



Considerations Before Starting a Business

A compilation of information from Forbes.com, Entrepreneur.com & SanDiego.SCORE.com

I want to be in business!

Starting your own business is not just about having a dream. There are real steps to ensure your business enjoys a successful start. So here are some of the things you should consider before launching your new brainchild or for a better use of words, your **VENTURE**. The following are PHASES we suggest you proceed through slowly and without distraction!

Assessing Phase

Am I prepared to operate the business?

If you start a business on your own, you must remember that you are your own managing director, sales force, finance and marketing manager, HR manager and odd-job gofer. It is important to clarify which work functions you can handle and fit in. For example, a lack of financial management tools is a common reason why newly started businesses fail. You must decide whether you have the time and inclination to do the administrative tasks, or whether you should and can afford to pay someone else to do them.

Assessing your ability to be in business

For most of us, our desires about where we would like to go aren't as important as our businesses' ability to take us there. Put another way, if you choose the wrong business, you're going nowhere.

Therefore, research and then planning is essential. Many business ideas never make it past this stage because, as part of this logical process, you notice that they will fall short before any investment is made.

Test your idea against at least three variables and goals.

1. Financially: Make sure this business makes economic sense. Satisfy yourself that your product/service has the necessary audience (targets, clients, customers, patients, etc.), it will be reached by the appropriate branding/marketing and return an acceptable profit.
2. Lifestyle: Because no one wants a successful business that they hate don't fool yourself!
3. Do you want a business to give you a job? This is very important to remember: *A BUSINESS IS A SEPARATE ENTITY THAT MUST MAKE AT LEAST AN ACCEPTABLE NET PROFIT* and if you wish, also supplies you with a paid job. **IMPORTANT:** If you are working for the business and not paying yourself, then the business does not have an acceptable net profit. It needs enough to provide you the compensation you would have paid an employee doing what you are doing.

Answer the following questions to help you outline your how you will affect the company's potential. There are no wrong answers. The objective is simply to help you decide how well your proposed venture is likely to match up with your personal objectives and goals.

1. What are your personal short and long term financial goals?
2. Will you earn enough to maintain your lifestyle and meet your goals?
3. How much do you have to invest and put at risk?
4. Can you financially survive a start-up period?
5. Will your venture attract the necessary lenders or investors if needed?
6. How much control are you willing to relinquish to investors?
7. Will you be able to devote yourself full time to the business?
8. Does your family understand and agree with the sacrifices that are ahead? Most newly started business owners find that running their own business has long working hours and not a lot of time off. Leisure activities will suffer!
9. Do you bring the necessary tools to the business for it to be successful? See next.....

The Idea Phase

Even though you know what your product/service will be, the following exercise is recommended as there are lessons to learn now and even when in business. Success includes looking both around you and forward.

Start the process with the following to stimulate your collection and development of ideas.

1. Are you interested in a service or product related business? This may be answered further in the process as it has a relationship to many of the following tasks questions.
2. Start a numbered list titled Things About Me, with what you like to do or that you're really good at including personal things. They might include: Good with people. You love kids, reading, computers, numbers, traveling. You're good at coming up with marketing concepts and you're a problem solver. Write down whatever comes to your mind. They do not need to make sense.
3. List things that you think you're Poor At Or Don't Like To Do. You might be very good at marketing concepts, but you don't like to meet people or you're not fond of kids or you don't like to do public speaking or travel. Don't over-think it; just write down your thoughts.
4. Title and itemize products or services that would Improve your life, and the lives of your family or friends (happier, easier, productive and efficient). These apply to everyone's personal lives as men, women, fathers, husbands, mothers, wives, parents and grandparents. Even physical descriptions, personal activities and life styles should be considered. Consider improvements to people's business lives.
5. Make a list of What Bugs and Frustrates you. More importantly, identify those things that irritate or frustrate the masses. Include TV, Internet, and etc. advertisements.

6. Ask yourself about Your Business Life. Examine what you like and dislike about your work life, including the past. Look inward at the traits people like and dislike about you. If you don't know you are "living a fantasy". Ask yourself why you're seeking to start a business in the first place. When you're done, look for a pattern to emerge. Is there a need for a business doing one of the things you like or are good at?
7. Turn over as many "rocks" as possible. Inspiration can be anywhere.
8. Surf the internet. Be creative with your search words, i.e., "business ideas". Take those ideas and expand them into your ideas.
9. Having good networks is invaluable. You may develop networks in your family and friends, through leisure activities, business associations and former colleagues etc. A lot of business contacts arise because someone knows someone else who knows someone else. This is one of the methods of effective marketing.
10. Notice your own or anyone else's frustrations. Opportunities are potentially there. Keep your mind in "idea mode". **Stop Look, Listen, Digest and Store Ideas.**

Use Your List in the Exploration Phase

Stimulate your list by focusing on each entry and writing down every thought; consider their synonyms and antonyms; if they represent a vision to you, expand upon it; is there something that will improve its condition, etc. This process does not happen overnight. Combine some of the following thoughts into this endeavor.

1. **Ask yourself, "What's next?"** Successful business ideas are often ahead of the curve. What trends and technologies are on the horizon? How might you move into those areas?
2. **Look for new niches.** Your business idea doesn't have to reinvent the wheel. Successful businesses meet unmet needs and wants. Take a look at what some of the big players in an industry are missing. Determine if you can fill the gaps. In their haste to bring something to market, many opportunities may have been overlooked.
3. Apply your skills to an entirely **new field**.
4. Find a **category lacking** recent innovations.
5. **Customize** an existing business by adding what comes from your list.
6. **Talk to shoppers.** Stand at the entrances of stores, sit in Starbucks or a carwash and chat with customers. Consider sending an online survey to potential customers to learn about their needs and interests.
7. **Make a cheaper, better, bigger, faster, tastier version of an existing product/service.**

The Osterizer Phase

Osterizer is a brand name of a line of food blenders. It is a wonderful metaphor for the processes of mixing ideas and eventually coming up with something that may suit you. For example, you may wish to make a healthy drink with vegetables and fruit that tastes and looks good. To accomplish that, it may take a lengthily testing process until you succeed.

1. From your Exploration you may have come up with a **combination of potential “needs”** that will be discussed below under Needs Assessment.
2. **Mix and match products or services.** Walk up and down the aisles of drug, hardware and toy stores, Costco, Wal-Mart and Target combining products into one. Watch service providers and find a fit or a revision to their business model.
3. One of the best ways to determine whether your idea has a chance at success is to run it by your family, friends, neighbors, and other people you know, including co-workers and colleagues. If you are afraid of people stealing your idea, be careful of who you share it with. If necessary have them sign a **Non-Disclosure Agreement (NDA)**. Today it is all about getting to the market first, therefore you may wish to only discuss the general concept.
4. Hopefully by now, **you know what you wish to do.** Understand that starting a business isn't rocket science. It isn't easy to begin a business, but it's not as complicated or as scary as many people think. It's a step-by-step, common-sense procedure. First step: Figure out what you want to do. Once you have the idea, talk to people to find out what they think. Ask "Would you buy and/or use this, and how much would you pay?"
5. Surround yourself with a Group of objective advisors from a wide variety of backgrounds and personal tastes.
6. Understand that many people around you won't encourage you in your entrepreneurial journey. Some will even discourage you. Some will tell you they have your best interests at heart; they just want you to see the reality of the situation. Some will envy your courage; others will resent you for having the guts to actually do something. You can't allow naysayers to dissuade you, to stop your journey before it even begins.
7. Once you get an idea for a business, what's the most important trait you need as an entrepreneur? Perseverance. When you set out to launch your business, you'll be told "no". Don't take it personally. You've got to get beyond the "no" and move on to the next person. Eventually you're going to get to a "yes."
8. One of the most common warnings you'll hear is about the risk. Some will tell you it's risky to start your own business. Yes it is risky, but what in life isn't? There's a difference between foolish risks and calculated risks. If you carefully consider what you're doing, get help when you need it, and never stop asking questions, you can reduce the risk.
9. You can't allow the image of risk to stop you from going forward. Ask yourself "What am I really risking?" Assess the risk. What are you giving up? What will you lose if things don't work out? Don't risk what you can't afford. Don't risk your home, your family or your health. Ask yourself "If this doesn't work, will I be worse off than I am now?" If all you have to lose is some time, energy and money, then the risk is likely worth it.

10. Determining what you want to do is only the first step. You've still got a lot of homework and a lot of research in front of you. Most important, do something. Don't sit back year after year and say "This is the year I'm going to start my business." Make this the year do it!

Concepts into Reality Phase

- 1. Define the difference.** You need to be clear about how your product/Service is unlike those of competitors. Suppose your dream involves a new type of social media that lets you create online collections of visuals that people can share. Are you talking about Pinterest, Slideshare or Instagram? You need to set yourself apart. If your idea is not clearly defined, people may have a "been there, done that" view of it.
- 2. Look for the problem-need-want your idea solves.** Will it shorten the time it takes to do something? Does it make it easier to find something? Can it make something more exciting or more functional? If your product or service doesn't address an identifiable problem, need or want, why would anyone spend money on it?
- 3. The Need's Assessment: The 5 Need's in consumer purchasing that we wish to turn into a "want".**
 - Number one is an **immediate need** that is a **want** such as a morning's latte at Starbucks, milk from the market or pain in a tooth to be looked at by a dentist. Habitual **needs** such as manicures, hair styles/cuts and recreation.
 - Number two is the **need** that will be purchased in an approximate time such as boots for a trip to the snow, beauty products and a limo ride to the airport.
 - Number three is the **need** that is known, but there is no time frame for its execution.
 - Number four is a **need** that exists, but the potential buyer must be stimulated to recognize that it is needed.
 - Number five is a **need** that does not exist. The seller creates an environment that causes the buyer to purchase an unneeded product/service. For example, purchase the Pet Rock, the detailing of a wrecked automobile and a \$1,000 bottle of Champaign.
- 4. Use clear, strong words.** This is not the time to say, "It's like this..." Find the exact right words and avoid jargon. Focus on a description that can fire the imagination. If you can't get people excited about your idea, it's not going to go anywhere beyond your head.
- 5. Do your homework.** Are you the first with this idea, or will you have competition? Research online, visit conferences in your industry, talk to experts and search for mentors. Perform your due diligence now. You don't want to discover that someone else got there first after you invest valuable time and money.
- 6. Do your homework again.** Even if no one else has your idea, someone may have another plan to solve the same issue your idea addresses. Look for any like businesses that may attract your potential customer. You can do this determining and analyzing your competition. Remember, this is to help you. What might people spend their money or time on instead of your product or service?

7. **Define your customer base.** If you say "everyone," you're just being lazy and you're kidding yourself. Who will be your product or service's early adopters? Will people choose your idea over something they already spend time and money on, or will they decide this is a brand new product or service to pursue? Which people will *really, really* want what you have to offer, and who will have to be educated or talked into it?

8. **Determine your resource requirements.** What exactly do you need to get started? Can you build it in your garage using standard tools and materials? Does everything depend on a website that distributes the service? Can you handle the startup alone or do you need a team? And if so, a team that includes who? How much money do you need to get your idea off the ground? This is not a fast process. Expect to spend a fair amount of time on research, checking with suppliers, and talking with industry experts and specialists.

9. **Build a prototype.** This is a critical step with a product, but it is just as important if you're offering a service. If you're creating a service, your prototype can be a process map that details customer contact points and what has to happen internally to meet customer needs. A physical prototype should be working and include a clear understanding of its function, reliability and production requirements. If you can't actually build a real prototype at least have computer-aided designs with detailed specifications.

10. **Do the math.** No plan is complete without a thorough financial analysis. This includes a realistic and convincing revenue projection together with related costs. You should be able to detail the estimated break-even point and future profits. If you need help on this part, get it. A poor financial projection can destroy even the greatest idea.

11. **Write your plan.** We are not talking about the pitch you give potential money people. We mean your internal plan for taking your dreams all the way to the finish line. You need to have this in place for yourself, so that when you wake up tomorrow you know what to do. It will keep changing, and that's okay. In fact, it's important to maintain flexibility in your plan. When you take the leap with your big vision, you'll either bounce, crash or fly. But one thing's for sure, you'll never find out if you don't take action.

12. **This process takes patience!**

Planning for a Successful Start Phase

The old adage goes: failure to plan is a plan for failure. Your business plan does not need to be complex or convoluted, but it is necessary. If you are having a hard time pulling your plan together, our counselors at **SCORE** will help you. We present a **Business Plan** Workshop that will provide you with a template and guide you through the process. In addition there is a plethora of tools on our website at www.sandiego.score.org. Click Templates & Tools.

Before you can start drafting your plan, you need to plan your draft.

Start gathering the information that will fill the plan. At this time you will also find out how to assess your business's objectives (specific, measurable, achievable, and realistic and time defined) **to meet your goals** (broad, generalized and even subjective).

Accuracy is important not only for you, but if borrowing or obtaining investors you may be held accountable for the projections and proposals in the plan. A business plan will take on a life of its own, so thinking a little about what you want to include in your plan is no more than common sense patience and prudence.