

Checklist for Going Into Business

INTRODUCTION

Owning a business is the dream of many Americans . . . starting that business converts your dream into reality. But there is a gap between your dream and reality that can only be filled with careful planning. As a business owner, you will need a plan to avoid pitfalls, to achieve your goals, and to build a profitable business.

The “*Checklist for Going into Business*” is a guide to help you prepare a comprehensive business plan and determine if your idea is feasible, to identify questions and problems you will face in converting your idea into reality, and to prepare for starting your business.

Operating a successful small business will depend on:

- a practical plan with a solid foundation;
- dedication and willingness to sacrifice to reach you goal;
- technical skills;
- basic knowledge of management, finance, record keeping and market analysis.

As a new owner, you will need to master these skills and techniques if your business is to be successful.

IDENTIFY YOUR REASONS

As a first and often overlooked step, ask yourself why you want to own your own business. Check the reasons that apply to you.

- | | YES |
|--|-------|
| 1. Freedom from the 9-5 daily work routine. | _____ |
| 2. Being your own boss. | _____ |
| 3. Doing what you want when you want to do it. | _____ |
| 4. Improving your standard of living. | _____ |
| 5. Boredom with your present job. | _____ |
| 6. Having a product or service for which you feel there is a demand. | _____ |

Some reasons are better than others, none are wrong; however, be aware that there are tradeoffs. For example, you can escape the 9-5 daily routine, but you may replace it with a 6 a.m. to 8 p.m. routine.

A SELF-ANALYSIS

Going into business requires certain personal characteristics. This portion of the checklist deals with you, the individual. These questions require serious thought. Try to be objective. Remember, it is your future that is at stake!

Personal Characteristics

- | | YES | NO |
|--|-------|-------|
| 1. Are you a leader? | _____ | _____ |
| 2. Do you like to make your own decisions? | _____ | _____ |
| 3. Do others turn to you for help in making decisions? | _____ | _____ |
| 4. Do you enjoy competition? | _____ | _____ |
| 5. Do you have will power and self-discipline? | _____ | _____ |
| 6. Do you plan ahead? | _____ | _____ |
| 7. Do you like people? | _____ | _____ |
| 8. Do you get along well with others? | _____ | _____ |

Personal Conditions

This next group of questions, though brief, is vitally important to the success of your plan. It covers the physical, emotional, and financial strains you will encounter in starting a new business.

- | | YES | NO |
|--|-------|-------|
| 1. Are you aware that running your own business may require Working 12-16 hours a day six days a week and maybe even Sundays and holidays? | _____ | _____ |
| 2. Do you have the physical stamina to handle the workload and schedule? | _____ | _____ |
| 3. Do you have the emotional strength to withstand the strain? | _____ | _____ |
| 4. Are you prepared, if needed, to temporarily lower your standard of living until your business is firmly established? | _____ | _____ |
| 5. Is your family prepared to go along with the strains they, too, must bear? | _____ | _____ |
| 6. Are you prepared to run the risk of losing your savings? | _____ | _____ |

PERSONAL SKILLS AND EXPERIENCE

Certain skills and experience are critical to the success of a business. Since it is unlikely that you possess all the skills and experience needed, you'll need to hire personnel or use outside resources to supply those you lack. There are some basic and special skills you will need for your particular business.

By answering the following questions, you can identify the skills you possess and those you lack (your strengths and weaknesses).

- | | YES | NO |
|---|-------|-------|
| 1. Do you know what basic skills you will need in order to have a successful business? | _____ | _____ |
| 2. Do you possess those skills? | _____ | _____ |
| 3. When hiring personnel, will you be able to determine if the applicants' skills meet the requirements for the positions you are filling? | _____ | _____ |
| 4. Have you ever worked in a managerial or supervisory capacity? | _____ | _____ |
| 5. Have you ever worked in a business similar to the one you want to start? | _____ | _____ |
| 6. Have you had any business training in school? | _____ | _____ |
| 7. If you discover you don't have the basic skills needed for your business, will you be willing to delay your plans until you've acquired the necessary skills or obtained them elsewhere? | _____ | _____ |

FINDING A NICHE

Small businesses range in size from a manufacturer with many employees and millions of dollars in equipment to the lone window washer with a bucket and a sponge. Obviously, the knowledge and skills required for these two extremes are far apart, but for success they have one thing in common: each has found a business niche and is filling it.

The most critical problems you will face in your early planning will be to find your niche and determine the feasibility of your idea. "Get into the right business at the right time" is very good advice, but following

that advice may be difficult. Many entrepreneurs plunge into a business venture so blinded by the dream that they fail to thoroughly evaluate its potential.

Before you invest time, effort and money, the following exercise will help you separate sound ideas from those bearing a high potential for failure.

Is Your Idea Feasible?

1. Identify and briefly describe the business you plan to start.
2. Identify the product or service you plan to sell.

- | | YES | NO |
|--|-------|-------|
| 3. Does your product or service satisfy an unfilled need? | _____ | _____ |
| 4. Will your product or service serve an existing market in which demand exceeds supply? | _____ | _____ |
| 5. Will your product or service be competitive based on its quality, selection, price or location? | _____ | _____ |

Answering yes to any of these questions means you are on the right track; a negative answer means you need to carefully assess your business idea before moving forward.

MARKET ANALYSIS

For a small business to be successful, the owner must know the market. To learn the market, you must analyze it--a process that takes time and effort. You don't have to be a trained statistician to analyze the marketplace nor does the analysis have to be costly.

Analyzing the market is done by gathering facts about potential customers and determining the demand for your product or service. The more information you gather, the greater your chances of capturing a segment of the market. Know the market before investing your time and money in any business venture.

These questions will help you collect the information necessary to analyze your market and determine if you product or service will sell.

- | | YES | NO |
|---|-------|-------|
| 1. Do you know who your customers will be? (Describe them). | _____ | _____ |
| 2. Do you understand their needs and desires? | _____ | _____ |
| 3. Do you know where they live? | _____ | _____ |
| 4. Will you be offering the kind of products or services that they will buy? | _____ | _____ |
| 5. Will your prices be competitive in quality and value? | _____ | _____ |
| 6. Will your promotional program be effective? (Describe what you are going to do). | _____ | _____ |

- | | | |
|--|-------|-------|
| 7. Do you understand how your business compares with your competitors? | _____ | _____ |
| 8. Will your business be conveniently located for people? | _____ | _____ |
| 9. Will there be adequate parking facilities for the people you plan to serve? | _____ | _____ |

This brief exercise will give you a good idea of the kind of market planning you need to do. An answer of no indicates a weakness in your plan. Do your research until you can answer each question with a "yes."

PLANNING YOUR START-UP

So far this checklist has helped you identify questions and problems you will face converting your idea into reality and determining if your idea is feasible. Through self-analysis, you have learned of your personal qualifications and deficiencies and through market analysis, you have learned if there is demand for your product or service.

The following questions are grouped according to function. They are designed to help you prepare for "Opening Day".

Name and Legal Structure

- | | YES | NO |
|--|-------|-------|
| 1. Have you chosen a name for your business? | _____ | _____ |
| 2. Have you chosen to operate as a sole proprietorship, partnership, limited liability company or corporation? | _____ | _____ |

Your Business and the Law

A person in business is not expected to be a lawyer, but each business owner should have a basic knowledge of laws affecting their business. Here are some of the legal matters you may need to be acquainted with:

- | | YES | NO |
|--|-------|-------|
| 1. Do you know which licenses and permits you may need to operate your business? | _____ | _____ |
| 2. Do you know the business laws/regulations you will have to obey? | _____ | _____ |
| 3. Do you have a lawyer who can advise you and help you with legal papers? | _____ | _____ |
| 4. Are you aware of: | | |
| • Occupational Safety and Health Administration (OSHA) requirements? | _____ | _____ |
| • Regulations covering hazardous material? | _____ | _____ |
| • Local ordinances covering signs, snow removal, etc.? | _____ | _____ |
| • Federal Tax Code provisions pertaining to small business? | _____ | _____ |
| • Federal regulations on withholding taxes and Social Security? | _____ | _____ |
| • State Workmen's Compensation laws? | _____ | _____ |
| • Americans With Disabilities Act? | _____ | _____ |
| • Immigration Law requirements? | _____ | _____ |
| • Unemployment compensation requirements? | _____ | _____ |

Protecting Your Business

It is becoming increasingly important that attention be given to security and insurance protection for your business. There are several areas that should be covered. Have you examined the following categories of risk protection?

	YES	NO
• Fire	_____	_____
• Theft	_____	_____
• Robbery	_____	_____
• Vandalism	_____	_____
• Accident liability	_____	_____
• Personal/Professional liability	_____	_____

Discuss the types of coverage you will need and make a careful comparison of the rates and coverage with several insurance agents before making a final decision.

Business Premises and Location

	YES	NO
1. Have you found a suitable building in a location convenient for your customers?	_____	_____
2. Can the building be modified for your needs at a reasonable cost?	_____	_____
3. Have you considered renting or leasing with an option to buy?	_____	_____
4. Will you have a lawyer check the zoning regulations and lease?	_____	_____

Merchandise

	YES	NO
1. Have you decided what items you will sell or produce or what service(s) you will provide?	_____	_____
2. Have you made a merchandise plan based upon estimated sales to determine the amount of inventory you will need to control purchases?	_____	_____
3. Have you found reliable suppliers who will assist you in the start-up?	_____	_____
4. Have you compared the prices quality and credit terms of suppliers?	_____	_____

Business Records

	YES	NO
1. Are you prepared to maintain complete records of sales income and expenses, accounts payable and receivables?	_____	_____
2. Have you determined how to handle payroll records, tax reports and payments?	_____	_____
3. Do you know what financial reports should be prepared and how to prepare them?	_____	_____
4. Do you know who you will use to assist with accounting and recordkeeping needs?	_____	_____

FINANCES

A large number of small businesses fail each year. There are a number of reasons for these failures, but one of the main reasons is insufficient funds. Too many entrepreneurs try to start and operate a business without sufficient capital (money). To avoid this dilemma, you can review your situation by analyzing these three questions:

1. How much money do you have?
2. How much money will you need to start your business?
3. How much money will you need to stay in business?

Use the following chart to answer the first question:

CHART 1 – PERSONAL FINANCIAL STATEMENT
_____, 20____

ASSETS		LIABILITIES	
Cash on hand	_____	Accounts payable	_____
Savings account	_____	Notes payable	_____
Stocks, bonds, securities	_____	Contracts payable	_____
Accounts/notes receivable	_____	Taxes	_____
Real estate	_____	Real estate loans	_____
Life insurance (cash value)	_____	Other liabilities	_____
Automobile/other vehicles	_____		
Other liquid assets	_____		
TOTAL ASSETS	_____	TOTAL LIABILITIES	_____
NET WORTH (ASSETS MINUS LIABILITIES)			_____

Chart 2 will help you answer the second question: How much money will you need to start your business? The chart is for a retail business; items will vary for service, construction and manufacturing firms.

CHART 2 – START-UP COST ESTIMATES

Decorating, remodeling	_____
Fixtures, equipment	_____
Installing fixtures, equipment	_____
Services, supplies	_____
Beginning inventory cost	_____
Legal, professional fees	_____
Licenses, permits	_____
Telephone utility deposits	_____
Insurance	_____
Signs	_____
Advertising for opening	_____
Unanticipated expenses	_____
TOTAL START-UP COSTS	_____

The answer to the third question (How much money will you need to stay in business?) must be divided into two parts: immediate costs and future costs.

From the moment the door to your new business opens a certain amount of income will undoubtedly come in. However, this income should be projected in your operating expenses. You will need enough money available to cover cost for at least the first three months of operations. Chart 3 will help you project your operating expenses on a monthly basis.

CHART 3 – EXPENSES FOR ONE MONTH

Your living costs	_____
Employee wages	_____
Rent	_____
Advertising	_____
Supplies	_____
Utilities	_____
Insurance	_____
Taxes	_____
Maintenance	_____
Delivery/transportation	_____
Miscellaneous	_____
TOTAL EXPENSES	_____

Now multiply the total of Chart 3 by three. This is the amount of cash you will need to cover operating expenses for three months. Deposit this amount in a savings account before opening your business. Use it only for those purposes listed in the above chart because this money will ensure that you will be able to continue in business during the crucial early stages.

By adding the total start-up costs (Chart 2) to the total expenses for three months (three times the total cost on Chart 3), you can learn what the estimated costs will be to start and operate your business for three months. By subtracting the totals of Charts 2 and 3 from the cash available (Chart 1) you can determine the amount of additional financing you may need, if any.

CONCLUSION

Beyond a doubt, preparing an adequate business plan is the most important step in starting a new business. A comprehensive business plan will be your guide to managing a successful business. The business plan is paramount to your success. It must contain all the pertinent information about your business; it must be well written, factual, and organized in a logical sequence. Moreover, it should not contain any statements that cannot be supported.

If you have carefully answered all the questions on this checklist and completed all the worksheets, you have seriously thought about your goal. But . . . there may be some things you may feel you need to know more about. Owning and running a business is a continuous learning process. Research your idea and do as much as you can yourself but don't hesitate to seek help from people who can help you find out what you need to know.

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