes taxes easier.

4. Corporation

This is a legal entity that is separate and distinct from its owners, and has most of the rights and responsibilities that an individual possesses (to enter into contracts, loan and borrow money, sue and be sued, hire employees, own assets, and pay taxes.) It's more complex than the other business structures, and it's generally suggested for larger, established companies with multiple employees.

- **Pros:** They make seeking venture financing easy. They also provide the best protection for personal assets, as the founders, directors, and stockholders are (usually) not liable for the company's debts and obligations – only the money and resources they've personally invested.
- **Cons:** Because they're much more complex than other business structures, they can have costly administrative fees, and more complicated tax and legal requirements.
- **How taxes work:** Corporations are required to pay National, county, and in some cases, local taxes.

The corporation does not get a tax deduction when it distributes dividends to shareholders. Shareholders cannot deduct any loss of the corporation, but they are also not responsible directly for taxes on their earnings – just on the dividends they give to shareholders.

How to Register a Business Name

1. Make sure the name you want is available in your country. Conduct a business name search like in Kenya we do that in the eCitizen online portal at a small fee.
2. If you are a new corporation or LLC, your business name will automatically be registered with your county when you register your business.

3. If you are a sole proprietorship, partnership, or existing corporation or LLC, register a "Doing Business As" (DBA) name.
4. File for a trademark when you've chosen an original name.

Naming your business is a little more complicated than making a list and picking your favourite. If you're using a name other than your personal name, then you need to register it with the government so they know you're doing business with a name other than your given name.

1. Make sure the name you want is available.

Before you register, you need to make sure the name you want is available. Business names are registered on, for example the eCitizen portal by the national government so it's possible that a company could have the same name as yours and thus you won't be able to take and use the name.

2. Conduct a trademark search.

Do a trademark search of your desired name to avoid expensive issues down the road. The search will tell you if another business has registered or applied for the trademark you'd like to use.

3. A new corporation or LLC

For new corporations and LLCs: Your business name is automatically registered with your county when you register your business so you don't have to go through a separate process.

4. A new sole proprietorship, partnership, or existing corporation or LLC

For sole proprietorships, partnerships, and existing corporations and LLCs (if you want to do business with a name other than their registered name), you'll need to register what's called a "Doing Business As" (DBA) name.

5. File for a trademark when you've chosen an original name.

Want to trademark your business name? A trademark protects words, names, symbols, and logos that distinguish goods and services. It is not so costly depending on what region you are from.

What Is a Seller's Permit?

If your business sells tangible property to the public either as a wholesaler or retailer then you need to apply for a seller's permit. "Tangible property" simply means physical items, like clothing, vehicles, toys, construction materials, and so on. In some counties, a seller's permit

is required for service-oriented business, too, such as accountants, lawyers, and therapists. The seller's permit allows you to collect sales tax from buyers. You'll then pay that sales tax to the government after by using the electronic tax register, the ETR which the Kenyan government under the KRA made a legal requirement for business holders.

What Is a Business License?

Almost every business needs some form of license or permit to operate legally – but the requirements vary, which can get confusing. Which specific licenses or permits does your business need? To figure that out, one can choose to get an advisor or to access the government service website, like the eCitizen web and find out more on what licenses to take

Marketing Your Small Business

A new company needs to start drumming up interest for its product or service even before it's ready to ship. But there are different platforms and avenues you can use to drive awareness.

1. Narrow down your target customer.

It all comes down to your target customer. You won't be able to position what you're selling to meet customers' needs without knowing who they are. One of the very first questions you need to ask yourself is: Who wants what I'm selling? Who would find it useful? Who would love it? Then, you need to dig in to who that person is or those people are, and what kind of messaging would resonate with them. That includes their backgrounds, interests, goals, and challenges, in addition to how old they are, what they do every day, which social platforms they use, and so on.

2. Develop a brand identity.

In addition to researching your target customer, when you're first starting a business, you'll need to build the foundation for a strong brand identity. Your brand identity is about your values, how you communicate concepts, and which emotions you want your customers to feel when they interact with your business. Having a consistent brand identity to promote your business will make you look more professional and help you attract new customers.

3. Build your online presence.

With your target customer and your brand identity under your belt, you can begin building the core marketing elements of your small business, which includes your website, your blog, your email tool, your conversion tool, and your social media accounts.

4. Generate and nurture leads.

Once you've started building an online presence and creating awareness for your business, you need to generate the leads that will close into customers. Lead generation is the process of attracting and converting strangers and prospects into leads, and if you build a successful lead generation engine, you'll be able to keep your funnel full of sales prospects.

Keeping Your Customers Happy

Getting net new customers in the door is important, but retaining them is just as important. You can't ignore customers once you've closed them, you have to take care of them, give them good customer service, and nurture them to become fans of your business. While inbound marketing and sales are both critical to your funnel, the funnel doesn't end there: The reality is that the amount of time and effort that you spend perfecting your strategy in those areas will amount to very little if you're unable to retain happy customers. This means that building a model for customer success should be central to your organization. Here are some tips for how to keep your customers happy and stand out:

1. React quickly.

People expect fast resolution times (some faster than others depending on the channel), so it's essential to be nimble and efficiently keep up with requests so that you're consistently providing excellent service to avoid losing trust with your customers. Pay attention to the volume of your company mentions on different channels. Identify where your customers spend the most time and are asking the most questions, and then meet them there, whether it's on a social network or somewhere else.

2. Keep track of touchpoints with individual customers.

Interactions with your customers are best informed by context. Keep track of all the touchpoints you've had with individual customers because having a view into their experience with your company will pay dividends in the long run. How long have they been a customer? What was their experience in the sales process? How many purchases have they made? Have they given positive/critical feedback about your support experience or products? Knowing the answers to these questions will give you a more complete picture when you respond to inquiries and will help you have more productive conversations with customers.

3. Create feedback loops.

From the moment you have your first customer, you should be actively seeking out insights from them. As your business grows, this will become harder, but remember that your customer-facing employees are a valuable source of information because they are most in tune with your buyers and potential buyers.

4. Create a FAQ page for your website. (Frequently asked questions)

Give customers the tools to help themselves, and scale this program as you grow. When you're starting out, this might take the form of a simple FAQ page. Over time, as your customer base grows, turn your website into a resource for your customers and enable them to self-service – such as evolving that FAQ page into a knowledge base or library that answers common questions and/or gives customers instructions.

Small Business Funding

1. Seed Financing
2. Accelerator
3. Small Business Loan
4. Crowdfunding
5. Venture Capital Financing

From the day you start building your business until the point where you can make a consistent profit, you need to finance your operation and growth with start-up capital. Some founders can finance their business entirely on their own dime or through friends and family, which is called "bootstrapping." This obviously gives the business owners a ton of flexibility for running the business, although it means taking on a larger financial risk.

1. Seed Financing

If you're looking for a relatively small amount of money, say, the investigation of a market opportunity or the development of the initial version of a product or service, then Seed financing might be for you. There are many different kinds of seed financing, but the one you've probably heard of most is called Seed-round financing. In this case, someone will invest in your company in exchange for preferred stock. If your company gets sold or liquidated, then investors who hold preferred stock often have the right to get their investment back and, in most cases, an additional return, called "preferred dividends" or "liquidation preferences" before holders of common stock are paid.

2. Accelerator

Accelerators are highly competitive programs that typically involve applying and then competing against other start-ups in a public pitch event or demo day. In addition to winning funding and seed capital, winners of these programs are also rewarded with mentorship and educational programs. Although accelerators were originally mostly tech companies, you can now find them all over the country and in all different industries.

3. Small Business Loan

If you have a really rock-solid plan for how you'll spend the money in place, then you might be able to convince a bank, a lender, a community development organization, or a micro-lending institution to grant you a loan.

There are many different types of loans, including loans with the bank, real estate loans, equipment loans, and more. To successfully get one, you're going to need to articulate exactly how you'll spend every single penny so make sure you have a solid business plan in place before you apply.

4. Crowdfunding

This is a newer way of funding a business. It typically doesn't entail giving partial ownership of the business away, instead, it's a way of getting funding not from potential co-owners, but from potential fans and customers who want to support the business idea, but not necessarily own it. What you give donors in exchange is entirely up to you and typically, people will come away with early access to a product, or a special version of a product, or a meet-and-greet with the founders.

5. Venture Capital Financing

Only a very small percentage of businesses are either fit for venture capital or have access to it. All the other methods described above are available to the vast majority of new businesses. If you're looking for a significant amount of money to start your company and can prove you can quickly grow its value, then venture capital financing is probably the right move for you. Venture capital financing usually means one or more venture capital firms make large investments in your company in exchange for preferred stock of the company but, in addition to getting that preferred return like they would in series seed financing, venture capital investors also usually get governance rights, like a seat on the Board of Directors or approval rights on certain transactions. Venture capital financing typically occurs when a company can demonstrate a significant business opportunity to quickly grow the value of the company but requires significant capital to do so.

Once you have a solid business plan and the tools and financing to execute your goals, you'll be on the path to launching your business.

Reference

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