

What makes an entrepreneur?

What it takes...

The dream of going into business has never been as popular as it is today. Despite the tremendous risk of going into business millions of new businesses are started each year in the United States. Statistics show that many of these new businesses won't last more than a few years and many owners close their doors as a result of poor market research, inability to compete effectively, miss-management, and/or many other reasons.

Starting a business is not difficult; keeping the business running is. Not enough people take the time to ask key questions about themselves or their abilities before starting out. The hard truth is entrepreneurship is not for everyone; it takes some basic skills that can be learned and requires a few personality traits. Take the time to analyze yourself and decide whether owning a business is suitable to your own skills, personality, and lifestyle. Venturing out on your own is a major decision, and time, money, and energy need to be managed accordingly. Considering you have read this far, chances are you already have many of the attributes that many entrepreneurs share.

Personal Qualities:

- Patient and persevering. Successful entrepreneurs are normally willing to work long, hard hours, and willing to weather the highs and lows of business.
- Love a challenge and are driven by a need to challenge one's self.
- High tolerance for ambiguous, unstructured situations.
- A desire for change and constant improvement. Entrepreneurs frequently monitor social trends and adopt new technologies.
- Action-oriented.
- Think positively and quickly get over their failures, learn quickly, enjoy feedback, and are able to learn from mistakes.
- Both listen and communicate well.
- Independent and extroverted.
- Self-confident and determined to succeed. Be comfortable with having all decisions rest upon them.
- Creative, innovative, and open-minded.

Physical and Psychological Qualities:

- Ample health and energy. Emotional stability.
- Money — enough to start the business, as well as to support yourself during the risky start-up period.
- Time — a business requires much time and attention, especially during its launch.
- Influence from entrepreneurial role models.
- Personal intelligence.

Business and Managerial Skills:

- Able to set realistic attainable goals.
- Love to take risks, but ensure that these risks are calculated, not foolish.
- Able to exert influence on and inspire others without a need to impose status or power.
- Able to get along with and adapt to all types of people.
- Able to trust others and give out responsibility.
- Possess good communication skills (the ability to put your ideas into writing, as well as to persuasively present your ideas to a group of people).
- Possess general financing, production, administration, human resources, sales, and marketing skills.

Lifestyle Considerations:

- Other commitments and obligations — your decision will not only affect you. Get opinions and input from others.
- Family — there are many added responsibilities associated with having a family. You must not only provide food, clothing, and shelter, but also adequate time, love, attention, and security. Therefore, you should guarantee that your new venture does not put others at risk.
- Your own happiness and whether you are passionate enough about your business idea to ensure that you will enjoy it daily. Considering your natural talents, skills, and sources of enjoyment may lead you to the best business idea.

All of these characteristics, combined with know-how, personal contacts, and the development of business expertise, generally separate the successful from the unsuccessful in entrepreneurialism. Act wisely by taking a look at yourself, your needs, desires, and capabilities before taking the plunge into the world of business.

Nevertheless, please be aware that entrepreneurial characteristics are somewhat flexible and do have the potential to be developed. If you anticipate any areas of difficulty, it is best to deal with them sooner rather than later. Here's what you can do:

- Educate yourself through books, courses, and discussions with other business owners.
- Take some additional time to get the experience you may lack.
- Develop the skills and traits you do not have.
- Partner with someone to handle the things you cannot.
- Hire others for areas in which you are unfamiliar or inexperienced.

Calculate the odds of success

The next step in the business development process is defining and analyzing your business idea. The small business failure rate most certainly would fall if more people would take the time to research and evaluate their business idea before they take the plunge.

To get started you should start out by defining exactly what your business idea is in writing. Ask yourself, "Why will my business be a success?" Spend time to research and evaluate your idea. Review your business idea with professionals at LTC, Economic Development Corporation of Manitowoc County, SCORE and others. Think through your idea with these questions: What business am I interested in starting? What services or products will I sell? Is my idea practical, and will it fit a need? What is my business's competitive advantage? Can I deliver a better quality service? Can I create demand and will customers buy it?

Discuss the products or services with potential customers. Would they buy from you? At what price? With what frequency? Why would they buy your product over the competition? What risks or hurdles do they see related to your idea?

Study the competition. Identify the competition's strengths and weaknesses while trying to be objective. What could you do better than the competition? What do they do really well? How do they operate? Analyze the market you will be serving. Determine if there is too much market competition or none based upon your location, breadth of distribution, levels of promotions, and likely prices. How is the market changing? What are the price markups/structures? What are the trends in your industry? What will it take to be successful in the industry?

You should also consider financial feasibility. How much will it cost to get your business started? What sources of capital do you have available? Keep in mind that the vast majority of businesses are started with personal finances or by friends and family members. What will it cost to keep the business running? What are your profit goals and what level of sales can you expect during the first year or two?

If after all this self-examination your business idea still seems like a good idea, you can move ahead with confidence. On the other hand, you may discover your idea has some flaws in it or you're just not able to find all the answers you are looking for. In this event you could:

- Decide to postpone action on your idea until you can get more information.
- Rethink your idea and improve it.
- Conclude that becoming a business owner is not for you. Deciding not to start a business can be a good decision, too.
- Shop your idea to a third party.

Consider your options

You do not have to go it alone. Linking up with a business partner can be a way to help share the burden and joys of owning a business. It could provide another dimension of success by complementing and enhancing your skills and personality. Keep in mind that starting a business with a partner can sometimes complicate the situation. A good partnership will establish a formal partnership agreement in consultation with an attorney including items such as who will be responsible for what task, what type of consultation is made before a decision is reached, what happens if one of the partners decides to leave the business, etc.

Starting a business from scratch is only one way to begin. There are some other options that you might want to consider. Buying an established business that's already up and running may spare you many of the problems associated with starting up and may reduce some of the risk of going into business. But buying a business requires due diligence and professional assistance and advice.

Another option to consider is purchasing a franchise. Franchising is a way to get into business with a proven product, service, or business format. It is an approach that is based on the principle that if you do what has worked for others you will be successful too. While not completely risk free franchises have a much lower failure rate than non-franchise businesses.

If you have a patent, trademark or copyright, you may want to license your product to another firm instead of starting your own business. You may decide that it is better to have others with the experience and equipment to manufacture and market your product and collect royalties from them.

Timeline for Starting a Business

If you have read this far you and are still considering starting a business, that's great! Now you need to understand the many things that need to be accomplished before opening. The following is an estimated timeline for starting a business. Each business is different and not everything listed below will apply to your situation, and some may become clearer as you read through sections of this publication. To avoid surprises it is always best to check with your federal, state, and local regulations and officials.

• PRE-PLANNING

Prepare a written business plan based on sound business practices. This should include information about you, the business, management team, projections, and complete financial statements. Assess your personal skills for being self-employed and for your commitment to the business. Analyze your business idea by looking into similar businesses for comparisons of profitability, start-up costs, etc.

• 9-12 MONTHS PRIOR TO START-UP

Determine time required to obtain business permits.
Contact and join chamber of commerce.
Visit with others in your network: attorneys, bankers, CPA's, consultants.
Check out community amenities (real estate, schools, etc.).
Subscribe to local papers.
Decide on business location.
Obtain licenses (local, county, state).

Prepare preliminary business plan and budget.
Interview bankers.
Determine when the phone book is printed.

- **6-9 MONTHS PRIOR TO START-UP**

Check zoning ordinances.
Check utility requirements.
Prepare leasehold improvement plan.
Determine office and plant layout and design.
Choose advisors: attorney, accountant, consultant, insurance agents and brokers.
Review leases and contracts with attorney and advisors.
Obtain bids on major business equipment.

- **4-6 MONTHS PRIOR TO START-UP**

Decide on a form of business organization (sole proprietor, corporation, LLC, etc.).
Prepare advertisements.
Prepare final budget and review with banker.
Order business systems: receivables check disbursements, payroll system.
Order sign for office.

- **0-4 MONTHS PRIOR TO START-UP**

Make sure business filings and license applications are complete.
Arrange for insurance.
Arrange for telephone service installation.
Open checking accounts.
Sign up for credit card systems at local bank.
Arrange for business announcement ads in local papers.
Order office opening announcements.
Arrange to give talks to community groups.
Consider membership in civic and church organizations.
Contact State Department of Workforce Development if hiring new employees.
Prepare job descriptions for employees.
Write policy manual for office employees.
Check local resources for personnel.
Begin screening process for new personnel.
Contact IRS for booklets and apply for Federal Employment ID number.
Apply for state ID number.
Contact state for tax forms and employer's requirements.
Obtain payroll withholding booklets from tax authorities.
Review tax requirements with your accountant.
Arrange for janitorial service, waste removal, laundry service, grass mowing.
Order supplies: appointment cards, business cards, stationery, deposit stamp for checks, telephone message pads.
Interview and select collection agency.
Determine business hours.
Determine pricing schedule.
Order publications.
Purchase office equipment and furniture.
Start setting up office.
Schedule utilities to be turned on.
Hire and train office personnel.
Establish petty cash fund.
Prepare a press release and begin advertisement.
Mail announcement.
Plan an open house.

Preparing a Business Plan

A business plan is a written document that describes the future path of a business. A good business plan explains the business concept, summarizes the objectives of the business, identifies the resources (both in terms of money and people) that will be needed by the business, describes how those resources will be obtained, and tells the reader why the business will succeed. Virtually all sources of financing will want to see your plan, and a substantial part of the lender/investor's decision on whether or not to finance the business is based on this plan.

There are many substantial benefits to writing a business plan. First and foremost, research has shown that 60 percent of businesses that complete a business plan survive two or more years; whereas, 15 percent of businesses without business plans survive two or more years. Your success is largely dependent on how much you understand your business and business sector. Writing a business plan will force you to think about your business, research some options, recognize opportunities and risks, and test some of your assumptions. As such, it helps you organize your thoughts and your resources. It will help you identify the cash needs of your business. A business plan can be used to raise funding from banks and from investors. Your business plan can be used to tell employees, investors and others about your plans and strategies. A business plan provides a benchmark against which to compare the progress and performance of your business.

- **Executive Summary (2 pages maximum)**

This is an important section of the plan because it provides a concise overview of the complete plan. Often a lender or prospective investor may only read this section and the financial plan. This section should be written last.

- **Business Description**

- A. Type, form, and history of business.
- B. Mission and goal of business.
- C. Why will this business be successful?
- D. What is the growth potential?
- E. What is your "competitive advantage"?

- **Industry Analysis**

- A. Describe recent trends in the industry.
- B. Characteristics of firms in the industry.
 - Average firm size
 - Cost structure
 - Typical profit margins, gross and net
 - Seasonal sales patterns
 - Other important characteristics
- C. Industry outlook/forecast.

- **Competitive Analysis**

- A. Who are your competitors?
- B. Describe/profile key competitors.
- C. Strengths/weaknesses of key competitors.
- D. What can you learn from competitors?

- **Market Analysis**

- A. Define the market (who buys and why?).
- B. How is the market segmented?
- C. How large is the market?
- D. Identify your target markets.
- E. Describe your customer buying practices.
- F. Describe market trends and growth potential.

- **Marketing Plan**
 - A. What are your marketing objectives?
 - B. How will you position your business in the market?
 - C. How will you advertise & promote your products services?
 - D. What is your marketing budget?

- **Management Plan**
 - A. Who will manage the business?
 - B. What qualifications do they have?
 - C. Describe the strengths/weaknesses of management.
 - D. What legal format will be used?
 - E. Describe your accounting and record keeping system.
 - F. What consultants or specialists will you need?
 - G. How will you use them?

- **Operations Plan**
 - A. Describe your production and/or service delivery methods.
 - B. Describe your facilities, capital equipment and technology requirements.
 - C. How many employees will you need?
 - D. Who are your suppliers and contractor?
 - E. Identify fixed and variable costs of production/service delivery.
 - F. Describe your quality control methods.

- **Financial Plan**
 - A. Provide a detailed list of start-up costs.
 - B. What is your break even volume?
 - C. Provide proforma (projected) financial statements for the first three years.
 1. Income statement (profit & loss).
 2. Cash flow statement.
 3. Balance sheet.
 - D. Explain all assumptions used in developing financial projections.

- **Milestone Schedule**
 - A. What is the timeline (key activities and target dates for start-up)?
 - B. Describe key objectives and the schedule for their accomplishment.

- **Critical Risks**
 - A. What potential problems could arise?
 - B. How likely are they to occur?
 - C. How do you plan to manage or overcome problems?

- **Appendix**

This section should include all supporting documentation such as resumes, contracts, advertisements, price quotes, magazine articles, etc. They should be referenced in the text and placed here.

Only you can write your business plan. You could have someone else write your business plan, but then it would not be your business plan. This does not mean that you cannot or should not get help in preparing your business plan. If you need help with the writing, the research, or the financial projections there are many sources of assistance available and you should take advantage of them.

Business Plan and Entrepreneurship Training Opportunities:

Many in Manitowoc County can provide business plan assistance and training opportunities including

E-Seed™, an entrepreneurship training series, assists start up and early-stage entrepreneurs in developing management and planning tools for their new business ventures. Participants develop a first draft of their business plan through completion of weekly worksheets and exercises. Experts from the small business community discuss accounting, legal, marketing and management issues.

Choosing Your Business Advisors

Accountant: To discuss appropriate business forms, equipment, operating budgets, tax planning, and the bookkeeping system design. Will file governmental forms necessary to start a business. For help in selecting an accountant contact the Wisconsin Institute of Certified Public Accountants.

Attorney: To set the form of the business, file proper papers; interpret rights and obligations of business person(s). To select an attorney contact the State Bar of Wisconsin at (608) 250-6006.

Banker: To provide financial expertise, special financial services and open a business bank account.

Insurance Agent/Broker: To evaluate insurance needs and to set up a program for business protection, including general, fire and liability coverage and worker's compensation.

Business Planner: To give advice on starting a business, help with the rules and regulations, and assistance with the business plan. See the Local Business Development Assistance Section below for more information.

Naming Your Business

You are required to register your business name, if you are planning on obtaining financing for your business. To name your business, you first need to see if the name is available. You may check at www.wdfi.org/apps/cris/.

There are differences in the procedure for sole proprietorships, corporations, limited liability companies, or limited liability partnerships. (For more information on these business structures, please see the 'Selecting the Legal Entity for Your Enterprise' page in this guide.

Sole proprietorships

For a sole proprietorship, you may register your business name at the Manitowoc County Register of Deeds located at 1010 South 8th Street, 1st Floor, Room 107, Manitowoc, WI, 53220. The Registration of Firm Names is available online at www.wrdaonline.org/Forms/firmnameform.pdf. To register your firm name a small fee is required.

Corporations

For a corporation, limited liability company, or limited liability partnership, you must register your name with the Wisconsin Department of Financial Institutions. Call the WDFI at (608) 261-7577 for more information.