

Going into Business: Evaluate Yourself and Take the First Steps

Presented By:
SCORE-CHICAGO



Your presenter



Mark Lieberman

SCORE

About SCORE

Educational programs

One-on-one counseling

Mentoring

Consulting

We offer, you choose



If You Have to Leave Now ...



4 Links You Should Have

- Me:Mark.Lieberman01@gmail.com
- MyLinkedIn:linkedin.com/in/liebermanmark
- SCORE Local: www.scorechicago.org
- SCORE National: www.score.org

Myth #1

Myth: All I need is a good idea to be a successful entrepreneur.

Reality: A good idea is a great start, but it takes hard work, research, and planning plus successful implementation strategies to turn your idea into a profitable enterprise.



Myth #2

Myth: If you go out on your own, you won't have to work so hard or such long hours.

Reality: You'll probably work harder and longer than you've ever worked before, but you'll enjoy it more. Exhaustion fades at the moment you proudly say, "I did this!"



Myth #3

Myth: You'll be able to deduct everything so you don't have to pay taxes.

Reality: Taxes are based on net income, which can be lowered by subtracting expenses related to the business from gross income. Strict regulations apply, so keep good records and learn how to make the tax system work for you.



Myth #4

Myth: If you work independently, you won't have to report to a boss.

Reality: You don't have a single boss, you have many. These are your clients and customers, each of whom have specific needs and demands. Your challenge is to keep all of them happy.



Myth #5

Myth: Business owners get to do the work they want to do and only what they find interesting.

Reality: Think again. You will have to wear many hats and juggle many skills, some of which may bore you or be downright challenging.



Myth #6

Myth: If you choose to be self-employed, you'll be limited in what you can achieve, since you'll be working alone.

Reality: The limitations are created mostly by the space between your ears. Be realistic, but don't trap yourself with self-imposed limitations. You can make a difference



Choice is yours

New business start-ups

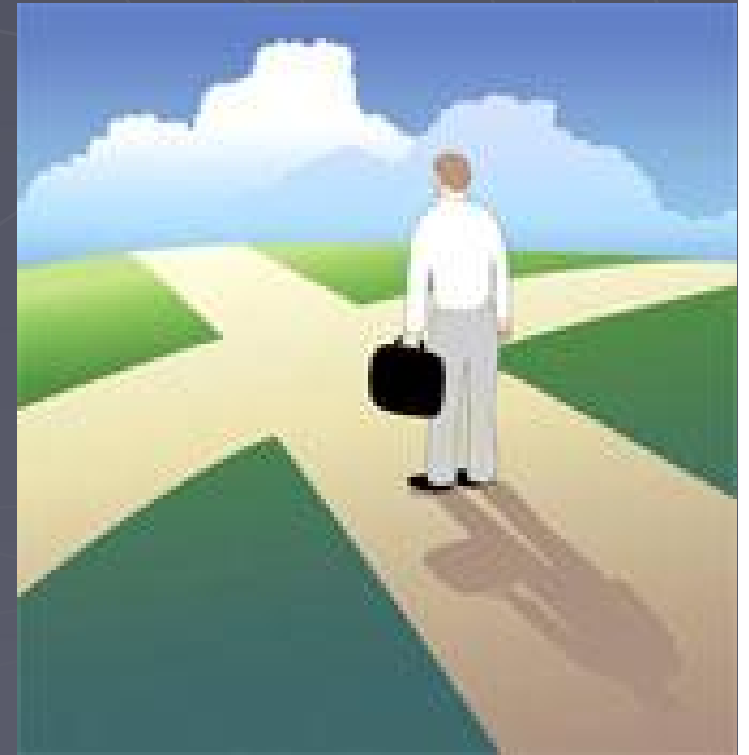
- 675,000 in 2008
- First year survival rate -65%

You can follow your own dream...
or work for someone who did!

You can start your business and
succeed; or... become one of the
statistics!

Choice is yours

Our advise, take some
precautions, how? **Learn! Learn
all you can.**



Look within yourself ...

Know your skills

- Managerial
- Organizational
- Educational

Know your aspirations

Know your expectations

Set a goal, make a plan

Make sure they are realistic + 10%

Objective is to succeed

A thorough S.W.O.T. analysis is a good start!

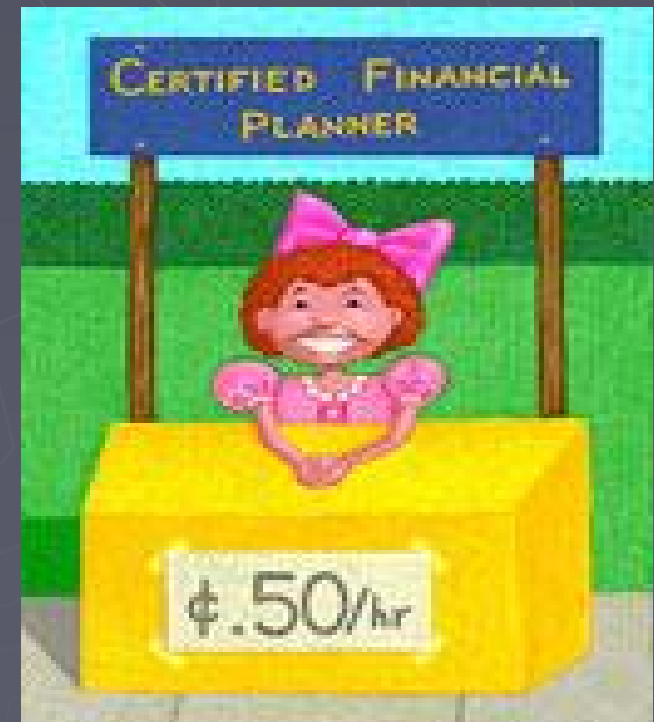


S.W.O.T. Analysis grid



Going into a business ... quick steps

- You have to provide a **solution (product/service)** for a perceived problem
- You have to **inform (promotion)** about your solution
- You have to provide **value (cost)** to the buyer
- You have to make it **available (distribution)**
- You have to locate a willing **buyer (target marketing)**
- You have to know how to **manage** the business
- You have to be **financially** resourceful



Where is the opportunity?

Other's problem... Your opportunity!

What needs you are trying to fill? Why now?

New product or existing?

How much your product is worth?

- To your customers?
- To you?
- Realistic price?



Preliminary research

Your product

- Need for it
- How much?
- Demand profile

Your competition

- Competitive products
- How do they operate?

Why your product?

- Features and benefits

Barriers to entry

- Cost? Competition? Regulations?



Who are your customers?

Demographics

- Who are they?
- Age
- Education
- Income



Geographic

- Where are they?
- Where are you?
- Logistics



Common mistakes we make ...

Product related

- We think every one wants it!

Market related

- We assume there is an unlimited market!

Capital and cost related

- We underestimate cost, over estimate revenue

Experience related

- We assume experience may not be necessary

Organizational related

- No business skills

Legal related

- No company structure, ignore patents and copyrights



Develop your idea

Build your business model

- It may be only a concept
- It may haphazard at best
- It can be improved
- It is a solution

Identify your customers

- Target market

Define value

- Cost to your customer
- Profit to you

Make it available, how?

- Production
- Distribution
- Organization



R_x for success are ...

- Organizing before starting
- Building a right team
- Learning to delegate
- Monitoring and measuring
- Keeping others informed
- Keep on learning
- Planning, planning, planning



Check your financial health

What can you afford?

How are your finances?

- Good, bad or ugly? How do you know?
- Do you have your personal financial statement?

Why do you have to maintain your personal financial statement?

How to prepare one?



Financial Statement

As of mm-dd-yyyy

ASSETS		LIABILITIES	
Cash	\$ 8,000	Credit cards	\$ 6,300
Stocks, bonds	45,000	Personal loans	4,500
Real estate	325,000	Mortgage	292,000
IRA, 401k	48,000	Car loans	14,500
Automobiles	18,000	Student loans	23,000
Life ins, cash	12,000	Total liabilities	340,300
Miscellaneous	10,000	Net worth	\$ 126,00
Total Assets	\$466,000	Total Liabilities + Net worth	\$466,000

How much money will I need?

Determine what you need.

- Estimate all costs related to your start ups
- Estimate the operating costs
- Put them all together as a projected cash flow statement

From your personal financial statement see how much cash you have

What is the difference?

Can you make up the shortage, if any?

Now let us estimate the start up costs ...



Start up costs

How much capacity you need?

- To meet your sales volume

How much they cost?

- Facilities
- Equipment
- Personnel training

How much you can afford?



How much I can sell?

Market for your product/service

- Do you know the demand?

What is your share?

- Very difficult to estimate

Realistically, what is your capability?

- Assume it is your market share
- For next three years?



Operating costs

Wages and salaries

- Don't forget your salary!

Materials and supplies

Sub-contracts

- Contract workers

Utilities

Interest payments

Insurance

Contingencies, just in case!



Cash flow ...

Don't proceed any further with out this!

Project your revenues

- Know your price and volume
- $\text{Revenue} = \text{Price} \times \text{Volume}$

Compile your start up and operating costs: this is your **cash flow statement**

Calculate your profit

- Is it positive or negative?

Add all **negative** profits – this is your start up cost



Show me the money!

How much capital you need?

- From your cash flow analysis, what you need
- From your personal financial statement, what you have
- Calculate the difference

Can you raise capital?

5-Cs of borrowing

- Character
- Credit
- Capital
- Collateral
- Conditions



Fine-tune your business model

- You have a viable product
- You have a good team
- You know how to raise capital
- You know the market
- You know how to make the product available
- Your prices are competitive
- You have good business skills to operate your business
- You know how to monitor and measure



Your business plan please!

What is it?

Why it is important?

What does it include?

- Executive summary
- Your company
- Marketing plan
- Financial projections
- Operating plan
- Risk management
- Appendix



Don't Reinvent the Wheel

Templates available at
Score.org/resources

Business Plan for Start-
Up Business

Finance Templates

- Excel Cash Flow, P&L, and Balance Sheet

Sales Template



Follow SCORE'S 21 hour plan

The current workshop

Marketing and selling

Financials and cash
flow

Accounting and risk
management

Business plan

How to get financing





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Q&A

