

# Small Business Management <sup>19e</sup>

LAUNCHING AND GROWING ENTREPRENEURIAL VENTURES

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## CHAPTER 3

### Starting a Small Business

# Entrepreneurial Opportunities

## Opportunity

Starting a business

Buying a business

Franchised business

Family business

## Level of Risk

High risk

Medium risk

Medium risk

Variable risk

# Starting a business – Anticipation/Excitement

**What type of roller coaster do we want?**

**We get our expectations from others . . .**

**Perhaps less risk?**

**A kiddie coaster**



**OR, A thrill ride  
(higher risk)?**



**Its an emotional issue –**

**Sometimes we get out of line at the last  
minute . . .**

# What Business To Start ??

**A confusing question (but it shouldn't be):**

**What business should I start?**

- **Think about your day-to-day life ...**  
Things that you want or things that you do (everyday) ...  
Example: In 2008 Garret Camp had trouble in Paris getting a cab. He thought, “Wouldn't it be great if I could get a ride by pressing a button on my iPhone?” – Uber was born ...
- **It can help to look at how (and why) others started their businesses. Can check out over 1,000 ideas (from entrepreneurs) here:**  
[http://consultapedia.com/ent\\_int\\_archive/why\\_this\\_business.php](http://consultapedia.com/ent_int_archive/why_this_business.php)
- **Can also take a look at the 500 most common U.S. businesses**  
[http://consultapedia.com/main/most\\_common\\_businesses.php](http://consultapedia.com/main/most_common_businesses.php)

# Components for Start-Up Success

Passion

What am I passionate about?

Not enough by itself ...

e.g., I love painting, but it is not enough

Ability/Skill

Can I become an expert?

Not enough by itself ...

e.g., I'm a great painter, but no one wants my art

Market

Are there customers for my product/service?

Not enough by itself ...

e.g., Lots of people buy art, but maybe not my type

We Need to Answer Four Questions

1. Do we have passion, skill AND a market?
2. Who is the customer?
3. What need or problem are we solving?
4. How will we make money?

# What Type of Startup Idea is it?

If you've ever thought of a start-up, what type was it?



**A**

## **New Market Idea**

- Existing Product
- Not available in their market

**B**

## **New Technology Idea**

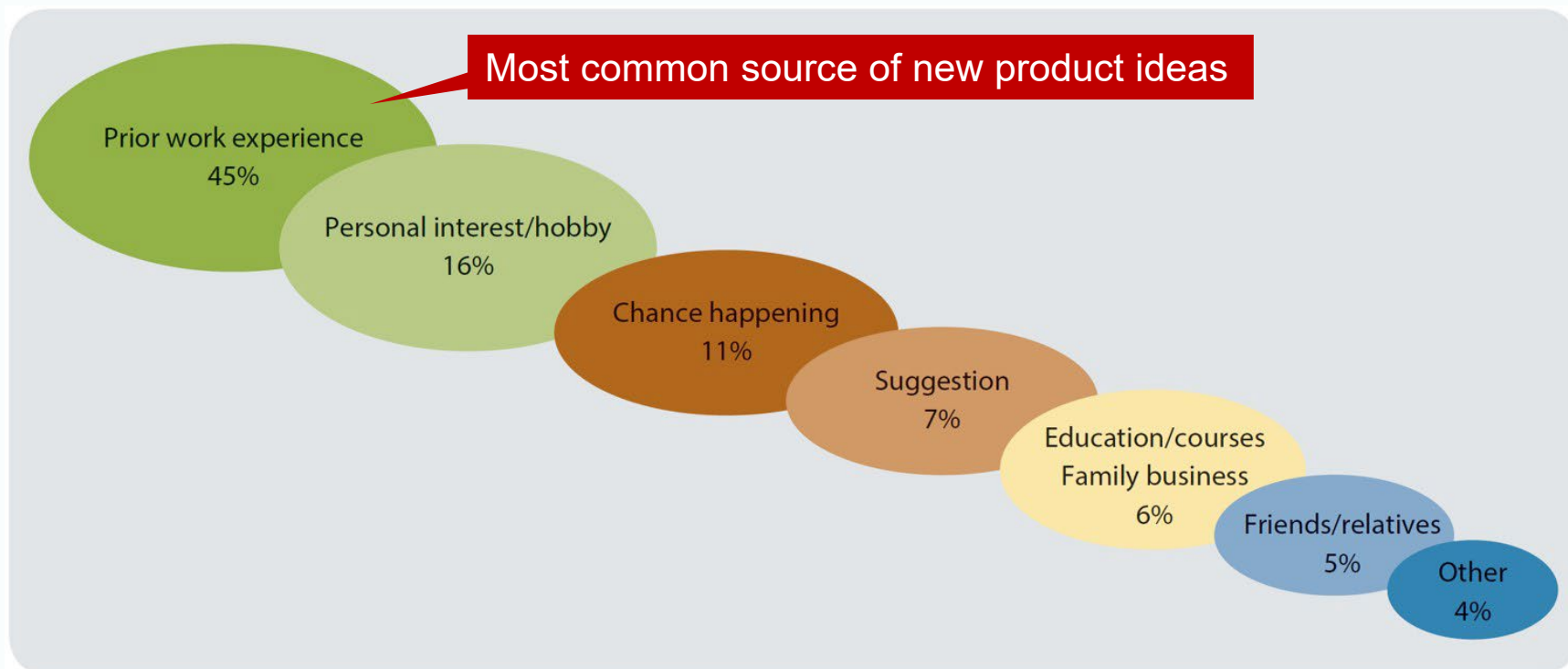
- New Ideas/ products
- New Technology

**C**

## **New Benefit Idea**

- Improved Product
- Perform old function in new and improved way

## 3.2 Common Sources of Startup Ideas



Source: Data developed and provided by the National Federation of Independent Business and sponsored by the American Express Travel Related Services Company, Inc.



# Business Model Matrix to Generate Business Ideas

[VIDEO \(9 min\)](https://steveblank.com/) Steve Blank - <https://steveblank.com/> Click on 'Startup Tools'

**Write:**

**List and describe (in detail) each of the 9 components of the business model**





# Business Model Matrix – How to Use

Go to: [https://consultapedia.com/business\\_model](https://consultapedia.com/business_model)

**Step 1: Understand the Business Model (examine each item – 9 items)**

**Step 2: Brainstorm and log results**

Process:

- Create/Get log file

- Morning brainstorm – 15 minutes, then throughout the day

- Rotate – Day 1 item #1, day 2 item # 2, day 3 item # 3 ...

Day 10 item # 1, day 11 item # 2, day 12 item # 3, etc.

[90 days ideal (each 10x)]

- Evening complete log (formally)

- For each Business Model Item, ask 4 questions:

1. What improvements can we make to this area (in comparison to what is currently being offered)?
2. What can we do that is currently not being done (or is being done in other industries)?
3. What can we eliminate, that may not be important to our customers (that can help us reduce costs)?
4. What can we reduce, that may not be important to our customers (that other companies might be providing)?

**Step 3: Putting it all together**

Read and familiarize with all log entries

Starting point –

*Which cell of the Items (9 of them) do we consider to be our starting point of strength?*

Complete preliminary competitive analysis (look for subtle differences, not similarities)

Put together business model

# Business Model Matrix – How to Use

Go to: [https://consultapedia.com/business\\_model](https://consultapedia.com/business_model)

Take 5 minutes to explore the Business Model and discuss with a neighbor:

- Does this help simplify for you?
- Which item (for your business/idea) would be your strongest starting point?
- What additional questions do you have?

# Communicating the “Need”

How can we effectively communicate  
**THE NEED** and **THE SOLUTION**?

FILM – Your thoughts?



The screenshot shows the Unilever website's 'Planet & Society' section. The main image features a group of smiling children and adults with their hands painted in blue and green. Below the image, the text reads: 'Handwashing for life'. A sub-headline states: 'Average read time: 12 minutes'. The main body text says: 'Through Lifebuoy's Social Mission programmes and communications, we're helping people to develop better handwashing habits, improving hygiene, protecting against illness and helping to prevent childhood deaths.' The page also includes a navigation bar with links like 'Our company', 'News', 'Brands', 'Planet & Society', 'Suppliers', 'Careers', and 'Investors', and a search bar.

Source:

<https://www.unilever.com/planet-and-society/health-and-wellbeing/handwashing-for-life/>

# After the Business Model – How to Start ...

The Small Business Administration (SBA) outlines ten steps to start a new business. Let's examine each of them in detail:

- 1. Conduct Market Research** – Market research will let us know if customers exist who are truly willing and able to buy our products and services. Methods for conducting marketing research are covered in ***Chapter 7***
- 2. Write our Business Plan** – This will be covered in ***Chapter 6***. We should draft our plan because it can help to provide direction, and help check our assumptions. It is one of the primary documents used to support our business loan package, and is most often required by lenders.

# After the Business Model – How to Start ...

- 3. Fund Our Business** – *Chapter 12* will provide means and methods for obtaining capital for our business. This will be based on financial projections and analyses. Funding requirements for a startup business, often are obtained as an incremental process, tied to our 12 to 18-month milestones
- 4. Select Our Business Location** – A framework for location analysis will be provided in *Chapter 9*. We need to examine our needs for a brick and mortar facility (physical location), a virtual facility (on-line presence), or both. Legal, regulatory and tax considerations are vital components that we must examine.
- 5. Select an Appropriate Business Structure** – We must identify the type of legal structure for our business. This will be dealt with in *Chapter 8*. Key considerations include taxation, liability, registration and reporting requirements.

# After the Business Model – How to Start ...

- 6. Create Our Business Name** – It is vital that our business name effectively communicates the type and character of our business. We must conduct research regarding the availability of our proposed name via trademark search (Patent and Trademark Office: <https://www.uspto.gov> ) and domain searches (WHOIS lookup: <https://whois.icann.org> ). Typically there is a local requirement for a dba (doing business as) filing as well – Chapter 8
- 7. Register Our Business Name** – After we have created our business name (prior step), we need to register it with the appropriate authorities. This should include a county or state requirement to file a dba if the company name is different than our own. Depending upon the type of business structure, we may be required to register with our state tax authorities (partnership, LLC, corporation, or non-profit). Optionally, we might wish to legally protect our name with a trademark (common law <sup>TM</sup> or registered ®).

# After the Business Model – How to Start ...

- 8. Obtain Federal and State Tax IDs** – Get a federal employer identification number (EIN) from the IRS through an on-line form (<https://www.irs.gov>). Additionally, many but not all states require that we obtain a state tax ID. Check with your state tax authority for requirements. The IRS has links to all state government websites for our convenience.
  
- 9. Apply for Licenses and Permits** – We need to identify local, county, state and federal license and permit requirements. Go to (<http://www.calgold.ca.gov/>).
  
- 10. Open a Business Bank Account** – Set up a banking relationship. A small business checking account can help you handle legal, tax, and day-to-day issues. Also, consider setting up a revolving credit line.

Source Website:

<https://www.sba.gov/business-guide/10-steps-start-your-business/>



# Establish Key Relationships

## Establish Key Relationships:

**Lawyer** – Help us to determine most appropriate business form (liabilities and taxes), licensing and regulations, contracts, intellectual property, and industry-specific issues that might likely occur.

**Accountant** – Assist us to review our business plan for accuracy, loan and credit requirements, industry-specific financial trends, accounting software, and financial statement and bookkeeping setup.

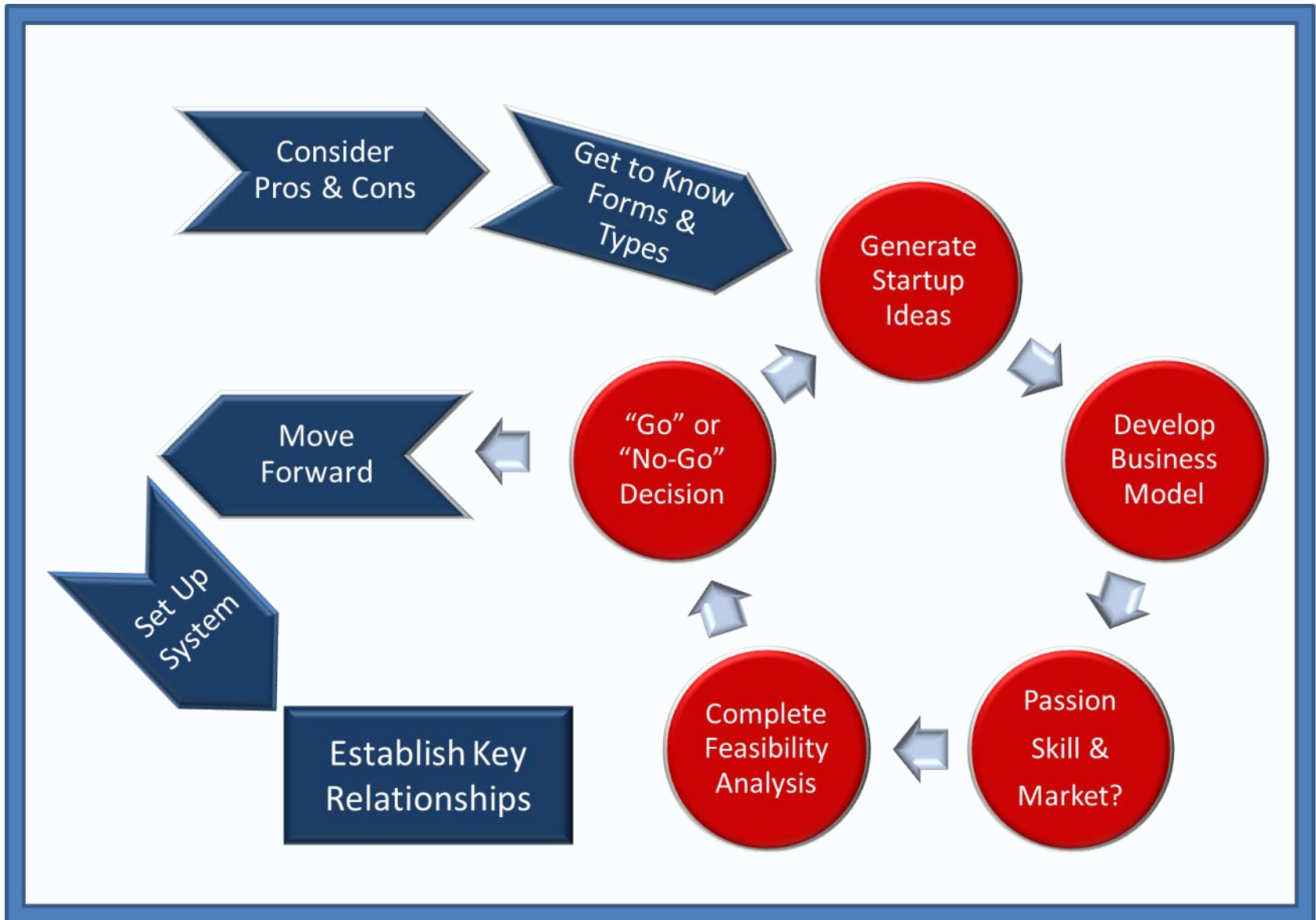
**Banker** – It is recommended that we talk with our banker after we consult with our attorney and accountant. They can help us to ascertain business plan inaccuracies or pitfalls, understand the loan process, analyze financial trends, help us with key calculations.

**Trade Journal Editor** – Industry publications (and their reporters and editor) can help us to identify industry-specific trends, competitive trends, impending laws and regulations, and emerging technologies

**Mentor** – We should have several mentors (experienced people that can provide insight and advise us). They can help us to prepare properly, review our plans with a critical eye, and introduce us to additional resources.

**Potential Investors** – We should share our plans with our potential investors prior to asking them for money. It is recommended that we invite them to partake on our advisory committee or board of directors.

# Startup Process



# Refine an Existing Startup

## 4 AREAS OF THE BUSINESS TO REVISIT

### **Business Model:**

What needs to be refined?

Assess current business model ...

### **Organization:**

Types of human resources to use - Job Analysis?

<https://tinyurl.com/2w6a8dh4> (lets look at it)

Partnerships/Strategic Alliances?

### **Customer Relations:**

How to communicate?

### **Operations:**

How to make money? Cash flow?