

1.1 What is a business? – Summary Notes



As scary and intimidating as it can be to start your own business, there are many benefits and good reasons to start one. Here are the top 10 reasons to start your own business.

TOP 10 REASONS TO START YOUR OWN BUSINESS

1. Be your own boss

Don't like it when people tell you what to do? Do you like having control and making your own rules? Owning your business can let you do that. You make the rules of your business and run it how you want to. You don't need permission to implement ideas, you can just do it!

2. You get to do what you're interested in

It's not fun when you're doing something you do not genuinely enjoy. You could have fun while working if you are doing something you are interested in. This is your career, if you're going to work everyday, you should do something you are passionate about.

3. You are creating jobs for others

Owning your own business can be helpful to others, especially in this economy. You have the ability to create jobs for those in need of one. Whether they have been laid off, just graduated, or just unemployed because of the economy. This is also a good opportunity to be able to choose who you work with. You can surround yourself with people who care about you and your success. It's all about being around positive people who will support you no matter what.

4. A legacy to pass on to your children

Building your own brand can mean passing something onto your children, then their children, so and so forth. This is great way to teach young adolescents about hard work and how it pays off. Your children can be motivated to do great things and follow your footsteps with being creative, taking charge, and living their dream.

5. Set your own schedule

You can be flexible with your own hours. Starting your own business allows you to work when it's best for you. If a set 9:00-5:00 schedule doesn't work you, then change it. Make your own hours that can better the way you run your business.

6. Your dreams become reality

It's such a great feeling to accomplish something you have been working so hard for. There is this pride and joy of building something on your own.

7. Work from anywhere

You don't have to be stuck in an office, cubicle, or your home. You're free to run your business anywhere you'd like, whether it's from a nearby coffee shop, a bar, or a doctor's office. With wireless internet being available in most places, it gives you the chance to get out of your hole and get inspired by everyday life.

8. Creativity

Owning your own business forces you to become creative. You always have to be on top of your game and make sure things are working the way they should be. You have to play different positions within your company to see it from other points of view.

9. No commute (if you start out in the garage or basement)

With gas prices rising, owning your own business can save you money in that aspect. You won't be stuck in traffic anymore or have to make a long commute to your office.

10. Inspire others to go after their dreams

Starting your own business can be a great way to inspire people. People always need inspiration, and seeing you living your dream can be a boost of inspiration for those around you.

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Starting a business is exciting – but also demanding. There are certain steps that need to be taken, and most of these will be requirements before you start trading.

PREPARE A BUSINESS PLAN AND MATERIALS

1. The business plan.

An important first step is preparing a business plan to define your business, products and services, and outline your goals, operating procedures and competition. If your company needs funding from a traditional loan or venture capitalists, a business plan will be required. Make sure your plan includes a marketing approach, so people are aware of what you're selling and how to find you.

2. Create a business logo, website, cards and stationery.

These items establish your company's identity and help potential customers find and remember you.

MEET LEGAL REQUIREMENTS

3. Choosing the right legal structure.

Of course, incorporating your business or forming an LLC (limited liability company) with the Ministry for Business and Innovation is important because it protects your personal assets from business debts and liabilities. Other benefits of forming a corporation or LLC include tax advantages and greater credibility with customers, vendors and business partners.

4. Legal and account services.

Select an accountant and attorney. Many small business owners seek advice from accountants and attorneys. As you search for an accountant and attorney, get referrals from friends or family, and look for professionals who have worked with other small business owners or companies in your specific industry.

5. Get necessary tax identification numbers, licenses and permits.

A business tax number, or employer identification number (EIN), acts like a social security number and is required for corporations and LLCs that will have employees. Also keep in mind that most businesses need licenses and/or permits to operate – this is country dependent.

6. Insure your business and investigate other requirements.

Some industries have specific insurance requirements. Discuss your needs with your insurance agent to get the right type and amount of insurance. Remember to look into any other government tax and insurance requirements that might apply to your business, particularly if you have employees. For example:

- Unemployment insurance
- Workers' compensation
- OSHA requirements
- Federal tax
- State and local tax
- Self-employment tax
- Payroll tax requirements (such federal unemployment tax, and state unemployment tax)
- Sales and use tax

PREPARE YOURSELF FINANCIALLY

7. Establish banking facilities

It is crucial to separate business finances from personal ones, so open a business bank account. Most banks require company details, such as formation date, business type, and owner names and addresses. Contact your bank about requirements prior to opening an account.

8. Arrange your business accounting and apply for loans.

You may want to use an accountant, or handle finances yourself with a small business accounting solution. Either way, properly account for all business disbursements, payments received, invoices, accounts receivable/accounts payable, etc. And if you don't have enough capital to start a business, this is also the time to seek funding from banks or through Small Business Administration (SBA) loan programs.

9. Establish a business line of credit.

This will help reduce the number of times your company prepays for purchased products and services. It also helps establish a strong credit history, which is helpful for vendor and supplier relationships.

10. Ready your workspace.

For home-based businesses, ensure you are meeting city zoning requirements for your area. For non-home-based businesses, you'll likely need to lease office space. Don't forget to purchase or lease furniture and office equipment to get your business up and running.

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TOP 10 REASONS FOR NEW BUSINESS FAILURE

1. No Business Plan

Knowing what your business will be and how you will sell your products or services are not enough to keep it running. You need to have a business plan written out, including (but not limited to) the following:

- Your short and long term goals;
- The business' finances for labour, production equipment, etc.;
- Your target markets; and
- Marketing.

Having one which outlines every detail will guide your business to the right path.

2. Wrong Reasons

Starting a small business simply because you want to be rich can lead to an unfulfilling experience, where you will always be looking for schemes that can bring you fortune. Before you do, think first about your own interests and passions. Do you believe you can give something of value to people at large? Are you driven enough to overcome the many inevitable obstacles an entrepreneur will face?

3. Inefficient Management

Small business entrepreneurs usually come into their industries with little to no knowledge of handling the multiple facets of a business such as financial management, employee relations, advertising and other essential responsibilities. Educate yourself through short business and finance courses, or hire managers who have expertise in the fields where you are lacking.

4. Lack of Capital

Some entrepreneurs think they will be making profits for their beginning operation cycles, spending most (if not all) of their resources immediately, only to find out later that they will not have enough funds to start the succeeding cycle/s. Consider every possible cost (overhead, production, equipment, etc.) and save enough money that can be used for at least one fiscal year despite poor sales.

5. Bad Location

It is not enough to set up a store at a location with high human traffic or with a very cheap lease. Opening a restaurant near a school campus can seem like a good idea, but don't expect too many customers if the food is expensive and there are much cheaper alternatives around.

You need to consider your target market and their habits, as well as the direct competition in the area. Don't be afraid of spending on prime location, as the increased rate of customers coming into your store and making a purchase will make up for the initial cost.

6. No Online Presence

In this age of high-speed information, people expect to find just about everything on the Internet with their computers and mobile devices. Not having a website or at least a social media page will render your business virtually invisible to a great majority of the world's population.

You can hire professionals to create a website for you or put up the website yourself. Make accounts for your business on Facebook, Twitter and other leading social media platforms where your target market can usually be found.

7. Uncontrolled Growth

Growth is a good thing unless it is left unchecked and your generated revenue can't keep up with the expansion. If your business experiences great success, do not be overeager to spend your profits by immediately buying more equipment or opening up new stores. Stick to the strategies you have set so you can still grow without bankrupting the business.

8. Financial Neglect

Cash is the lifeblood of any business, and there will be no business once that runs out. Therefore, it is imperative that small business entrepreneurs practice strict financial record-keeping so that every penny is duly accounted for. Knowing exactly how much money is going in and out of your business will correctly guide every decision you make.

9. Lackluster Execution

Having a great business plan will amount to nothing if each objective is tackled with incompetence. Employees who are lazy, dull, bad-mannered and unmanageable will not just cut down on productivity, but will also have a negative effect on the work environment and customer/client relations. Follow strict hiring guidelines and subject your hires to rigorous training to ensure quality output from each one.

10. Poor Marketing

A small business needs to market its brand considering the tough competition it will face against more established businesses. You need to invest enough resources into promoting your products through the

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right channels. This is so your target market knows exactly that you can fulfil its needs. Online marketing is a must these days, but you should not ignore the physical reach of traditional marketing methods such as brochures, flyers and business cards.

*Ultimately, it is a matter of planning out your overall strategy, assessing your own strengths and weakness, and keeping a good eye on all of your resources—be it financial or human. **Consider each of these possible pitfalls, and you can find your small business not just surviving, but thriving in this competitive world.***