

Starting a Business – What is a Business Plan?

So you've decided to start your own business - congratulations! It's a huge leap from letting someone else take care of taxes, accounting, payroll, inventory, and/or a myriad of other activities necessary to run a business. However, running your own business has its advantages, too. You get to be your own boss, set your own hours and days to work, and are responsible for your own success. It can be a great way to free yourself from the tedium of 9-5 and work at doing what you love, but you have to begin by asking a few questions:

1. Are you doing what you love, or just doing something you're good at? A desire to get away from the regular working world can be a good motivation to work for yourself, but you have to be excited to get up in the morning to do what it is you have chosen to do for a living.
2. What is it you are planning to do? What niche is it going to fill? Is there a need for what you can provide? Will the market bear another entry?
3. What technical skills or talents do you have? Just being able to do something may not be marketable enough to convince customers or financiers that you are a good financial investment.
4. Who are your competitors in your chosen profession and how are you going to do it better? Why should customers come to you? What do you have to offer that no one else does?

Once you are satisfied with the answers to these questions, it is time for the decision of what kind of business structure you will use. Will you be a sole proprietor, responsible for every facet and the penultimate authority as to how to run the business? Will you enter in with a partner, the better to share the cost and workload, but also the profits and the business decisions? Perhaps the decision will be made to incorporate, with its financial safeguards but more complex and costly structure? At this stage, legal advice is recommended, if only so that you fully understand the advantages and disadvantages of your chosen structuring plan. Many lawyers will provide a free or reduced-rate primary consultation, though often not more than an hour. When the structure is finalized, a name for the business should be decided upon, if not already having been done so in advance. It should be easy to remember, avoid initials and single letters (B & L & R, Inc. will be difficult to remember for customers) and try to say something about the business (Bob's House of Hobbies is easier to remember and spell).

Next, a business plan is a vital step in laying out all these topics and proposals in a standardized format. A good business plan serves as a formal statement of the new company's goals, financing, structure and legal considerations. It acts as a "resume" to prospective investors and is the primary documentation they will use to evaluate whether or not your business will be worth investing into. It also provides the proprietor(s) with a chance to see the workings of the new business in black and white. A basic business plan should at the least contain a balance sheet, income statement and statement of cash flow, as well as a proposed financial budget for the first year, or as long a period as necessary if a year is impractical.

So with these quick tips, plan for success, and good luck in your chosen endeavor!

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