

# SIMPLE STEPS FOR STARTING YOUR BUSINESS

## Session I: Startup Basics



# YOUR PRESENTER



**Dan Garlen** is a SCORE Certified Mentor with the Philadelphia Chapter. Dan is a semi-retired engineer, educator and small-business owner. In 1992, he and a partner founded Kg Systems, a tech company that designed and built automated weighing systems. Dan still operates that business today.

As a SCORE mentor, Dan helps entrepreneurs start and grow their businesses using his skills in business management, information technology, programming, and engineering.

# ABOUT SCORE

As a resource partner of the SBA, we help small businesses by:



Providing free  
business advice and  
mentoring



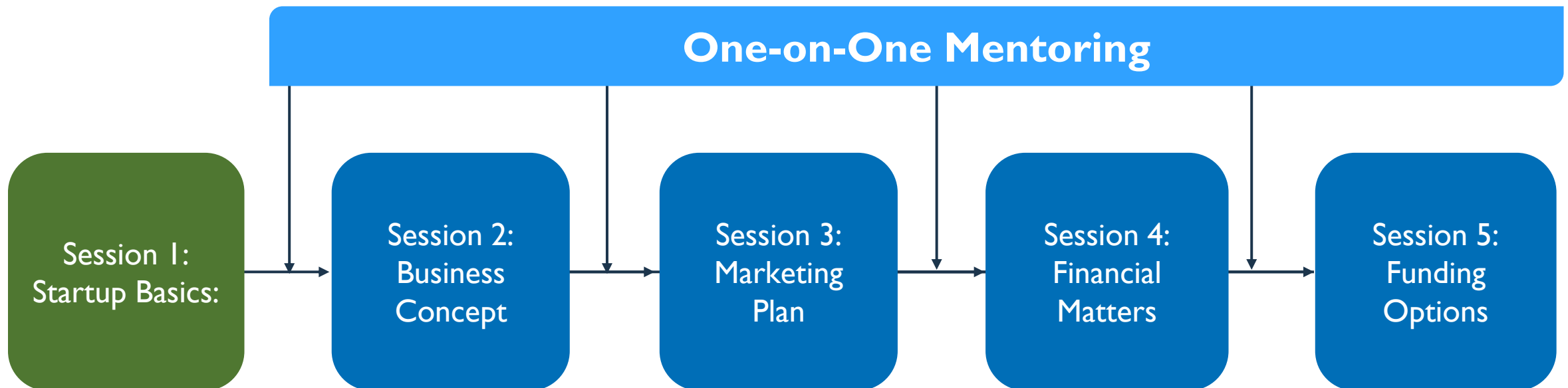
Offering low or  
no-cost business  
training



Sharing free business  
templates and  
resources

Request a **SCORE** mentor at [www.score.org/find-mentor](http://www.score.org/find-mentor)

## Simple Steps for Starting Your Business Series





**STARTUP BASICS: ARE YOU READY?**

# WHAT YOU'LL LEARN



- Myths & realities of entrepreneurship
- Know your options
- Components of business ownership
- Making it legal
- Business plan basics
- Self-assessment
- Next steps

# MYTHS & REALITIES OF ENTREPRENEURSHIP

## **Myth 1:**

As an entrepreneur, you won't have to work that hard or put in such long hours.

## **Myth 2:**

My product/service is unique, and there is no competition.

## **Myth 3:**

Business owners can deduct everything, so you won't have to pay taxes.

## **Myth 4:**

As a business owner you won't have a boss.

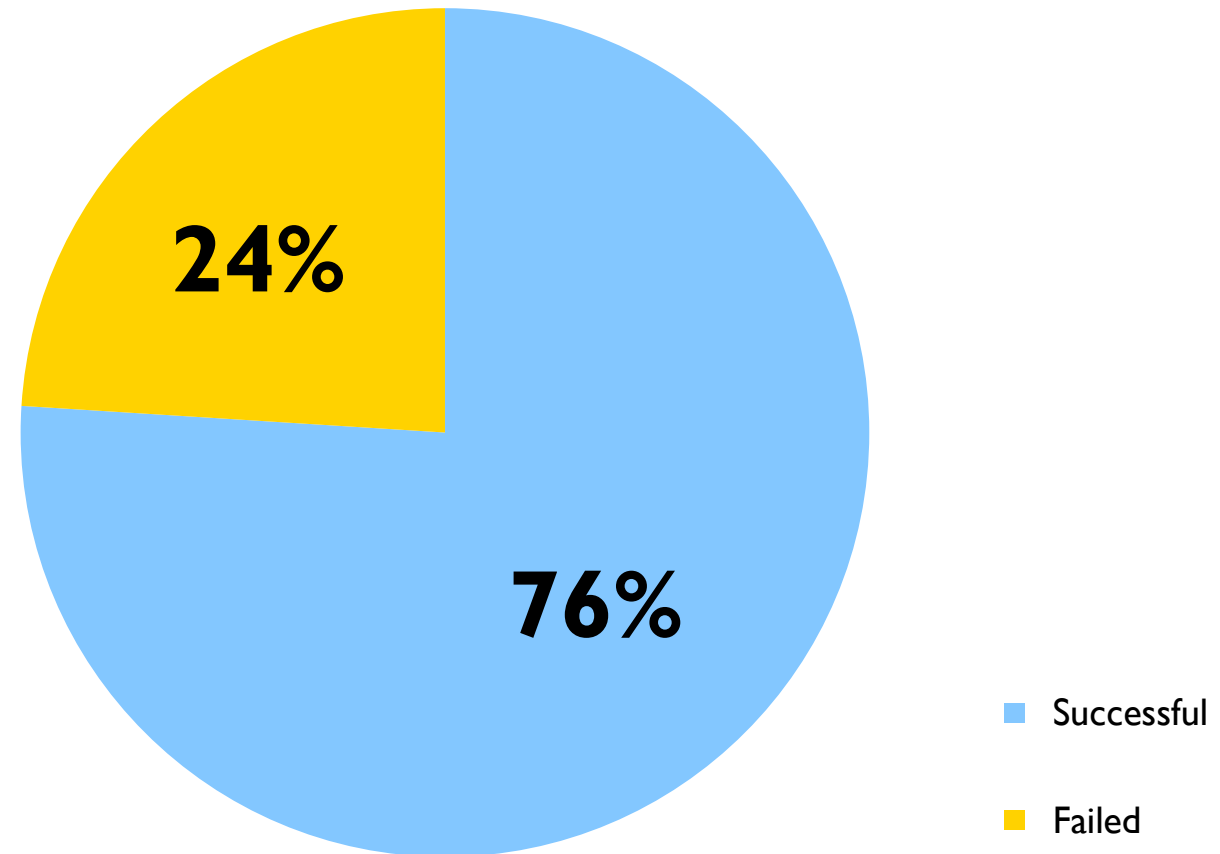
## **Myth 5:**

Business owners get to do whatever they want to do.

# REALITY: PROPER PLANNING IS KEY

## After 2 Years

Percent of New Businesses  
(2+ employees)

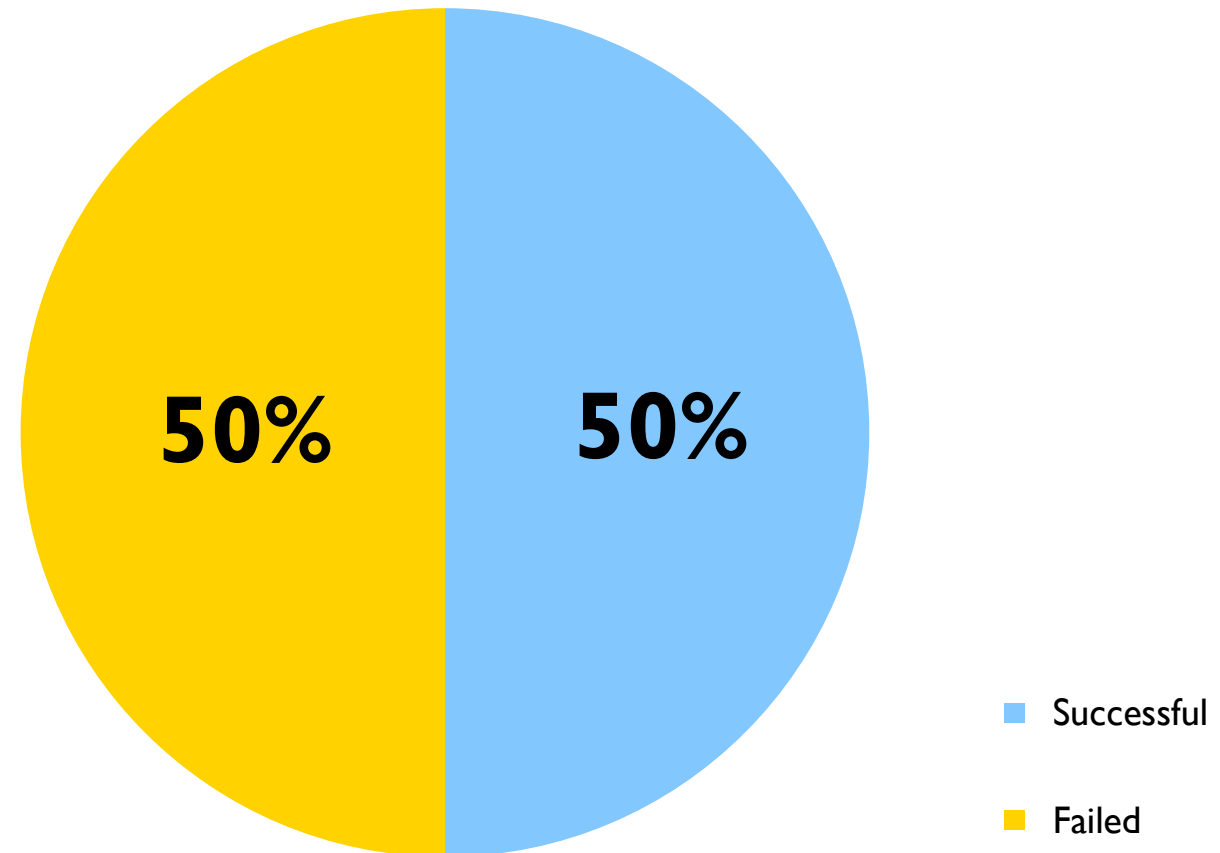


Source: Bureau of Labor Statistics,  
Business Employment Dynamics,  
Entrepreneurship and the U.S. Economy

# REALITY: PROPER PLANNING IS KEY

## After 5 Years

Percent of New Businesses  
(2+ employees)



Source: SBA Office of Advocacy, Frequently Asked Questions about Small Business

# DO YOU HAVE WHAT IT TAKES?



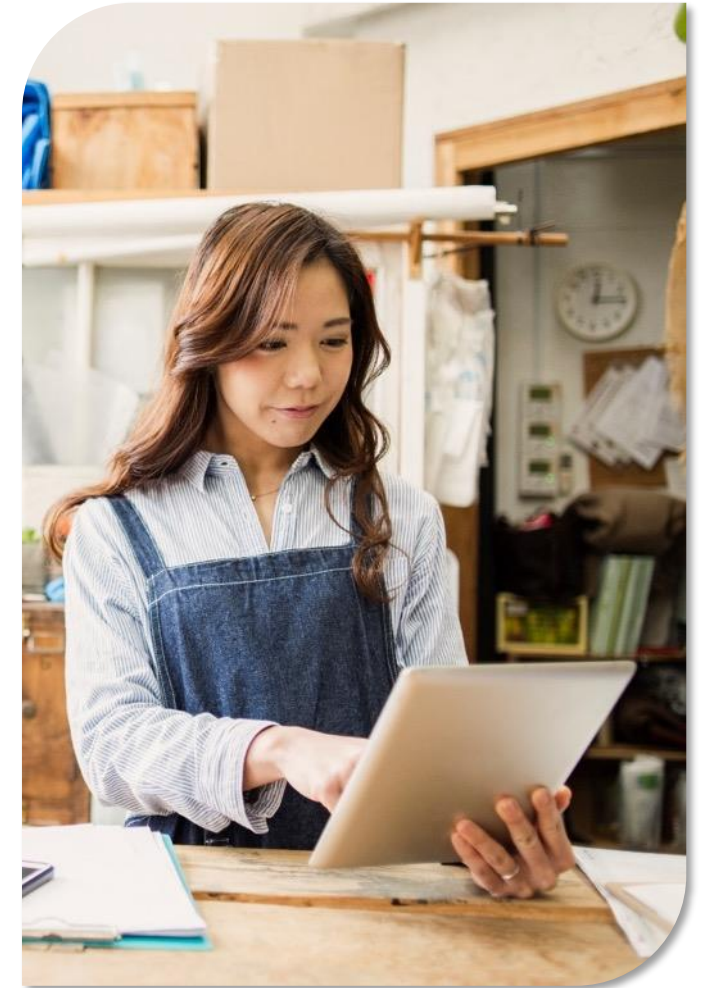
## Critical Success Factors

- Education/experience in field
- Strong work ethic
- Effective time management
- Ability to manage and multi-task
- Willingness to ask for help and take advice from others
- Adequate capital

# DO YOU HAVE THE FINANCIAL RESOURCES?

## Essential Considerations:

- Tools and equipment
- Leasehold improvements
- Licenses and permits
- Professional fees
- Initial inventory
- Working capital reserve fund



# FINANCIAL CONSIDERATIONS



- Total monthly cost of living
- Areas where you can cut back
- Outstanding debt
- Amount in savings
- Total amount needed to cover 6-12 months of expenses



**KNOW YOUR OPTIONS**

## ADVANTAGES

- Not hampered by previous reputation or technologies of an existing business
- Choose your own location, name & logo; build your own relationships
- Explore new markets and directions

## DISADVANTAGES

- No existing customer base to build on
- You're taking a bigger risk
- No track record = difficulty in getting financing

## ADVANTAGES

- Established clientele & suppliers;  
Known location
- Business is a known quantity with a proven formula/name
- Can review financial records
- Since business has a track record, it may be easier to obtain financing

## DISADVANTAGES

- Potential hidden issues: debts, poor reputation, loyalty to owner, out-of-date inventory or transfer issues
- Does the business have a good reputation?
- Is inventory obsolete?
- Will you have an employee issue?
- No guarantee that success will continue

## ADVANTAGES

- Become part of proven system with proven products/services
- Marketing/Sales power of franchisor
- Training, professional guidance
- Continued consulting relationship
- Access to other franchisees for help

## DISADVANTAGES

- Limited freedom to make own decisions - not always your own boss
- You pay ongoing royalty & other fees
- Binding contract that limits your exit options
- Franchisor problems are your problems

## ADVANTAGES

- Convenient work location
- Less overhead
- Flexible schedule
- Tax advantages
- Hire people anywhere in US or world

## DISADVANTAGES

- Do you face zoning or deed restrictions?
- Isolation from others
- Difficulty finding financing
- Family distractions

## ADVANTAGES

- May qualify for government or foundation grants
- Protection from liability for directors and employees
- Can pay salaries to employees and consulting fees for contractors

## DISADVANTAGES

- Must focus on educational or charitable purposes and cannot profit those who created the organization
- All profits remain within the organization
- Must apply and qualify for 501(c)(3) status or sales tax exemption

## ADVANTAGES

- Lower startup costs
- Growing consumer acceptance to shop online
- Expanded geographic reach
- Convenience & accessibility for customers who can shop 24/7
- Flexibility for you to do business anytime from anywhere

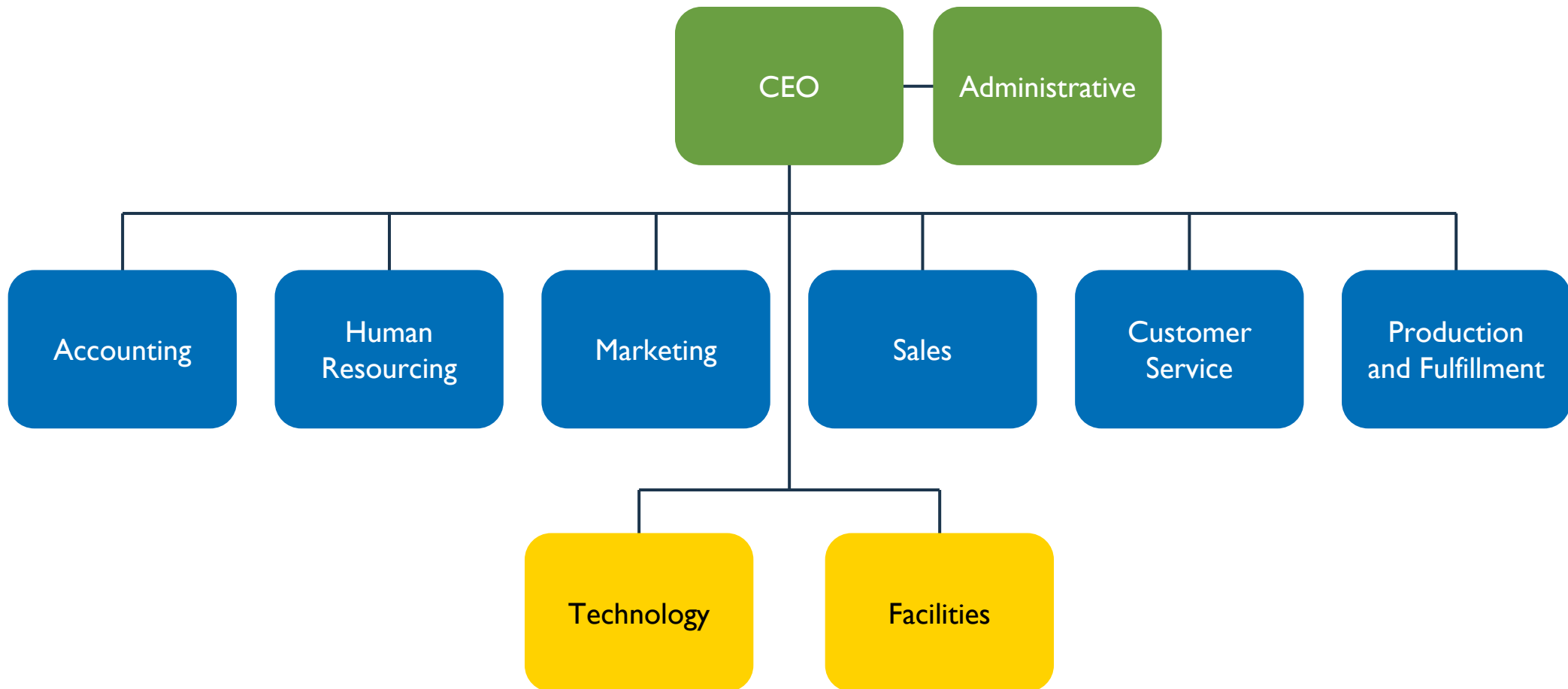
## DISADVANTAGES

- Low barriers to entry = more competition
- Consumers have higher expectations & are less tolerant of problems
- No personal contact/ limited sensory info for customers



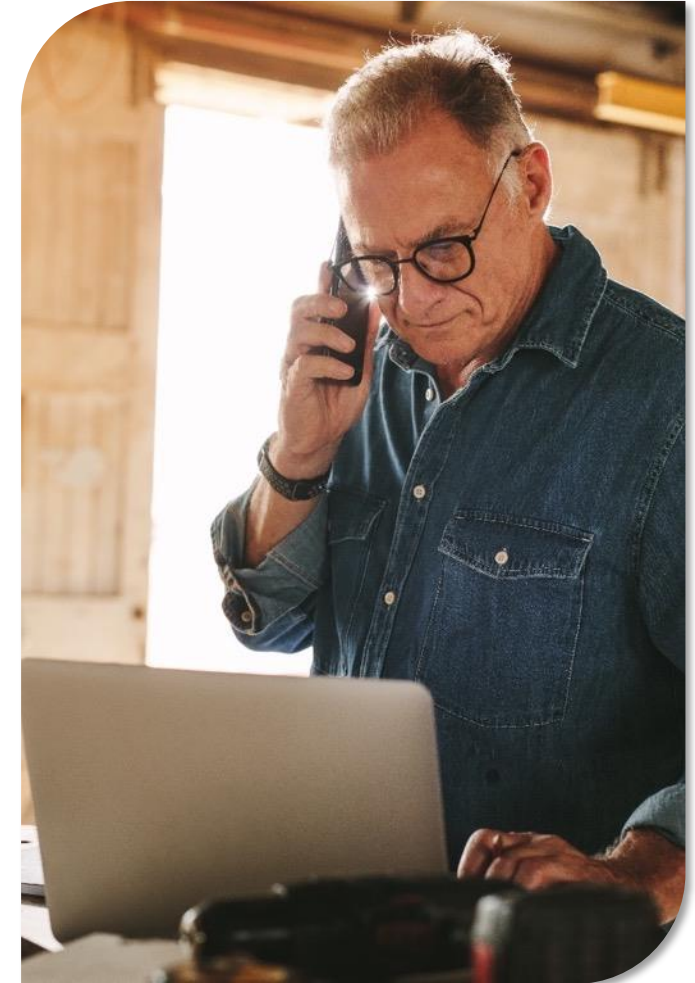
# COMPONENTS OF OWNING A BUSINESS

# HOW MANY HATS WILL YOU WEAR?



# DO YOU HAVE THE SKILLS?

- Will you be taking on all of these roles?
- Are you weak in any areas of business operation?
- Can you take a course to improve your skills?
- If there are duties that don't fit your skills, can you hire employees, take on a partner or outsource these tasks?
- Even if you are skilled in all these roles, you won't have time to handle all of them.
- Which are most important to your business? Which will you focus on, and which can you delegate?



# Typical Components of a New Business



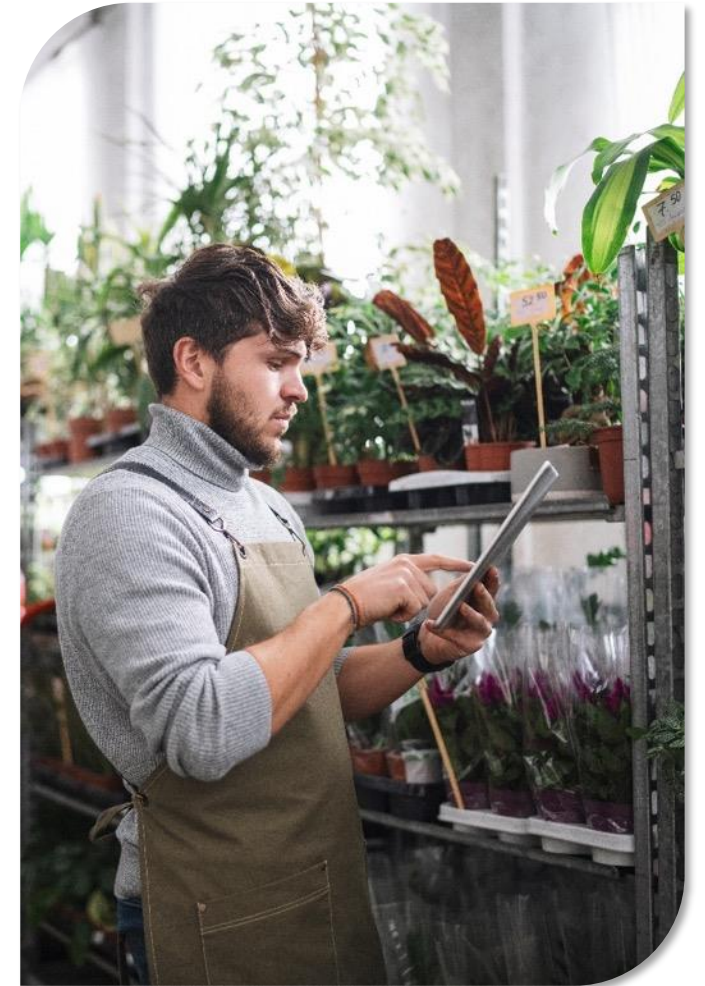
## MARKETING

- Strategies used to create a desire to purchase
- Creates & promotes your image & builds your brand
- Your product or service will not sell itself

# Typical Components (Cont'd)

## MARKETING

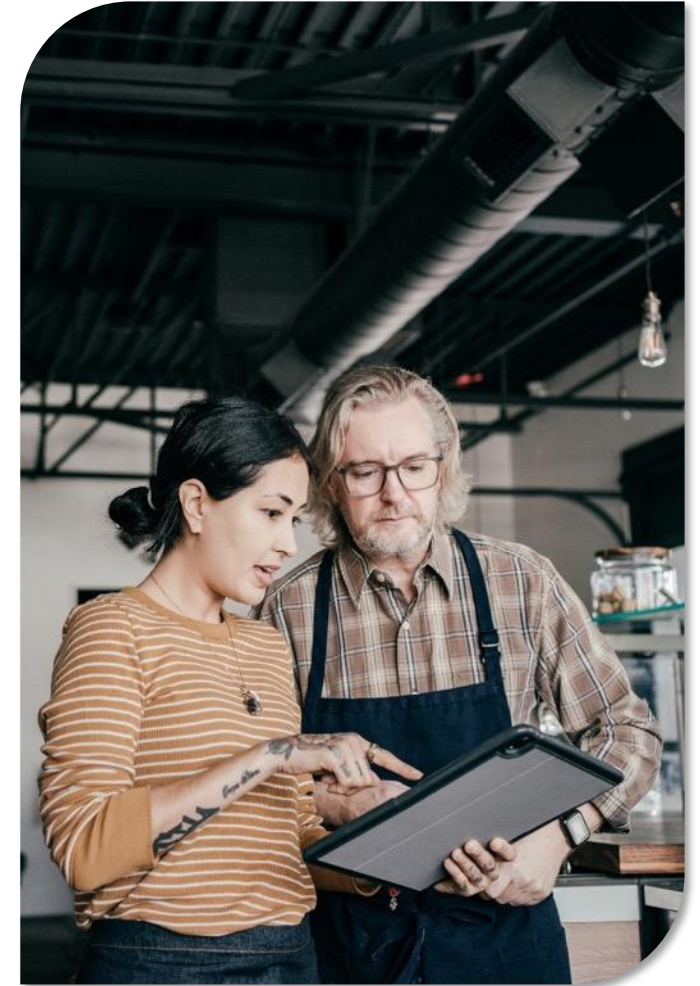
- Name recognition
- Qualification of product/service
- Market identity
- Advertising



# Typical Components (Cont'd)

## SALES

- Contact & connect with customers
- Find prospects
- Make presentations
- Prepare bids
- Close deals
- Process orders



## Location, Location, Location

- Niche / target market
- Competition
- Distribution
- Merchandising

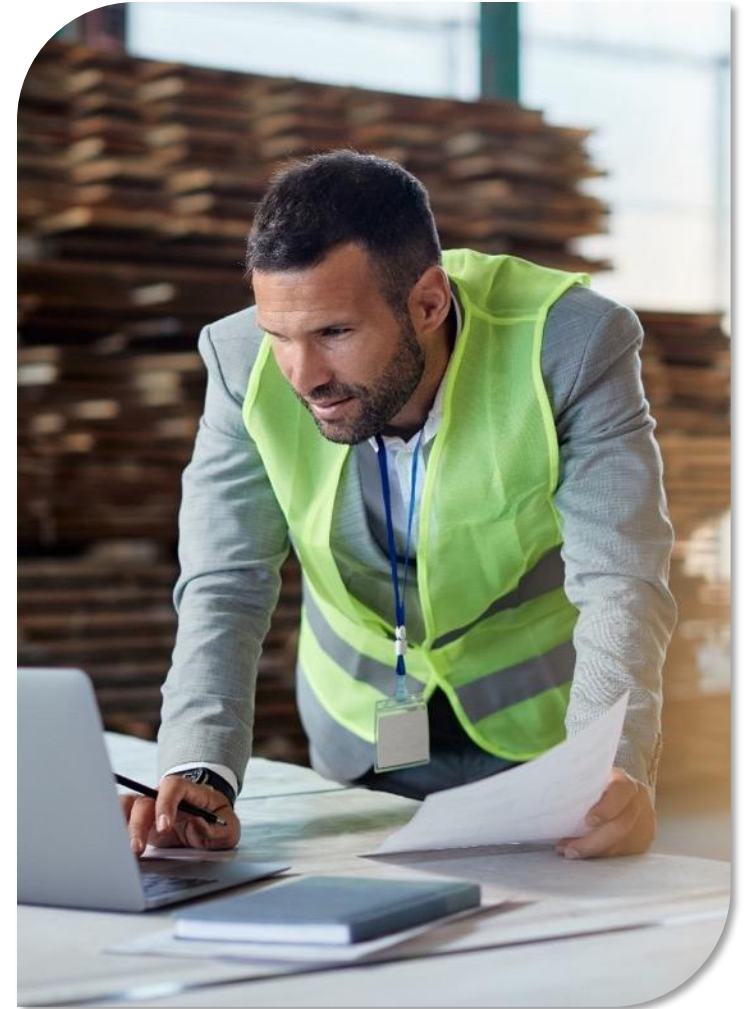


## Your Product/Service

- Who needs it?
- Why do they need it?
- How is it different or better than the competition?

## Price

- Consumer reaction
- Cost
- Competition
- Credit terms and discount



## Access Your Competitors

- Size of operation and number of employees
- Price and quality
- Services provided
- Reputation: strengths and weaknesses
- Personal visits and observations
- Suppliers & contractors
- Other businesses in area





**MAKING IT LEGAL**

# FORMS OF BUSINESS ORGANIZATIONS



- Sole Proprietorship
- Partnership
- Limited Liability Company (LLC)
- “C” Corporation
- “S” Corporation (Subchapter)



## Keep It Simple

- Sole proprietorship or partnership
- If liability and/or taxation is a concern, an LLC or S-corporation

# GOVERNMENT REGULATIONS



- Business Licenses and Approvals
- Labor Laws
- Immigration Laws
- IRS and Social Security Withholding & Payments

# INSURANCE CONSIDERATIONS

- Property
- Liability
- Motor Vehicles
- Umbrella Liability
- Worker's Compensation
- Health
- Life
- Business Interruption





**BUSINESS PLAN BASICS**

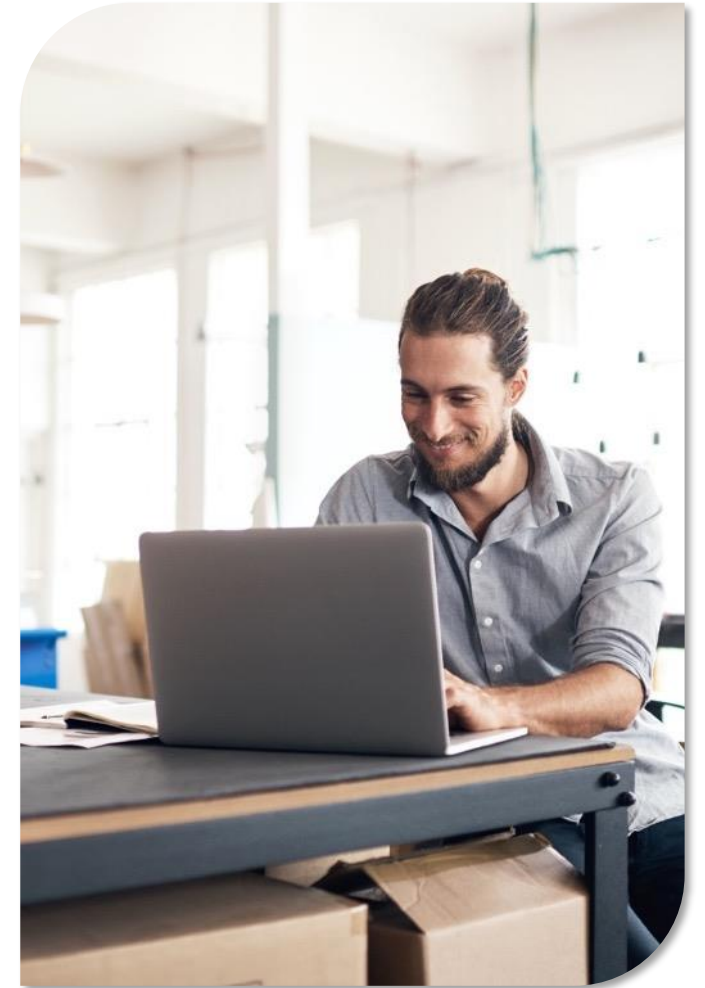
# BUSINESS PLAN IMPORTANCE



- Encourages an objective view
- Becomes foundation for planning
- Powerful management tool
- Communicates owner's ideas

# BUSINESS PLAN CONTENTS

- Table of Contents
- Executive Summary
- Section One: The Business
- Section Two: Financial Forecasts
- Section Three: Supporting Data



# SMALL BUSINESS READINESS SELF-ASSESSMENT

Total score should not be more than 10. Assign more points to indicate agreement, less if you do not agree.

Topic	Question	Points
Idea Feasibility	My product/service is servicing an unmet need.	
	My product/service could be expanded to gain additional customer groups.	
Market Identification	I know who my potential buyers are.	
	I have a clear value proposition for my potential buyers.	
Implementation	I know what it will take to start my business.	
	I know what it will take to run my business.	
Funding	I understand what it will take to obtain funding.	
	I have a plan to fund my business start.	
Personal Readiness	I am ready to work hard to achieve my business goals.	
	I understand the challenges ahead and have a plan to tackle them.	
<b>Total Points:</b>		

# Questions?

# NEXT STEPS

- Sign up for other [Simple Steps for Starting Your Business](#) and [Small Business Essentials](#) webinars
- Review the Simple Steps for Starting Your Business [Workbook](#)
- Find other SCORE resources for small businesses at [score.org/templates-resources](https://score.org/templates-resources)
- Book an appointment with a SCORE mentor today at [score.org/find-mentor](https://score.org/find-mentor)



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