

Mashalling Capital Resources - Getting Started

Business Success and Failure

Success in business is never automatic. It isn't strictly based on luck - although a little never hurts. It depends primarily on the owner's foresight and organization. Even then, of course, there are no guarantees.

Starting a small business is always risky, and the chance of success is slim. According to the various sources you can expect roughly 50% to 80% of all small businesses to fail within the first five years.

Some reasons quoted from the SBA website include:

- Lack of experience
- Insufficient capital (money)
- Poor location
- Poor inventory management
- Over-investment in fixed assets
- Poor credit arrangements
- Personal use of business funds
- Unexpected growth
- Competition
- Low sales

On the Upside

It's true that there are many reasons not to start your own business. But for the right person, the advantages of business ownership far outweigh the risks.

- You will be your own boss.
- Hard work and long hours directly benefit you, rather than increasing profits for someone else.
- Earning and growth potential are far greater.
- A new venture is as exciting as it is risky.

Running a business provides endless challenge and opportunities for learning.

Business Plan

A Vision Statement

Outline your business purpose and goals

The People

Most important part! Prior experiences. Prepare your resume and one for each person who will be involved in the business.

Be factful and avoid hype - this is a tool. This part of your plan will be read very carefully by those with whom you will be having relationships, including lenders, investors, and vendors. Check online for templates on resumes.

If you find you lack the ability to perform a key function, include this in your business plan. Examples. Include biographies of all the people you intend to hire to provide skills you don't have.

Your Business Profile

Define and describe your intended business and exactly how you plan to go about it. Stay focused on the specialized market you intend to serve.

Economic Assessment

Provide a complete assessment of the economic environment in which your business will become a part. What is my market?

Explain how your business will be appropriate for the regulatory agencies and demographics with which you will be dealing.

Example: demographic studies and traffic flow data normally available from local planning departments.

Cash Flow Assessment

Include a monthly one-year cash flow statement that will incorporate your capital requirements. Include your assessment of what could go wrong and how you would plan to handle problems.

Include your marketing plan and expansion plans. Also, update your plan as often as you need to - keep it current.

Government Regulations and Your Business

Business Licenses

Business Organization

Business Name

Protecting your idea - copyrights, trademarks, and patents

Employer Information - Federal Identification Number, Self Employment Tax

Business Insurance, liability, property, business interruption, "key man", automobile, home office, workers comp.

Sales and Use tax

Unemployment taxes

Refer to helpful government Web sites such as the Small Business Administration, Social Security, OSHA, Texas State Government, IRS, City of San Antonio small business resource center, etc. Google small business help and call your friends and business contacts

Controlling Capital Resources

Starting your business will require capital. There are several sources when looking for financing. It's important to explore all of your options before making a decision.

Personal Savings

The primary source of capital for most new businesses comes from savings and other forms of personal resources. While credit cards are often used to finance business needs, there may be better options available.

Friends and relatives

Many entrepreneurs look to private sources such as friends and family. Often, money is loaned interest free or at a low interest rate, which can be beneficial when getting started.

Banks and credit unions

The most common source of funding, banks and credit unions, will provide a loan if you can show that your business proposal is sound.

Venture capital firms

These firms help expanding companies grow in exchange for equity or partial ownership.

What do you do with your capital? See your business plan - use it as a guide. Always think about spending money to make money.

Does what I'm buying benefit our business - how? Note: plan - plan - plan!!!

Developing Accounting Systems

Software

Excel Spreadsheets

Elementary applications

Quickbooks, Peachtree, etc.

Small business with employees

Peachtree Quantum

Small business with increased data base - a good segway between small company software and the mid-size company software.

Great Plains, MAS 90, Quickbooks Enterprise Solutions, Microsoft Dynamics, etc.

For mid-size companies needing more power and huge file management.

Personnel

Data Entry personnel

Sales and collections

Financials, tax, audit - outsource to a CPA firm or if you are large enough to hire a CPA - most duties can stay inhouse.

Contract labor vs employees

Accounting Structure

Compliance with IRS rules and regulations

Format that gives the owner useful business information

Compliance with City, State, and Federal Government contracts and reporting