BUSINESS STARTUP GUIDE

Heritage BANK

If you dream of owning your own business, it's important to make sure you cover all the business planning components to be able to start, grow and manage your business successfully.

Whether you want financial success or to turn your passion into a livelihood, transforming the idea of being your own boss into reality doesn't have to be daunting.

We know that owner-operated businesses are the life-blood of the economy, and every day, people like you talk to our bankers about getting into business for themselves.

This Business Startup Guide is designed to help you turn that desire to start your own business into a reality. We have selected some important topics that you should review before you open your doors.

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1 STEP ONE
Get clear on your "Why?"

As well as having the required level of skill, ability, knowledge and experience to run your business, you must be prepared to work hard and be clear about why you're going into business.

Many people find the thought of working for themselves appealing. Being your own boss offers the freedom to:

- Work your own hours.
- Make your own decisions.
- Create your own lifestyle.

However, establishing a successful business requires more than a great idea and a willingness to give it a go.

Are you clear about why you are going into business?

For example, you might want to:

- Make more money than you could as an employee.
- Be independent.
- Represent a product or service you feel passionate about.
- Create a business you can leave for family.
- Build a business that you intend to sell.
- Have a better work/life balance.

Once you're clear about why you'd like to be your own boss, it's time to take a close look at yourself to determine if you have what it takes to run your own business.

CONFIRM YOU HAVE THE NECESSARY SKILLS AND ATTRIBUTES

This self-assessment guide will help you get a feel for whether you're ready to be self-employed. The more of these characteristics you have, the more comfortable you're likely to feel about starting and running your own business.

- You have years of experience in the industry you plan to enter
- You're prepared to undergo training to develop the skills you need or to get input from specialist advisors
- You're prepared to work long hours without the security of a steady income
- You have sufficient savings or an alternative income to live off during the startup period
- Your family understands the impact starting a new business could have on them and support you in achieving your goals
- You thrive on challenges
- You enjoy making and being responsible for your own decisions
- You're prepared to accept a lower income until your business starts to make a profit
- You naturally look to streamline processes and methods when approaching a task
- You're prepared to take the risk of losing the money you invest in your new business
- You're prepared to hire staff and delegate responsibilities to them or use the services of a professional if needed

If you believe you have what it takes, you'll now need to decide if your idea does, too.

KNOW SOMEONE IN BUSINESS?
Talk to someone who's started their own business to gain an understanding of their challenges and see if it's right for you.

2 STEP TWO Establish if there's a market

You'll need a sustainable market for your goods or services (where your business generates ongoing sales), so it's important to investigate that market potential by observing what prospective customers really think.

Profile your ideal customers to gain an accurate analysis of market potential. To focus your marketing more effectively you'll want to identify:

- If there's a need for your product or service.
- The characteristics of your "ideal" customer.
- Ways to research the potential size of your market.
- Trends that could affect your venture.

Consider how you will sell to the market. Look at industry and market trends, and global and local influencers, so you can identify any threats or opportunities ahead.

Investigate market potential

The only guaranteed way to know exactly how the market will respond to your business is to start operating and see what happens. Before you start, collect solid evidence that a market for your product or service actually exists.

Find out as much as you can about potential customers in your target market, such as:

- Who might buy your product or service.
- Where they're located.
- How much they would pay and how often they might buy.
- When they would buy (for instance, you might have seasonal demand).
- Who they currently buy from.

TIP

Ask potential customers directly
No matter how much desk research you do, the best information you can get is the opinion of your potential customers. Consider their input on important decisions such as location, pricing, range of items and preferred purchasing methods.

TIP

It can be useful to talk to suppliers already working in your target market to tap into their knowledge of the marketplace. If they think your idea has merit, it can give you confidence to continue.

Consider utilizing surveys, one-on-one interviews or focus groups to collect data on your target customers. If your research generates some positive feedback, consider test marketing your product or service before you give up your day job.

That way you'll get actual, on-the-ground feedback from customers about what they really think. And you'll be able to test your product or service in the marketplace.

Think about your ideal customer

Researching the market enables you to steadily build a profile of your best customer: the person or business that is most likely to buy from you. Market research is important for two reasons:

1. By defining your ideal customer accurately, you'll be able to analyze market potential more accurately.
2. When you start your business, you can focus your marketing efforts by positioning everything you do to this customer type.

For instance, if your new office product is intended for businesses with 10 to 50 employees, you can research how many businesses of that size exist in your area and where they're located.

Identify how you will reach your target market

How you plan on getting your message across to potential customers is critical. You'll need to select the appropriate channels to deliver your goods or service to your target market:

- Selling directly, such as a retailer or a manufacturer with a factory outlet
- Trading through a wholesaler
- Selling through a website as an online business, also known as e-commerce
- Employing your own sales force
- Using sales agents or distributors
- Forming a joint venture or a strategic marketing alliance with other companies

Each option has advantages and disadvantages.

Research industry and market trends

Ensure you take the time to research the wider marketplace before you start up to check that your business can be sustainable long term. Pay particular attention to any economic, social and industrial trends or changes that could impact on your business's future.

You can find out this information by:

- Reading local and international online news sites.
- Talking to other small business owners and suppliers.
- Subscribing to industry and trade online publications.
- Listening to business and current affairs programs via podcasts, TV or radio.
- Subscribing to news and business updates for email or push notifications on your cell phone.

TIP

Be honest with yourself
Weaknesses and threats can be harder to acknowledge than strengths and opportunities. Remember that the purpose of conducting a SWOT analysis is to outline the feasibility of your business and minimize risk.

Understand the opportunities and threats

New opportunities may emerge from your industry and market analysis. Consider how these may impact your business. For example, you might identify:

- Different customers or markets from those initially considered.
- Opportunities for innovative services or products.
- Potential investors.

Threats can be harder to acknowledge and particularly devastating to a new business, so take a realistic look at what could jeopardize your startup. For example, some threats might be:

- Upcoming changes in legislation or zoning that affect traffic flows.
- A new competitor entering the market.
- Fluctuations in currency exchange rates.
- Emerging technology that could revolutionize the industry.

Of course, some of these threats may also provide opportunities for your new business.

Conduct a SWOT analysis

Invite a few family members, friends, colleagues or business associates to join you for a SWOT (Strengths, Weaknesses, Opportunities and Threats) brainstorming session.

Set a time frame and record all the ideas that are put forward. Resist the temptation to respond to any suggestions. Simply write them all down and then evaluate each idea afterwards.

3 STEP THREE

Analyze your competitors

Once you know what your competitors offer, you can compare your similarities to identify points of difference, then develop these into a compelling competitive advantage.

Identify competitors and how they may impact your business

Researching your direct competitors is vital. These are the businesses selling a product or service that is directly comparable to your own. Because you'll be competing directly with these businesses, you'll need to know:

- What they offer and how much they charge.
- What they do and don't do well.
- Where there are gaps you can take advantage of.

Be aware of indirect competition

Indirect competitors are those offering products or services that aren't the same as yours but could still satisfy the same need. You'll have to think "outside the box" to spot your indirect competitors as they may not be immediately obvious.

One example of indirect competition to a newly opened restaurant is the local movie theater (rather than another restaurant). Potential customers could choose to spend their disposable income on a movie instead of a meal out.

There are always other options for customers to spend their money on, and it's important to be aware of these alternatives.

Use your competitive advantage to beat the competition

What you do better than anyone else will be crucial to staying in business long-term.

Ways to entice customers away from the competition could include being:

- Faster at delivery.
- More convenient.
- Cheaper.
- More diversified.
- Product exclusive.
- Located in a better place.
- Focused on the service rather than sale.
- More experienced.

Know exactly why you are better than the competition and make sure you promote these attributes.

Reduce the effect of competitors

Try to anticipate how your competitors will react to you encroaching on their territory once you start operating. They might make an effort to drive you out of the market before you get established.

Ask yourself:

- What tactics are your major competitors likely to employ when you begin competing for their market share, and what is your return action?
- How would you cope with a discount battle if your competitors are larger businesses with possibly more cash reserves?

TIP

PROMOTE YOUR COMPETITIVE ADVANTAGE

Don't expect customers to guess your business's point of difference. Competitive advantages are only advantages if you promote them strongly. Develop two or three main points and consider making them obvious on your marketing materials, communications, signage and website.

Create barriers for market competitors

If you have specific new ideas, branding or market position, then you need to prevent other people from copying your business idea, products or services as much as you can.

Try to create barriers against your competitors that will make it harder for them to compete. For example, you may be able to secure:

- An exclusive operating license. If no other business is currently operating in the area, ensure your license is the only one granted.
- A contract with a supplier that restricts competitors access to the same goods.
- An extended lease if location is important to your success.
- Experienced staff with bonuses or profit-sharing to reduce the chance they will leave.

Intellectual property (IP) protection

If you've invented something, you may have intellectual property to protect. Your business name and logo also have potential value as they could help you be recognized in the marketplace.

Some types of IP include:

- The appearance or shape of a product design (for example, Coca Cola's bottle design is protected).
- The slogan that defines a brand, such as Nike's "Just Do It."
- A registered trademark, such as the Apple iPad, iPhone and iPod.
- Patents (if you have a new product, process or way of creating something).
- Copyright on any words or designs.

Intellectual asset protection

Intellectual "assets" are things that you can't legally protect but are still important. For example:

- Your business contacts and networks that provide referrals.
- A customer database that you use to keep in contact and encourage repeat purchases.
- Your business processes.
- Knowledge of customer buying cycles.
- Your (or key staff's) experience in the business or industry to know "how things are done."

Often these intellectual assets are more important than intellectual property for smaller businesses that are not inventing anything completely new.

Did you know?

The United States Patent & Trademark Office (USPTO) has useful information about protecting your trademark, patents, copyright and designs. It's a good idea to talk to a lawyer who specializes in intellectual property rights as well as other business advisors before making any decisions.

4 STEP FOUR Determine financial feasibility

Once you've established demand, it's time to find out if your idea is financially viable. Look at what it'll cost you not only to start the business but to keep it running and, most importantly, make a profit. This is where it comes down to crunching the numbers.

Calculate your start-up costs

You've got two sets of costs to consider: startup costs and working capital.

- Startup costs are what it's going to cost you to actually get the business up and running. They're one-off costs that are required for the launch that you probably won't have to pay for again. It's common for some business owners to underestimate the actual amount of money needed to start up a new business venture. For example, equipment, machinery, office fixtures and fittings, computers,initial stock or inventory, vehicles, etc. Also include any one-off service costs such as legal fees, consulting or accounting fees.
- Once you've determined all your startup costs, the next thing is to work out how much working capital you'll need. This is how much it's going to cost to keep your business running until you think you'll break even and then start to show a profit. This includes costs like rent, power, wages, marketing, IT support, etc. Usually, you'd add up all these monthly costs and then try to have several months of cash in reserve until sales can cover all these expenses.

Be as realistic as possible and try not to underestimate these costs.

Working through the financials early in your planning will help you calculate how much money you'll need to raise beforehand. It also makes sense to work out if your investment is going to bring you a decent rate of return.

Work out costing and pricing to ensure you're making a profit

If your business is going to succeed, your prices must cover the cost of producing your goods or services, plus generate a profit.

Your earlier market research will have given you an indication of what prospective customers are prepared to pay, so now it's time to work out if you can feasibly deliver on their expectations and get a return on your investment.

COST-PLUS PRICING

Calculate all the costs in producing your product or service, then add a margin for your profit. It's a good idea to get your accountant to confirm you haven't missed anything so your price includes enough profit to grow your business.

For example, if you're selling outdoor furniture, you need to add up all the costs of manufacturing the furniture—wood, nails, labor costs—then add your profit margin on top.

ADDING A MARGIN

If your business buys products and then on-sells them (such as retailers, wholesalers, online businesses), their usual pricing strategy is to add a margin to their cost price. What this margin is depends on the industry and, often, there are industry guidelines. Contact your industry association to find out what the accepted margin is.

HOURLY RATE

Some businesses charge an hourly rate and, again, there are often industry guidelines. Most mechanics will charge a similar price to everyone else. Of course, this doesn't mean you have to copy.

COMBINATIONS

Combining pricing methods is common when your business offers both a product and a service.

Calculate break-even to check your capacity

Once you know what your costs are and you've got a good idea of what you plan to sell your product or service for, it's time to work out at what point you will break even. You need to know that you can cover your costs and begin to make a profit. Here's an example: selling coffee tables.

- You've decided to sell your coffee tables for $200. The labor cost ($60) and materials ($50) come to $110. The difference is your gross margin of $90. So for every table you sell, you'll make $90.
- The overhead for your business comes to $90,000 per year.
- Sales required to break even is $90,000 divided by the $90 profit from each table. This means you'll need to sell 1,000 coffee tables each year.
- Broken down further, this means you'll need to sell an average of 20 tables per week to break even (1,000 divided by 50 weeks).

Remember, this is to break even only. If you wanted to find out the number of tables to sell to make a profit, add your salary and any business profit to the $90,000, then do the calculation again.

Reducing your break-even point

You can try and reduce the work you need to do for breaking even. For example, you may find it's easier to break even and make a profit if you:

- Increase your prices.
- Reduce the cost of materials.
- Reduce the cost of labor by working faster.
- Reduce your overhead.

Prepare a cashflow forecast to make sure you don't run out of cash

A cashflow forecast is essentially an attempt to predict exactly what your future bank statements will look like: will you have spare cash each month or will you be in debt and need funding?

A cashflow forecast will:

- Help you manage the cash coming in and going out of your business. You can compare the income you're expecting to receive every month with the costs and expenses you're expecting to face and make adjustments.
- Give you time to address any cash issues. If you know that it's likely you'll run out of cash in a few months, it's easier to come up with a plan to reduce the chance this happens (start a sales drive, seek to reduce costs, get extra funding from the bank or add in more of your own capital).
- Prepare a forecast for at least the first 12 months. Given that you're dealing with the unknown, many business owners prepare three versions for a worst-, realistic- and best-case scenario.

If you decide to proceed with your business idea, you can update the estimated information in your cash flow with actual figures after you've started. Then, use these to prepare more accurate forecasts in the future as you go.

TIP

Be aware of seasonal purchase cycles
Many large organizations only make purchases at specific times throughout the year. If you're planning to sell to a business or government department, you'll need to find out who makes the buying decisions and at what time of year they place their orders.

Identify your cash cycle

As you put your figures together, consider your business's cash cycle. This is the length of time it takes to turn your product or service into a completed (and paid for) sale.

Each business has a unique cycle. For example, a retailer usually receives money from customers immediately. Conversely, it could take an electrician a month to finish a job and another six weeks to receive payment.

How long is your business cash cycle? If you sell on credit, build a delayed cash flow factor into your forecast since it may be a while before you see any money coming in.

If your intended business follows a seasonal pattern, such as holidays like Easter or Christmas, factor this into your cash flow.

Be sure to make provision for ongoing costs, equipment, employees and other resources that align with your plans for development and growth. Also remember to consider how much and how frequently you'll need to draw money from your business.

5 STEP FIVE
Fund your business

Unless you're lucky enough to have all the cash you need for starting a business already in place, you will need to carefully consider all the options available in order to secure startup funds. Whether you choose one or a combination of methods depends on what kind of business you're starting and how much you'll need.

Understand your options

It makes sense to raise as much cash as you can to start your business. Here are some options to consider:

- **Personal savings**
  Funds you have already saved can reduce the amount you need to borrow, saving you interest and fees.
- **Sell personal assets**
  Consider selling vehicles, real estate, furniture, even sports equipment you don't need or use.
- **Use the equity in property assets**
  If you own real estate, whether it's an investment property or your own personal home, refinancing to borrow the cash you need might be an option.
- **Advance deposits**
  Depending on the business, you can have customers pay in advance or make a down payment.
- **Cut personal expenses and reduce salary**
  If you have another source of income, you could work for a period of time without drawing a salary to reduce the amount of start up capital you need.
- **Borrow or share**
  You may be able to delay set-up costs or purchasing assets by borrowing equipment or sharing space with other businesses until you're ready to buy your own.

Tips for borrowing from the bank

For many business startups, borrowing from the bank can be the easiest option. How much you borrow depends on how successful you've been with other funding efforts.

Before you decide to apply for business financing, it's important to gather all of your paperwork and information. The more organized you are, the better your chances of success. Prepare the following:

- The estimated cost to either buy or set up the business, including any inventory or equipment you'll need.
- How much you think you'll need to borrow and how much you're contributing yourself, such as savings, assistance from family or investors you have already confirmed.
- Collateral you'll use to secure the loan, if anything. Borrowing against your house is common but there are other options available.
- How you intend to repay the loan, ideally from the profit the business will make from the extra capital you've borrowed.
- Any other debts you owe.
- Any other sources of income you can use to repay the loan.

RESOURCE

At Heritage Bank, we understand that every business is unique and has different financial needs. We'll work with you to tailor your business loan for your requirements. Visit HeritageBankNW.com to connect with a banker near you.

Government grants and subsidies

The main grants available are provided by the U.S. Small Business Administration, the official government assistance resource for small businesses. The U.S. Federal government also has a website that outlines government grants.

However, you can also explore the following available financial assistance options:

- **Small Business Innovation Grants**
  The Small Business Innovation Research and Small Business Technology Transfer programs are designed to stimulate technological innovation and provide opportunities for small business. Find out more.
- **Small Business Innovation Research**
  If your business is involved in research and development and is offering innovative products, this could be helpful to you. Find out more.

Small Business Administration (SBA) Loan Programs

The SBA is a government department aimed at helping small businesses. One of the ways they do this is to offer loan programs to small business owners. There are several different kinds of loan programs available, but whichever option you go with, there are some important points to keep in mind:

- You're still borrowing from your bank. Your bank will loan you the money. The SBA guarantees the loan to the bank, so it reduces the bank's risk if you fall behind on your repayments.
- SBA's application process is detailed and has a section on its website to help streamline the process as much as possible.

Did you know?

Heritage Bank is an SBA preferred lender, which means we have the authority to make the final credit decision, expediting the loan-approval process. Our SBA team has years of experience to ensure you have the resources you need. Learn more about SBA and our other lending options.

Other financing sources

Startup funds don't always have to be borrowed. You could seek investors to help get your business off the ground.

ANGEL INVESTORS

An angel investor is often a person who has some experience or knowledge of your industry and is looking to invest in startup businesses to gain a return.

The best time to approach them is when you can clearly demonstrate that their investment will help launch your business. Be prepared to discuss your business's financial projections, its current and potential value, your competitors, any protection you have over your products or services and how you want to structure a deal with an investor. Have all your paperwork in order including accounts, IP ownership and contracts with staff and suppliers.

For more information, check out the Angel Capital Association or other similar organizations.

VENTURE CAPITALISTS

Venture capital companies are professionally-run businesses that look to invest in companies they anticipate will be sold to the public, or to a larger company, at a high rate of return. If your business is in a fast-growing industry with a large market potential, you may just catch the eye of an investor. Like angel investors, venture capitalists (VCs) provide funding in exchange for a share in your company. Unlike angel investors, VCs invest on a much larger scale—typically millions of dollars. They rarely invest in an untested idea, preferring businesses that can demonstrate rapid, consistent growth and guarantee a worthwhile return. As shareholders, venture capitalists earn a portion of annual revenue, but the real profit isn't made until the company is sold.

To attract VCs, your business should be in a fast-growing industry, be part of a large market, have a solid and updated business plan for continued growth, have a proven management team and be able to bring in investment returns of 20% to 30% each year.

The National Venture Capital Association is a good place to start researching this funding option.

CROWDFUNDING

Described as "democratic finance," crowdfunding allows many people (the crowd) to invest small amounts of money in your business, often in return for the products you're selling. Crowdfunding is popular with entrepreneurs whose ideas don't fit the structure needed for traditional lending. Be sure you carefully read and understand the terms of the crowdfunding site before you commit. There are often fees attached and some will return committed funds to the investors if you don't meet your funding goal.

6 STEP SIX Set up the business essentials

Identify what you must comply with to ensure your business operates legally.

There will be taxes to address along with permits, licenses and regulations that you may have to meet. There might also be some local or regional municipal government rules to comply with.

Also consider what types of business insurance your new venture will need to minimize major risks.

Business name and structure

When you decide to start your own business, you need to determine what type of business structure best suits your needs. In the U.S., there are four main types.

- **Sole proprietor** – this is someone who owns a business by themselves.
- **Partnership** – this is if you own a business with someone else. Many partnerships don't pay tax as a business, but each partner must include their share of the business's income on their tax return.
- **Corporation** – this is a business that has shareholders. Taxes are paid as a separate legal entity.
- **Limited Liability Company (LLC)** – this is a structure allowed by state statute. The owners are called members, which may include individuals, corporations and other LLCs. Different states have different requirements for an LLC and your accountant can tell you what they are in your state.

The SBA website has a good overview on choosing a business structure.

Tax and compliance obligations

There's no getting around it—you'll have to pay taxes. Although this is primarily a job for your accountant, it's important that you understand the basics.

EMPLOYER IDENTIFICATION NUMBER (EIN)

This is a nine-digit number that the IRS uses to identify you as a business. There are exceptions but, in general, most businesses need one. It's free and there are various ways you can apply for one:

- **Online** – this the easiest and fastest method. The information you provide is validated while you're online, and your EIN is issued immediately.
- **Fax** – once you've faxed the completed Form SS-4, and the IRS confirms all the details, your EIN will be faxed back to you within four business days.
- **Mail** – you're filling out the same form as for a fax, and it can take up to four weeks to get your EIN back by mail.

The IRS website has a section that explains applying for an EIN in more detail.

FEDERAL INCOME TAXES

The federal government (the IRS specifically) has four basic types of business taxes: income tax, self-employment tax, taxes for employers and excise taxes. The way your business is set up will determine which income tax form you need to use.

STATE INCOME TAXES

For most small businesses, you'll need to pay business income tax. Each state has it's own rules around state taxes so check with your state. Find your state website here.

PERMITS AND LICENSES

Depending on your industry, you may need to apply for a permit or license before you can start a business.

- Apply for general business and industry permits and licenses.
- Research and apply for required permits and licenses for the states where your business operates.

Day-to-day banking

You will need somewhere to put all your money from sales and have a way to pay for your expenses. A transactional account is fundamental to the day-to-day running of your business. Most of the payments in and out of your business will be channeled through this account. It may also be linked to an overdraft facility to allow for working capital requirements.

Visit our website to compare the different business checking and savings accounts we offer.

Insurance

Starting your own business involves a degree of risk. If the unthinkable should happen and a fire, theft or flood strikes your business or a serious illness or injury prevents you from being able to work, the results could be devastating. What have you got in place to ensure your business survives? The types of insurance you may need to consider include:

- Life and medical.
- Vehicles, property, equipment and buildings.
- Travel, director and product liability, mortgage protection, etc.

Accounting and record keeping

You will need to keep accurate business records so you can track sales and expenses and plan for tax obligations.

Good accounting software reduces the risk of making mistakes and enables you to monitor your cash flow in real time on a daily basis. Explore different accounting software options online.

Having effective accounting systems give you a realistic picture of your business when you need it without being burdensome. Good systems will also help you to:

- Determine whether your business is making enough money to meet its expenses.
- Make purchasing decisions depending on budget.
- Have enough money to pay taxes.
- Demonstrate to investors, bankers and others that your business is sound and being run professionally.
- Save money on accountant fees. If you're doing the day-to-day bookkeeping, your accountant won't have to spend valuable time (that you're paying for) getting your books in order. You'll be able to use the accountant's services for more specialized tax and financial advice instead.

7 STEP SEVEN
Build awareness

Even if you've got the world's greatest new product or service, you can still have trouble selling it if potential customers are unaware you exist.

Attend trade shows in your industry

If there are trade shows relevant to your business, make sure you go. If you can set up a stand as an exhibitor, even better.

Develop an online presence

Email, websites and social media are all great ways to engage your customers. It's most likely that your customers will have researched your business online and on social media before they contact you. They may have even browsed your personal social media accounts.

Develop an advertising campaign based on what you've learned

To increase your customer base, brainstorm marketing tactics that will entice and retain customers, particularly during the early phase of your business.

Plan an advertising campaign that fits within your budget. Think about which mediums will be most effective for your target group. That may mean a combination of online advertising, search, content marketing, print, email marketing, flyers, signage, personal visits and other media that suits your business type.

Build word-of-mouth advertising

This is the most powerful marketing tool you can use and it's free. If you provide an excellent customer experience, customers may tell their friends and family about you, who will then become customers themselves. People trust the word of their friends and family when it comes to recommendations more than any other referral source.

Host or participate in events

Physical workshops or online webinars can generate awareness and provide credibility. If you speak at events, potential customers will often see you as an expert.

8 STEP EIGHT
Employ staff

Once you start your business, it is likely you will need employees to assist you. Regardless of when you need to hire, there are certain steps you should take to make it easier to get them on board and up to speed with your requirements.

Writing job descriptions

Spend time thinking about your requirements and deciding what your new employee will be required to do. For example:

- The technical, physical and/or personal requirements needed.
- The knowledge, experience and education needed.
- The key tasks for the role, from the day-to-day tasks to likely one-off jobs and special requirements.
- Salary expectations so you can determine if you can afford them.
- How many hours will the role require? This includes whether the role will be a part-time or full-time position, permanent or fixed-term.
- How much responsibility is required.

Make sure the job description you've drawn up clearly outlines the position, what its goals are and your expectations. You want the description to be attractive to potential applicants. Remember, you're selling yourself and your business.

There are a number of methods when it comes to finding the right person for your team, including:

- Advertising in newspapers, trade journals and online job sites.
- Working with a recruiter or employment agency. These people are HR experts and often money well spent as they handle all the time-consuming tasks plus help ensure your job description is attractive and accurate.

Interviewing

Once you've created a shortlist of applicants (if you're going with an agency, they'll have done this for you and provided their own notes on the shortlisted people), it's time to talk to them face to face. When you're interviewing them, keep the following in mind:

- Be consistent. Ask all applicants the same key questions.
- Ask about skills and experience. While they'll have these listed on their resume, go into detail to assess their actual level of experience.
- Good candidates will have clearly done their homework on your business and ask you relevant questions about your business goals. Be wary of applicants who are more interested in pay, leave and perks.
- Consider carefully whether they'll fit into your existing team. There's nothing worse than upsetting a successful dynamic by inserting the wrong person into the mix.

When you've narrowed down your shortlist, conduct background checks on the finalists. Contact the references they've listed. Often, it's better to phone them, as they're more likely to be candid about the applicant than if you send an email or you're just reading a written reference.

RESOURCE

Employer regulations
Become familiar with the employer responsibilities and labor laws in the states where your business will operate.

9 STEP NINE Lower your risk

Reduce potential risks to your startup by building your business's credibility, avoiding common pitfalls and focusing on your business's critical success factors. You'll want customers, lenders and suppliers to have confidence and trust in you.

Be sure to plan for unexpected events such as natural disasters, economic downturns and staffing issues. Identify and focus on the critical factors that are essential to the success of your business.

Build credibility and confidence

There are three key areas you should focus on when building your credibility:

- **Customer confidence** – Provide good value for money and deliver what you say you will. Anytime you receive positive customer feedback, record it and ask for permission to use it in your promotional material.
- **Supplier confidence** – Pay your bills on time and represent them well in the marketplace.
- **Lender and investor confidence** – Put effective systems and processes in place and keep your accounting up to date so you always have relevant financial documents at your fingertips.

Avoid common pitfalls

Identifying and managing some of the most common business risks in advance can help to strengthen your chances of success.

- **Maintain positive cash flow** – preparing regular cashflow forecasts and implementing sound business systems, especially around credit management and debt collection, will help you avoid this. Remember that simply being good at what you do is not enough; you also need to manage your business competently. Get help from your accountant to identify key performance indicators to monitor.
- **Seek professional advice** – you don't need to make all decisions on your own. Successful business people consult their advisors regularly.
- **Prepare for mishaps** – the unexpected will happen, so ensure you have appropriate insurance and other coverage for emergencies.
- **Maintain your own health and well-being** – starting a business can be very stressful, especially in the first years. Make sure you look after yourself as well as your business.
- **Never fall behind** – it's important to keep up to date with economic and market trends, the latest technology in your industry and what your competitors are doing.

Expect the unexpected

It's important to consider and plan ahead for anything that could go wrong. Create "what if" scenarios such as:

- Your premises were destroyed by natural disaster.
- Your computer systems were wiped out by a virus.
- Key machinery failed and would take time to repair.
- A nasty bug hits all your staff and keeps them off work for a week.

What impact would any of these occurrences have on your business?

Write a full business plan to cover all the elements you need

The process of writing your plan will help you focus, crystallize your ideas and identify priorities, saving both time and effort. A business plan outlines your strategies. You'll need it for finance applications, for presenting to potential investors and as a road map for the growth of your business. It'll give you a clear sense of direction as well as providing a benchmark so you can measure your business progress.

Keep your plan short and sweet. If you overload it with detail or make it too long, it'll become cumbersome and difficult to follow, defeating its purpose. Above all, keep your business plan realistic to avoid damaging your credibility. Lenders and other interested parties will quickly see through overly optimistic plans that ignore weaknesses or threats.

SUMMARY

By the time you've worked your way through this guide and have done your due diligence, you'll be in a great position to consider whether you are able to launch your new business. It's important that you have plenty of support during this time so make sure your family and friends are behind you. You'll need their encouragement to boost your confidence.

Remember that we're always available to offer advice. We want your business to succeed, so talk to us about anything that might be concerning you and seek our advice when it comes to your financial planning.

Good luck with your new business!

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