



The entrepreneurial blueprint

10 steps to small business success

<http://www.powerhomebiz.com>

Starting a business, given its share of rewards and risks, is a serious endeavor and requires considerable preparation. If you are going to accept the challenge, then you must do everything you can to improve your chances for success. This process involves the mastery of ten steps.

However, these steps are not easy nor simple. Each level involves a tremendous amount of effort and a lot of street smarts to work effectively. Similar to playing a video game, you should master each level before moving on to the next one.

Here are the ten steps:

Develop your personal and company goals. New business success requires a combination of knowing what you are doing and capitalizing on a good opportunity. Develop and clearly state your goals in a written plan, which will then serve as your road map. They give you a sense of direction and help you get to your destination, a successful business of your own, with a minimum of time, effort, and expense.

Define a viable market segment for your product or service. The next step in starting a new venture begins with listening to the marketplace. Define an unmet consumer need first, before you develop a product to satisfy that need. Regardless of how astute you may be in business, if the market isn't there to support you, then you cannot expect to go very far.

However, the majority of entrepreneurs first come up with a product they think is "hot" before determining the existence of sufficient demand for the product. You may have the most exciting product in the world, and people might think that it's the most interesting thing they've seen in a decade, but if you can sell only a handful (to your immediate family and in-laws), you are probably doomed to failure. In order to verify that there is a need for your product, you must test the market by conducting a variety of market research.

Develop your marketing plan. The purpose of the marketing plan is to describe how you will attempt to create and maintain customers for a profit. It needs to state whom you are going to sell to, how you are going to penetrate the market, why you will be successful with your sales campaigns, and finally, how much you will sell annually over the next five years. The marketing plan will ultimately become an integral part of your overall business plan, but it must be completed first.

Write your initial version of the business plan. Your business plan must reflect the unique environment you will be operating in as well as what you plan to be your competitive advantage. It is an outline of the direction in which you plan to take your company, an analysis of your business strengths and weaknesses, and a skeleton from which your formal busi-

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ness plan will later be developed. It will assist you in securing the key people you need, and it will also help you to begin developing your financial projections.

Determine your financing needs. Once you have developed a rough business plan, you can begin to determine your financing needs, which will be incorporated into your formal business plan. Your marketing analysis leads to sales forecasts, which determine your staffing level, and defines your operating budget, from which you can generate pro formas (financial projections) and determine your projected cash flow.

Form your key teams: founders, managers, and directors. Before developing your formal business plan, you must make sure you have put together a solid management team. If there are any holes in your team at this point, they should be filled. The rough business plan you developed in Level IV should help you to attract top talent to your company. In addition, it will help you to build a strong board of directors or board of advisors.

Finalize your financing needs and create your formal business plan. Starting with the rough business plan, put together a full-fledged formal business plan. A business plan should convincingly demonstrate that your business can sell enough of its product or service to make a satisfactory profit and be attractive to potential backers. This is the document you will use to secure the financing you need to get your business off the ground. It will also serve as an operating manual for your business once it has been funded.

Develop a marketing strategy to obtain financing for your company. I'm not talking here about the marketing strategy to sell your product or service, but a strategy to sell yourself and your company to financiers in order to raise the capital that your business needs.

Market your plan successfully, attracting capital on your terms. Once you've developed a strategy for approaching financing sources, you must make use of the negotiating tools that will give you an inside edge on the competition and enable you to attract capital on your terms rather than on those of your investors'.

Market your product/service and manage your business to achieve your goals. The last step in the process involves the ongoing management and marketing of your business. Getting a company started is only half the battle. Once you're in business, you will need strong management tools and marketing skills in order to make sure you stay in business. Each step, executed in order, builds a solid foundation for the steps that follow. By progressing in this manner, rather than using the typical haphazard approach, you begin to gain the needed experience. □



New venture feasibility

An analysis

<http://www.sbm.temple.edu/IEI>

Innovation and Entrepreneurship Institute, USA

The first step in creating a business plan is to outline your concept, begin to define the scope of your business, and to visit each of the principal parts of your prospective plan. These are listed below.

1. Company overview;
2. Product/Service description;
3. Industry and marketplace analysis;
4. Marketing strategy;
5. Distribution and sales strategy;
6. Operations plan;
7. Development plan; and
8. Financial estimates.

The attached worksheets will help to guide you through this initial look at your business. In this initial stage, understand that you will have very little of the information needed to build a solid business plan. Nonetheless, use your best judgement to answer all of the questions and complete all of the worksheets. In subsequent steps, you will be investigating and developing these issues in depth.

Company name: _____

Team members: _____

Company overview

The company overview is a brief description of the company you have founded or want to found. How will it be organized? Will it be a sole proprietorship, partnership, or corporation? What are your ambitions for the company? Will it always be a small company, or do you want to grow it into an international giant?

Upon reading this section, the reader should have a good idea of where you are and where you are going with your company.

What is the name of your company?

Does it currently exist, or does it have to be formed?

How is your company organized (e.g., sole proprietorship, partnership, corporation)?

What is your overall strategy and what objectives do you have?

What are your goals for the company (keep it small, grow it big, franchise it)?

What is the exit strategy for yourselves and for your investors (sell to larger company, go public, buy out investors)?

What additional information do you need to describe and organize your company?

Product/Service description

The product and service section is a detailed description of the products and/or services you will be selling. You should not assume that the reader is familiar with your product/service. Be sure to explain and describe it carefully.

What exactly is your product or service? Describe it carefully.

What is unique about your product/service? What are its features and benefits? Do you have any proprietary rights to the product/service (for example, technology, patents, copyrights, etc.)?

Why is your product/service superior to the competition, and how is it different?

What additional information do you need to define your product or service?

Industry and marketplace analysis

The industry and marketplace analysis section dispassionately describes and outlines the industry and the marketplace in which you will compete. When finished with this section, you and your readers should understand the dynamics, problems, and opportunities driving your industry and marketplace.

What is the industry that addresses this market? What trends are important in this industry? How does this industry segment the market?

What is the market we intend to serve? How large is it? What is its growth potential?

What motivates customer purchase decisions?

What additional information do we need about our marketplace?

Marketing strategy

The marketing strategy section of your plan will make or break the prospects for your venture. In the marketing strategy section, show how you are going to fit into your marketplace. What are unmet needs in the marketplace and how are you going to fill them? How will you differentiate your product or service from your competitors? What unique features, benefits, or capabilities will you bring to the marketplace? Who are your customers?

Who are your target customers? What problems are you solving for them? What are their profiles? What motivates their buying decisions?

What are the strengths of your product/service? Weaknesses? Who are your competitors? How will you differentiate your product or service?

How will your product be priced? What are gross revenues per unit sold? What are anticipated annual sales?

What additional information do you need to create an effective marketing strategy?

Distribution and sales strategy

How will you reach your customers? How will you close the sale with your customers? Remember, "nothing happens until the sale is made."

What distribution channels will you use (e.g., direct sales, mail-order, wholesalers, etc.)?

How will you communicate with your customers (e.g., advertising, promotions, etc.)?

How will your product or service be sold? Who will do the selling (your own sales people, manufacturing representatives, etc.)?

What are the costs associated with your sales strategy? Which costs are fixed and which variable?

What additional information do you need to create an effective sales strategy?

Operations plan

The operations section outlines how you will run your business and deliver value to your customers. Operations is defined as the processes used to deliver your products and services to the marketplace and can include manufacturing, transportation, logistics, travel, printing, consulting, after-sales service, and so on. In all likelihood, about 80 per cent of your expenses will be for operations, 80 per cent of your employees will be working in operations, and 80 per cent of your time will be spent worrying about operating problems and opportunities.

Which operations are critical to the success of your business? Which are secondary?

How will you produce and deliver your product/service? What will you do in-house, and what will you purchase (make vs. buy)?

What will it cost to produce and deliver your product or service? Estimate fixed costs (plant, equipment, etc.) and variable costs (labour, materials, etc.)

What additional information do you need to understand and cost your operations?

Development plan

The development section is a road map of how you are going to get from where you are now to where you want to be in the future. These steps can be as routine as securing retail space, or as critical as applying for and getting a patent on key technology.

What must be done before you can introduce your product or service to the marketplace? What are the risks?

How long will it take to bring your product or service to market? What is your timeline?

What are the one-time start-up and development costs of your business (equipment, deposits, fixtures, furniture, etc.)?

What additional information do you need to understand and cost the development of your product or service?

Financial plan

Your financial plan should be frosting on a cake. You have outlined a great business concept, demonstrated a real need in the marketplace, shown how you will execute your ideas, and now will show how much money everyone is going to make.

Summarize estimates made in previous sections (\$):

A. Annual unit sales:

B. Price per unit:

C. Variable cost per unit (production and sales):

D. Fixed costs (administration, production, and sales):

E. One-time start-up costs (equipment, marketing, legal, etc.):

F. Working capital required (receivables, inventory, etc.):

Calculate estimated annual gross revenues and income (\$):

G. Estimated annual revenues (A*B):

H. Estimated annual variable costs (A*C):

I. Estimated annual contribution margin (G-H-D):

Calculate break-even figures (\$):

J. Contribution margin per unit (B-C):

K. Annual break-even quantity (D/J):

L. Ratio of break-even to expected quantities (K/A):

Estimate the money you will initially need to start your business (\$):

M. Total up-front funds required (E+F):

N. Additional units to cover up-front funds (M/J):

O. Break-even quantity with up-front funds (K+N):

Calculate financial performance figures (\$):

P. Payback period for start-up funds (M/I):

Q. Annual return on start-up investment (I/M):

R. Variable cost to price ratio (C/B):

S. Contribution margin ratio (I/G):

Do these numbers look attractive enough to proceed? How can they be improved?

How much cash will you need to start your business? Where will you get it (savings, a loan, venture capital, an angel...)? What other information do you need for your financial projections?