

H O W   T O  
**START, RUN  
& STAY IN  
BUSINESS**

FOURTH EDITION

**The Nuts-and-Bolts Guide  
to Turning Your Business  
Dream Into a Reality**

**Gregory F. Kishel and  
Patricia Gunter Kishel**



John Wiley & Sons, Inc.



H O W   T O  
**START, RUN  
& STAY IN  
BUSINESS**

FOURTH EDITION

**The Nuts-and-Bolts Guide  
to Turning Your Business  
Dream Into a Reality**

**Gregory F. Kishel and  
Patricia Gunter Kishel**



John Wiley & Sons, Inc.

Copyright © 2005 by Gregory Kishel and Patricia Kishel. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600, or on the web at [www.copyright.com](http://www.copyright.com). Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008.

**Limit of Liability/Disclaimer of Warranty:** While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. The publisher is not engaged in rendering professional services, and you should consult a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books. For more information about Wiley products, visit our web site at [www.Wiley.com](http://www.Wiley.com).

Library of Congress Cataloging-in-Publication Data:  
0-471-67184-3

Printed in the United States of America  
10 9 8 7 6 5 4 3 2 1

# Contents

**Preface      vii**

**1   Getting Started      1**

What's in It for Me? / Do I Have What It Takes? / Goal Setting /  
What Kind of Business? / Starting versus Buying a Business /  
Checklist for Going into Business

**2   Preparing Your Business Plan      17**

When to Use a Business Plan / The Plan / Planning Resources /  
Guidelines for Successful Planning / Planning Checklist

**3   Determining the Best Location      29**

Choosing the Community / Choosing the Site / The  
Environment / Making a Traffic Count / Geographic  
Information Systems Mapping / Rating the Site

**4   Your Building      41**

Looks / Livability / Layout / Amenities / Rating Your Building

**5   Structuring the Business      50**

Sole Proprietorship / Partnership / Corporation / Limited-  
Liability Company / Government Regulation / Structuring the  
Business Checklist

## **6 Recordkeeping and Taxes 72**

The Value of Good Records / Recordkeeping Systems / Taxes / Tax-Related Decisions / Recordkeeping and Taxes Checklist

## **7 Financial Statements 84**

Summarizing Financial Data / The Importance of Financial Statements / The Balance Sheet / The Income Statement / Interpreting Financial Data / Financial Ratio Checklist

## **8 Obtaining Capital 95**

Determining Your Initial Investment / Sources of Capital / Venture-Capital and Angel Resources / SBA Business Plan Questionnaire / Financing Checklist

## **9 Inventory and Distribution 116**

Controlling Your Inventory / The Optimum Level of Inventory / Merchandise Turnover / Universal Product Codes / Just-in-Time Management / Inventory Shrinkage / Managing Your Distribution Network / Inventory and Distribution Checklist

## **10 Setting the Price 130**

Pricing and Customers / Pricing and Competition / Pricing and the Economy / Pricing and Profit / Pricing Methods / More about Markups / Pricing Strategy / Pricing Strategy Checklist

## **11 Staffing 141**

Analyze Each Job / Prepare Job Descriptions / Check Recruitment Sources / Use Application Forms / Conduct Interviews / Verify Information / Make the Hiring Decision / Outsourcing / Staffing Checklist

## **12 Managing and Motivating 157**

Developing Your Own Management Style / Knowing When to Delegate / Finding Ways to Motivate / Developing a Corporate Culture / Running an Ethical Business / Leadership Checklist

## **13 Developing Your Promotional Strategy 169**

Advertising / Publicity / Public Relations Resources / Preparing an Advertising Budget / Promotional Strategy Checklist

## **14 Selling and Servicing 191**

A Positive Approach to Selling / Maintaining Good Customer Relations / Staying Organized / Customer Service Checklist

## **15 Safeguarding Your Business 205**

Risk Management / Types of Insurance Coverage / Recognizing Warning Signals / Insurance Checklist

## **16 International Marketing 218**

Why Go Global? / Evaluating Foreign Markets / Utilizing Market Research Data: Secondary versus Primary Data / Sources of Information / Choosing Your Entry Strategy / International Marketing Checklist

## **17 Franchising 234**

The Definition of Franchising / The Price / The Advantages and Disadvantages of Franchising / The Franchise Agreement / How to Find Franchise Opportunities / Evaluating a Franchise / Franchising Checklist

## **18 Getting Help 245**

Sources of Outside Help / Accountants / Advertising Agencies / Attorneys / Bankers / Chambers of Commerce / Colleges and Universities / Government Agencies / Insurance Agents / Libraries / Management and Marketing Consultants / Temporary Help Services / Trade Associations / Website Designers/Managers / Publications / SBA Field Offices / Small Business Development Centers (SBDCs) / Small Business Resource Websites

## **Index 275**





# Preface

Starting and running your own business is one of the most exciting and potentially rewarding activities in which you can engage. In terms of your standard of living, as well as your level of personal satisfaction, there's no limit to what you can achieve through private enterprise. To increase the probability of your success, our book provides the practical information every business owner needs—and presents it in a way that's easy to understand and ready to be used.

Many features make *How to Start, Run & Stay in Business* equally well suited for both prospective and present business owners:

*Handbook format.* Each stage of business operations—from selecting the right kind of business to financing, insuring, and promoting it—is covered on a chapter-by-chapter basis.

*Checklists.* Included throughout the book are checklists, so that you can measure your progress and monitor any areas of your business that need improvement.

*Graphic examples.* Whether you need a financial statement, a job application, or a press release, you can *see* what it looks like.

*Approach.* The book's real-world approach to running a business gives you the information you want when you need it.

Here are a few questions explored and answered in the following chapters:

- How can I raise enough money to get started?
- What's the right kind of business for me?

- Which is better—a sole proprietorship, a partnership, or a corporation?
- How much insurance should I have?
- What's the best way to find good employees?
- How much should I charge?
- How should I promote my business?
- How complex does my bookkeeping system need to be?
- What's involved in purchasing a franchise?
- What if I get stuck and need outside help?
- How can I use the Internet to build my business?
- How can I expand into foreign markets?

Whether you're thinking about starting your own business or already running one, you'll find the answers you've been looking for in these pages.

More than 200,000 readers have used the earlier editions of our book to start or build businesses of their own. Many have taken the time to thank us for writing the book and to share their stories with us. For this we are grateful. One entrepreneur told us that she kept the book next to her cash register and had used it so many times that the pages were falling out!

Now, with this updated and expanded edition of *How to Start, Run & Stay in Business*, we look forward to helping the next generation of entrepreneurs. We wish you much success . . . and hope that our book finds a place next to *your* busy cash register.

Gregory F. Kishel  
Patricia Gunter Kishel

# 1

---

## Getting Started

**I**n any successful business operation the secret ingredient is planning. The adage that failing to plan means planning to fail is especially true of running a business. Without good plans, a business is totally at the mercy of fate, ruled by laws based on random probability rather than sound judgment. In this situation, instead of you running your business, it runs you. The way to avoid this is by taking the time to formulate your objectives *before* starting your business. This entails analyzing your reasons for wanting to go into business in the first place, rating your abilities in different areas, and determining what kind of business best suits you.

### What's in It for Me?

“What’s in it for me?” is the first question you should ask yourself. Starting and running your own business requires significant investments of money, time, and energy. In exchange for the opportunity of owning your own business, you give up the benefits that employees take for granted: job tenure, a regular paycheck, paid holidays, vacations and sick leave, and a company insurance plan, as well as the ability to leave your job behind at the end of the day. It’s only logical that you should want to know what to expect in the form of a return on your investment—not just in dollars, but in satisfaction.

### Advantages of Owning a Business

The number of new businesses started in the United States each year is currently growing at a faster rate than the population—clear evidence that owning a business is perceived as offering certain advantages. The ones mentioned most often include these:

- *Control.* The authority to make decisions rests with you. As the boss, you have the power to direct all the activities of your business.

- *Creative freedom.* Without the restriction imposed by set policies and the need to go through channels, your ideas and talent can be freely expressed.
- *Profits.* The more successful your business is, the more money you can make. Whereas employees' salaries generally depend on budget approvals and cost-of-living increases, yours is directly linked to your performance.
- *Job security.* Because it's your business, you can't be fired, laid off, or forced to retire.
- *Pride.* You gain the satisfaction that comes from knowing you have built your business into a successful operation through your own efforts.
- *Wealth.* Owning a business gives you the opportunity to build wealth, creating an asset that you can borrow against, sell, or pass on to the next generation.

### **Disadvantages of Owning a Business**

Being the boss isn't without its disadvantages. Among those most frequently mentioned are these:

- *Investment at risk.* If the business fails, you could lose your entire investment. In addition, your personal assets may be jeopardized.
- *Long hours.* Keeping your business going is rarely just a 9:00 to 5:00 proposition, especially in the beginning. Be prepared to put in many 12-hour days to make it work.
- *Fluctuating income.* Instead of reliably receiving a steady paycheck, you depend on income that is subject to the ups and downs of the business.
- *Responsibility.* The freedom to make decisions carries the burden of standing by them. If anything goes wrong, ultimately you're the one who's responsible.
- *Pressure.* There's always the pressure to please your customers, meet your payroll, and satisfy your creditors' demands.
- *Regulations.* You must abide by federal, state, and local laws, as well as the safety stipulations imposed by your insurance carrier.

Do the advantages of owning a business outweigh the disadvantages? That's something only you can determine. Just as some individuals can be happy only when working for themselves, others prefer to work for an employer. In planning your own business, it's important that you keep sight of your own needs and wants. Will owning a business enable you to satisfy them at a price you're willing to pay?

## Do I Have What It Takes?

Do you have what it takes to own and operate your own business? It isn't a matter of how smart you are; it's more a matter of personality and behavior. Researchers have found that individuals who possess certain characteristics are more likely to succeed as business owners than those who lack these characteristics. Although there's not total agreement as to the characteristics that are most important, those frequently cited include:

- *Motivation.* The drive (mental and physical) to succeed, to accomplish the tasks of your own choosing, on your own terms
- *Confidence.* The firm belief in your own capabilities and your chances of success
- *Willingness to take risks.* The readiness to sacrifice your own security, if need be, in order to accomplish your goals
- *Ability to make decisions.* The skill to analyze complex situations and draw the conclusions that will make your business succeed
- *Human relations skills.* The ability to get along with others, to inspire cooperation, confidence, and loyalty
- *Communications skills.* The talent to express yourself, to understand others, and to share ideas
- *Technical ability.* The expertise to produce the goods and services of your business
- *Vision.* The creativity to recognize and capitalize on new business opportunities

To rate yourself in these areas and to get some additional input regarding your suitability for the entrepreneurial role, read the following rating scale, and answer the questions as objectively as you can.

## Rating Scale for Personal Traits Important to a Business Owner

*Instructions:* After reading each question, circle the letter of the answer that fits you best. Be honest with yourself.

1. Are you a self-starter?
  - a. When something needs to be done, I do it. Nobody has to tell me.
  - b. If someone gets me started, I keep on track.
  - c. Easy does it. I don't put myself out unless I have to.
2. How do you feel about other people?
  - a. I like people and can get along with just about anybody.
  - b. I have plenty of friends. I don't need anyone else.
  - c. People, in general, tend to irritate me.
3. Can you lead others?
  - a. I can get most people to follow me without much difficulty.
  - b. I can give the orders as long as someone tells me what to do.
  - c. I usually let someone else get things moving, then I join in if I want to.
4. Can you take responsibility?
  - a. I like to take charge and see things through.
  - b. I can take charge if I have to, but I'd rather let someone else be responsible.
  - c. Go-getters always want to show off. I say let them.
5. Are you a good organizer?
  - a. I like to have a plan before I start. I'm usually the one to get things lined up.
  - b. I'm pretty good unless things get too complicated. Then I quit.
  - c. I just take things as they come. It's easier that way.
6. Are you a good worker?
  - a. I can keep going as long as necessary. I don't mind working hard.
  - b. I'll work hard up to a point, but when I've had enough, that's it.
  - c. I can't see that hard work gets you anywhere.
7. Can you make decisions?
  - a. I can make up my mind when I need to, and my decisions usually turn out okay.

- b. I can if I have plenty of time. Otherwise I end up second-guessing myself.
  - c. I don't like to be the one who decides things. There's too much pressure.
- 8. Can people trust what you have to say?
  - a. They sure can. I don't say things I don't mean.
  - b. I try to be on the level, but sometimes I just say what's easiest.
  - c. I don't worry about the truth if the other person doesn't know the difference.
- 9. Can you stick with it?
  - a. If I make up my mind to do something, I don't let anything stop me.
  - b. I usually finish what I start.
  - c. If a job doesn't go right, I bail out. Why beat your head against a wall?
- 10. How good is your health?
  - a. I never run down.
  - b. I have enough energy for most things I want to do.
  - c. I'm okay as long as I don't try to do too much.

Where did most of your circles go? Ideally, statement *a* should have been your choice for each response. If it wasn't, then you have one or more weak spots to consider. It's up to you to find ways to bring about improvements in these areas, either by changing your personal habits and attitudes or by staffing your business with people whose strengths can augment yours.

## Goal Setting

One way to improve your chances for success is to set goals for accomplishing the various tasks associated with forming and operating your own business. For each goal, you should indicate your plan of action and specify the target date for the goal's achievement. Then, as each target date arrives, you can compare your actual performance with your intended performance. Whenever you reach a goal, set a new goal for yourself. In this way you can keep both your momentum and your motivation going at a steady pace. For example, your list of goals might look like this:

## **Month 1**

- Read *How to Start, Run & Stay in Business*.
- Visit the Small Business Administration (SBA) and gather information on starting a business.
- Research business formation in the public library and on the Internet.
- Talk to business owners to get their inputs.

## **Month 2**

- Decide on the type of business to start.
- Collect as much information as possible on this type of business.
- Attend a business start-up seminar through a community college or Small Business Development Center (SBDC) in your area.

## **Months 3–5**

- Decide whether to start a business from scratch or buy an existing business or franchise.
- Prepare a plan of action to obtain funds and to locate and furnish your business.
- Go over the plan with a counselor at the local Small Business Development Center.

## **Month 6**

- Open your business.

## **Year 1**

- Have your business break even.

## **Year 2**

- Make a 15 percent profit on sales.
- Determine ways to improve or expand your business.

## **Years 3–5**

- Open additional stores.



## Goal Specifics

For the goal-setting process to work, the goals that you set for yourself should be (1) measurable, (2) scheduled, (3) realistic, and (4) written.

1. *Measurable.* It isn't enough just to say that you want to "do well" or to "be a success." You have to have a way to measure your goals. In other words, if you want to be a recognized leader in your field within three years, think of the criteria for judging whether you have attained the goal—memberships in specific organizations, write-ups in newspapers and magazines, sales volume, profits, and so on. Unless there is some standard of measurement you can use to determine what constitutes a recognized leader, there's no way to know whether you are one.

2. *Scheduled.* Each goal that you set for yourself should have a specific time frame for its completion. If you have to move a date forward or push it back, you can, but having a completion date to shoot for will make it easier for you to schedule the work needed to accomplish your goal and to monitor your progress. Are you on schedule, behind schedule, or ahead of schedule?

3. *Realistic.* If you set unrealistic goals for yourself, you set yourself up for failure. Few people become "overnight" millionaires or earn enough to retire within six months of starting their business. Look at what other business owners in your field have accomplished, and find out how long it took them to do it. Then compare their situations to your own circumstances, and set your goals accordingly. Keep in mind, too, that the closer your business goals are to your personal goals, the greater the likelihood that you will achieve both.

4. *Written.* A goal that isn't in writing isn't a goal, as management experts will tell you. By writing down the things you want to accomplish, you start to realize them. Putting your goals in writing not only clarifies them, but also enables you to keep them in focus as you work toward attaining them.

## What Kind of Business?

Perhaps you have already selected the kind of business you would like to start. Instead, you may be considering several alternatives. In either case, how can you tell whether you've picked a winner? Will your proposed business be able to support you both materially and emotionally?

The answer depends on such difficult-to-predict factors as the economy, the competition, the available resources, and the political environment—all of them forces beyond your control. In addition, however, it depends on another factor that you *can* control—yourself. Be sure to consider this factor as carefully as the others. A business that's right for a friend of yours may not be right for you. Unless you select a type of business or a field that genuinely appeals to you, the odds on your winning are so slight that you're better off not leaving the starting gate.

To shift the odds in your favor, the first thing you should do while planning your business is to think about what you really want to do. Try to come up with ideas for businesses that you would actually enjoy running, not just to make money but to have fun doing it. The more ideas the better. As you come up with each idea, *write it down*. Once you start digging into your own background, experience, education, and hobbies for inspiration, you may be surprised at how many different businesses appeal to you.

After you've expanded your list as much as you can, your next step is to narrow it down, focusing on those business opportunities that most closely match your own qualifications. For instance, if you have a fear of heights and have never jumped out of a plane, a skydiving school is probably a poor choice for you. If, on the other hand, you're talented at drawing and have computer skills, a graphic-design business may be an excellent choice.

If you're determined to start a specific business, even though you know very little about it, what can you do to minimize your risk? Find out as much as possible about your intended business before attempting to open it. You can do this by getting additional education, taking a job in someone else's business, researching the business in the library and online, talking to people in the field, and so on. Even though this step may make you postpone opening your doors, the delay will be worth it. Once your doors are open, you'll be in a better position to *keep* them open.

As for those uncontrollable factors that also affect your business, the best way to cope with them is to stay tuned in to what's happening in each area. Some new business owners get so caught up in their own affairs that they fail to keep track of events that may have a direct bearing on their operations. You can avoid this mistake by reading newspapers and magazines, tuning in to the media and popular culture,

listening to what people have to say, and observing the changes in your environment.

## Starting versus Buying a Business

Once you've selected the kind of business that is best for you, you face another important decision: whether to start your business from scratch or buy an existing business. Neither method is better than the other. It's a matter of choosing the one that best fits your own needs, circumstances, and financial situation. For example, if speed is of the essence—you want to open your doors in time to capitalize on a key selling period or to take advantage of favorable lending terms—then buying an existing business that's already up and running may be the answer. If, however, the existing business is in a bad location or its facilities are deteriorating and in need of extensive repairs, you could end up with major problems.

Thus, in comparing the two choices, you should pay close attention to the pros and cons of each method.

### Starting from Scratch

#### Pros

- You start with a clean slate—the business is your vision.
- You choose everything—from the location, design, and layout to the merchandise, supplies, and equipment.
- You hire the employees you want.
- You control the business's image.
- There aren't any old problems to resolve.
- You can fund your business in stages—there's no lump sum purchase price to pay.

#### Cons

- It takes time to do everything necessary to start the business.
- Lenders and investors may be reluctant to put money into an unknown business.
- It's hard to find good employees.
- You have to build customer awareness.
- You don't have the input of a previous owner to help you.
- It's harder to do financial projections without a previous track record.

## Buying a Business

### Pros

- It's already a going concern.
- It's known in the community.
- Supplier and distribution agreements are in place.
- It has an established customer base.
- Credit can be more easily obtained with a proven business.
- It already has money coming in—immediate cash flow.

### Cons

- The business may be over-valued.
- The location or facilities may be bad.
- The inventory, supplies, or equipment may be outdated.
- It may be operating inefficiently.
- There may be unforeseen debt or legal problems.
- Initial start-up costs tend to be higher.

## Additional Considerations

Other factors to keep in mind are:

- Your own preferences
- The availability of a suitable business to buy
- The costs associated with each method
- The profit projections for each method

Your comparison should also include a thorough background check into the history of any business you consider buying. This entails:

1. Looking at a minimum of three years of its tax returns
2. Getting an estimate of its worth and its credit rating from Dun & Bradstreet or another financial-information services company
3. Talking to its employees, suppliers, distributors, and competitors
4. Getting the opinions of current and former customers
5. Checking with government and consumer organizations to determine whether any complaints or legal actions have been filed against the business

## Checklist for Going into Business

Now that you have thought about your reasons for going into business, examined your temperament, considered the opportunities open to you, and set goals for your business, the following checklist should help you to get started. The questions in it relate to both the formation and the actual operation of your own business. Answer each question yes or no. Be as honest with yourself as you can. This will help you find areas of weakness that need improvement and topics that you need to research further.

| Before You Start   | Answer<br>Yes or No |
|--|---------------------|
| <b>About You</b>   |                     |
| Are you the kind of person who can get a business started and make it go?  | _____               |
| Do you want to own your own business badly enough to keep working long hours without any guarantee that it will succeed? | _____               |
| Have you ever worked in a business like the one you want to start?   | _____               |
| Have you ever worked as a supervisor or a manager?   | _____               |
| Have you had any business training in school?  | _____               |
| Have you researched your proposed business to learn as much about it as possible?  | _____               |
| <b>About Money</b>   |                     |
| Have you saved any money to invest in a business?  | _____               |
| Do you know how much money you will need to get your business started?   | _____               |
| Do you know how much credit you can get from your suppliers—the people you will buy from?                                | _____               |
| Do you know where you can borrow some of the money you need?   | _____               |

(continued)

| Before You Start <i>(continued)</i>   | Answer<br>Yes or No |
|---|---------------------|
| Do you know any potential investors who might put money into the business?  | _____               |
| Have you calculated what your annual net income (salary plus profits) will be?  | _____               |
| Can you live on less than this amount, if necessary?  | _____               |
| Have you talked to a banker about your plans?   | _____               |
| <b>About a Partner</b>  |                     |
| If you need a partner with the money or the know-how that you don't have, is there someone available you could work with? | _____               |
| Do you know the pros and cons of going it alone, having a partner, or incorporating your business?                        | _____               |
| Have you talked to a lawyer about your options?   | _____               |
| <b>About Customers</b>  |                     |
| Have you identified a niche for your business in the marketplace?   | _____               |
| Is there a need for your particular product or service?   | _____               |
| Do you know who your customers will be?   | _____               |
| Do you understand their needs and wants?  | _____               |
| Will your product or service offering be competitive in all aspects—price, quality, and so on?                            | _____               |
| Have you chosen a location that is convenient for your customers?   | _____               |

| <b>Getting Started</b> <i>(continued)</i>   | <b>Answer<br/>Yes or No</b> |
|---|-----------------------------|
| <b>Your Building</b>  |                             |
| Have you found a suitable building for your business?   | _____                       |
| Will you have enough room when your business grows?   | _____                       |
| Can you fix the building the way you want it without spending too much money?                                     | _____                       |
| Will there be adequate parking, maintenance, security, or other necessary support services?                       | _____                       |
| Have you had a lawyer check the lease and zoning for the facility?  | _____                       |
| <b>Equipment and Supplies</b>   |                             |
| Do you know what equipment and supplies you need and how much they will cost?                                     | _____                       |
| Can you save money by buying secondhand equipment?  | _____                       |
| Have you compared the difference between buying and leasing?  | _____                       |
| <b>Your Merchandise</b>   |                             |
| Have you decided what merchandise to carry?   | _____                       |
| Do you know how much inventory you will need on opening day?  | _____                       |
| Have you found suppliers who will sell you what you need at a good price?   | _____                       |
| Have you compared the prices and credit terms of different suppliers?   | _____                       |
| <b>Your Records</b>   |                             |
| Have you chosen a recordkeeping system that will keep track of your income and expenses, assets, and liabilities? | _____                       |

*(continued)*

| Getting Started <i>(continued)</i>   | Answer<br>Yes or No |
|--|---------------------|
| Have you worked out a way to keep track of your inventory so that you will have enough on hand for your customers, but not more than you can sell? | _____               |
| Have you figured out how to maintain your payroll records and take care of tax reports and payments?   | _____               |
| Do you know what financial statements you should prepare?  | _____               |
| Do you know how to use these financial statements?   | _____               |
| <b>Your Business and the Law</b>   |                     |
| Do you know what licenses and permits you need?  | _____               |
| Do you know what business laws you have to obey?   | _____               |
| Do you know a lawyer who can give you advice and help with legal papers?   | _____               |
| <b>Protecting Your Business</b>  |                     |
| Are you aware of the various risks that you should guard against?  | _____               |
| Have you talked with an insurance agent about what kinds of insurance you need?  | _____               |
| Have you made plans for protecting your business against thefts of all kinds—shoplifting, robbery, burglary, employee thievery?                    | _____               |
| <b>When Buying a Business</b>  |                     |
| Have you made a list of what you like and don't like about buying a business that someone else has started?  | _____               |
| Are you sure you know the real reason the current owner wants to sell the business?  | _____               |
| Have you compared the cost of buying the business with the cost of starting a new business?  | _____               |

(continued)



| <b>Getting Started</b> <i>(continued)</i>  | <b>Answer<br/>Yes or No</b> |
|--|-----------------------------|
| Is the inventory up-to-date and in good condition?   | _____                       |
| Is the building in good condition?   | _____                       |
| Will the owner of the building transfer the lease to you?                                  | _____                       |
| Have you talked with others in the area to see what they think of the business?            | _____                       |
| Have you talked with the company's suppliers?  | _____                       |
| Have you talked with a lawyer about the purchase?  | _____                       |
| <b>Making It Go</b>  | <b>Answer<br/>Yes or No</b> |
| <b>Advertising</b>   |                             |
| Have you picked a good name for your business?   | _____                       |
| Have you decided how you will advertise (newspapers, magazines, direct mail, radio, etc.)? | _____                       |
| Do you know where to get help with your ads?   | _____                       |
| Have you observed the types of promotion used by your competitors?                         | _____                       |
| <b>Pricing</b>   |                             |
| Do you know how to calculate what you should charge for each item you sell?                | _____                       |
| Do you know what other businesses like yours charge?                                       | _____                       |
| <b>Buying</b>  |                             |
| Do you know what suppliers you intend to buy from?   | _____                       |
| Will your plan for keeping track of your inventory tell you what and when to buy?          | _____                       |

*(continued)*

| Getting Started (continued)  | Answer<br>Yes or No |
|--|---------------------|
| <b>Selling</b>   |                     |
| Do you know what selling techniques to use?  | _____               |
| Have you thought about why people buy the products or services you offer and how you can convince customers to buy from you? | _____               |
| Are you fully aware of the benefits associated with the products or services you will sell?                                  | _____               |
| <b>Your Employees</b>  |                     |
| If you need to hire someone to help you, do you know where to look?  | _____               |
| Do you know what kind of person you need?  | _____               |
| Do you know how much to pay such a person?   | _____               |
| Do you have a plan for training your employees?  | _____               |
| <b>A Few Extra Questions</b>   |                     |
| <b>Answer<br/>Yes or No</b>  |                     |
| Will owning a business enable you to achieve your goals?   | _____               |
| Have you talked it over with your family and gotten their support?   | _____               |
| Are you willing to make the commitment to “be the boss”?   | _____               |
| Are you ready to begin developing your business plan?  | _____               |

For every *yes* answer you gave, think of yourself as one step closer to turning your business dream into a reality. Each *no* answer represents an area to work on—a temporary roadblock, yes, but a dead end only if you let it be one.

## Preparing Your Business Plan

**G**iven the rapid changes occurring in the marketplace and the increasing levels of competition that all businesses face, you can't afford to proceed blindly, hoping that hard work alone will be enough to make your business a success. To succeed, a business must have clearly defined objectives and a fully developed strategy for achieving them. In short, what's needed is a business plan.

Far from viewing a business plan as a luxury reserved for big businesses or as something created solely to impress the financial community, entrepreneurs should see it for what it is—one of the most important tools a business can have. Just as an organization chart shows the working relationships of the people within a business, a business plan shows the purpose of the business and what it intends to accomplish. A good business plan helps to give form and substance to an entrepreneurial vision, providing a mechanism that enables owners, managers, and workers alike to function effectively. The better the business plan, the better equipped your business will be to recognize and assess the opportunities and risks that lie ahead.

### **When to Use a Business Plan**

Much like a Swiss Army knife, with its multitude of tools and utensils, your business plan can serve many purposes. Your business plan should be of the greatest use to you when you're starting or expanding your business, developing new products, seeking financing, making management decisions, and maintaining control.

## Starting Your Business

During the start-up stage of a business, the existence of a sound business plan can mean the difference between success and failure. Rather than pursuing conflicting goals or allowing the business to develop haphazardly, you can use the plan to keep your business on track.

Some of the questions your plan should answer are:

- What business am I in?
- What are my products or services?
- Who are my competitors?
- Who is my target market?
- What's the best marketing strategy?
- How should my resources be utilized?
- What is the business's profit potential?

Even though you may not be able to work out all the answers in advance or may find that they change later, the important thing is to have a set of assumptions about the business and its environment that you can share with other people. This will make it easier for you to enlist their support in launching your business and for them to work as a cohesive unit in carrying out their respective tasks.

## Expanding Your Business

Your business plan can also help reduce the added risks involved in expanding your business. A plan is especially critical during an expansion phase because this is one of the most dangerous times for a business. If a business tries to expand too quickly, before mastering its current level of activity, the quality of its products and services often suffers. On the other hand, if it waits too long, the market could already be saturated with similar product offerings and the opportunity lost.

By addressing such issues as *timing*, the *rate* of expansion (should the business grow at an annual rate of 5 percent or 20 percent?) and the *type* of expansion (a bigger building? additional locations? new products?), your plan can help you to make the right choices. In this way, instead of being overwhelmed by growth, you should be able to manage it.

## **Developing New Products**

For most businesses the need to develop new products is a fact of life brought about by the continuing challenge to satisfy customers' changing needs. To remain competitive, your business must be able to anticipate and respond to these needs and to make effective use of new technologies. The way to accomplish this is by developing new products and services or by improving existing ones. The company that developed the electronic lightbulb, for example, invented a product that lasts years longer than traditional incandescent and fluorescent bulbs and is more energy-efficient, too.

Unless a business has a plan to guide it, though, the chances of its coming up with profitable ideas for new products, product modifications, or improvements are minimal. To make the most of your resources as your business grows, you must have a systematic plan for developing new products and managing your current ones.

## **Obtaining Financing**

Commercial lenders, such as banks and finance companies, expect to see a business plan as a matter of course before they will lend money to a business. The same holds true for government lenders. Even when there is sufficient collateral to pledge as security for the loan, a business plan is still likely to be required because it shows where the business is going and how the money will be used.

A business plan is even more important if you're seeking investment capital. Investors, especially venture capitalists, tend to be more demanding than lenders because their risks are greater. Unless a plan can convince them that financing a business will enable them to earn a substantial return on their investment, the standard response is, "No go. No dough." This puts the burden on you to demonstrate through your business plan that the investment will be worth their while.

## **Making Management Decisions**

Perhaps the most valuable use of a business plan is in making management decisions. By stating what the business wants to accomplish and assessing both its internal and external environments, a business plan shows the "big picture." This gives entrepreneurs a real advantage. Instead of operating in the dark or looking at just one aspect of