



## Planning to Start a Business

This past year I worked with more than 30 people who want to start a business or buy their first business. Statistically, only 1 in 4 new businesses will still be in business in two years. Those who survive typically have a well prepared business plan, understanding the true market and sales potential, start with enough of their own money, and seek business advice.

A good business plan is short and focused on conclusions reached from researching the basics of market place conditions, identifying the real customers, verifying that there are enough customers, a good estimate of startup costs and operating budget for the first year. Sales projections need to be supported with solid assumptions about the market.

Having enough capital to adequately fund the startup expenses plus survive at least six months while building customer base and sales. It is important to preparing a detailed startup budget and cash flow operating budget. One common mistake is the expectation that sales will be very good from the first day. The reality is on opening day your sales are zero, customer base and sale must be build, this take lots of time, if you're lucky the business will break even in six months, for restaurants much longer.

Obtaining financing will be difficult even if you can do all of the following: contribute 20% of the startup costs and working capital; have an excellent credit score with little personal debt; show alternative sources of family income; show a minimum of two years of experience in management of a similar business; provide collateral; and offer a business plan that proves there is a market demand with budgets that conservatively show excellent cash flow. Lenders also consider issues that you cannot control such as industry trends of your business model and business sectors that lenders consider high risk.

Many new business owners are surprised by the change in life style. As a business owners you need to learn how to deal with longer work hours, earning less personal income, stress from paying bills, making payroll, ordering inventory, dealing with customer complaints, making sales, finding new customers, advertising, responding to government regulations, and then cleaning, fixing and repairing the store and countless other urgent issues that pop up every day.

There is no guarantee that a startup business will be a success but you can improve your probability of success by good planning, testing your abilities and making sure you have the resources necessary. Seek advice from others who have started a business, can test your business plan and ask the hard questions.

Several good books to read before you start your business include *Built to Last, Successful Habits of Visionary Companies*, by Jim Collins; *The E-Myth* by Michael E. Gerber; There are also a number of good on-line business training classes that can be found at [www.ed2go.com/wvc](http://www.ed2go.com/wvc) recommendations include Accounting Fundamentals, and Sales and Marketing.