



TRAINING MANUAL FOR MICRO-ENTREPRENEURS

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Introduction

Congratulations on your decision to start a business of your own! Especially so since you have decided to start a business in the sustainability industry that will provide financial, environmental and social benefits to yourself and your community. Your journey has just begun.

First we will walk you thru the paperwork necessary to legally establish your entity and where to submit them. Also, you will now need to develop a business plan to be able to figure out how much money will be needed to finance your operation, how you will attract customers, what employees you will need and how to attract the talent you need to help you, how you will operate your business and the infrastructure you will need to run your business.

The first part of this manual has to do with the process of establishing your business legally followed by how to create a business plan. We have also included a glossary that will be helpful in understanding the terms used in the sustainability industry.

This business plan will help you pursue any financing you may need to get the capital necessary to run your business. The merits of buying versus leasing office space will also be discussed.

The business plan will also help you develop your marketing plan. This involves leveraging your strengths to gain advantages over your competitors, gain new customers, and thereby increasing revenue. We will discuss a diverse range of strategies from studying your market to advertising your company and its product.

The business plan should also help you determine the human resources (HR) needs for your business. What sort of talent will you need? Should you hire full time employees? Contract? Outsource? Your should figure out the recruiting strategies to get the best and the brightest talent you need.

The best piece of advice we can offer is to believe in yourself and don't give up. Success in a new business is driven by passion!

Best of luck!

Goals and Objectives

When you first decided to start your business, you had some idea of what you hope to achieve. You may have already thought of some goals for your business and some ways to measure success. This first section will help you write down and manage your thoughts in a way that is logical and presentable.

What Do You Want? What Do You Expect?

These simple questions are the basis of why you started the business. Most likely, you want to sell a product or provide a service to customers. You may want to promote a revolutionary product or be the first to service a customer in an environmentally friendly way. You may want to make some income on the side or make the business a main source of income. Perhaps you want your business to help others get income.

What you expect will stem from what you want. You may expect your business to expand into other markets. You expect to hire a knowledgeable staff. And of course, you expect to see revenue soon!

Making Goals Measureable

In order to know when you have achieved these hopes and expectations, you need to make them quantifiable or measurable, meaning you or anyone can define exactly when a goal was met. Most questions will address how effectively your business performs within a given timeframe. Let's look at some of the previous statements and rephrase them to make them measureable.

- You want to sell a product → How many products do you plan to sell by the first year? The second year, third year, etc. How much of each item do you plan to sell?
- You want to provide a service → How many people do you hope to market to within a given time frame?
- You expect to hire a staff → Will this happen right away, or within a certain amount of time after the business starts? How many staff do you plan to hire? How many for each position?
- You expect to see revenue → How much revenue do you hope to gain the first year? The second year, third year, etc.?

Setting up a Time Line

Now that you have been able to put time frames on your goals, the next step is to put them in a time line. The time line can be applied for the next year, the next few years, or longer if you are able to plan further ahead.

Remember, these goals are never set in stone and can always be shifted. This time line is only meant to give you an idea of your business's progress and performance. Be sure to celebrate when a goal is reached before expected and, just as important, investigate when a goal takes longer than anticipated.

Business Plan

You will need to present your goals and your time line to others – including your staff, your customers, and your business investors – in the form of a business plan. The business plan acts as a reminder to you and brings everyone to the same level of understanding.

Think of the business plan as a road map: just as no one would dare take a long car trip without a road map, it is just as important that you, the entrepreneur– do not launch your business without a business plan. A business plan is essential for the following reasons:

1. It is a way to set goals and tangible numbers that you expect to reach.
2. It helps you gain a better picture as to how to allocate resources.
3. It gives you something concrete to present to banks, investors, and others who are in a position to assist you in financing your business. You need a specific amount of funding and the numbers to justify it.

A business plan is something that is continuously revised and will be an ongoing process. There will be modifications as you gain more experience in running your business.

Here is a sample business plan outline with some short descriptions (as suggested by the SBA.gov website)¹:

1. Cover sheet
2. Executive summary (statement of the business purpose)
3. Table of contents
4. Body of the document
 - A. Business
 1. Description of business– Be as thorough as possible
 2. Marketing– Refer to this section of the guide for more details
 3. Competition
 4. Operating procedures
 5. Personnel
 - B. Financial data– With projections concerning sales revenues, etc, when in doubt project the growth rates at 5% per annum
 1. Loan applications
 2. Capital equipment and supply list– This is initially done pro-forma

¹ <http://www.sba.gov/content/templates-writing-business-plan>

3. Balance sheet– Again, done pro-forma
4. Breakeven analysis
5. Profit and loss statements– Pro forma initially, feel free to make it as optimistic as possible without making it too unrealistic.
6. Three-year summary– Three year summary of your income statement.
7. Detail by month, first year
8. Detail by quarters, second and third year
9. Assumptions upon which projections were based
10. Pro-forma cash flow

C. Supporting documents

1. Tax returns of principals (partners in the business) for last three years, personal financial statements (all banks have these forms)
2. Copy of franchise contract and all supporting documents provided by the franchisor (for franchise businesses)
3. Copy of proposed lease or purchase agreement for building space– Please refer to the “Lease vs. Buy Section” section when deciding on office space
4. Copy of licenses and other legal documents
5. Copy of resumes of all principals
6. Copies of letters of intent from suppliers, etc.

A sample template is provided at

<http://www.score.org/downloads/Business%20Plan%20for%20Startup%20Business.doc>.

Marketing

What pops into most people’s heads when they think of marketing? Typically they think of advertisements of the broadcasting or print variety, junk mail, and of course the telemarketer. But advertising and other promotional endeavors are only part of marketing. In this section the basics of marketing via developing goals, some basic frameworks, strategies, and references will help give you the foundation to put together an effective marketing strategy.

Marketing Goals

Similar to general business goals, you will need to identify your market. You may already have a good idea of this– for example, people interested in solar power, farmers, your town, etc. Or you may not have a specific audience in mind. You also need to ask how large of a market you are appealing to as well as when and how the market will grow. This section will help you develop marketing goals and get a better idea of your target audience.

The first step is to define your market. Do this by evaluating your product or service to see who is more likely to want it. It may help to think like a customer and ask yourself, would I like this product or service? Think about what professions or sectors are more likely to accept your product or service.

Location also plays a huge role in marketing. With a small business, you are more likely to be in a local market. It is important to recognize any trends in society or local politics (for example, a city law mandating the use of an environmentally safe procedure) that can benefit your marketing.

The next step is to acknowledge your competitors. Who are they and what are they doing? Now, look back at your business-to-be. What can you offer that is different from what they have? Is there anything they are lacking? Here are some examples:

- Person-to-person service
- Benefits to the environment
- Locally founded and based operations
- A new innovative product
- 10 years of experience
- Special certifications

Make sure to highlight your unique characteristics when marketing in order to get an advantage.

Next, identify how your market can shift or expand. Be prepared for these changes. For example, many companies made Facebook accounts as Facebook went from personal to professional. Perhaps technology will cause another change in marketing or another trend will attract a new set of customers. Hopefully, your customers will tell their friends and your market will expand by word of mouth. The more in-tune you are with these changes and the faster you are able to realize this and take action, the better you will be able to market your business.

Marketing Budget

It may seem very tempting to set your market to anyone and everyone, but remember that you need to budget for all costs. The amount of money you are willing to put into marketing can easily affect your entire business. While it is true that “you have to spend money to make money,” perhaps a better way of looking at it, from the start, you need to find how to achieve high success with low budgeting. Here are some tips.

Choose free and sometimes unusual methods of marketing. For example, start a blog for free. Update the blog about your business and your adventures in starting it up. Even if the blogspot may not be where your product or service is purchased, it is where you keep your friends and colleagues engaged.

The ideal percentage of budget strongly varies by industry and size of business in addition to other factors. The Counselors to America’s Small Business and the U.S. Small Business Administration suggest a proper marketing budget to be between 2% to 10% of sales, but note that marketing can be much higher during peak times. Studies show that most small businesses actually do *not* spend enough on

their marketing. Especially as your business takes off as a new competitor, your spending will need to be both cautious and aggressive.²

We already discussed targeting a specific audience. By doing this, marketing costs can be cut down significantly. You not only increase your chances of finding interested customers but you also spend less by not marketing to those who will have no interest in your product or service.

Compare your spending budget to those of your competitors. This allows you to see a successful marketing budget for someone specifically in your industry.

Many businesses consider how much budget to put towards marketing after figuring out the rest of the budget. This is a very bad idea—the marketing budget cannot be the leftover piece. Be sure to dedicate a certain amount or percentage towards marketing and stick with it.

Finally, make sure to periodically check if the money you earn outweighs the money you spent on marketing. You may realize a need to change marketing costs. Perhaps a sector you reached out to is not as responsive as you were hoping, or maybe they were so responsive that your company's name is spreading. It makes sense to adjust the marketing budget accordingly.

Marketing Strategy

With goals and budget in mind, you have already started to form a marketing strategy. The strategy or strategies you develop will answer the goals with the budget allotted. This section will discuss market research, advertising, and networking. Many marketing sources are listed for your benefit.

Market Research

To begin, research your business opportunities³. Conducting market research means gathering the information you need to make decisions about your business. Market research is the systematic gathering, recording, and analyzing of data relevant to selling the goods and/or services you produce.

Doing your own market research is time consuming but worth it. Believe it or not, from the time you start your business you are conducting market research. Every time you talk to a customer about what he or she wants, or with a supplier or sales rep, you're conducting market research.

But more formal market research is also necessary to keep your business vital and growing. Below is a grid that will help you in your research. It is called a market research grid.

² <http://www.imageworksstudio.com/client-lounge/articles-tips/setting-a-marketing-advertising-budget.html>

³ <http://sbinfocanada.about.com/cs/marketing/a/marketresearch.htm>

Market Research Grid

	Customer	Competition	Environment
Secondary			
Primary			

The Market Research Grid shows the two types of data sources and the three areas of research that are important to any business. It is essential to gather information from and about your customers to focus your marketing efforts, maintain and improve your customer service, and to guide your efforts in developing new products and/or services.

Secondary Research involves sources such as magazine articles, newspapers, online sources, etc.

Primary is what you get from gathering sources such as input from your customers or businesses in the field, etc. In the beginning, you will rely primarily on secondary research but as you grow your customer base, primary research will take greater prominence.

Advertising

It is very difficult to attract customers and clients if no one is aware of your products or services. It is therefore important to promote your business through all possible avenues.

Start your own website and keep it updated. Registering a domain name is the first step. Find a domain name that suits your business. Make sure that a .com, .net, or .org is available as these are more credible⁴. Some domain name registrars include:

- www.register.com
- www.godaddy.com
- www.networksolutions.com
- www.websitepalace.com
- www.siteground.com

Do a fair amount of homework on the rates and content you would like to include. Try to get as much feedback as possible when designing your site. Being too flashy or too dull is a turn-off.

Commit time to keeping the website updated. Continue to welcome feedback and changes when necessary.

Next, advertise your website. The Internet is also a great way to get your name out. Effectively getting web traffic to your site is an important part of getting your name out there. One of the best ways is through Google AdWords.

⁴ <http://www.onlineforsuccess.com/domain-selection-com-vs-org-net-biz-more>

Google AdWords⁵: Google, one of the premier search engines, receives over 29 million searches each day. Their popularity stems from the speed and accuracy of their search results. Therefore, placing your text ad with Google Adwords is a highly effective way to advertise your products and services. For more information please visit:

<http://adwords.google.com/support/aw/bin/static.py?hl=en&page=guide.cs&guide=21899>

Magazine/Journal Ads:

A new twist on an old form of advertising, magazine and journal ads are a very effective way to promote your business. The Internet has provided a plethora of journals and magazines that are readily available. Some magazines and journals to consider, especially in the green business, are:

- Green Solutions (<http://www.greensolutionsmag.com>)
- Inspired to Be Green (<http://www.inspiregreen.in/publications.html>)
- Pollution Engineer (<http://www.pollutionengineering.com>)
- Green@Work (<http://www.greenatworkmag.com/>)
- Denver Business Journal (<http://www.bizjournals.com/denver/>)
- Denver Post (<http://www.denverpost.com/>)

Networking

While trying to direct traffic to your website is important, there are other methods you can also use to get your name out there. Internet social networking and face-to-face meetings with individuals or groups that might be interested in your product can be especially effective.

Trade Shows/Expositions: Attending and participating in trade shows and expositions is a valuable way of furthering your education and business contacts.

Trade shows are devised in a number of different ways, with each offering their own brand of potential benefits for participants. Show types include:

- **Industry trade shows.** These are devised so similar businesses can get together to network, share ideas and even drum up some potential business. Typically, the general public isn't invited to attend these shows, but the opportunity to learn and share ideas can be more than worth the price of admission. Plus, depending on the industry in question, the media might be present at the show, which could result in some serious free advertisements.
- **Technical trade shows.** These are designed for those in the technical fields and may include networking and educational sessions. Having a booth at one of these shows can net potential clients and at least some industry exposure. These shows are valuable for many businesses, whether they decide to present items or services, or attend solely for the benefits of learning sessions.

⁵ http://website101.com/Internet_Advertising/google_adwords_select.html

- **Educational trade shows.** Not necessarily meant for selling a product, these shows are good to attend for those who want to learn more about their industry and be exposed to cutting-edge ideas that might have an impact on a certain field.
- **Community business expositions.** These are generally put on by local chambers of commerce. They are ideal for service and sales-based companies to get their names, goods and services out to the general public. The shows are generally highly advertised and are attended by potential clients, customers and other businesses. They're ideal for getting the word out to many different types of people at a single time.

No matter what type of business you have, it's very likely it would benefit from your attendance at trade shows. While not all shows are suitable for marketing purposes, most are ideal for it.

If you intend to bring your business and its products/services to the general public at a trade show, there are a few things to keep in mind:

- The position of your booth- Does it attract a lot of traffic?
- Are your displays grabbing attention?
- Are the give-aways taking too much attention from your message?
- Are your benefits obvious?⁶

Whether they're purely educational or meant to help a business get its name out there, a good trade show can be great for any business that wants to improve itself. Events like these are not to be missed out on⁷.

Some helpful links on these events include:

<http://www.progreenexpo.com>

<http://www.renewableenergyworld-events.com>

http://www.expocentral.com/energy/industry_energy_renewable.html

As many trade shows and expositions tend to be annual events, it is important to check the internet to keep on top of them on a regular basis.

Additional Associations to Consider:

- TiE: Started in the Silicon Valley area of California in 1992, TiE (The Indus Entrepreneurs) is a worldwide association designed to help entrepreneurs in networking and mentoring. Great place to get referrals and potential investors. For more information go to <http://www.tie.org>

⁶ <http://www.skylinetradeshows.com/make-your-trade-show-booth-more-memorable-with-great-demos/>

⁷ <http://www.daileymarketing.com/2010/08/13/tradeshows-are-expositions-of-opportunities/>

- USASBE: 1000 members from businesses and academic fields the USASBE (United States Association for Small Business and Entrepreneurship) is an organization built around entrepreneurial research, education, and outreach. For more information go to <http://usasbe.org>
- Chamber of Commerce: Joining a local Chamber of Commerce is a great way to get your name out and interact with other businesses to exchange ideas.
- Business educational seminars and workshops: These can help further your education in sales, marketing, and financing.
- Leads groups: These associations help by giving and receiving leads and referrals among the members of your association⁸
- LinkedIn: Of all the internet social networking sites that are available, by far the best for your professional network is LinkedIn. LinkedIn has 100 million members worldwide and is continuously growing⁹. LinkedIn is like an online business rolodex where the information on the cards is continuously updated. Additionally there are a number of associations and groups one can join to help them gain more access to seminars, events, knowledge, business leads, and customers.

A few tips for making LinkedIn more effective is to Join and actively participate in groups to expand your connections and keep in touch with them.

These groups include:

- Renewable Energy Network <http://www.linkedin.com/groups?gid=40102&mostPopular=&trk=tyah>
- Green and Sustainability Networkers <http://www.linkedin.com/groups/Green-Sustainability-Innovators-Innovation-Network-53296?gid=53296&mostPopular=&trk=tyah>
- Renewable Energy World <http://www.linkedin.com/groups/Renewable-Energy-World-2121068?gid=2121068&mostPopular=&trk=tyah>

⁸ <http://www.businessleadsofamerica.com/home.html>

⁹ <http://www.telegraph.co.uk/technology/social-media/8398553/LinkedIn-reaches-100-million-members.html>

Other Helpful Links:

Below are a few additional journals to help you in market research and more:

- Journal of Renewable and Sustainable Energy-<http://jrse.aip.org/>
- Businessweek- <http://www.businessweek.com>
- The Economist- <http://www.economist.com>
- Online WSJ- <http://online.wsj.com/home-page>

Marketing Plan

You have now developed your goals, your budget, and your strategies for launching your business and making it known. It's time now to put all of this into a presentable and understandable plan that represents the consensus of colleagues, serves as the basis for all growth, and provides assurance to investors. The marketing plan is essential to help you size up your market, competitors, and start thinking about how to position yourself competitively¹⁰. The marketing plan consists of the following elements. Note that most of these elements have already been discussed in detail!

- Overview or summary—no longer than one page, the summary should briefly describe your business and the major points of your plan (so write it last)
- Situation analysis—a detailed and brutally honest assessment of your market, your competitors, and the opportunities and challenges for your business. Refer to the next section.
- Marketing strategy—your specific business revenue goals, as well as a strategy for tackling the market opportunities you identified in the situation analysis. Refer to the previous section.
- Marketing tactics—how do you execute your strategy?
- Marketing budget and time line—the projected costs and time line related to your marketing tactics. Refer to the Marketing Budget section.¹¹

Situation Analysis

One of the best and most common tools to help you write the situation analysis section is called a SWOT analysis. SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) is a measure of both internal and external factors in your business. The first two letters are for the internal factors and the last two are external.

S (Strength) –Your company's fundamental strengths. This includes such resources and capabilities as patents, know-how, and access to markets, etc.

¹⁰ http://www.eunus.com/Business_Plan_For_Growing_Companies.pdf

¹¹ <http://www.startupnation.com/business-articles/1263/1/strategic-marketing-plan.asp>

W (Weakness) –Internally what are the cracks or limitations in the company infrastructure that could potentially hinder the company’s abilities to capitalize on its strengths and opportunities and leave it vulnerable towards threats? This includes low brand-name recognition, lack of access to resources, etc.

O (Opportunities) –External environmental conditions that are favorable to your business that will lead to profit and growth. This includes new market opportunities, changes in regulations, etc.

T (Threats) –External environmental conditions that are not favorable and can threaten the growth of your business. This includes cheaper substitutes, unfavorable regulations, etc.

Financing Your Enterprise

There are a fair number of financing possibilities for your small business. Most financing strategies involve a combination of investment, loans, and grants. Determining what percentage of each of them will depend upon:

- The amount of control you are willing to give up as investors may be more apt to invest more if they are given a say in the direction of your company.
- The amount of debt you are willing to incur.
- The amount of collateral you are willing to possibly part with.
- The amount of paperwork you are willing to fill out.

Loans¹²

Most businesses are financed through loans. These loans come from banks, private loan offices, and people you know. Before applying for a loan, please always take the time to do as thorough a job as possible in filling out your business plan to make sure that you have a principle that is favorable and to be able to convince the institution to lend you the amount. Having a good credit history is also important as it means that you will have a more favorable payment plan and interest rate. Also take into consideration what you are willing to use as collateral.

Below are a few links to banks that offer SBA loans:

- US Bank- http://www.usbank.com/cgi_w/cfm/small_business/products_and_services/financing/sba_loans_ps.cfm
- Wells Fargo Bank- https://www.wellsfargo.com/biz/loans_lines/sba/
- Vectra Bank- <https://www.vectrabank.com/business-banking/financing/loans.jsp>
- Community Banks of Colorado- <http://www.cobnks.com/cobanks/BusinessBanking.aspx>
- For further details on securing a loan please consult the SBA website: <http://www.sba.gov/content/how-apply-sba-loan>

¹² <http://www.fairloanrate.com/2010/01/01/debt-financing-pros-and-cons/>

Grants

Grants are unique in that they do not require repayment or loss of equity. However, there are strings attached. When deciding to apply for a grant, consider the following questions¹³:

- How much patience do you have or can afford to have? Many grants take a long time to get approved. It can sometimes take up to a year to receive an answer.
- How competitive is the field for which you are applying for a grant? Even with the greater availability of grants, the field is extremely competitive. In fact, the number of businesses applying for grants makes it even more competitive than in the past. It is therefore important to position yourself effectively (Please refer to the “Marketing” section). It may be worth hiring a professional grant writer to increase your chances.
- Are you willing to accept outside oversight? As a condition for receiving your grant you will probably have to submit to oversight, which can be inflexible and lead to constraints on how you run your business (remember this oversight is not based on your net worth or ability to pay back your loans).
- Is the possibility of filling out extra documentation appealing to you? To maintain your grant you probably will have to submit documentation on a regular basis in addition to what you would otherwise be doing for your business.

Links for grant writers and available grants:

- American Grant Writers Association: <http://www.agwa.us/hireagrantwriter>
- Colorado Grants (Non Profit Only): <http://www.coloradogrants.org/non-profit/about.php>
- Freelancers: <http://www.guru.com/find-freelancers/Grant-Writers-Proposal-Writers/116T20-HKL4GJ/Colorado/Denver>
- Federal Grants: <http://www.grants.gov/>
- Colorado Grants: <http://www.colorado.gov/cs/Satellite?c=Page&cid=1239108873386&pagename=OIT-2%2FOIT2Layout>
- Alternative Energy Grants: http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=US53F&

Investment

If you are willing to forego some of your ownership and control for greater access to capital, then seeking investment is a good idea. Again, a business plan with solid growth projections is important. This is done by the following methods:

Angel Investors—People with plenty of financial resources who invest in your company. Chances are you will not give up much in terms of having control. Networking is important in locating such individuals.¹⁴

¹³ <http://ezinearticles.com/?The-Pros-and-Cons-of-Appling-For-Government-Business-Grants&id=2703105>

Venture Capital–Partner firms investing third party money. These firms typically invest larger sums of money and as a result demand greater control¹⁵.

Helpful Links:

- Directory of Venture Capital Firms in Colorado: <http://www.concentric.net/~pvb/vc.html>
- Angel Investor Network Group: <http://www.centralinvestmentnetwork.com/angel-investors-colorado>

Financial Planning & Analysis

To do your own financial analysis you will need the projections for the following three items:

- Cash Flows
- Income Statement
- Balance sheet

The following business plan template at the following site will assist you in greater detail.

<http://www.score.org/downloads/Business%20Plan%20for%20Startup%20Business.doc>

However, to get started here is a simplified method:

Cash Flows¹⁶

Cash flow equals cash in minus cash out. The cash flow analysis then in simplified terms comes from the following elements:

Cash Flow from Operating Activities: This includes revenue projection, payment to suppliers for goods and services, salaries, etc. In other words cash flow from running the business. This is also part of an income statement.

Cash Flow from Investing Activities: Purchasing or selling assets, loans given out, etc.

Cash Flow from Financing Activities: The inflow and outflow of cash to and from banks, shareholders, and other lenders/investors.

¹⁴ <http://www.smallbusinessnotes.com/business-finances/angel-investors.html>

¹⁵ <http://www.smallbusinessnotes.com/business-finances/venture-capital.html>

¹⁶ http://www.esmalloffice.com/SBR_template.cfm?DocNumber=PL12_0700.htm#prepare

Income Statement¹⁷

An income statement is revenues minus expenses. Remember that not all cash outflows are expenses. Some expenses such as Cost of Goods Sold are easy to figure out. Others may be more unpredictable. Doing a conservative and an optimistic projection will go a long way in helping you set goals towards reachable numbers

Balance Sheet¹⁸

The Balance sheet consists of Assets, Liabilities, and Owners Equity.

Assets: Entities that generate monetary value. Assets are divided into current and long term. "Current" refers to liquidity in a year's time or less. Land, buildings, and machinery are referred to as Fixed Assets.

Liabilities: Entities which take money. These are also divided into current and long term. Current term means ones which are due within a year's time. Long term refers to long-term loans and mortgages.

Owner's Equity: A simple method of subtracting Assets from Liabilities. This is the remainder of your initial investment plus earnings that are to be reinvested in the company. Owner's equity can be thought of as basic net worth.

Financial Software:

Depending on your personality and knowledge of finance and accounting, using financial software may be beneficial to you. The most prominent are Quickbooks, Peachtree, and AccountEdge.

Operation & Execution

Leasing vs. Buying

Unless you plan to work out of home (which works for some but not others) it is advisable to consider the options of leasing or buying when looking at office space. Each has its own advantages and disadvantages. Here are the factors to consider¹⁹:

1. Cash Outlay—Typically if you are planning to purchase an office, you can expect to make a down payment of between 10% and 25% of the purchase price, depending on the lender and your credit. When you lease office space you won't need to put down nearly as much. With good

¹⁷ <http://www.money-zine.com/Investing/Investing/Building-an-Income-Statement/>

¹⁸ <http://www.inc.com/articles/2000/05/18941.html>

¹⁹ <http://www.officefinder.com/leasevsbuy.html>

credit, the typical outlay is the first and last month rent typically about 10% to 15% of the cash outlay required when purchasing office space.

2. Opportunity Cost—With the large outlay of cash required to purchase office space, consider the opportunity cost of that money. What return would you expect to receive on that money compared to the return you would expect to receive if you invested the money back into your business or into other investments?
3. Fixed vs. Variable Cost—When you buy office space, you have a good idea what your costs will be over the long term. This is especially true if you have a long-term fixed rate mortgage. If you lease office space, the market will dictate what you will end up paying for rent over the long run.
4. Growth Considerations—The growth phase of your business should be a major consideration in making the lease vs. buy decision. If your company is relatively new and/or in a high growth mode, leasing would allow more flexibility and fewer constraints to that growth. On the other hand, if your company is mature and stable, buying office space is great way to meet your future office space needs and is more cost effective in the long term.²⁰
5. Property Management—If you own office space, it needs to be managed. You can either hire out the function or do it yourself. Many businesses with long-term growth plans buy more office space than they need and rent out the expansion space. All the more need for good property management.
6. Appreciation—One of the primary goals of buying office space is to generate long-term increase in value through market appreciation—a good idea in a healthy market and usually successful over the long term. It is usually a good way to add to your retirement fund, but keep in mind that recent commercial real estate cycles have come in 10-year periods.
7. Tax Factors—Lease payments are usually fully deductible. On the other hand, so is depreciation, should it occur as well as expenses related to owning. In either case it is wise to consult with an accountant and/or a legal professional.
8. Cash Flow Analysis—In order to really understand the financial aspect of purchasing office space, you need to prepare a detailed comparative net present value cash flow analysis which takes into consideration your predictions on the future including holding period, anticipated appreciation vs. rental increase, interest rates, and cost of expenses increases. It is a good idea to do three different analyses—optimistic, realistic and pessimistic—to help determine your margin of error.

Overall, it is advisable to lease office space in the startup phase and once the business reaches a certain maturity level, purchasing office space may be considered.

²⁰ <http://sbinformation.about.com/cs/office/a/aa111702a.htm>

Equipment

Most office supplies can be bought and written off as office expenses. As for others like desks and some machine equipment, it is probably more cost effective in the long run to purchase, and the depreciation is tax deductible²¹.

On the other hand, for equipment (like computers) which quickly becomes obsolete, it is far too expensive to purchase but wiser to spread out on month to month in lease payments. This is good for your cash flow statements²².

Personnel Strategies

Contract Workers and Outsourcing

Hiring contract work is a good way for your business to get outside expertise while keeping costs low. It also allows greater flexibility in terms of a workforce. With time a contractor can be transitioned into full time hiring. However, there are no fixed rates in terms of pay. As the company grows, it becomes more cumbersome to juggle contractors in an effective manner. Also remember that if you misclassify an employee as a contractor there will be a penalty²³.

Outsourcing certain jobs may be necessary if your budget is not able to accommodate the equipment necessary for what you are manufacturing. Over time, however, it may be more cost effective to manufacture in-house²⁴.

Hiring Employees

Inevitably, as your business expands and your revenues increase, it becomes necessary to hire employees. In addition to paying their social security, wage withholding, you will also be required to provide medical insurance to them and their family. You also have to be aware of certain regulations. All the paperwork necessary is in the Startup Kit.

- For information on employee benefits please visit (this includes workers comp):
<http://www.sba.gov/content/providing-employee-benefits>
- <http://www.sba.gov/content/employee-benefits-requirements-plan-administrators-and-fiduciaries> -

Recruiting Strategies

²¹ http://www.ehow.com/how_2080753_use-equipment-depreciation-as-tax.html

²² <http://www.officearrow.com/office-supply-equipment-reviews/office-equipment-lease-buy-oaiur-8682/view.html>

²³ <http://sbinformation.about.com/cs/laborlaws/a/contractor.htm>

²⁴ http://www.sourcingmag.com/content/what_is_outsourcing.asp

Job Description

A job description consists of the following components (as shown in <http://www1.umn.edu/ohr/toolkit/hiring/csbu/jobdescription/index.html>):

- Job Title/ Reference Number: Having a reference number will help organize the process in a better fashion.
- Summary: A basic summary of the job, what it entails, which department, etc.
- Job Description: More detailed job description usually around 10-15 lines. Other duties may also be used for less essential projects. Be specific.
- Qualifications: Degrees, certification, minimum specific experience, etc.
- Where to send: HR manager, email address, mailing address, fax, etc.

Please refer to the Appendix A for a template

Staffing/Recruiting

The amount of staffing your company needs should be based on the skills and time constraints imposed on you and your partners.

The following are some resources for advertising for qualified staff.

Print Ads: The traditional newspaper advertisement is still a viable and widely used method for advertising for positions. However, many newspapers are online and are coordinated through Monster, HotJobs, etc. The rate depends on space, duration, etc.

Internet Postings: Indeed.com, Dice.com, Monster, Career Builder, and Craigslist are the hot names out there. Many have easy-to-use employer accounts. However many of these do cost money. For sites like Monster, it can run in the range of \$300-\$400 a month²⁵. Others such as Indeed have a pay per click rate (that is you pay every time a job seeker accesses your website from Indeed.com)²⁶. Indeed.com is perfect if you post your jobs on your website and you need extra exposure. Another way to save on costs is to post job openings on LinkedIn discussion boards of your choosing.

Staffing Agency: Typically, a recruiter can help you locate qualified candidates. You only have to pay if one of their candidates is hired by you²⁷. The costs vary depending on the specific qualifications and salary range.

²⁵ <http://hiring.monster.com/recruitment/Standard-Postings.aspx>

²⁶ <https://ads.indeed.com/>

²⁷ <http://www.culpwrit.com/2011/01/04/dont-pursue-executive-recruiters-for-entry-level-jobs/>

University Placement Offices: Depending on the level of experience needed, hiring graduates and interns may be the way to go. They bring to the job a greater level of energy and an eagerness to learn that can offset some of the potential problems associated with their lack of experience²⁸.

Word of Mouth: Using friends, family, colleagues, etc. to help you locate potential candidates is an excellent way of hiring contractors or employees. In fact a majority of hires are made through referrals.

Links to Internet Job sites:

- Dice.com: http://employer.dice.com/util/postJobs_fs.epl
- Indeed.com: <https://ads.indeed.com/>
- Monster.com: <http://hiring.monster.com/indexProspect.Redux.aspx%20>
- CareerBuilder.com:
http://www.careerbuilder.com/jobposter/?sc_cmp2=JS_HP_Nav_Employers

Links to Staffing Agencies/Recruiters:

- Robert Half: <http://www.roberthalf.com/employers>
- KForce: <http://www.kforce.com/Employers.aspx>
- Green Jobs: <http://www.greenjobs.com/Pg/Intro/EmployerIntro.aspx>
- Green Foot: <http://www.greenfootstaffing.com/index.php?&content=client>

Links to Some University Placement Offices:

- University of Colorado @ Boulder:
<http://careerservices.colorado.edu/employers/employers.aspx>
- Colorado State University:
<http://www.career.colostate.edu/employers.aspx>
- University of Colorado @ Denver:
<http://www.ucdenver.edu/life/services/CareerCenter/Employers/Pages/employers.aspx>
- University of Denver:
<http://www.du.edu/studentlife/career/employers/employers.html>
- Colorado School of Mines:
http://careers.mines.edu/Employer_Home3.html

Conducting Interviews:

You have located your candidates and are now in the process of hiring them for a position within your company. Here are the following tips when preparing and conducting an interview:

²⁸ <http://www.professional-resumes.com/the-benefits-of-hiring-college-graduates.html>

Be Prepared—Study the candidate’s background, prepare for questions the candidate might ask you. Remember, a successful interview candidate does his or her homework. The same can be said of interviewers²⁹.

Set the pace—This prevents the interview from getting out of hand. If you do not set the pace it could result in a potentially problematic interview for both you and the interviewee.

Prepare the questions ahead of time—Having your questions prepared and preparing for any potential questions the interviewee might ask makes for a more relaxing and productive interview. Nevertheless, do be flexible.

Know What You Want—If you don't know the skill set required for the open position, chances are you might not ask the right questions, which may confuse the candidate. Make a list of what you're looking for and then ask pointed questions so that when the candidate walks out the door you know whether or not the individual is a viable choice.

Stick to a set time—If you've set aside an hour for an interview, do your best to stick with that schedule. But be prepared to cut the meeting short and conclude the interview when the scheduled time is up.. Don't waste your time or the candidate's by stretching the meeting out if there's clearly no match. No amount of conversation is going to change that.

Take Notes—You will not remember all that went on. Taking notes will help you recall the interview. If you want, it also might work to record the interview but that is only supplementary.

Remember, interviewing is a two-way street. As much as you are interviewing the candidate for a job the candidate is interviewing you to see if your business is a fit for him or her³⁰.

²⁹ http://www.execsearches.com/non-profit-jobs/recruiter_Articles/Good-Interview-Practices.asp

³⁰ <http://smallbusiness.dnb.com/human-resources/workforce-management-hiring-interviewing/1253-1.html>

Appendix A: Sample Job Description Template

Source: <http://www.jobdescriptiontemplate.info/pdf/JobDescription.pdf>

Job Title:	Position Title Goes Here	Date:	
Department:	Dept Goes Here	FLSA Status:	Exempt/Non-Exempt
Grade:	To Be Determined	Emp. Grp:	Admin/2110/Conf/TWU
Supervisor:	Department Chair	Approved by:	

Position Title Goes Here
Department Goes Here

FUNCTION:

Write a few sentences here to broadly describe the job. Should include reporting relationship. (EX: "Under the direction of the department chair, coordinates all aspects of")

DUTIES & RESPONSIBILITIES:

This is a numbered list of duties and responsibilities of the position. Generally, #1 is most important, #2 second most important, and so on.

QUALIFICATIONS:

This is a bullet-point list noting requirements such as degrees required, years of experience required, particular skills required including computer and communication skills. May also list qualifications that are "preferred."

This job description is intended as a summary of the primary responsibilities of and qualifications for this position. The job description is not intended as inclusive of all duties an individual in this position might be asked to perform or of all qualifications that may be required either now or in the future.