




# starting a business

Part:3



*It is dangerous to fall in love with the idea of starting your own business without understanding the realities.*

Tim Berry



# The basics of starting your business:

- ▶ Identifying your customers
- ▶ Assessing the real risks of starting your own business
- ▶ Choosing a name
- ▶ Deciding on a legal structure
- ▶ Getting licenses, permits, and tax and employer numbers
- ▶ Financial basics: selling on credit vs. cash-sales, getting funding, estimating start-up costs



First things first

Customer

Customer  
needs



# Myths about starting a business



THE MYTH OF “BEING YOUR OWN BOSS”



THE MYTH OF “INDEPENDENCE”

think it over



Risks



Folklore and myths

# Conduct a personal evaluation

- ➔ *“Know yourself, and work in a job that caters to your strengths. This knowledge will make you happier.”*

- Sabrina Parsons





# Conduct a personal evaluation

- Why do you want to start a business? Is it money, freedom, creativity, or some other reason?
- What skills do you have?
- What industries do you know about?
- Would you want to provide a service or a product?
- What do you like to do?
- How much capital do you have to risk?
- Will it be a full-time or a part-time venture?



# SWOT





# Ask yourself

- ▶ What would you do if money wasn't the problem?
- ▶ Is money really important? Or rather, is making a lot of it really important?
- ▶ What things really matter to you?
- ▶ Do you have the support of your family, especially your immediate family?
- ▶ Who do you admire in business? Perhaps in the industry you'd like to go into? Why do you admire them? What are their likable traits? What can you learn from them?

# Analyze your industry

- ▶ ***“The more you know about your industry, the more advantage and protection you will have.”***

***– Tim Berry***



# Analyze your industry

- ▶ Who will buy your product or service?
- ▶ Who will your competitors be?





## Traditional sources worth turning to:

Advertising  
representatives for  
statistics and data  
on your competi-  
tion or the  
industry in  
general



List  
brokers  
(to get an  
idea of  
the  
number  
of  
prospects  
out there)



Suppliers  
of your  
industry  
(again to  
get a  
sense of  
demand  
and for  
market  
informatio  
n)



Students  
who will  
likely be  
happy to  
perform  
research  
for you at  
an  
affordabl  
e fee.



## Things you should consider:

- ▶ How urgently do people need the thing you're selling or offering right now?
- ▶ What's the market size like?
- ▶ How much money and effort will it cost to deliver the value you would like to be offering?
- ▶ How long will it take to get to market?
- ▶ What size up-front investment will you need before you can begin?
- ▶ Will your business continue to be relevant as time passes?



# Make it legal



# Types of business formation

- Sole proprietorship
- Partnership
- Corporation
- Limited Liability Company (LLC)





# Sole Proprietorship

- ▶ Own name
- ▶ Trade name

**Proprietorship**





# Partnerships

- ▶ What happens if a partner withdraws
- ▶ Buy and sell arrangements for partners
- ▶ Liquidation arrangements, should that becomes necessary





# Start the planning process

- ▶ *“Our goals can only be reached through the vehicle of a plan, in which we must fervently believe, and upon which we must vigorously act. There is no other route to success.”*

– Pablo Picasso



# Corporations

- ▶ The best shielding from personal liability
- ▶ Provides the best non-tax benefits to owners
- ▶ Legal entity
- ▶ Family companies
- ▶ Smaller ownership groups



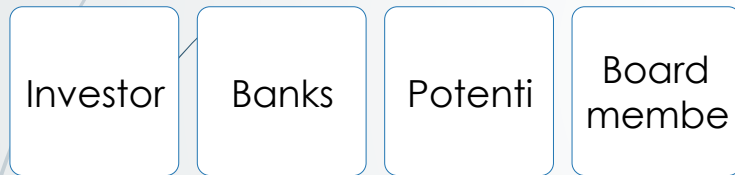
# Limited Liability Company



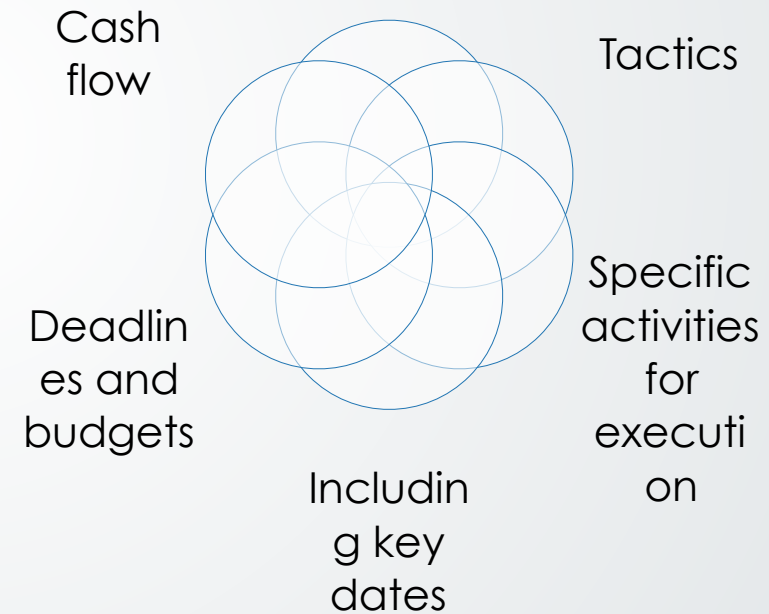
# Start the planning process



## Pitch...



## Define... Strategy



# Parts of a business plan

- The Executive Summary
- Company Overview
- Products and Services
- Target Market
- Marketing and Sales Plan
- Milestones and Metrics
- Management Team
- Financial Plan
- Appendix



# Types of business plans

- Feasibility plan
- Operations or annual plan
- Strategic plan






# Get financed



- ▶ **Private financing**
- ▶ **Personal loans**
- ▶ **Help from family and etc.**



# Types of investment and lending options

Venture capital

Angel investment (similar to venture capital)

Commercial (banks)

The Small Business Administration (SBA)

Accounts receivable specialists

Friends and family



## Note

- ▶ *The business plan is one of the least influential factors when it comes to raising money.*

*- Guy Kawasaki*



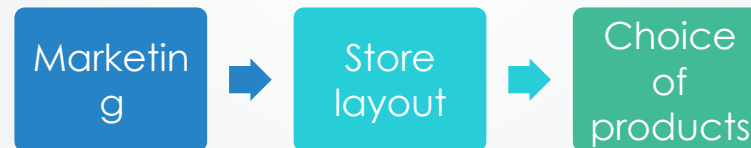


# Set up shop





# consider the following:



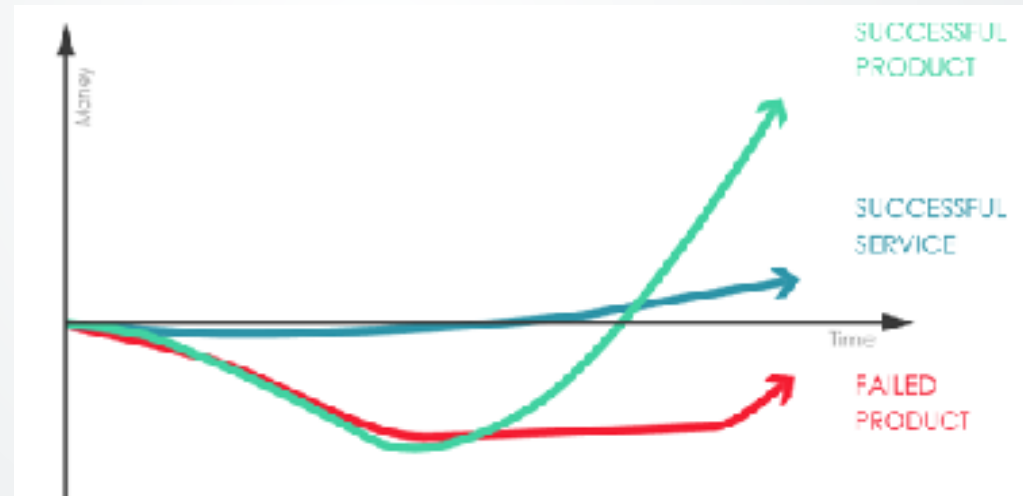
# Trial and error

- ▶ Expect mistakes
- ▶ Be open-minded and creative
- ▶ Adapt
- ▶ Look for opportunities and above all



# Understand the risks

The start-up curve and risk to investment  
product vs. service start-ups





Thank you