

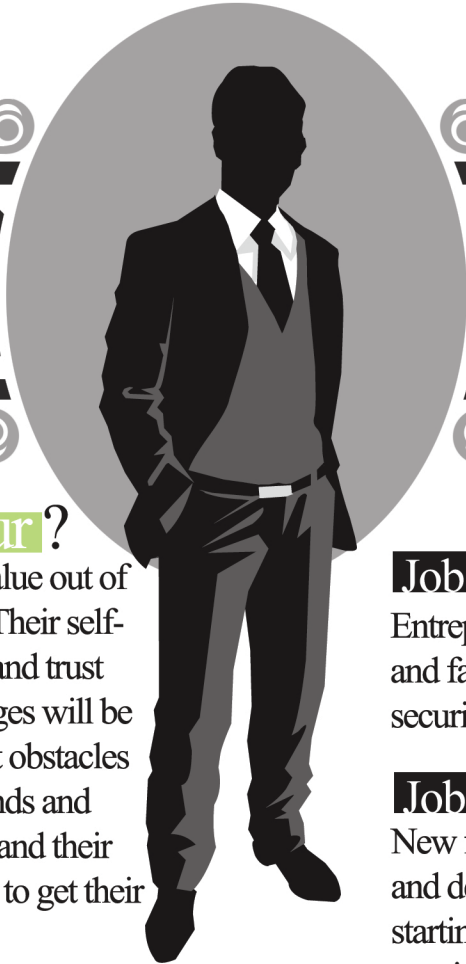
CREATE YOUR OWN BUSINESS WORKBOOK

Illustrated by Jeff Calaway



center for
entrepreneurship and innovation
business solutions center
Eastern Illinois University

becoming your own BOSS



What is an **entrepreneur**?

A person who creates something of value out of nothing. They believe in themselves. Their self-confidence allows them to have faith and trust in the future. They accept that challenges will be faced and mistakes will be made - that obstacles will be overcome. The support of friends and family increases their self-confidence and their ability to work the necessary 60 hours to get their business off the ground.

What do entrepreneurs do?

Wealth Generation

A majority of the wealth that results from entrepreneurial business goes to our economy. Even though entrepreneurs like Bill Gates and Steve Jobs are thought of as very wealthy, they only earn a fraction of what their companies actually generate for our economy. Without entrepreneurs such as these, our economy would gradually get poorer. Entrepreneurs are four times more likely to become millionaires.

Job Customization

Entrepreneurs can work with their friends and family, as well as create their own job security.

Job Creation

New firms require a workforce to develop and deliver their products and services. By starting new businesses, entrepreneurs are providing gainful employment for many people.

Innovation

Every product or service that exists today, in its simplest form, was thought of by an entrepreneur. Products and services developed by innovative firms come largely from the creativity of an entrepreneur.


Finding the big idea





The idea for a business must be clear. Business owners know their company's strengths and weaknesses, as well as the strengths and weaknesses of their competitors. They understand how they've avoided failures in the past.

What could you do? Do you have interests or hobbies that you think you could turn into a business? Or are there problems that you have an idea of how to fix? Could you improve an existing product or service by adding to it or subtracting from it? Could you combine products or services together to form new products or services? Are there existing products or services that could be used differently?

Here's what you could try. In the light bulb below, write down an interest, hobby, or problem that you would like to fix. In the blanks to the right of that light bulb, come up with two business ideas based on what you have written in the light bulb. In the far right blanks, develop two strategies for delivering each idea. After completion, review your ideas and decide which business you would like to start. *(See example below before proceeding.)*

{				}
	Soccer	Coaching soccer	Create a summer camp	

	1.		a.	
			b.	
	2.		a.	
			b.	
	1.		a.	
			b.	
	2.		a.	
			b.	

Gaining Knowledge & Experience

Success is not a one-time investment.

The businesses that are successful are constantly trying to improve through research and development so advantages aren't lost.

Acting instead of reacting...

keeps businesses ahead of their competitors. Entrepreneurs increase their chances of success if they have knowledge and experience to fall back on. This knowledge and experience may be their own or that of another entrepreneur.

Reaching out for support...

not only builds a knowledge base, but it also provides networking opportunities for the entrepreneur and their business.

Questions to ask.

Where can you gather information for your business?

Are there industry-specific magazines, newspapers, blogs, or websites?

Are there any groups or associations of which your business could become a member?

To what other resources do you have access?

What is the condition of the economy?

Are there any current and/or pending laws that will have an impact on your business?

Are there technological developments that you can utilize for your business now or in the future?

Are there any trends in the industry?

S.W.O.T.

Internal

variables that are within your control

Strengths

- Q What advantages do you have over your competitors?

- Q Why do you have these strengths?

Weaknesses

- Q What weaknesses do you have?

- Q Why do you have these weaknesses?

What is a swot analysis?

A strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture.





Analysis

variables that are outside of your control

External

What is the difference between internal and external?

Internal deals with variables that you have control over. External deals with variables that are dependant on others or something other than yourself.

Opportunities

- ❶ Are there trends in the industry that may help you?

- ❷ What changes in technology, politics, consumer behavior, and the environment might help your business?

Threats

- ❶ Are there trends in the industry that may hurt you?

- ❷ What changes in technology, politics, consumer behavior, and the environment might hurt your business?

Marketing

Consider the following items regarding the 4 P's of marketing...

as they pertain to your business and fill out the chart below for each product or service that your business would provide.

¹Product ²Place ³Prices ⁴Promotion

1product

Name

Logo

Slogan

Unique features

2place

Who are the customers?

Where are the customers located?

How will you get your product to your customer?

Where is the competition?

3prices

Prices of products/services

How are prices determined?

4promotion

What promotional tools can you afford?

How will you inform people about your product/service?

Target Customer

Who is on your team?

A clearly defined structure contributes to the success of business. Successful businesses have motivated employees who know exactly what their responsibilities are. Customers know who to contact with emergencies or questions.



Job Title	Qualifications	Responsibilities	Full/Part Time	Date Needed
Mentor				
Accountant				
Lawyer				
Technology Specialist				
Others/Miscellaneous				



Writing the Business Plan



The key to building a successful business is proper planning. A business plan is an instrument that can be constantly adapted and changed in ways that best suit a company. It provides direction and an action plan that allows business owners to jump on opportunities as they arise and eliminate threats early.

*For further help, please refer to the idea packet provided by your instructor.

How is your business better than everyone else's?

What is your mission statement—in 1-2 sentences?

Where do you see your business in the future?

What will you do if your products/services do not sell?

What will you do if your business is not profitable?

The W's & H's of business planning

Having a plan for your business helps you analyze your potential for success

and identify the steps you'll need to take along the way. A business plan need not be complicated. You just need to make sure your plan convinces you and others that your business ideas are good, that you haven't missed thinking through any threats or opportunities and that you know exactly what must be done to achieve business success. The simplest approach to do this is to address the W's and H's of business planning.

what W

- What is your product or service?
- What are the features and benefits?
- Are there any value-added opportunities related to your principal idea?

who W

- Who else is involved in your business? Just you or are others involved (active and/or silent partners)?
- What are the relevant backgrounds of those involved?
- What knowledge, skills, and connections do you have that enable you to do what you are proposing?

why W

- Why are you proposing to do the "what"?
- Considering both trends and conditions, why is your idea a good one?
- Who out there wants what you have to offer and how do you know they do?
- Who out there is or is not already doing what you are proposing to do?
- If there are others, how will you position yourself with the competition?

where W

- Where will the business operate?
- What is the significance of this location?
- Do you need to do anything to the "where" to make it work better for your needs?

when W

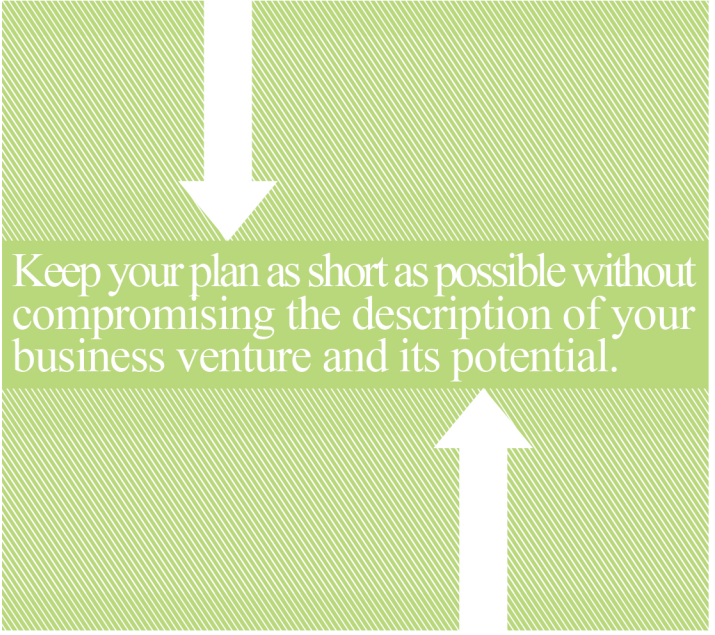
- When will you open, expand, or meet your goals?
- When do the various tasks that need to be addressed need to be completed to enable you to move forward?
- When does each task need to be completed? What are your priorities?
- What tasks can be worked on at the same time?
- What tasks are on-going?

how H

- How will you accomplish your "what"?
- How will you position yourself to reach your customers?
- How will you move forward? What do you need to do this?
- How will you finance start-up and on-going operating costs?
- In other words, how will you actually do all the things outlined in "when"?

how much H

- How much financing or creative resourcefulness do you need to begin and operate until revenue exceeds expenses?
- Identify all of your sources of potential revenue and expenses and develop educated guesses (estimates) for projections. Estimates should be based on research (someone else's experience in an identical or similar business and/or your stated intentions as identified in "how").



Keep your plan as short as possible without compromising the description of your business venture and its potential.

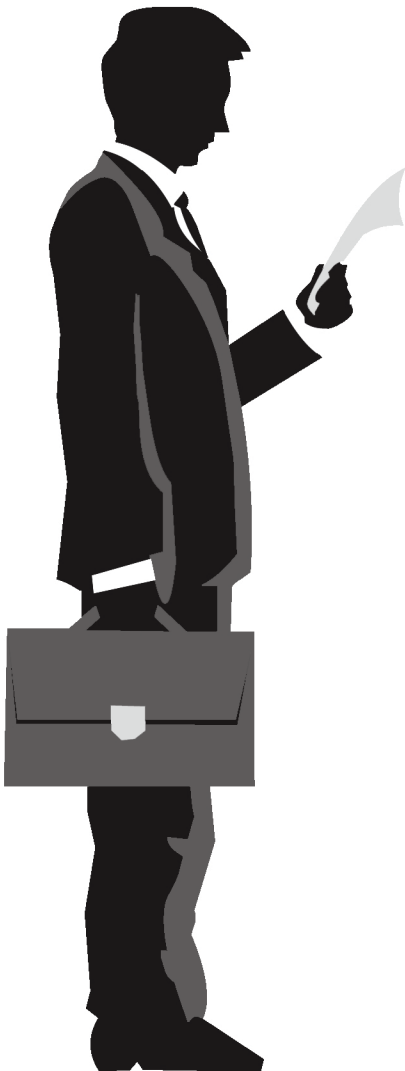
Preparing a Business Pitch

10 minutes 20 slides 30 point font

All business pitches must include the following:

An executive summary, start-up expenses, profit and loss projections, and a breakeven analysis.

An executive summary is a 1-2 page document that answers the following questions:



1. What is the nature of your business?

2. Who are the owners?

3. What roles do each play?

4. What is the name of your business?

5. Who will be your customers? (Identify your target market)

6. Where will you locate your business?

7. What resources, materials, and skills will you need?

8. What will you charge and how have you determined your price?
(This includes cost per piece, price per piece, quantity to produce, and projected profit)

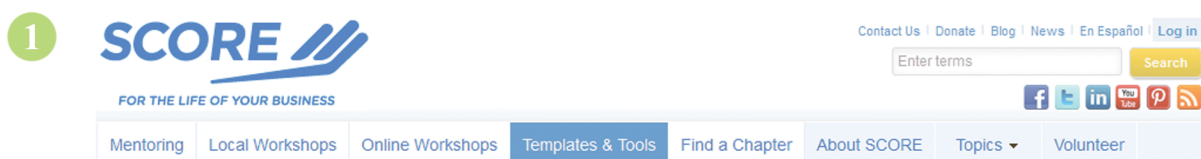
9. What do you need to do and by when?

10. How will you know you have been successful?

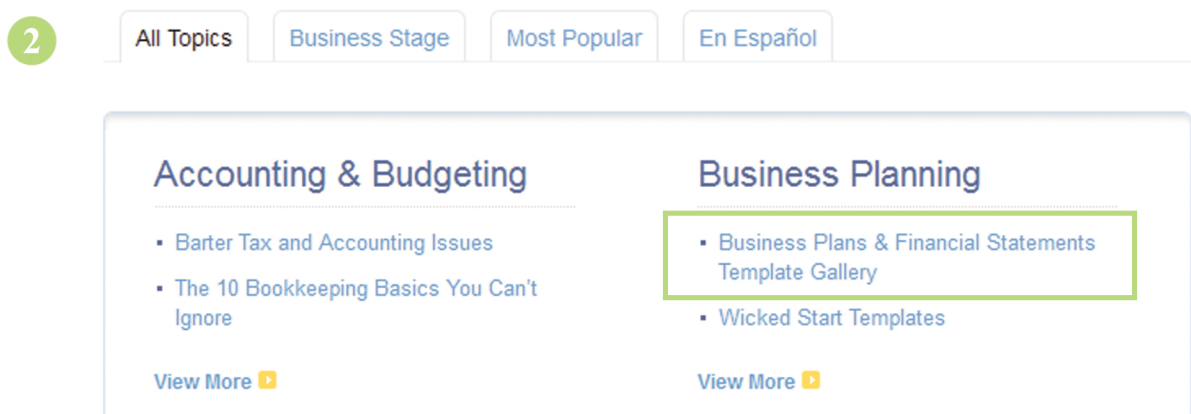
The following are directions to obtain the financials templates:

The financials templates, such as those for start-up expenses, profit and loss projections, and breakeven analysis, are required to complete your business pitch plan. You may find these templates by searching the business advice website www.score.org as demonstrated below.

Searching Online:



Go to www.score.org, then click on “Templates & Tools”.



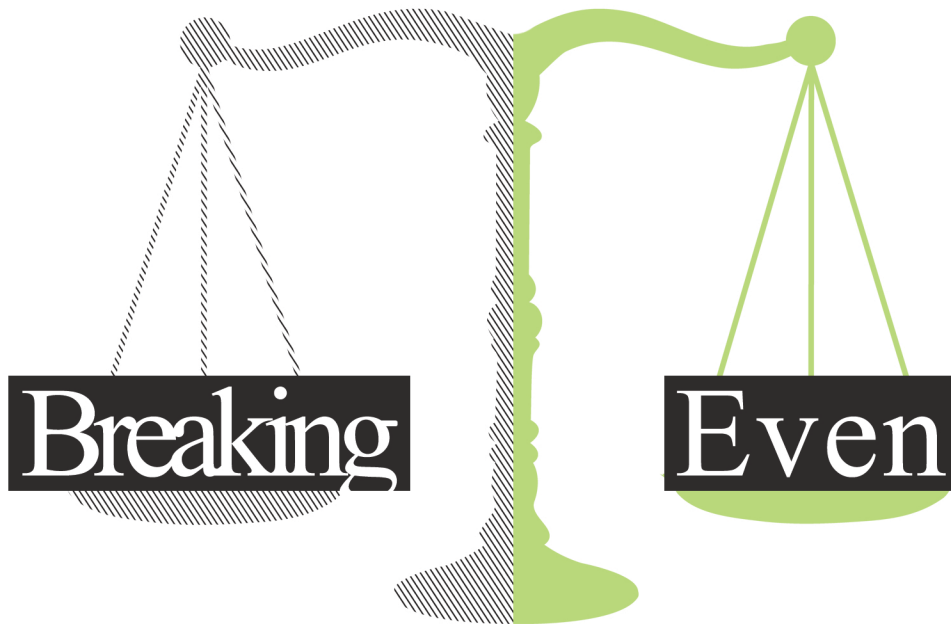
Under “Business Planning”, click on “Business Plans & Financial Statements Template Gallery”.

3 Finance Templates

Use the templates below, then meet with a SCORE mentor for expert finance advice.

Under “Finance Templates”, click and download the following templates to a flashdrive or on your computer desktop: Start-Up Expenses (Excel), Profit and Loss Projections (3 Years) (Excel), and Breakeven Analysis (Excel).

- 4 Refer to the workbook glossary for defined business terms that you may not fully understand.



Business owners are in business to make a profit.

An important tool for helping a business owner determine how to earn enough money to make a profit or recover costs is the break-even analysis. A business' break-even point is when revenue and expenses are equal. Once the break-even point is determined, a business owner will know how many products or services need to be sold in order to make a profit.

Refer to the following steps in order to determine your business' break-even point:

- 1 Classify costs in one of two groups.
Fixed Costs: Costs that are directly associated with the number of products or services are sold, such as rent and salary.
Variable Costs: Costs that are directly associated with the number of products or services sold, such as materials to produce the products and shipping costs.
- 2 Determine the prices of your products or services.
- 3 Then use the equation below and your answers from Steps 1 and 2 to determine the break-even point.

$$\begin{array}{c} \text{Total Fixed Costs} \\ \$ \end{array} \div \left(\begin{array}{c} \text{Selling Price per Unit} \\ \$ \end{array} - \begin{array}{c} \text{Variable Cost per Unit} \\ \$ \end{array} \right) = \begin{array}{c} \text{Break-Even Point} \\ \$ \end{array}$$

Profit and Loss Projection (3 Years)

Enter your Company Name here

	2013	%	2014	%	2015	%
Sales						
Cost/ Goods Sold (COGS)	\$ <input type="text"/>	% <input type="text"/>	\$ <input type="text"/>	% <input type="text"/>	\$ <input type="text"/>	% <input type="text"/>
Gross Profit						
Operating Expenses						
Salary (non-owner employee)	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Payroll (taxes etc.)	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Outside Services	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Supplies	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Repairs/ Maintenance	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Advertising	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Car, Delivery and Travel	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Accounting and Legal	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Rent	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Telephone	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Utilities	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Insurance	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Taxes (real estate etc.)	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Interest	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Depreciation	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Other expense (specify)	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Other expense (specify)	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Total Expenses	\$ <input type="text"/>	% <input type="text"/>	\$ <input type="text"/>	% <input type="text"/>	\$ <input type="text"/>	% <input type="text"/>
Net Profit Before Tax	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Income Taxes	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Net Profit After Tax	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Owner Draw/ Dividends	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
Adj. to Retained Earnings	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____

Notes on Preparation

Note: You may want to print this information to use as reference later. To delete these instructions, click the border of this text box and then press the DELETE key.

A long term forecast is not a necessary part of a basic business plan. However, it is an excellent tool to help you open up your thinking about the company's future. Furthermore, venture capitalists will almost always want a long term forecast to get a feel for growth prospects.

The further out you forecast, the less accuracy you can maintain, so use round numbers, except where you know exact amounts; e.g.: rent expense if you have a long term lease.

The most important part of the long term forecast is not the numbers themselves, but the assumptions underlying the numbers. So make sure your assumptions are stated clearly and in detail in a narrative attachment. This will communicate your vision of the company's future and how you anticipate realizing that vision.

You will note that there are some lines on the bottom of this spreadsheet which may not be on a twelve-month P & L. This is to help you do some planning about funding growth.

- NET PROFIT BEFORE TAX is the same as Net Profit on a 12-month Profit and Loss spreadsheet.

- INCOME TAX allows you to estimate how much of your profit will have to go to the IRS.

- NET PROFIT AFTER TAX is what is left for you to use.

- OWNER DRAW/ DIVIDENDS is how much the owners plan to take out for themselves.

- ADJUSTMENT TO RETAINED EARNINGS is the amount of profit actually left in the business to increase Owners' Equity and fund growth.

Finding the money



Entrepreneurs who are just starting out do not have to be incredibly wealthy, but they do have to have resources (money or assets) to be able to receive financing. Financial resources should be calculated and, along with cash flow, be under control. Make sure you have access to at least 25% of the start-up and assets used to start your business.

Source			Use		
Name	Amount	Debt (bank & family loan) or Equity (% of company)	Amount	Payment Terms	
				Length Loan	Int %

Making it happen



Goal/Details	Who is responsible?	Start Date	End Date	Budget	Cost

Glossary

Advertising & Promotions

Includes all the costs associated with making your products and services known to your customers.

Bad Debts

A business's bad debt is a loss from the worthlessness of a debit that was created or acquired in your trade or business, or is closely related to your trade or business when it became partly or totally worthless. A debt becomes worthless when there is no longer any chance that the amount owed will be paid.

Building Improvements

Includes costs of structural changes, repairs, HVAC upgrades, painting, and decorating.

Cash (Working Capital)

Amount of money you will need to maintain your business until you generate enough sales to cover normal operating expenses.

Cost of Goods Sold

Estimate the cost of sales for the sales found under Revenue (Sales). Include labor used to produce the product or service (direct labor), materials used in the final product or service (direct material), and their transportation and handling costs.

Deposits for Utilities

Advance payments required to obtain electric, gas, telephone, water, and sewer.

Depreciation

If property you require to use in your business has a useful life of more than one year, you generally cannot deduct the entire cost as a business expense in the year you acquire it. You must spread the cost over more than one tax year and deduct part of it each year.

Donations

Gifts to charitable or non-profit organizations.

Dues and Subscriptions

Includes subscriptions to professional, technical, and trade journals that deal with your business field. Also includes membership fees.

Furniture and Fixtures

Acquisition cost plus installation expense. If you plan to pay by installments, enter your down payment.

Gross Profit

Total Revenue (Sales) minus Total Cost of Goods Sold.

Insurance

Includes Commercial General Liability, Property, Commercial Auto, Workmen's Compensation, Umbrella Policies and Bonding. (Note: Does not include Health insurance)

Land and Buildings

Includes the down payment for lease, rent, or purchase and deposits required.

Legal, Accounting, and Professional Services

Professional fees associated with registering your legal form of business, reviewing contracts and agreements, and preparing financial information for your business plan. Also includes consultants and other professionals.

Licenses and Permits

Fees for licenses, permits, and other requirements related to starting your business and making its operations legal.

Loan Repayments

Includes interest and principal that must be paid to lender. (Note: For purposes of estimating net profit, it is important that all costs, including principal paid, be part of the projection.)

Machines and Equipment

Acquisition cost plus installation expense. If you plan to pay by installments, enter your down payment.

Miscellaneous (Unspecified)

Small expenditures without separate accounts

Office Supplies and Postage

Services and items purchased for use in the business and not for resale.

Other

Includes costs that may be unique to your business and do not have an account listed on the worksheet, such as tools and equipment that are expensed (not set up on a depreciation schedule), and payments for leased or rented equipment.

Outside Services

Includes cost of sub-contracts, overflow work farmed out, and special or one time purchase of services.

Payroll Taxes

Includes paid vacations, sick leave, health insurance, unemployment insurance, Medicare, and social security taxes. (Note: Usually 10-15% of gross payroll)

Prepaid Insurance

Advance payments required to obtain business insurance that protects the contents of your business against fire, theft, and other losses.

Rent

Includes only real estate used in the business. List equipment and other rentals under "Other".

Repairs and Maintenance

Regular maintenance and repair, includes painting and decorating.



Revenue (Sales)

Use the following formula to determine revenue (sales): (a) How many different customers you anticipate serving in a 12-month period. (b) how many times in a 12-month period the average customer returns to purchase something. (c) How much the average customer spends on each visit to your business. $\text{Revenue} = (a) \times (b) \times (c)$

Salary and Wages

Payroll to owner and employees for training and business setup “prior to opening” the business.

Starting Inventory

Includes acquisition cost plus transportation.

Taxes, Licenses, and Permits

Excise tax, inventory tax, real estate tax, sales tax, other non-payroll taxes and licenses, or permit fees as applicable.

Telephone

includes all line charges associated with fax, Internet, and telephone.

Tools and Suppliers

Services, supplies, and tools purchased for use in the business (prior to opening).

Travel

Includes conference, hotel, meal, and transportation charges for securing prospective distributors, suppliers, and customers.

Truck and Vehicle

Includes mileage, parking, tolls, etc. “prior to opening” the business.

Utilities

Water, sewer, gas, electric, etc.

DATE:

NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

DATE:

NOTES