

FIRST STEPS

HOW TO START A SMALL BUSINESS

Starting and managing a business takes motivation, desire and talent. It also takes research and planning.

Like a chess game, success in small business starts with decisive and correct opening moves. And although initial mistakes are not fatal, it takes skill, discipline and hard work to regain the advantage.

To increase your chance for success, take the time up front to explore and evaluate your business and personal goals. Then use this information to build a comprehensive and well-thought-out business plan that will help you reach these goals.

The process of developing a business plan will help you think through some important issues that you may not have considered yet. Your plan will become a valuable tool as you set out to raise money for your business. It should also provide milestones to gauge your success.

1. Getting Started

Before starting out, list your reasons for wanting to go into business. Some of the most common reasons for starting a business are:

- You want to be your own boss.
- You want financial independence.
- You want creative freedom.
- You want to fully use your skills and knowledge.

2. Next you need to determine what business is "right for you." Ask yourself these questions:

- What do I like to do with my time?
- What technical skills have I learned or developed?
- What do others say I am good at?
- Will I have the support of my family?
- How much time do I have to run a successful business?
- Do I have any hobbies or interests that are marketable?

3. Then you should identify the niche your business will fill. Conduct the necessary research to answer these questions:

- What business am I interested in starting?
- What services or products will I sell?
- Is my idea practical, and will it fill a need?
- What is my competition?
- What is my business's advantage over existing firms?
- Can I deliver a better quality service?
- Can I create a demand for my business?

4. The final step before developing your plan is the pre-business checklist. You should answer these questions:

- What skills and experience do I bring to the business?
- What will be my legal structure?
- How will my company's business records be maintained?
- What insurance coverage will be needed?
- What equipment or supplies will I need?
- How will I compensate myself?
- What are my resources?
- What financing will I need?
- Where will my business be located?
- What will I name my business?

Your answers will help you create a focused, well-researched business plan. that should serve as a blueprint. It should detail how the business will be operated, managed and capitalized.

One of the most important cornerstones of starting a business is the [business plan](#). SBA offers you a tutorial on preparing a solid plan with all its essential ingredients. Be sure to review and peruse this section.

Once you have completed your business plan, review it with a friend or business associate. When you feel comfortable with the content and structure, make an appointment to review and discuss it with your banker. The business plan is a flexible document that should change as your business grows.

The following outline of a typical business plan can serve as a guide, but you should adapt it to your specific business. We recommend that you break down the plan into several components. This allows you to work on several sections at a time.

BUSINESS PLAN OUTLINE

5. Introduction

- Give a detailed description of the business and its goals.
- Discuss the ownership of the business and the legal structure.
- List the skills and experience you bring to the business.
- Discuss the advantages you and your business have over your competitors.

6. Marketing

- Discuss the products/services offered.
- Identify the customer demand for your product/service.
- Identify your market, its size and locations.
- Explain how your product/service will be advertised and marketed.
- Explain the pricing strategy.

7. Financial Management

- Explain the source and amount of initial equity capital.
- Develop a monthly operating budget for the first year.
- Develop an expected return on investment, or ROI, and monthly cash flow for the first year.
- Provide projected income statements and balance sheets for a two-year period.
- Discuss your break-even point.
- Explain your personal balance sheet and method of compensation.
- Discuss who will maintain your accounting records and how they will be kept.
- Provide "what if" statements that address alternative approaches to any problem that may develop.

8. Operations

- Explain how the business will be managed on a day-to-day basis.
- Discuss hiring and personnel procedures.
- Discuss insurance, lease or rent agreements, and issues pertinent to your business.
- Account for the equipment necessary to produce your products or services.
- Account for production and delivery of products and services.

9. Concluding Statement

- Summarize your business goals and objectives and express your commitment to the success of your business.

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