

## 8 Steps to Start-up Success

### New entrepreneurs enter here

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# The Entrepreneurial Journey: An Introduction

The time has come. You're ready to be an entrepreneur and make your business dreams a reality.

What separates the dreamers from successful entrepreneurs? It's knowing the right steps to start-up success—and then acting on them. This guide is here to help you.

8 Steps to Start-up Success covers all the basics. From research to defining your company's vision, to financial forecasting and sales, you'll learn everything the savvy entrepreneurs already know.

While every step in this guide is important, positive cash flow is vital. No business can survive, let alone thrive without it. As you build your new venture, make sure you always have positive cash flow (read more in the business plan and financial sections of this guide). A good relationship with your FinancePath consultant will also help provide you with the knowledge and experience that you need.

Time to get started.

# 1. Envision Your Future

As an entrepreneur, your business and life will be closely intertwined. As you plan your business and develop a vision for it, you must be always remember the vision you have for your life too. If the two are aligned, you'll have the energy to take on the challenges of your business, giving you the stamina for long-term success.

## **Get specific about your vision.**

Before defining your business, determine what it looks like in the frame of your life. To help, answer these questions:

### Your life vision

- Do you want to work full time?
- Do you want to work from home?
- How much holiday time do you want?
- Do you want to travel?
- When do you want to retire?

### Your business vision (that should complement your life)

- Do you want to be hands-on?
- Do you want to manage employees?
- Do you want to grow aggressively?
- How much money do you want to take out of the business?
- How do you want to wrap up your business (i.e. sell it, family succession)?

## **S.M.A.R.T. goals**

With your vision in mind, you need to set goals that keep you on track toward your vision. This is why your goals should be S.M.A.R.T.

- Specific – Who will help? How will it be done? Where? When?
- Measurable – How much? How many?
- Agreed upon – Are others involved? Have they agreed to do their share?
- Realistic – Is the goal attainable?
- Timely – When does the goal have to be completed?

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## **Examples of S.M.A.R.T. goals that integrate a start-up business and life are:**

- By the second quarter, I will have established my home office, hired a virtual assistant, generated \$XX in sales and taken on coaching my child's hockey team.
- By year end, I will be working three days a week and generating 50% of the household income.
- By the third quarter, I will have secured three clients generating \$XX in sales, putting me in a position to hire a sales representative and spend more time enjoying my hobbies.

## **Patience will be required.**

In considering your business and life visions, you may have noticed some conflict. Perhaps you want more personal time than your business dreams allow. Now is the time to balance these two visions and find a way to compromise.

## 2. Research, Validate and Build

Your business needs to suit your lifestyle, feed your passions and use your skills. But it also needs to be practical, viable and built on solid decisions. Research will help you confirm the former, and be successful with the latter.

### **Research starts with you.**

Get to know yourself from a business perspective. Do a 360-degree analysis, and take a look at yourself from all angles. This will help you learn your likes, dislikes, strengths and weaknesses. Through this, you should be able to identify:

- What you really enjoy doing (You will naturally spend more time doing this than anything else, so it should be central to your success.)
- Your current skills
- Skills you think you're good at that will be beneficial to your business
- Skills you probably won't ever get right

To really understand yourself, ask people you've worked with to do a 360 on you too. Ask their honest opinion about your strengths and weaknesses, as well as what kind of business they think you should be in. Likely, you will learn about talents and abilities you didn't even realize you have.

### **Research your business.**

To be successful, start with some parameters. Once your research is complete, the parameters of your business will likely change, but for now, it will help you identify your proposed:

- Industry / economic sector
- Geographic market
- Products and services
- Ideal customers
- Channels to customers

Using the resources provided at the end of this section, gather the following information:

- The size of the sector you want to serve and expectations for its growth
- The geographic area you want to serve
- The number of prospective customers in that area (If you are planning an online business, it may be international, but your customers will likely be concentrated in one country.)
- The competition:
  - Competitive companies serving your prospective customers
  - Competitive products and pricing
  - Why customers may buy from your competitors instead of you. The cost and source of human, service and product resources required to deliver your offering

## S.W.O.T. Analysis

With the understanding of your prospective business, a S.W.O.T. Analysis will help you understand the internal strengths and weaknesses of your business, as well as the external opportunities and threats in the market. This ‘gut check’ will not only show financial backers you’ve done your research, but also help identify your competitive advantage.

- **Strengths:** What aspects of your business give you an advantage over competitors? Examples include: valuable contacts, a new problem-solving product, low overhead/price advantage, and quick turn-around.
- **Weaknesses:** What aspects of your business put you at a disadvantage compared to competitors? Examples include: being new in the market, lack of sales expertise, unstable financing, or no brand recognition.
- **Opportunities:** What external factors can help you improve your business? Examples include: developing the existing market, offering existing products to new markets, introducing new products to existing markets, or developing new products for new markets.
- **Threats:** What external factors could cause trouble for your business? Examples include: strong competitors, government compliance issues, an unreliable source of raw materials, or more market demand than you can handle.

## Discover your Unique Selling Proposition (USP).

After completing your S.W.O.T analysis, you should have an idea of your USP is. This will set you apart from the competition by highlighting your strengths and capitalizing opportunities, while strategically addressing any weaknesses and threats. A USP is your answer to “Why should I do business with you?”, and is a key component of your marketing strategy, business model and business plan.

Here are a few examples of clear USPs:

- Food industry: Delivery in 30 minutes or its free
- Retail industry: Most convenient, customer-friendly online shoe store
- Project management industry: Top choice for freelancers and small businesses

## 3. Your Business Plan

A business plan is a fundamental step in the start-up process. By putting your thoughts and research into one document, you'll see how your ideas and plans work together. It also demonstrates that you've done the required research to fully understand the industry. Visit [www.financepath.com.au/businessplan-form](http://www.financepath.com.au/businessplan-form) to download our business plan template.

The FinancePath Business Plan Builder includes the following sections, which have been expanded in later sections of this guide.

- **Executive summary**
- **Vision and mission:** What do you want to achieve, and how will you do it? See page 12 for more information.
- **Business description:** What are you offering? Describe how it works, the value it provides, how it's different from competitors, and your plans to produce, price and deliver it to customers.
- **Marketing and sales plan:** How will people find out about your offering? How will you make sales? Use the research from your SWOT analysis to obtain your competitive advantage, and include it in your go-to market strategy. See page 13 for more information.
- **Operational plan:** What resources do you need to create your offering? List your facilities, equipment and suppliers, and their role in creating your product.
- **Key personnel:** Who's behind the business? Include bios of your management team and your plan to source, hire and train employees. See page 16 for more information.
- **Financial plan:** How will you make money? Show a sales projection, cash flow forecast, projected income statement and projected balance sheet. See page 19 for more information.
- **Financial needs:** How much money do you require? List your financing needs and sources of financing to date.
- **Appendices:** What other information do you have (charts, graphs, surveys etc.)?

### Working with your business plan

A business plan is not a static document to produce and ignore. It is a tool to refer to on a regular basis—even quarterly.

- By doing so, you'll discover how close you are to your projections. If you are ahead or behind in your plans, determine why,
- and adjust your business plan to be as accurate and viable as possible.

## 4. Organizing Your Business

You're busy—but you can never be too busy to properly organize your business. Taking the time to draft a clear mission and vision provides everyone in the business with the information they need to help your business succeed.

### Your mission and vision

Your mission and vision are top-level perspectives on your company. Your mission should be stated in just a couple of sentences and describe your products, markets and values. Your vision can be a bit longer, as it describes your goals for the growth of the business, how many employees you have, what sales figures, and so forth.

### Your business structure

The structure of your business will be determined partly by your vision and partly by the way you like to work. There are advantages and disadvantages to each option, so with the advice of your lawyer and accountant, carefully consider how you want to structure your business.

#### **Sole Proprietorship:**

With this option, you are in total control. A sole proprietorship is an easy and inexpensive to set up, but will provide you with unlimited personal liability.

#### **Partnership:**

In a partnership, you may have one or many partners who each bring talents, energy and financing to the company. However, partner disagreements are a possibility and again, there is unlimited personal liability.

#### **Corporation:**

The cost of incorporating is higher than setting up a business as a sole proprietor or partnership, but comes with the advantage of protecting your personal life from the liabilities associated with your business. Sometimes, it is easier to raise capital with a corporation. Plus there are taxation benefits.

## 5. Take Your Product to Market: The Right Way

Without customers, you don't have a business. That's why you need to spend more time on sales and marketing than any other activity. Understanding who your customers are and what they need is the heart of your marketing and sales strategy.

### Marketing

It's simple. If people don't know that your product exists, they can't buy it. Basic or robust, your marketing must be done well.

#### Define your brand

Your brand is represented in your logo, website, store, vehicles and staff, and is a reflection of your business. It should be able to tell your customers what you sell and what kind of business you are. To define your brand:

- Decide what product or service you want to highlight for your business as a whole.
- Describe your company's personality in terms like luxury, budget, fun or reliable.
- Identify your best customers in terms of age, gender, interests and economic status. In a business-to-business environment, define your customers in terms of company size, industry and decision makers.
- Define your unique selling proposition in terms that reflect your company's personality and will be meaningful to your best prospective customers.

Determine your message.

With an understanding of your brand and customers, you need to develop a message that resonates with your customers and motivates them to buy. Start with a description of the message, and then refine the language until it is as lean as possible. This process will help you define your tagline as well.

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## **Match your customers and brand to the right marketing channel.**

There are many ways to let the customer know about your brand. Traditional marketing suggests:

- Advertising. Don't forget classified advertising, which is now online.
- Direct mail. Bulk mail by postal code or traditional mail to your list.
- Networking. Find networking groups that connect you to prospective clients.
- Public relations. Become the go-to person for information on your industry.
- Trade shows. These can be expensive, so consider all the costs (including the cost of your time) before buying exhibit space.

## **Social Media**

Popular and effective, it has little to no financial cost. Entrepreneurs are putting their time into developing relationships online through a variety of social media platforms—mainly Facebook, Twitter, YouTube and LinkedIn. It is important to be transparent with your community, responsive to issues that might arise, consistent with your brand's message and committed to your social media strategy for the long run. It takes time to get social media traction but once it is achieved, the impact can be huge.

Once you have decided on your marketing strategy, put the activities into your calendar. This will allow you to time your marketing efforts based on the season or buying occasion.

## **Sales**

It's great when marketing works, but it's of little value unless sales are closed. Set yourself up for success with these basics.

### **Grow your sales.**

As you gain customers, remember that there are only four ways to increase sales:

1. Attract new customers.
2. Keep your existing customers.
3. Help customers buy more.
4. Help customers buy more often.

This list shows how important each and every customer is. At the end of the day, customers are the key drivers of revenue for your business, so be sure you treat them with care.

## 6. Human Resources: Every Business Needs Them

Whether your employees are the face of your business, or work in the background, it is important to have people you can rely on. As an entrepreneur, you don't have a human resources department, so let's examine how to properly hire, train and motivate people to excel.

### The hiring/outsourcing option

Full-time employees represent a significant, long term expense for a company. Before hiring in that capacity, consider:

- Freelancers/contractors
- Virtual assistants
- Outsourcing companies
- Part-time employees

### Hire the right people for the job.

Prior to starting the recruiting process, identify the tasks you need done, skills required to complete these tasks, and the qualities and values you want in your employees. Depending on their responsibilities and your market, it may be important to have people who are young, mature, technically-minded, creative, caring, and fashionable—whatever you think will better the success of your business. Write a job description that will attract the right kind of person

### Low-cost recruiting

As an entrepreneur, you want to recruit in the most efficient way possible:

- Add an employment section to your website and post the position there.
- Post the position on association websites, and send it to membership lists.
- Give the job description to employees, family, friends and colleagues in case they know the right person.
- Use social media to announce your needs to people who already know your company.

**Did you know that LinkedIn is the #1 vehicle for recruiting? This shows the importance of building a wide network and using it to find the right employees for your business.**

## **Train for quality.**

All employees—new and established, need training to be successful. Start by ensuring they have a copy of their job description and expectations. Show them their duties, and provide a training manual so they can review the procedures when necessary. Don't take anything for granted. Answering the phone may be easy, but answering it so customers respect and buy from your company, takes training.

## **Motivate for success.**

Motivated employees not only perform better, but stay longer. Since employee turnover costs both time and money, motivating employees is important. Here's how:

- Communicate how the company is doing, as well as any changes taking place so employees are not caught off guard, and feel important.
- Recognize quality of work by both individuals, and the team as a whole. Do so formally with awards, and informally with praise.
- Make your employees feel cared for by providing healthy meals if they work overtime and taxi chits if they work after dark.
- Host fun team-building events so that relationships are kept strong.
- Offer flexible work hours and possibly work-from-home days.
- Run fun competitions.
- Offer performance bonuses.

## **Mentors and Advisors**

In addition to employees, entrepreneurs need the professional support of lawyers, accountants and bankers, as well as business mentors who have already achieved entrepreneurial success. These people can guide you with knowledge and real experience. Your network—personal and professional—is the place to start looking for these important advisors. Through connections you'll find people with a good reputation to help you build your business.

## 7. Your Business by the Numbers

Even if you're not a mathematical whiz, you still need to understand how money is moving in and out of your business. Tracking the financial progress of your business not only keeps you on track for success, but also sends up warning flags if something is going wrong. Take an active role in managing the finances of your business.

### **Accounting and bookkeeping**

There are many ways to manage the books, but with cloud computing, you or your bookkeeper can manage the accounts from almost anywhere. In both situations, take the time to set up your accounts in a manner that includes your future vision of the company. It's important to get it right from the beginning.

### **Financial Statements**

There are standardized financial statements that all businesses use, from one person operations to large corporations.

#### **You must keep these documents up-to-date.**

- Income Statements (also known as a profit and loss statement) show whether or not your company made a profit.
- Balance Sheets provide a picture of how the company is doing at a specific time in terms of assets, liabilities and owners' equity.
- Cash Flow Statements demonstrate how cash is flowing in and out of the company at any given point in time.

#### **Cash flow forecast - your most critical tool in start-up**

Your new business can survive without making a profit for a couple of years, but it cannot survive without enough cash to pay essential bills. It doesn't matter whether that cash comes from sales, investment, loans or your own savings. What does matter is that you have the money you need...when you need it. A cash flow forecast is part of your Business Plan. The cash flow template in the "Business Plan Builder" is the tool you need to project your cash flow.

#### **Know your break-even point.**

The break-even point tells you what revenue you need to generate to cover your operating expenses. This is the point at which the business neither makes nor loses any money. It's a very important indicator of whether your business idea is viable or not. If your break-even point is too high, you may decide not to pursue the business opportunity. It can take a while for a new business to break even.

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## **Plan for the tax man.**

Being an entrepreneur gives you more options regarding income tax than you had as an employee. Take advantage of them. Rely on your tax accountant to ensure that you have your numbers in order, to both understand your business and strategize around taxes.

## 8. Save \$\$\$ with Technology

Technology has made it possible for just about anyone to be an entrepreneur. It reduces labour costs and increases productivity, while putting information at our fingertips. Technology creates low-cost marketing opportunities, offers delivery systems for passive income and reduces communications costs. Without doubt, it is a must-have for business success.

### Interesting technology trends

For most businesses, the Internet is the key driver of technology tools. Certainly, in manufacturing, mining and agriculture, technology is making a difference in productivity. From a management perspective, however, online is where the real gains have been made. Here are a few trends to watch.

- **Cloud computing** is like timeshare for computing power and software. Want to back up your data? Do it in the cloud, and never have to upgrade your backup hardware again. Want accounting software? Buy a cloud version and the upgrades will occur automatically. Pay on a monthly basis, avoiding large cash outlay, and get IT support as you go. In addition, it's scalable. You can expand the capability of your cloud product as your business grows.
- **Free trials and free versions of software** (which you may need to upgrade to paid versions as you grow) are common with cloud computing options, though they are not completely free. To test the system, you must first invest your time. Once you're along the learning curve, you will not be inclined to change tools, so research your choice carefully.
- **Mobile computing** continues to grow with many software products having mobile versions. Tools and applications are being developed specifically for mobile devices.
- **Collaboration tools** are platforms that allow people in various locations to share information and develop documents and products collaboratively.
- **Social media** continues to grow quickly and is covered in the marketing section.

## Great technology tools to consider

- **WordPress** is a free platform, originally designed for blogs. Now, it is frequently used for full websites, and with free templates, can be a DIY solution for entrepreneurs wanting to roll up their sleeves, learn the technology and create their own websites.
- **Google Analytics** is a free tool that helps you understand what's happening with your website. It can tell you how people arrive on your site, what pages they visit, how long they stay and more. With this valuable information, you can optimize your site for greater success.
- **FreshBooks and QuickBooks** are accounting software tools offered as cloud computing. FreshBooks is free for up to three clients.
- **Google Apps and Microsoft Office 365** are both collaboration tools that allow you to share documents and information. Some Google apps, like Google Docs, are free, while the integrated Microsoft Office 365 solution is priced very low and offers a free trial.
- **VOIP (Voice Over Internet Protocol)** is a low cost telephone solution that uses your high speed internet connection instead of traditional phone lines. Long distance and 1-800 numbers are available at a fraction of the cost of regular phone services.
- **Smartphone technology** is driving the mobile app revolution and allowing entrepreneurs the freedom to do business just about everywhere. Many cloud computing solutions offer mobile options.
- **Dropbox** offers an easy way to share files—even large files, which is a challenge via email. The entry level version, which is quite robust, is free.
- **Skype and Google Hangout** are free audio/video conferencing tools that are great for client and small team meetings. Google Hangout is part of the Google+ platform.
- **Salesforce.com** is a cloud-based sales management tool that's good for basic contact management for one person or for teams.

## Time to get started

Dreaming about...then planning your business is fun stuff. But it means nothing until you put the plan into action.

As you can see from this guide, there are many priorities in managing a small business. To help you keep all the balls in the air, here is some parting advice on time management.

### Time management tips

- You've established S.M.A.R.T. goals for your business, now establish S.M.A.R.T goals for the month or the quarter. The right goals keep you on target.
- Setting priorities can be difficult when there are so many demands on your time. Your first priority is what is both important and urgent. The next priority is what is important. Don't be distracted by what is of low importance and has no urgency at all.
- Plan your month, week and days with tasks to complete. Leave 20% of your time free for the unexpected.
- Everyone has their own way of wasting time. Watch for your personal time management issues, and try to improve.
- Know when something is good enough. The law of diminishing returns applies to time as well as money. Good quality completion is often more important than perfection.

Having completed these 8 steps to start-up success, you are in a strong position to launch your business. It's time to enjoy the independence and satisfaction of being an entrepreneur.

## Helpful Resources:

### 6 Books Every Start-Up Should Read

1. Good to Great by Jim Collins
2. The Art of The Start by Guy Kawasaki
3. The Lean Startup by Eric Ries
4. Guerilla Marketing by Jay Conrad Levinson
5. E-Myth Revisited by Jay Conrad Levinson
6. Everything I Needed to Know About Business... I Learned from a Canadian by Leonard Brody & David Raffa
7. Rework by Fried and Hansson
8. Made to Stick by Dan and Chip Heath
9. Drive by Daniel Pink
10. Blink by Malcolm Gladwell

### Magazines and their Websites for small business



Inc.com - <http://www.inc.com/>

Profit Magazine - <http://www.profitguide.com/>

Fast Company - <http://www.fastcompany.com/>

Register - <https://myprosperity.com.au/accounts/account/register?cobrand=financepath>