



# 44

# Things To Do Before You Go Into Business

By Melinda Emerson

**SmallBiz** *Ladies*   
*Melinda Emerson*



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### No Network

There's an old saying, "Your network is your net worth." We'll, it's true. Before starting a business you must spend time cultivating the market - which means developing and nurturing your professional and personal connections. If you are not good at making friends or are one of those people who never keep in touch - entrepreneurship might not be for you. Your first customers will come from your personal network. Are you known more internally or externally at your job? People do business with people they like and with people they know. Who do you know and, more importantly who knows you?



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### No Niche Target Market

Too many small business owners sell to anyone they think has money. Take the time to develop a well-defined niche for your business. Sometimes it's best to be known for the business you turn down. It is so much easier to develop a marketing plan when you know whom you are trying to sell to. You have limited time and limited resources. Pick a niche so you can focus your efforts. After all, specialists can always charge more money.

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### Not Enough Savings

In my book, "Become Your Own Boss in 12 Months", I lay out three pots of money that you need to have before you start a business. You need emergency savings, one year of your household budget, and working capital saved up. Can you survive for a year or two without bringing in a salary? If you do not save enough money to run your household and fund the first year of operations of your business, you may not be able to hang in there until the business can generate any real revenue. Financial experts have been talking about having emergency savings for years. 6-to-9 months of emergency savings is appropriate. Your car will breakdown, your air-conditioner will die, your kid will need braces—trust me get yourself an emergency fund.

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### No Fiscal Discipline

If you do not run your household with a budget, you are far less likely to run your business with one. You must make business decisions based on up-to-date financial information. Then, there are your business habits. Do you have set hours or a regular routine in your business? Are you focused on tasks that generate money? Do you make sales calls three times per week? Do you raid the cash register whenever you need money? Do you know how much money you are making in each sale?

If you get on top of these five things as you are planning your business you are far more likely to start a sustainable and profitable small

# 44 THINGS TO DO BEFORE YOU GO INTO BUSINESS

The biggest difference between starting a business now in this new economy, is that you have a much shorter runway for your business to take off. Your skills, network, discipline, niche focus, optimism and ability to be coachable will determine whether your new business is a success or failure. But now is still a great time to start a small business. Here are the 44 things to do before you go into business.



## Develop Your Plan

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You will need to decide what kind of entrepreneurial lifestyle you will lead. Do you have the energy and discipline to run your small business? How much money do you need to make to be happy? Will you work 6 days a week? Will you work weekends, every weekend? You should design your life plan and then build a business that supports your personal and professional goals.

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## Plan Your Departure 12 Months Before You Quit Your Job

It typically takes 18-36 months for a small business to breakeven let alone replaces your corporate salary. Learn on someone else's dime. Give yourself time to research the market and make some money before turning in your resignation letter. Create a timeline for all the things that you need to get in order personally prior to starting your business, e.g., financial resources, marketing plan website, inventory etc.

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## Create A Household Budget

Using a budget to manage your home will help you and your family to eliminate needless expenses. This is a key skill you will need to sharpen as you start and run your business. If you can operate your household using a budget, you can run a business using a budget. Fiscal discipline is a hallmark of small business success.

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## Build Your Savings

All too often, people plan to go into business without enough personal savings. Instead depending on using money from family, friends and personal credit cards or their 401K, Start saving 20-40 percent of every paycheck. You need to prepare to go without a paycheck for a year or two.





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### Shore Up Your Emergency Savings

Establish a separate emergency savings account just for your household. You should save 9 months of your current salary in this account. Your household is about to lose a major source of income and “life happens,” so make sure you have adequate resources for household emergencies such as hot water heaters that go bad, washer/dryers that stop running, and air conditioners that break on the hottest day of the year.



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### Make Sure You Are Willing to Make Short-Term Sacrifices

Think back to your first few years working. Remember how little money you made? If you made non-essential purchases, some major bill would not get paid on time. Once your steady paycheck is gone you must be able to adjust quickly. If you start scaling back a year in advance, it will not be too hard on you once the business is launched.

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### Determine How You Will Cover Your Health Insurance

The ideal scenario is when your spouse’s employer covers your health insurance, but for those of you that are divorced or single parents, health insurance will be costly. COBRA, which will be offered by your employer once you resign, is only available for 18 months after you quit your job and it is very expensive. Thanks to the affordable care act, you will have more affordable options in the individual marketplace, since there’s no longer any discrimination for pre-existing conditions. If you’ll have employees right away, you should contact a health insurance broker to investigate your options for a group plan. Regardless of the coverage you select, remember that you are required by law to provide the same coverage for all full-time employees that you provide for yourself and your family.

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### Hold A Family Meeting

It is important that everyone in your family understands that you are about to start a business. This will require sacrifice on everyone’s part, as money will be tight. This is a good time to introduce the budget to the entire family. Everyone will need to pitch in and do more, and you may not be around as much. Explain the short-term sacrifice for the potential long-term gain for the family.





THERE ARE NO SECRETS TO SUCCESS. IT IS THE RESULT OF PREPARATION,  
HARD WORK, AND LEARNING FROM FAILURE.

by Colin Powell



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#### Get a Free Credit Report from [AnnualCreditReport.com](http://AnnualCreditReport.com)

When you are first starting out in business, your personal credit is the business's credit, particularly if you are planning on approaching a bank for financing. Strive for a credit score of 750 and above.

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#### Pay Off All Credit Card Debt

If you carry large amounts of credit card debt, your business and your life will be ruled by your debt and that is not what your business needs.

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#### Find Out How Much Equity is in Your Home

Most banks require at least two years of financial records from your business before you can apply for a conventional loan or business line of credit. A home equity loan could be a viable avenue for funding your new business and the interest on a home equity loan is deductible on your personal income taxes.



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#### Obtain Adequate Life Insurance.

To help grow the business, you may need to take out loans that are secured with personal assets. Consequently, it is important to protect your income and added financial responsibilities with adequate life insurance. You need enough life insurance to cover all your personal assets, and the best time to increase your insurance is while you have a steady paycheck.

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#### Consider Obtaining Disability Insurance

If you are your family's sole source of income do not overlook the importance of disability insurance. It can provide much-needed income if you were unable to work for an extended period of time.

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### Organize Your Time

You are about to have two full-time jobs (or three if you are a parent too.) Make sure you stay organized and do not burn yourself out managing your household, family, job and your new business. Before you even open for business, make key sacrifices now, such as eliminating evening TV time and getting up earlier to start your day.



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### Learn to Say "No"

Your time is your most valuable asset. Re-examine all volunteer activities, resign from boards and professional associations that do not provide significant networking opportunities for your new business, and do not take on new commitments. Any extra time you have should go to the new business or taking care of your family.

### Get Yourself a "Kitchen Cabinet" of Advisors

Find five supportive people that you can use as a sounding board for your new business. These people should already be invested in your success. The group should include a business owner; a customer, a mentor, a lawyer and the final person should be an accountant. This is a group where you can safely share ideas and concerns and get free advice. These people will work or work food.

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### Remove Negative People From Your Life

Starting a business is hard. You will need all the positive reinforcement you can get. Do not share information about your new venture with anyone who does not support you. If you live with a negative person, keep your conversations logistical in nature and use a workspace away from home (try the library or a local coffee shop).

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### Learn Your Industry

Join trade associations in your industry and attend their annual conferences. These experiences will enable you to learn about the latest technology and trends in your industry and provide priceless networking opportunities.

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GIVE ME SIX HOURS TO CHOP DOWN A TREE AND I WILL SPEND THE FIRST FOUR SHARPENING THE AXE.

by Abraham Lincoln



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### Work For a Business Like The One You Plan to Start

If you work for a business like the one you plan to start, you may learn what you should and should not do in your business. You can gain understanding about the suppliers, customers, costs and pitfalls of that business. You may also gain access to other business owners in the industry.

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### Determine Your Business Model

You must identify what kind of business you are going to run. Will it be web-based, eBay only, retail/storefront, wholesale, business to business, a franchise, etc.? Research business model options and decide which model works best for you and your product or service.

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### Do Cheap Market Research

Search the internet, libraries, and publications like your local business journal are great sources for what is happening in your marketplace. You can also leverage social media to test any product ideas and pricing strategy for your business.

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### Line Up Your Professional Resources

The two main professional resources you will need are an accountant and a lawyer. More expensive does not necessarily mean better service. Ask for referrals from other business owners. Make sure that you line up professionals that specialize in working with small businesses.

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### Locate a Small Business Development Center (SBDC)

Small Business Development Center's are free small business resources that can assist you with all aspects of starting a business. They offer business plan courses, marketing workshops and one-on-one counseling to residents of the state in which they are located. You can also get assistance for doing business with the federal government.







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### Determine the Human Capital You Will Need

Not only will you need money to start your business, you will also need people. Make a list of everyone you can rely on to help you. Free help is usually all you can afford in the beginning, so consider using interns, co-op students and friends as your first labor force. Give them specific tasks that will make the best use of their time and yours.

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### Name Your Business

Naming your business is a very important task for a business owner. Choose something strong, memorable, and unique, but make sure it is related to what you are selling. There is always the option of using your own name in the business title as well, but don't pick something that screams I'm a small business.

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### File a Fictitious Name Form

Before you invest in developing a logo and stationery, make sure your business name is available as a web address on the internet. You can do a quick internet search or hire a lawyer to do a thorough name search through a database. Once you are sure about your name, file a fictitious name form with your state for a nominal fee to protect it.

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### File for an EIN with the IRS

Before you can get a business bank account you must have an employer identification number (EIN), which is issued by the IRS. If you are a sole proprietor, you can use your social security number in lieu of an EIN. A fictitious name form certified by your state is all you need to apply for the EIN number. For more information, log onto [www.irs.gov](http://www.irs.gov).



## IF YOU DON'T KNOW EXACTLY WHERE YOU'RE GOING, HOW WILL YOU KNOW WHEN YOU GET THERE?

by Steve Mariboli



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### Select A Business Bank

Your first impulse may be to use the bank you use for your personal business matters, but think again. That could be your worst move. Do your homework on banks in your area that are supportive of small business lending. Ask other entrepreneurs for a referral. You do not want just any bank; you want a banking relationship with a lender that is interested in your business and anticipates your needs.

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### Determine Your Legal Business Entity

Once you identify a lawyer, seek advice about what kind of legal entity to establish. There are several options, including sole proprietorship, partnership, limited liability corporation (LLC), sub-chapter s-corporation, and professional corporation.

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### Incorporate Your Business

You can hire a lawyer to incorporate your business or do it yourself online. The advantage of incorporating your business is that all of your personal assets are protected.

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### Draft A Formal Partnership Agreement

If you establish a partnership it is important to put a formal partnership agreement in place. buy-sell agreement in place. This is an agreement between business partners to buy out each other's share of the business in the event one of them dies. In this situation, life insurance plays an essential role in providing the funds to make the purchase.

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### Invest in a Logo

If your company name contains a little-known word, an acronym, or a difficult-to-pronounce or hard-to-remember word, a logo can give visual clues to its meaning. When potential customers need your services they may not recall an unusual name without prompting. If you reinforce it with a strong logo, they are more likely to remember your business.



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### Develop Your Marketing Plan

You must know who is buying your product or service and why. This information will tell you whether there is a market for your business. Once you are sure there is a market, you are ready to write your business plan.



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### Develop Your “Secret Sauce”

There may be many similar businesses in the local market and in your industry. What do you bring to the table that is unique and different from your competitors? Establish a competitive advantage by differentiating your product or service from the field.

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### Write a Realistic Business Plan

You would never take a trip without a map. Do not start your business without a roadmap for success. The best way to write a business plan is to use business plan software, which will provide templates. After you have a first draft, take a business plan course to refine the plan with actual financials. It is important that you do not overstate your revenue projections.

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### Understand All of Your Costs

It is crucial that you understand the cost structure of your business. Direct costs are also known as “cost of goods sold,” which comprises everything it costs you to make a product or perform a service. Indirect costs are the costs to run your business, such as insurance, legal fees, payroll, rent, phone, internet service, etc. You must make sure that a percentage of your indirect costs are added to the retail cost of your products and services.



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### Keep Your Overhead Low

Be mindful of unnecessary costs. For instance, leased office space is a tremendous expense you may be able to avoid. Your first office location could be your basement or a back bedroom. Consider locating your business in a small business incubator that has shared resources and as you grow, look for locations that could provide state and/or federal tax advantages, such as HUB Zone.



WE HAVE TO BUILD THE FRAMEWORK  
IN WHICH WE WILL EXECUTE THE TASKS.



by LTG Christianson

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### Figure Out Ways To Stretch Your Dollars

Use second hand office furniture and equipment. Craigslist.com is also an excellent source for used furniture. Be on the lookout for used furniture that churches or businesses may be looking to offload - free is always the right price! If you do buy anything new, consider investing in a good desk chair and a new computer with at least a three-year warranty.

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### Hone Your Selling Skills

Attend networking functions regularly. Practice your elevator pitch. Make sure you are an expert in your industry and can discuss it freely anytime, anyplace, and with anyone.

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### Keep in Touch With Your Contacts

When you first start out in business, your first customers will come from your personal network. People do business with folks they like, know and trust, so actively build your network. Send out those holiday cards as a way of priming the pump for when you open your business.

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### Stay Flexible

Your original business idea may not work exactly as you planned. Do not be afraid to tweak the idea if you see a niche developing that you had not considered.

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### Develop a Timeframe for Success

It is important to forecast how long you will pursue your business dream. Some dreams do not work out despite quality planning, so it is very important to have realistic benchmarks for success and progression before you start your business. Give yourself at least 24 months to pursue your new business.







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### Get Yourself a Personal Theme Song

Pick a song that always makes you feel good! Play it everyday to energize yourself. The journey you are about to start is hard and lonely at times, and your theme song will help lift you up and keep you focused on your goal - especially when you need extra motivation.

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### Stay Positive and Encouraged

You are the power source that will make your business a success! Find ways to keep your battery charged and sustain your optimism. Make a list of your accomplishments every day - it will keep you from dwelling on your never-ending to-do list.

Here's to your business success. I hope this article provided you with insight into starting - and more importantly, staying - in business. I am always here as a resource. Grab my bestselling book *Become Your Own Boss in 12 Months* and Subscribe to [succeedasyourownboss.com](http://succeedasyourownboss.com) for more tools and tips to grow your small business.

# BECOME YOUR OWN BOSS

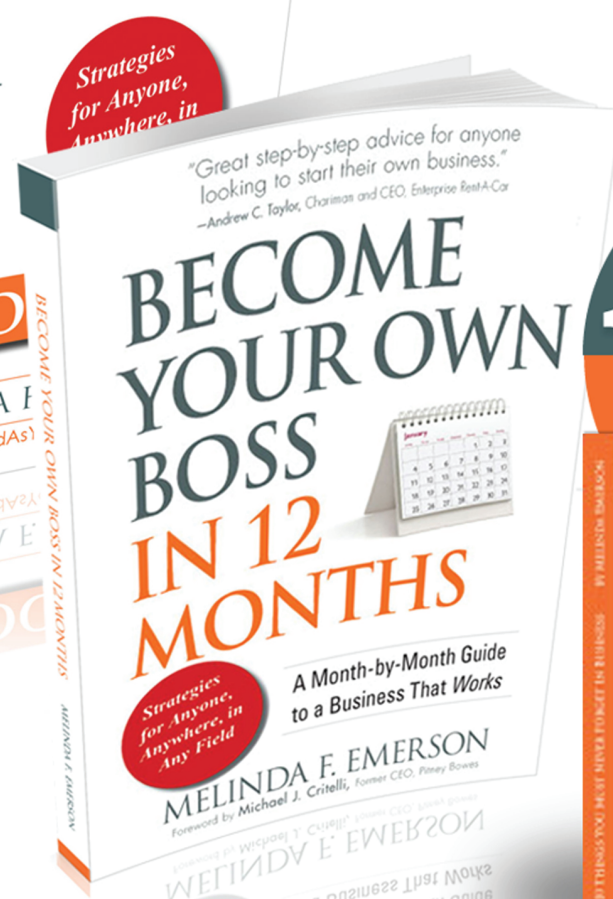
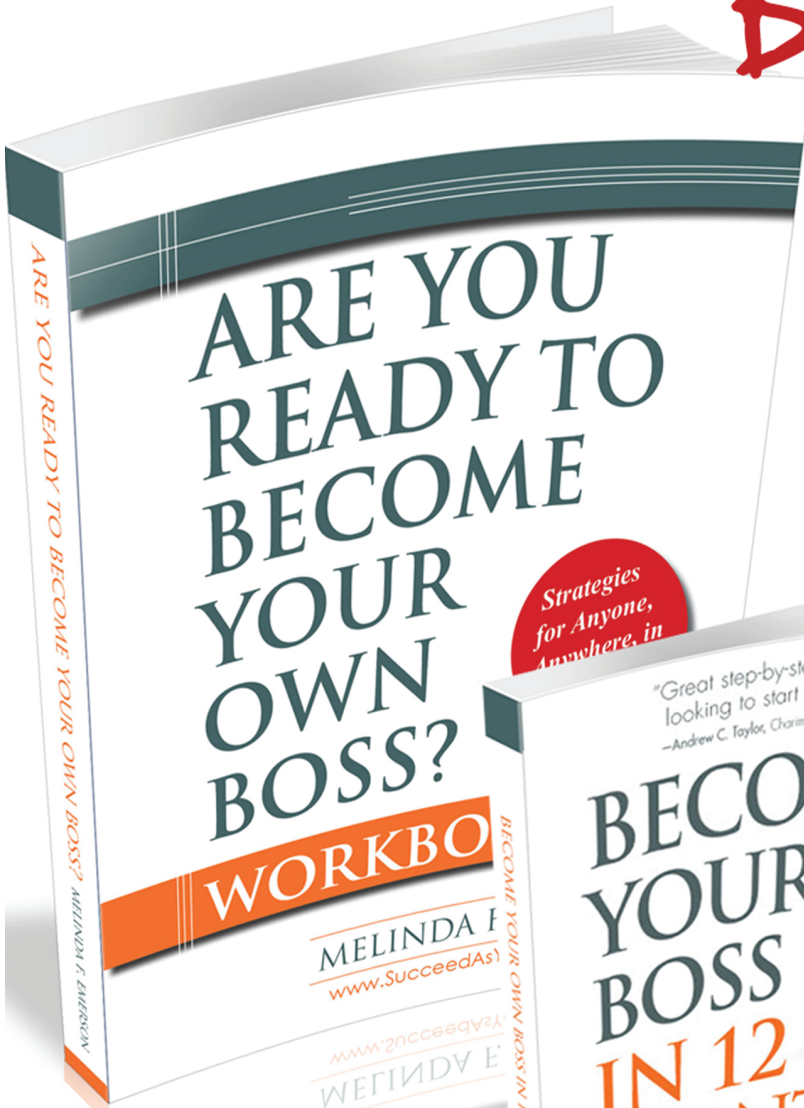
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Every Wednesday from 8-9 pm ET, I host a weekly live chat on Twitter for small business owners called #Smallbizchat. The mission of #SmallBizChat is to end small business failure. Each week, I interview a small business expert and fans jump in with questions and a few answers too. We are the longest running chat for small business owners on Twitter. Use [tchat.io](http://tchat.io) and our hashtag #Smallbizchat to join the conversation. Here are details on how to participate in [#SmallBizChat](https://www.facebook.com/smallbizchat).

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*with Melinda Emerson*

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## ABOUT MELINDA EMERSON



Melinda F. Emerson, SmallBizLady, is America's #1 small business expert. Her expertise includes small business start-up, business development and social media marketing. As CEO of The Quintessence Group, Melinda leads a consulting company that helps Fortune 500 companies develop effective strategies to engage small business customers. She is a regular columnist for the New York Times. She publishes a resource blog, [www.succeedasyourownboss.com](http://www.succeedasyourownboss.com) which is syndicated by the Huffington Post and hosts a weekly talk show on Twitter called #SmallBizChat for today's entrepreneurs. She reaches 3 million small business owners weekly online. Forbes Magazine named Melinda Emerson #1 Woman for Entrepreneurs to follow on Twitter. She is also the author of the bestselling book "Become Your Own Boss in 12 months; A Month-by-

Month Guide to a Business That Works." and the ebook How To Become a Social Media Ninja; 101 Ways to Dominate Your Competition Online. In 2012, she founded the Melinda F. Emerson Foundation for Small Business Success. [www.melindafemersonfoundation.org](http://www.melindafemersonfoundation.org) Melinda is deeply committed to causes that support minority and women business owners.

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