

ENTREPRENEURSHIP & SMALL BUSINESS

A BASIC CHECKLIST

This 3-part work packet is designed to help you, a prospective entrepreneur, make sure you have everything you need before launching your enterprise.

PART 1: ENTREPRENEURSHIP AND SMALL BUSINESS

PART 2: SCORE YOUR BUSINESS PLAN TO SEE IF YOUR DESIGN IS LIKELY TO WIN FINANCING; OR IF YOU NEED TO "GO BACK TO THE DRAWING BOARD"

PART 3: WRITING A SAMPLE BUSINESS PLAN

Good Luck!

NORTH MONTCO TECHNICAL CAREER CENTER

NAME: _____ AM-1 ___ AM-2 ___ PM ___ DATE: _____

PART 1: ENTREPRENEURSHIP AND SMALL BUSINESS

About You

1. Are you a self-starter?
yes no
2. Are you willing to work harder than you've ever worked before and for long hours without the security of as steady paycheck?
yes no
3. Can you afford to work without knowing how much money - or success - you'll ultimately earn?
yes no
4. Are you ready to make tough decisions on your own?
yes no
5. Do you know when you're "in over your head" and need outside help?
yes no
6. Are you willing to seek outside help? Do you know where to find it?
yes no
7. Can you deal effectively with other people?
yes no
8. Are you an effective leader, motivator, and communicator?
yes no
9. Are you willing to delegate authority and responsibility to others?
yes no
10. Are you willing to admit it when you're wrong?
yes no
11. Do you project a professional image to your clients and customers?
yes no
12. Can people trust what you say?
yes no
13. Can people trust you to do what you say you will do?
yes no

14. Do you have managerial experience?

yes no

15. Do you have the technical skills you will need to operate your particular business?

yes no

16. Do you have the business skills you need to run a business?

yes no

17. Do you know your strengths and weaknesses?

yes no

18. Do you have business partners or advisors who can compensate for your weaknesses?

yes no

19. Have you worked in a business like the one you want to start?

yes no

20. Have you researched your business thoroughly?

yes no

22. Do you read a lot about your business and its industry?

yes no

23. Are you a good listener?

yes no

Your Idea

1. Is your product or service idea unique?

yes no

2. Does it serve a customer need or want?

yes no

3. Have you defined the competitive advantage your product or service offers ?

yes no

4. Do you know what your product or service will cost you?

yes no

5. Have you defined the "image" you want your product or service to have in the marketplace?

yes no

6. Can competitors easily copy your product or service?

yes no

7. Have you located suppliers who will sell you what you need at a reasonable price?

yes no

Your Business

1. Have you evaluated the various forms of ownership to determine which one is best for you?

yes no

2. If you have chosen to form a sole proprietorship, can you afford the unlimited personal liability?

yes no

3. If you have chosen to form a partnership, have you created a partnership agreement?

yes no

4. If you have chosen to form a partnership, have you determined which partners are general partners and which are limited partners?

yes no

5. If you have chosen to form a partnership, have you determined how a partner can leave the business?

yes no

6. If you have chosen to form a partnership, have you determined how you will settle disputes?

yes no

7. If you have chosen to form a corporation, have you filed the articles of partnership with the appropriate state?

yes no

8. If you have chosen to form a corporation, are you willing to tolerate the "double taxation" of this form of ownership?

yes no

9. Have you considered the Limited Liability Company (LLC) as a form of ownership?

yes no

10. If you have chosen to form an LLC, have you filed both the articles of organization and the operating agreement with the proper state?

yes no

11. If appropriate, have you filed a patent application with the U.S. Patent and Trademark Office for your product?

yes no

12. Have you given your business, product, and service names proper trademark protection?

yes no

13. If the answer to question #12 is "Yes," are you using the trademark properly?

yes no

Your Strategy

1. Have you defined the core values that will guide your business?

yes no

2. Do you have a well-articulated, meaningful mission statement for your business?

yes no

3. Have you assessed your company's strengths and weaknesses?

yes no

4. Have you identified the key opportunities and threats facing your business?

yes no

5. Do you know what the key success factors are for your business?

yes no

6. Have you analyzed your competition well enough to know their strengths and weaknesses?

yes no

7. Have you established meaningful goals and objectives for your company?

yes no

8. Have you formulated a clear, coherent strategy that will serve as your company's "game plan"?

yes no

9. Have you created specific tactics to implement your company's strategy in the marketplace?

yes no

10. Have you established accurate control systems that will give you feedback on how well your strategy is working and how well your business is doing?

yes no

Your Market

1. Have you evaluated key economic trends and how they will affect your business?
yes no
2. Have you evaluated key technological trends and how they will affect your business?
yes no
3. Have you evaluated key sociopolitical trends and how they will affect your business?
yes no
4. Have you evaluated key demographic and lifestyle trends and how they will affect your business?
yes no
5. Have you identified your company's target market?
yes no
6. Have you researched your target customers enough to know their likes, dislikes, wants, needs, and preferences?
yes no
7. Have you determined the level of satisfaction your target customers have with existing products or services?
yes no
8. Have you defined how you will create value for your customers?
yes no
9. Do you know why your customers will want to buy your company's product or service?
yes no

Your Marketing Strategy

1. Have you developed a marketing strategy that is customer-focused?
yes no
2. Have you developed specific practices to implement this strategy?
yes no
3. Have you developed a marketing strategy that will produce a quality product or service for your customers?
yes no

4. Have you developed specific practices to implement this strategy?
yes no
5. Have you developed a marketing strategy that is focused on providing customer convenience?
yes no
6. Have you developed specific practices to implement this strategy?
yes no
7. Have you developed a marketing strategy that will generate innovations in your product or service over time?
yes no
8. Have you developed specific practices to implement this strategy?
yes no
9. Have you developed a marketing strategy that exploits speed as a competitive advantage?
yes no
10. Have you developed specific practices to implement this strategy?
yes no
11. Have you developed a marketing strategy that is built on customer service?
yes no
12. Have you developed specific practices to implement this strategy?
yes no
13. Do you know what stage of the product life cycle your product or service is in?
yes no
14. Have you identified the channels of distribution you will use to get your product or service to your target customers?
yes no
15. Have you established a price that will be reasonable to customers, profitable for your business, and will create the image you want in the marketplace?
yes no
16. Have you determined which advertising media will be most effective in reaching your target audience?
yes no

17. Have you identified the unique selling position that you will build your advertising messages around?

yes no

18. Do the ads you are planning to run answer the customer's question, "Why should I consider buying this product or service?"

yes no

Your Financial Plan

1. Have you created projected income statements for three years for your business?

yes no

2. Have you created projected balance sheets for three years for your business?

yes no

3. Have you developed estimates for your one-time startup expenses?

yes no

4. Have you developed estimates for your on-going business expenses?

yes no

5. Can you analyze your company's financial statements using ratio analysis?

yes no

6. Do you know what your company's breakeven point is?

yes no

7. Have you reworked your startup cost estimates to see if you can lower your breakeven point?

yes no

8. Do you know how long your company's cash flow cycle is?

yes no

9. Have you developed a cash budget for your company's first year of operation using a pessimistic, optimistic, and most likely sales forecast?

yes no

10. Have you developed a plan for collecting your accounts receivable promptly?

yes no

11. Have you set up a functional system for paying your accounts payable on time?

yes no

12. Have you set up a system for monitoring your company's inventory?

yes no

13. Do you know how much inventory you *should* have?

yes no

14. Have you developed a plan to avoid the "cash crunch?"

yes no

Your Business Plan

1. Have you developed a complete business plan for your company?

yes no

2. Does your plan include the "5 M's" - Market, Methodology, Management, Money, and Menaces?

yes no

3. Have you scored your plan on the Business Plan evaluation Scale?

yes no

Financing Your Business

1. Do you know how much money it will take to launch your business, and have you included a little extra for "Murphy's Law"?

yes no

2. Do you understand the implications of both debt and equity capital to your business?

yes no

3. Have you identified family members and friends who might be willing to finance your business?

yes no

4. Have you identified potential angels who might be willing to finance your business?

yes no

5. Is your business a possible candidate for a simplified registration or exemption for a public offering?

yes no

6. Have you established a business relationship with a banker?

yes no

7. Have you answered the seven questions every entrepreneur should be able to answer before approaching a banker for financing?

yes no

8. Have you considered other forms of debt financing?

Trade credit?

yes no

Equipment suppliers?

yes no

Commercial finance companies?

yes no

Savings and Loans?

yes no

Stock brokers?

yes no

Insurance companies?

yes no

Credit unions?

yes no

The Small Business Administration?

yes no

State and local development programs?

yes no

Your Location and Layout

1. Have you studied the demographics of your proposed location and matched them against the profile of your target customer base?

yes no

2. Have you analyzed data from Census reports concerning your location?

yes no

3. Have you calculated the index of retail saturation for your proposed location?

yes no

4. Have you evaluated the site in terms of the level of competition, retail compatibility, and other factors unique to your business?
yes no
5. Have you evaluated building, buying, and leasing a building to house your business?
yes no

Your People

1. Have you developed a human resources plan for your business?
yes no
2. Have you created job descriptions and job specifications for each job in your company?
yes no
3. Have you developed a recruiting strategy to get the workers you need?
yes no
4. Have you developed a job application form that will give you the information you need about candidates and will avoid charges of discrimination?
yes no
5. Have you developed interviewing questions that will give you the information you need about candidates and will avoid charges of discrimination?
yes no
6. Have you developed a plan for orienting and training your employees on a continuous basis?
yes no
7. Have you developed a compensation plan that is equitable and motivating to employees?
yes no
8. Have you developed a plan for evaluating your employees' performances regularly?
yes no

PART 2: SCORE YOUR BUSINESS PLAN TO SEE IF YOUR DESIGN IS LIKELY TO WIN FINANCING; OR IF YOU NEED TO "GO BACK TO THE DRAWING BOARD"

1. My Plan Describes A Marketable Idea

1. 2. 3. 4. 5. 6. 7. 8. 9. 10.

Hypothetical, customers that exist only on paper.

Firm purchase orders in hand from customers.

Logic: Lenders and investors want to see proof that customers want your product or service and are willing to buy it for a price at which you can make a profit. The more tangible evidence you offer of this claim, the higher your score.

2. My Plan Shows Good Profit Potential In A Short Period Of Time

1. 2. 3. 4. 5. 6. 7. 8. 9. 10.

Annual rate of return of 10% or more.

Annual rate of return of 50% or more.

Logic: Because new business ventures are so risky, they are expected to earn a high return--25% annually, at a minimum. The higher the rate of return you can offer investors and the faster you can produce it, the higher your score.

3. My Plan Targets A Clearly Defined Market With Enough Size And Purchasing Power To Produce A Profit

1. 2. 3. 4. 5. 6. 7. 8. 9. 10.

A small, specialty market with little or no growth potential.

A large market with high growth potential.

Logic: Lenders and investors look for businesses whose target markets are clearly defined. They also prefer large markets with high growth potential. They avoid businesses that attempt to be "everything to everybody."

4. My Plan Explains Clearly The "Competitive Edge" My Product Or Service Has Over Rivals.

1. 2. 3. 4. 5. 6. 7. 8. 9. 10.

My "me-too" product or service is so unique that it is proprietary.

My product or service is no better than the competition's.

Logic: One key to success is having a product or service that truly is unique, offering customers something that the competition does not. Lenders and investors look for clear evidence of a competitive edge.

5. My Plan Shows My Company's Ability To Control Both The Delivery And The Quality Of The Product Or Service.

1. 2. 3. 4. 5. 6. 7. 8. 9. 10.

Total dependence on outside contractors and a mercenary sales force to distribute product/service.

Complete in-house control of all resources needed to make and distribute the product or service.

Logic: Dependence on outside contractors and sales representatives is a potential weakness--especially when the quality of delivery, installation, and service of the product is a key factor.

6. My Plan Shows That Managers And Employees Have The Skills And The Experience To Make The Company A Success.

1. 2. 3. 4. 5. 6. 7. 8. 9. 10.

Managers have never operated a business of their own before and employees in this business are inexperienced.

All managers and employees are experienced.

Logic: Lenders and investors don't put their money into businesses; they put it into people. Skilled, experienced managers and employees can make a business work even when resources are stretched thin and conditions are tough.

7. My Business Idea Is Not Overly Complex.

1. 2. 3. 4. 5. 6. 7. 8. 9. 10.

A large number of complex products or services sold to customers who to customers who must be educated about their benefits.

One—or just a few—products or services sold to customers who understand their benefits.

Logic: Most successful companies start with just one product or service--or a few, at most. Trying to do too much too fast--and having to educate the consumer about a product's or service's benefits--can push a company under before it's out of the blocks.

8. My Plan Shows That I've Made A Personal Investment In This Business Venture.

1. 2. 3. 4. 5. 6. 7. 8. 9. 10.

Entrepreneur has put up "sweat equity" only and refuses to risk any personal assets.

Entrepreneur has almost all personal assets at stake.

Logic: If you don't believe in your own venture enough to invest at least some of your own money in it, how can you expect others to? "Sweat equity"--unpaid personal time and hard work--can be important, but lenders and investors like to see an entrepreneur with an important financial stake in the business. It's a tremendous source of motivation.

PART 3: WRITING A SAMPLE BUSINESS PLAN

Directions: It's time to write you business plan! A business plan is like a roadmap for your business. It outlines resources, marketing plans, competition, and trends. It describes the product, the management team, cash flow through the business, and more.

Developing a business plan might seem overwhelming at first. There are many tools available to help business owners develop their plans. These tools include websites, books, and software templates, or you could use a business consultant. Many new computers come with word processing software that includes a business plan template.

Write a rough draft. Include all of the key elements listed below, if possible or applicable. Each section should be at least two to three paragraphs long. Depending on your business, other elements could be present in your business plan. Once your business plan is developed, it is shown to investors, potential investors, lenders, and shareholders, in addition to being used to guide your approach to running a successful business.

Present your ideas in a clear and logical manner; each element description should include an introduction, body and a conclusion. Read and read proposal, than ask someone to read it over again! Correct spelling and punctuation errors and write neatly and clearly the first time. There is no such thank as a second, first-impression!

This plan guides decision-making strategies. There are some key elements necessary in a business plan. They include the following:

- Executive Summary - Covers your objectives, mission and keys to success. This includes everything you would want to cover in a short interview. While this appears first in the plan, it is usually written last.
- Products and Services - Describes the product and its' purpose and possible future products.
- Marketing Plan - Describes the market for your product - trends, growth prospects, your analysis of the competition, research and development, etc. You may need to go to your local public library to get some of the information on census and trends.

- General Company Description - Describes the company including history, what business you will be in and what you will be doing. It outlines your philosophy, your goals and your customer base.
- Operational Plan – Outlines your daily operations, location, equipment, people and environment.
- Management and Organization - Outlines the organizational structure, personnel plan, etc. This includes a description of key employees.
- Personal Financial Statements - ? Includes the personal financial documentation of each owner and each major stockholder.
- Strategy and Implementation - Describes the marketing strategy, pricing, sales forecast, milestones, etc.
- Start-Up Expenses and Capitalization – Here you will estimate your expenses to start your business. The more thorough you are with the start-up costs, the better chance you'll be able to track these expenses and show potential investors your need.
- Financial Plan – Predicts your projected profit/loss, cash flow, balance sheet, and your long-term plan. This is a reasonable estimate of your company's financial future. Most include a 12-month projection and a four-year projection.
- Appendices – Include brochures/advertising materials, blueprints, map and photo of location, letters of support from customers and any other material that you feel is important.

Resources:

PA. Open for Business <http://www.paopen4business.state.pa.us/paofb/site/default.asp>

U.S. Small Business Administration: <http://www.sba.gov/smallbusinessplanner/index.html>

Starting a Business in Pennsylvania: <http://www.revenue.state.pa.us/revenue/lib/revenue/rev-588.pdf>

Doing Business in PA. <http://www.state.pa.us/papower/taxonomy/taxonomy.asp?DLN=29888>

Starting a Business <http://www.newpa.com/default.aspx?id=25>

Entrepreneur's Guide: Starting and Growing a Business in Pennsylvania

<http://www.newpa.com/download.aspx?id=5>

Small Business Handbook (environmental compliance)

<http://www.dep.state.pa.us/dep/deputate/pollprev/information/sbh.pdf>

Business Plan Grading Rubric

	Clearly demonstrates organization of major concepts, includes supporting information	Demonstrates organization of major concepts, and includes some supporting information	Demonstrates some organization of major concepts, and includes supporting information	Demonstrates vague organization of major concepts, and includes some supporting information	Demonstrates little or no organization of major concepts, and includes a small amount of supporting information	Demonstrates inaccurate or irrelevant information, no supporting information or blank	Points
Points	5	4	3	2	1	0	
Executive Summary							
Products and Services							
Marketing Plan							
General Company Description							
Operational Plan							
Management and Organization							
Personal Financial Statements							
Strategy and Implementation							
Financial Plan							
Appendices							
						Total Points	