

Starting a Business: The Essentials Of What You Need To Know

ABSTRACT

Many people dream of starting a business they can call their own, but don't know exactly where to start or what steps are necessary to make their dream a reality. Too many people have started business, which have resulted in huge heartache and masses of wasted time and money. Their dreams were washed away, most likely, because they lacked the proper knowledge and planning.

Business experts say that the most important step in starting a business is producing a well-written business plan. A business plan does not need to be long; it can have as few as ten pages, plus financial data. Business plans have several sections and need to be researched and well-thought out to yield positive results.

The second step in starting a business is choosing the proper name and registering it. In doing so, you will be protecting yourself in case legal issues arise. A registered name/trademark gives your business an identity in which customers can associate a product and service to. Choose one that fits your business.

In order to move beyond naming your business and writing a business plan, you will need to find proper resources to fund your business. This article outlines the essentials of where to find capital and how to go about applying for it.

These are the basics of the who's, what's, where's, why's and when's of starting your own business. Although there is much more to starting a business than what is contained in the following pages, this paper will motivate you to begin. Use this paper as a resource to start your journey into the business world. After reading this paper, you will be well on your way to making your dream come true. Where you take it from there is up to you!

Starting a Business: The Essentials Of What You Need To Know

By Paul L. Gerhardt, Jr.

Like many Americans, I dream of owning a huge house, a fancy car, nice clothing and being married to a beautiful spouse. However, at the present time, I have none of that and a job that pays barely enough put food in my face and a roof over my head. Almost everybody I work with (who, coincidentally are in very much the same condition) have dreamed of owning a business, in order to gain more of life's pleasures. After all, few get rich working for somebody else. Running your own business is the most practical way gain control of your income and tap into the potentials of the "All-American Dream." Isn't it?

Running your own business can be an adventure that could result in either huge-success or costly-failure. Having a good idea is the first step to starting a business, but not the most important one. On the other hand, a good business plan is the most important and is essential in avoiding the pitfalls of failure. A written plan is the blueprint for a business and the most important thing to have before starting your own. Your business plan will be the roadmap to finding the desired successes you dream of.

Business experts say developing a written business plan is the most essential thing you can do before starting a business.¹ Not having a well thought-out written plan could result in wasted time and huge economic losses in resources. A business plan is a must and necessary step in order to clarify goals, identify, resources, strengths and weaknesses. This paper will identify the fundamentals necessary to build an effective business plan.

Composition of a Business Plan – *An outline of what to put into a well-written business plan.*

According to the Guide for Small Business, “ The business plan does not need to be long, probably not more than 10 pages, plus financial statements.” The generic business plan outlined in the Business Plans Handbook, summarizes the key sections of a business plan²: Business Summary, Table of Contents, Business History and Industry Outlook, Product/Service, Market Examination, Competition, Marketing, Operations, Administration and Management, Key Personnel, Potential Problems and Solutions, Financial Information and Appendices. A brief description of the purpose of each will follow:

The **Business Summary** gives a brief overview of your business and outlines the main ideas of your plan. It includes highlights and short introductions to all components of your plan.

The **Table of Contents** is organized in Outline Format and illustrates how the information of your plan is contained. The Table of Contents will include page number references to both topic headings and subheadings.

The **Product/ Service** section of your plan introduces, defines and details the product and/or service of your business. Information that could be included in this section are: unique features, niche served, market comparison, stage of product/service development, production, facilities, equipment, labor, financial requirements, product or service life cycle, and future growth. Try to describe

the break-even point and opportunities to better develop your product or service in the Product/Service section. It may also be a good idea to develop and include your company's mission statement in this section. Emphasize any factors you believe will lead to success.³

The purpose of the **Market Examination** section in your plan is to assess the product/service applications in relation to consumer buying cycles. Describe where most of your sales will occur and how much you expect to sell. You could include: target market, consumer buying habits, product/service applications, consumer reactions, market factors and trends, penetration of the market, market share, research and studies, cost and sales volume and goals.

The **Competition** section of your plan analyzes your market niche, identifies competitor information, your product/service strengths and weaknesses, as well as future product/service development. This section is particularly important to help you evaluate whether you can compete in your market field.

When putting together the **Marketing** section of your plan, you need to identify any promotion strategies for your product or service. In this section, identify whom your customers are, your sales and marketing staff, pricing, sales cycles, types of advertising and promotion and any special or unique features.

In your **Operations** portion include equipment, facility, location, cost of effective production methods and ideas for future expansion. In this section you will outline development of your service or product from inception to market.

The **Administration and Management** section of your business plan should include all conceivable facets of the management processes, procedures and philosophy. When writing this portion--evaluate the structure of the organization, methods of communication, work environment, roles and responsibilities, as well as employee skills and training variables.

The next section in your business plan describes **Key Personnel**. In this section you could identify the employees involved in your business. You may include education and experience, position and roles, benefits and salary, duties and responsibility, as well as goals and objectives of each employee.

When writing your business plan it is a good idea to consider **Potential Problems and Solutions** of your business. Try to identify possible risks, future competition, economic and legal factors. This section may be difficult to visualize, but as you may imagine, it could be the evaluator of success and failure. This section could save you lots of heartaches and money.

The **Financial Information** pages may be the most difficult to compile. This section will help you to secure and analyze funding needs. You can identify any start-up expenses, financing, monthly cash flow, and any other financial data that may affect future growth opportunities. Many people include projected income, cash flow and balances for a three-year period in the Financial Information section.

The final section is the **Appendices**. You may include any supporting documents used to enhance your business proposal. It is appropriate to include photographs of products, equipment and facilities. Also any research, studies,

copyright/trademark documents, resumes, marketing materials and legal agreements. The Appendices is a great “catch-all section” and could be useful to show prospective investors your true potential and how much research and time you have dedicated toward pursuing success of your business.

Some business plans include a **Schedule of Events**, which lists critical dates, short and long-term goals. Existing businesses should to continually update their plans as new information becomes available.

Importance in a Name – *Why and how to register your business name.*

When analyzing for your business plan, you need to choose an appropriate name for your business. The name should be able to distinguish you from other businesses. It should be able to be associated with your product or service in a positive manner. I recommend that once you select an appropriate name, register it as a trademark. The purpose of obtaining a federally registered trademark is to restrict anyone else throughout the United States from doing business under that name and with that trademark. According to Phillip Williams, author of Every Business Needs a Name,⁴ “A federal trademark registration offers a number of advantages over and above those provided by common law rights and by a state registration.”

Williams explains, “Having a registered name gives you the right to sue an infringer in federal court. Your registration will become incontestable, provided it is not successfully challenged within five years from the filing date of your application. Registration gives you the additional protection of the availability of

criminal penalties against an infringer in an action for counterfeiting a registered trademark. Your registration provides a basis for filing trademark application in foreign countries.”

To be protected nationally, your mark must be registered with the US Patent and Trademark Office. I recommend registering your mark under state registration, because they are quicker and enable you to establish a record of doing business under that name on a given date, which can be helpful if a dispute should arise.

Financing Your Business – *Getting loans and seeking venture capital.*

After writing your business plan and registering your name, you are ready to look for capital to finance your business. Financing a business can be tedious, but not impossible. The better your business plan has been researched and written, the better chances you will have in finding the necessary money to make it all happen.

The National Association of Small Business Investment Companies (NASBIC) is an association of about 700 SBICs⁵. They publish a monthly newsletter and sponsor an annual conference on venture capital. They will send you a copy of the membership directory of possible investors for your company. In order to receive their directory, you must write them a letter and send in one dollar for shipping and handling. Their address is:

**National Association of Small Business Investment
Companies**
1199 North Fairfax Street, Suite #200
Alexandria, VA 22314

Another source for venture capital is the National Venture Capital Association. Their list is free and can be obtained by writing to them at:

National Venture Capital Association
1655 North Fort Meyer Drive, Suite 700
Arlington, VA 22209

If you decide to contact a venture capitalist, remember they are only interested in businesses that can grow very large (most are looking for the potential of at least \$25 million in sales within five years). If your business does not have the potential to be huge, you should consider applying for a loan. If you decide that you have what it takes to build a multi-million dollar business, be prepared. Richard D. Harroch, author of Small Business Kit For Dummies, outlines the following list to be prepared to communicate to venture capitalists: ⁶

1. You have a clear understanding of your business.
2. You have a clear understanding of the hurdles facing your business.
3. You have a vision for the company's growth.
4. You have a sound company strategy and business plan.
5. Your management team has drive and ambition.
6. Your management team has relevant experience.
7. Your target market is substantial and growing rapidly.
8. Your business has a proprietary or differentiated product.
9. Your business can realize significant gross profit margins.
10. Your business has the potential to be a "home run" investment.

With those items well prepared to present, you are well on your way to finding someone to finance your business venture. However, if you have

exhausted your resources it may be time to consider buckling down and applying for a loan.

The Small Business Administration (SBA) has a variety of programs to assist small business. The SBA works with banks and other lending institutions to provide loans to small businesses. More information can be obtained through the SBA website at <http://www.sba.gov>.

Just Do It

If you have a dream, passion and the willingness to do whatever it takes to start your own business you are well on your way to finding success. Take the time to research your business idea. The investment of time you spend preparing your business plan, finding and registering your ideal business name/trademark, and pursuing adequate capital to finance your business, the greater the success you will have in the long run.

After all, the All-American dream doesn't have to just be a dream. It could be a reality if you are willing to put forth the time, effort and dedication that it takes to start your own business. Don't just dream; make it happen!

End Notes

- ¹ Washington State Community, Trade and Economic Development. *Guide for Small Business*. Business Assistance Center. Olympia, WA. 1999. p 18.
- ² Kahrs, Kristin. *Business Plans Handbook*. Detroit: Gale Research, Inc, 1996. p. 411-415
- ³ Jacksack, Susan. *Business Plans That Work*. New York, NY. 1998. p. 17.
- ⁴ Williams, Phillip. *Every Business Needs a Name*. Oak Park, IL. 1991. p. 27.
- ⁵ Mancuso, Joseph. *Mancuso's Small Business Resource Guide*. Naperville, IL. 1996. p.125.
- ⁶ Harroch, Richard. *Small Business Kit For Dummies*. Foster City, CA . 1998. p. 72.

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