



# Simple Steps for Starting Your Business

## Session 1: Startup Basics

# Wichita SCORE

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- [www.wichita.score.org](http://www.wichita.score.org)
- [www.facebook.com/SCOREWichita](https://www.facebook.com/SCOREWichita)
- 316-269-6273 or 239-1131

Our mentoring services are FREE

Please call for an appointment

# About SCORE

SESSION 1: Startup Basics



**Successful and experienced executives acting as volunteers**  
**Seminars and workshops**

**Free Mentoring**

- E-mail or Phone
- Virtual (zoom)
- One-on-one {after COVID}

**Resources for small business:**

**[www.wichita.score.org](http://www.wichita.score.org)**

**[www.score.org](http://www.score.org)**

# What You'll Learn

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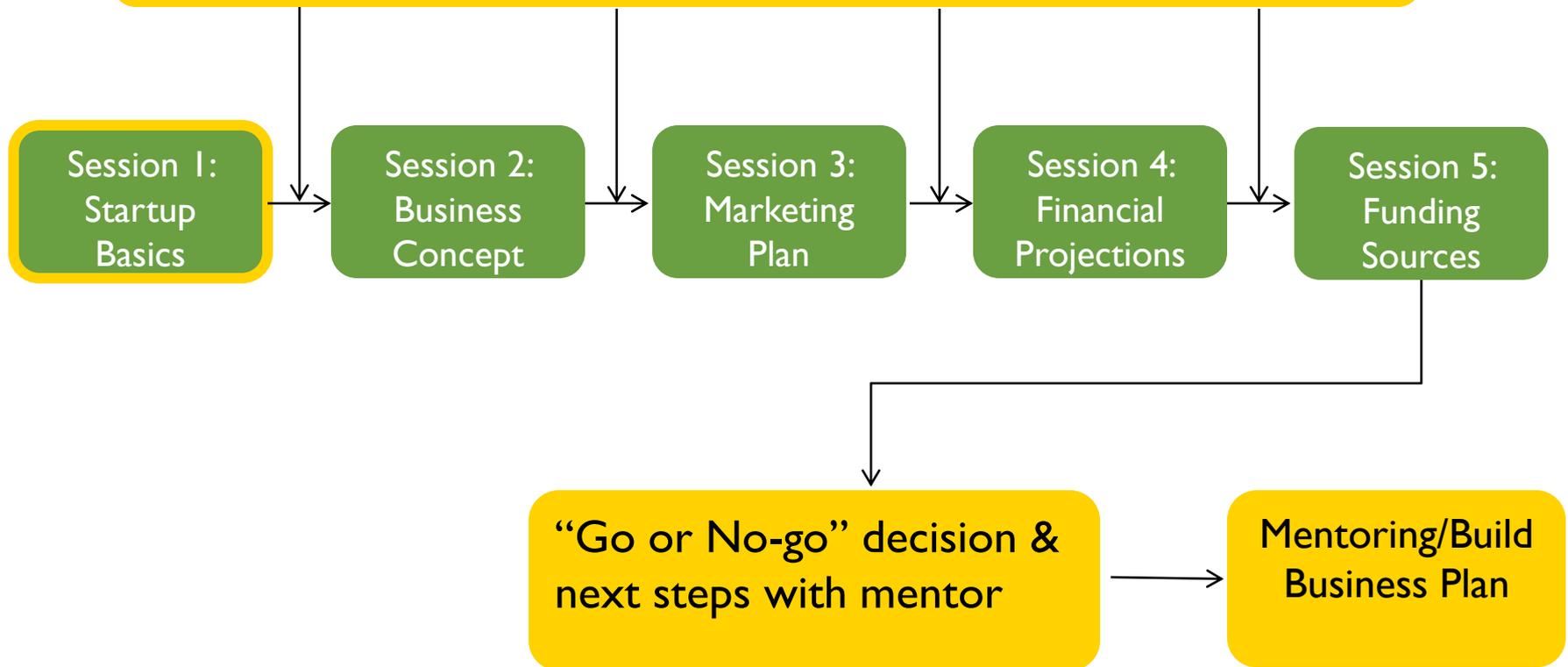


- Myths and realities of entrepreneurship
- Critical success factors
- Know your options
- Components of business ownership
- Making it legal
- Funding and cash management
- Business plan basics

# Process Roadmap

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## One-on-One Mentoring

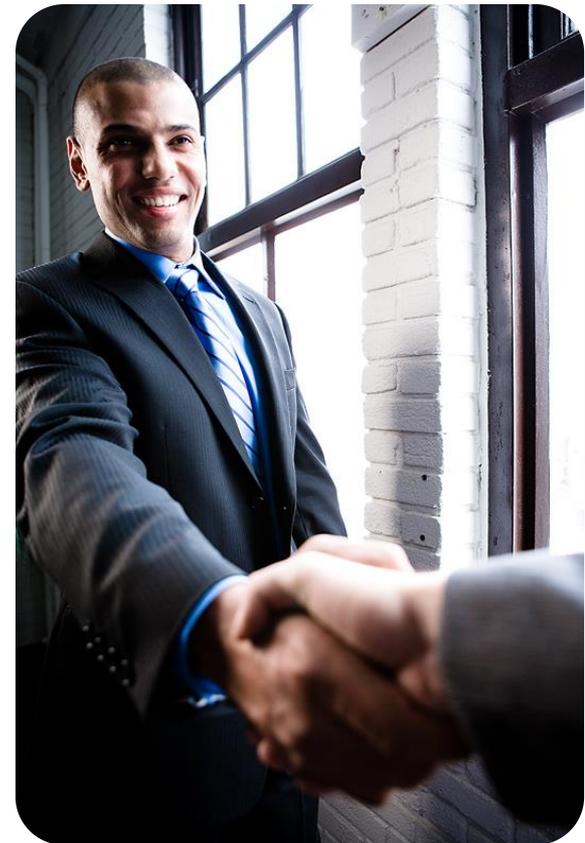


# Nice to Meet You!

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**Briefly tell us a bit about you in one minute or less:**

- Your name
- Your Business idea(s)
- What you want to learn today



# Myths and Realities of Entrepreneurship

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**Myth 1:** All I need is a good idea to be a successful entrepreneur.

**Myth 2:** If you go out on your own, you won't have to work so hard or such long hours.

**Myth 3:** You'll be able to deduct everything, so you don't have to pay taxes.

# Myths and Realities of Entrepreneurship

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**Myth 4:** If you work independently, you won't have to report to a boss.

**Myth 5:** Business owners get to do the work they want to do and only what they find interesting.

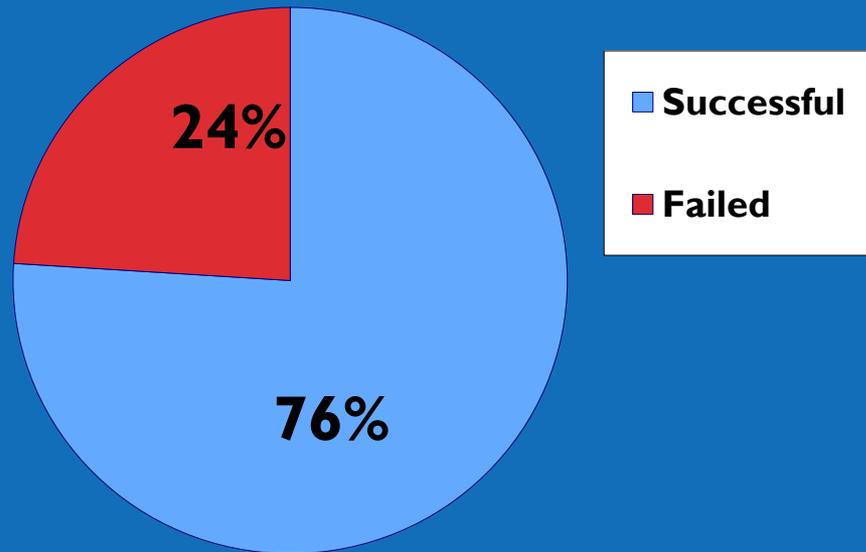
**Myth 6:** If you choose to be self-employed, you'll be limited in what you can achieve, since you'll be working alone.

# Reality: Proper Planning is Key

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## After 2 Years

Percent of  
New Businesses  
(2+ employees)



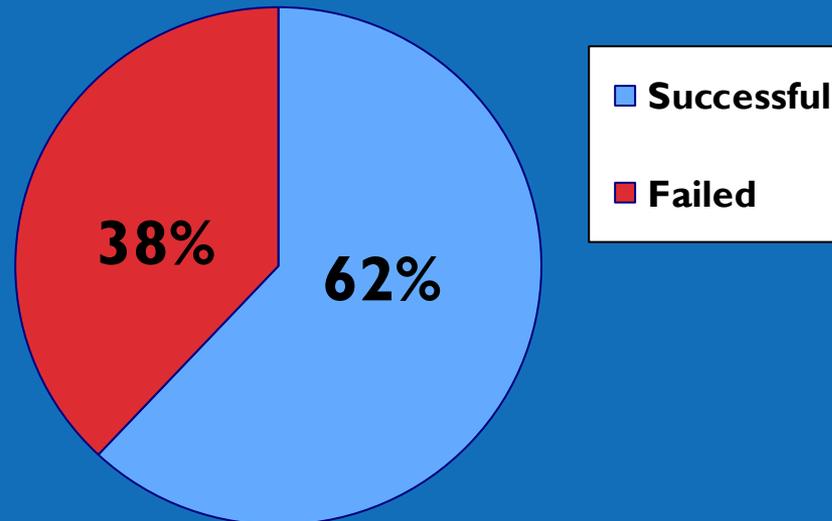
Source: Bureau of Labor Statistics,  
Business Employment Dynamics,  
Entrepreneurship and the U.S. Economy

# Reality: Proper Planning is Key

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## After 3 Years

Percent of  
New Businesses  
(2+ employees)

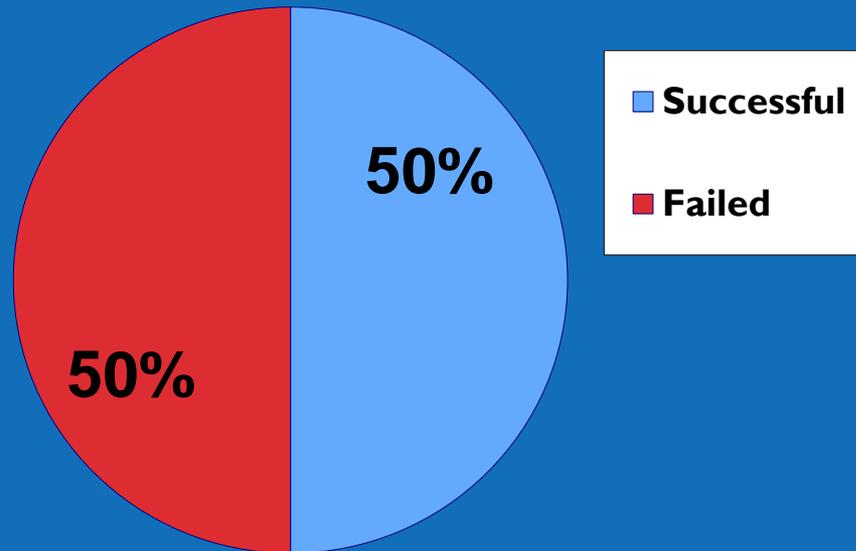


Source: Bureau of Labor Statistics,  
Business Employment Dynamics,  
Entrepreneurship and the U.S. Economy

# Reality: Proper Planning is Key

## After 5 Years

Percent of  
New Businesses  
(2+ employees)



Source: SBA Office of Advocacy, Frequently Asked Questions about Small Business, March 2014

# Do you have what it takes? Critical Success Factors

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- Good choice of time and location
- Adequate capital
- Ability to manage and multi-task
- Education/experience in field
- Strong work ethic
- Effective time management
- Willingness to ask for input from others

# KNOW YOUR OPTIONS

# Starting a New Business

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## ADVANTAGES

- Not hampered by previous image or technologies
- Can choose location, name, logo, relationships
- Can explore new markets and directions
- See your dreams come true

## DISADVANTAGES

- No base, must build all new
- Greater risk
- No track record = difficulty in financing
- See your dream become a nightmare

# Buying a Business

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## ADVANTAGES

- Established clientele, suppliers, location
- Known quantity, proven formula/name
- Help in starting and running business
- Can review records
- Easier to obtain financing

## DISADVANTAGES

- Potential hidden issues: debts, poor reputation, loyalty to owner, out-of-date inventory or transfer issues
- No guarantee that success will continue

# Buying a Franchise

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## ADVANTAGES

- Proven image and product/service
- Marketing/Sales power
- Limited experience
- Training, professional guidance
- Continued consulting relationship
- Access to other franchisees for help

## DISADVANTAGES

- Loss of control - not always your own boss
- Franchise = royalty and other fees
- Operational boundaries and limited choices
- Binding contract
- Franchisor problems are your problems

# Home Based Business

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## ADVANTAGES

- Convenient work location
- Less expensive
- Flexible schedule
- Tax Advantages
  - Sq. Ft of total home
  - Percentage of utilities

## DISADVANTAGES

- Zoning or deed restrictions
- Isolation from others
- Difficult financing
- Family distractions
- IRS scrutiny

# Non-Profit

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## ADVANTAGES

- Allows operation in a not-for-profit status – no owners
- May qualify for government or foundation grants
- Protection from liability for directors and employees
- Can pay salaries to employees and consulting fees for contractors

## DISADVANTAGES

- Focus on educational or charitable purposes and cannot profit those who created the organization
- All profits remain within the organization
- Must apply and qualify for 501(c)3 status or sales tax exemption

## ADVANTAGES

- Lower startup costs
- Expanded geographic reach
- Convenience & accessibility
- Flexibility

## DISADVANTAGES

- Low conversion rates
- Low barriers to entry = higher competition
- Visitor expectations
- No personal contact/  
limited sensory info

# ENTREPRENEUR CHARACTERISTICS

# Entrepreneur Characteristics

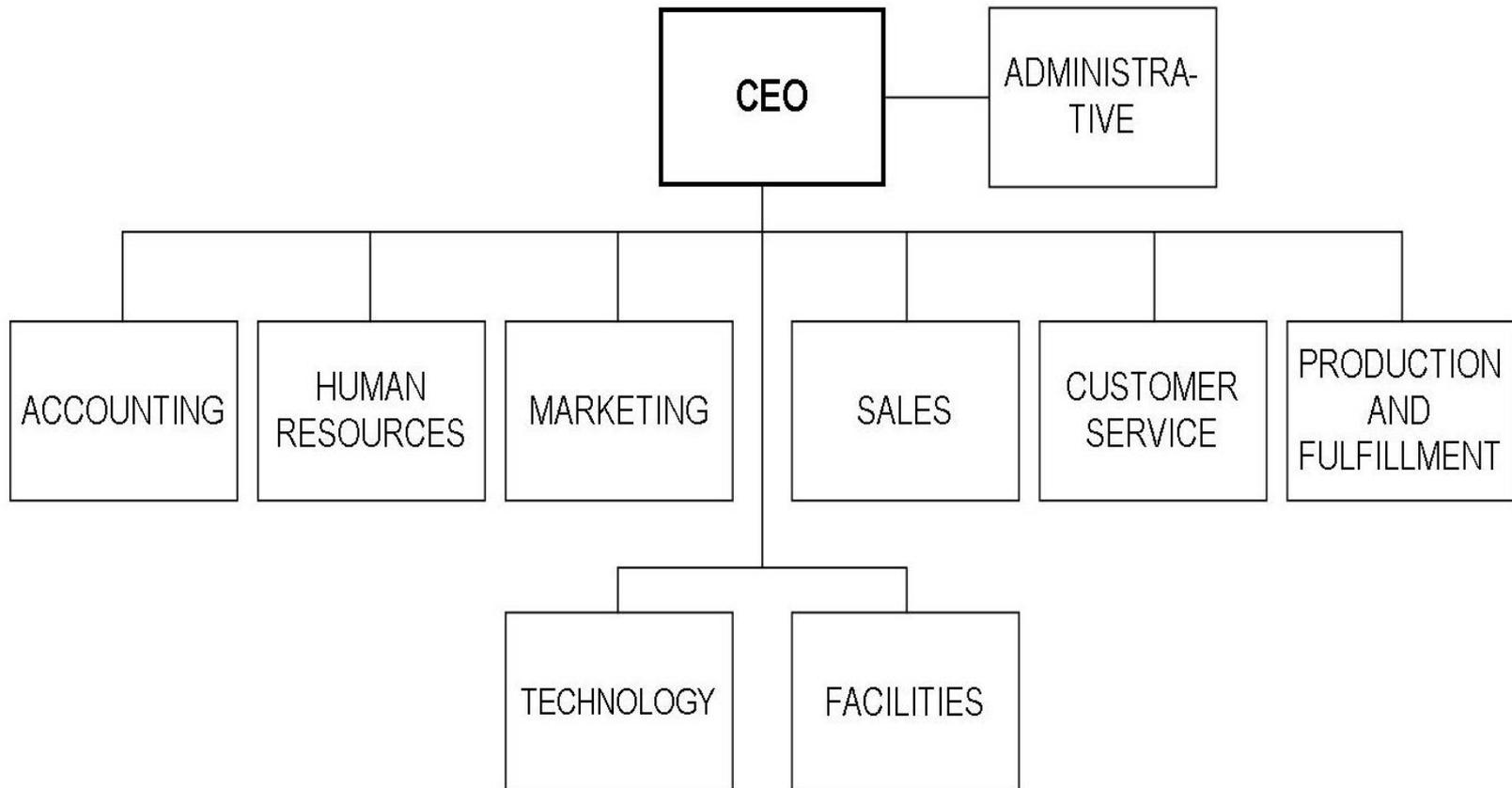
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- Self-starter
- Resourceful
- Responsible
- Organized
- Hard worker
- Persistent
- Decisive
- Healthy
- Supportive family

# How many hats will you wear?

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# Marketing

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- Strategy used to create a desire to purchase
- Creates your company image
- Anything you do to get and keep a customer
- Your product or service will *not* sell itself

\*Covered in detail in Workshop 3 – Marketing Plan

# Sales

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- Customer contact work
- Finding prospects
- Making presentations
- Preparing bids
- Closing deals
- Processing orders



# Product and/or Service

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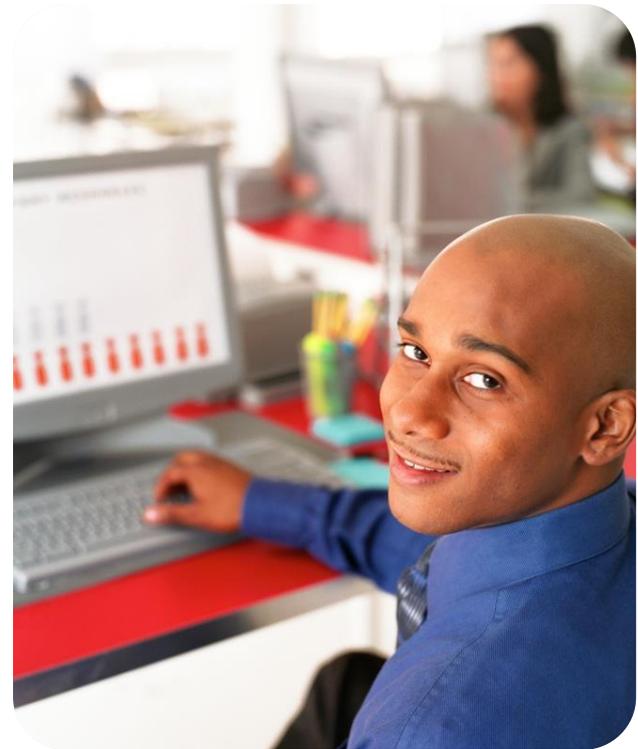
- Definition of offering
- Functionality and packaging
- Quality
- Differentiation

- Who needs it?
- Why do they need it?
- How is it different or better than the competition?

# Position

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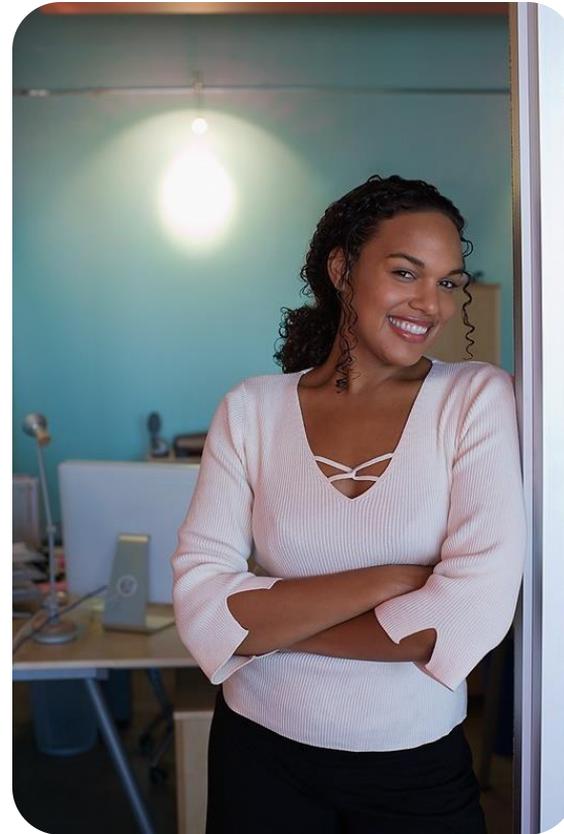
- Location, Location, Location
- Niche / target market
- Competition
- Distribution
- Merchandising



# Branding

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- Name recognition
- Qualification of product/service
- Market identity
- Advertising



# Price

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- Consumer reaction
- Cost
- Competition
- Credit terms and discount

# Competition

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- Size of operation and number of employees
- Price and quality
- Services provided
- Reputation: strengths and weaknesses
- Personal visits and observations
- Suppliers & contractors
- Other businesses in area

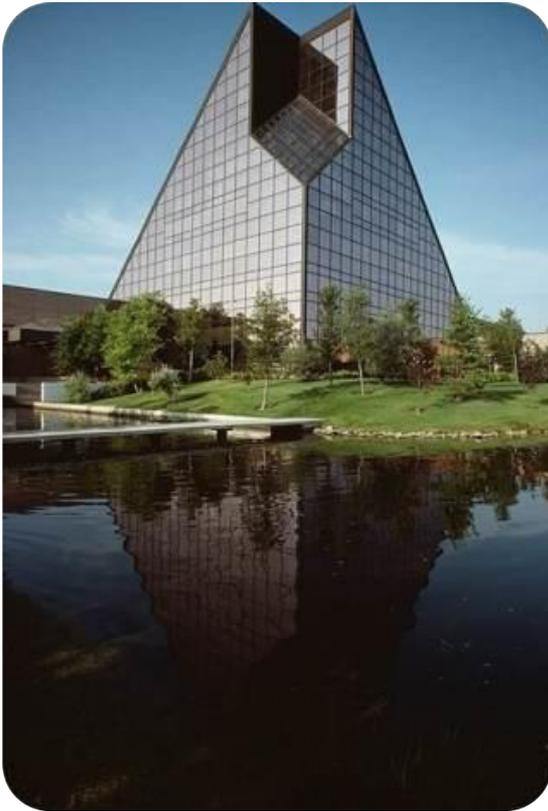


# MAKING IT LEGAL

<https://ksbiz.kansas.gov/>

# Business Organization Forms

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- Sole Proprietorship
- Partnership
- Limited Liability Company (LLC)
- “C” Corporation (Conventional)
- “S” Corporation (Sub-chapter)



## Keep It Simple

- Sole proprietorship or partnership
- If liability and/or taxation is a concern, an LLC or S-corporation

# Insurance Considerations

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- Property
- Liability
- Motor Vehicles
- Umbrella Liability
- Worker's Compensation
- Health
- Life
- Business Interruption

# Government Regulations

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- Business Licenses and Approvals
- Labor Laws
- Immigration Laws
- IRS and Social Security Withholding & Payments

# Every Business Owner Needs...

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- **B**anker
- **A**ccountant
- **I**nsurance Agent
- **L**awyer
- **B**usiness Mentor

# FUNDING AND CASH MANAGEMENT

# Considerations

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- Total monthly cost of living
- Areas where you can cut back
- Outstanding debt
- Amount in savings
- Total amount needed to cover 6 to 12 months of expenses

# startup Cash Needs

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## Essential Considerations:

- Tools and equipment
- Leasehold improvements
- Licenses and permits
- Professional fees
- Initial inventory
- Working capital reserve fund



# Operating Cash Needs

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- Salaries
- Rent
- Insurance
- Taxes and fees
- Advertising
- Loan interest/principal
- Utilities
- Maintenance

# Sources of Capital

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## Equity Signifies Ownership

- Personal savings
- Family and friends
- Partners' contributions
- Profits retained in the business

## Debt Does **NOT** Signify Ownership

- Banks and credit unions\*
- Community Express Micro Loans\*
- Credit cards (not recommended)

*\* Usually guaranteed by SBA*

# Lender's View of Borrower

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- Character, Commitment
- Credit rating
- Cash flow
- Collateral, Capital
- Industry knowledge
- Personal investment
- Financial history
- Financial projections
- Management skills
- Competition

# Cash: Most Important Asset

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- Open a separate bank account for your business
- Deposit all receipts “intact”
- Use a petty cash fund
- Separate sales tax receipts on your books
- Hang on to cash as long as possible
- Reconcile bank account monthly
- Have adequate cash and a reserve fund at the start of the business
- Prepare and maintain a cash forecast for at least six months into the future



# SMALL BUSINESS READINESS SELF-ASSESSMENT

## Exercise I: Small Business Readiness Self-Assessment

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- **HOMEWORK** - A quick self-assessment will indicate strengths and areas to work on with your mentor and other associates.
- 10 minutes to fill-in and score
- 5 minutes to share some of the areas you need to work on with a mentor

# Small Business Readiness Self-Assessment

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Total score should not be more than 10. Assign more points to indicate agreement, less if you do not agree.

Topic	Question	Points
Idea Feasibility	My product/service is servicing an unmet need.	
	My product/service could be expanded to gain additional customer groups.	
Market Identification	I know who my potential buyers are.	
	I have a clear value proposition for my potential buyers.	
Implementation	I know what it will take to start my business.	
	I know what it will take to run my business.	
Funding	I understand what it will take to obtain funding.	
	I have a plan to fund my business start.	
Personal Readiness	I am ready to work hard to achieve my business goals.	
	I understand the challenges ahead and have a plan to tackle them.	
<b>Total Points:</b>		

# BUSINESS PLAN BASICS

# Business Plan Importance

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- Encourages an objective view
- Becomes foundation for planning
- Powerful management tool
- Communicates owner's ideas

# Business Plan Contents

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- Table of Contents
- Executive Summary
- Section One:  
The Business
- Section Two:  
Financial Forecasts
- Section Three:  
Supporting Data



# Now What?

SESSION 1: Startup Basics

1. Be well prepared to proceed by signing up for the *Simple Steps for Starting Your Business* series (includes free, one-on-one mentoring with SCORE).
  - Test the feasibility of one or multiple business ideas and start work on a business plan and financials
  - Learn more about topics presented in this session
2. Defer your decision about going into business for yourself for now, but don't give up on your dream. Work with a SCORE mentor to fine tune your idea.
3. If you are already in business – talk to the workshop leader about your options.

# Simple Steps for Starting Your Business

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## Testing Your Business Ideas



Session 1

→ startup Basics

Session 2

→ Business Concept

Session 3

→ Marketing Plan

Session 4

→ Financial Projections

Session 5

→ Funding Sources & Next Steps

## Simple Steps for Starting Your Business Student Webpage

<http://www.score.org/startyourbusiness>

Includes links to handouts, workshop materials, and additional resources.

# More Homework

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1. Write a vision statement for your business idea(s). It should contain:
  - a) The overall purpose of your business: What are you trying to achieve? Why are you in business?
  - b) Describe the products and services your business provides.
  - c) Explain what is important to your business—the values your business lives by.
  
2. Read the business plan and background for Ann's Nursery.  
[www.score.org/startyourbusiness](http://www.score.org/startyourbusiness)

See you at the next session on Business Concepts.