

Thinking about starting a business??

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What's the Advantage?

- Be your own boss, make your own decisions (and mistakes!).
- Your effort benefits YOU directly.
- Potentially high growth and high earnings: get *equity*, not just wages.
- Excitement and satisfaction.



What do I need to Consider?

- Are you a self-starter: decisive, able to take risks, willing to deal with uncertainty?
- Do you plan and organize well?
- Will family and other personal obligations allow for 18+ hour days?
- Can you fund the startup phase?
- Do you have the stomach for sales, marketing, competition, risk...?



What sort of business?

- **Consulting**—sell time and expertise.
- **Manufacturing/Design**—have a product like a device, software, etc.
- **Services**—provide specific solutions, like computer setup, cleaning, delivery, restaurant, custom manufacturing, etc.
- **Franchise**—buy a license to operate an existing business entity (typically retail, but also service).



Basic business types

- **Sole proprietorship**
 - Easy to start: just do it!
 - Few regulations, but also few protections (e.g., liability). Profits go to you personally, but so does "exposure" of both business and personal property.
 - File an IRS Schedule C and handle business income similarly to personal income.
- **Partnership**
 - General and limited partnership.
 - Advisable to get a legal partnership agreement.
 - Need to spell out equity, compensation, distribution, dispute settlements, etc.
- **Corporation**
 - A *corporation* is a separate entity, covered by state laws and regulations, that the law views separately from the owners (shareholders).
 - The primary advantage is limited liability.
 - Corporate entities are subject to taxes and other restrictions.
 - Chapter "S" corporations: taxed on individuals (like a partnership)
 - LLC: Limited Liability Company—has liability advantages and tax advantages.



MONEY: finding startup finances

- Personal savings
- Family gifts and loans
- Money from friends and relatives
- Investors, Bank loans, Other sources (government SBIR program, etc.)
- **Bootstrapping vs. initial financing**



Convincing lenders and investors: the Business Plan

- **Basic Information:** your name, name of business, address, and so forth.
- **Business Description:** what your business does, how long, history, current major assets, etc. Also describe the business structure (legal ownership, incorporation, etc.).
- **Management Profile:** give background and short bio for each owner/manager.
- **Market Description:** describe the market, competitors, your products, your current and potential customers, and how you plan to address the market.
- **Financial Information:** income statements and balance sheets (or reasonable estimates if business is new). Also include personal financial information on each owner.
- **Three year detailed business description:** current assets, projected earnings and justification, explicit assumptions, etc.



Things to think about...

- Most new business “fail” in the economic sense.
- There is lots of support and assistance out there: *people with a lot less education than you have started and maintained successful businesses!*
- Seek out advice and assistance: formal and informal.
- Think very hard before making long-term expenditure commitments.
- Make good professional contacts and collaborations.



Things to think about (cont.)

- **Will you have employees?** Review tax and legal implications.
- **Will you need a facility** or just work out of your home? **Will clients/customers need to visit** your place of work? Investigate licensing and zoning requirements.
- **Learn how to operate in a business-like manner:** get paid for what you do, account for all income and expenditures, maintain professional records, follow through on commitments, etc.
- **RESOURCES:** SBA (small business administration), IRS, Montana business offices, and many, many more.

