



# YOUR GUIDE TO STARTING A NEW BUSINESS

ESSENTIAL TIPS ON STRUCTURING, RUNNING AND GROWING A NEW BUSINESS



**MB**  
**MENTORS**

## OVERVIEW

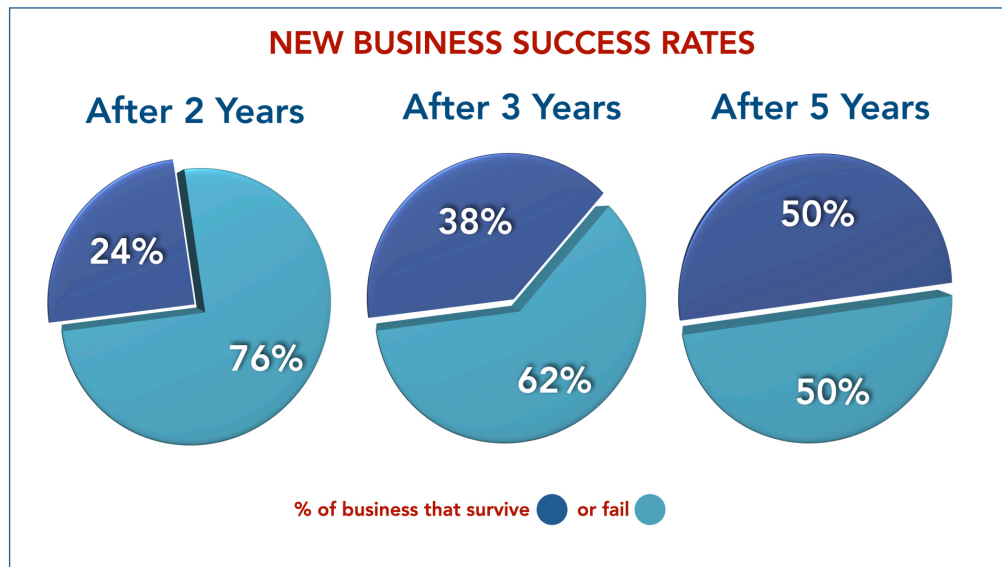
Thinking of starting a new business? If you are, you're going to need the best information and help available. That's what MBMentors does! This short guide, written by our volunteer members, is designed to assist you in your efforts to getting started.

Having the best startup experience requires you to be prepared. This guide will provide you with an overview of 7 Key Areas you need to consider. From writing a business plan to implementation of your marketing strategies, we've covered just some of the things you'll need to know. This guide provides practical advice based on our experience as business owners and mentors. We have included several links throughout to more specific information.

For more in-depth help, please contact us at [info@mbmentors.org](mailto:info@mbmentors.org)

### 1. PLANNING AND PREPARING

Let's start with being prepared. Why is it important? As you can see in the chart below, 50% of new business fail within the first 5 years. The better prepared and planned out you are, the better your odds of being in the 50% that succeed.



#### Are you ready to start your own business?

If this is your first time starting a business, we recommend you begin with a self-assessment. Ask yourself, "do I have the traits of a successful entrepreneur?" It's important to be honest in assessing your traits.

Shown below are a few of the behavioral traits of successful entrepreneurs.

Don't worry if you don't have all of these attributes - most people don't. You can acquire many of these characteristics by learning and practicing them. You can also create an informal board of advisors and get FREE help from MBMentors

For more information on starting your business see: [Starting Your Business Resources](#)

## TRAITS OF SUCCESSFUL ENTREPRENEURS

Optimism	Upbeat, positive outlook on life and work
Emotional resilience	Stable, hardy, emotionally resilient
Self determination	Belief that work success stems from personal initiative
Social networking	Expanding one's business and social contacts through individuals
Self-promotion	Promoting one's self and product or service
Competitiveness	Desire to outperform rivals for business-related purposes
Goal setting	Habit of setting clear business goals and objectives
Work drive	Willingness to work long hours if needed to meet deadlines
Tolerance for financial instability	Ability to tolerate financial unpredictability
Adaptability	Flexible: able to adjust work style to different situations
Autonomy	Need for independence at work, including not having a
Persistence	Ability to work on projects until completed

### A. Business Planning

According to the SBA, "A good business plan guides you through each stage of starting and managing your business. You'll use your business plan as a roadmap for how to structure, run, and grow your new business. It's a way to think through the key elements of your business.

Business plans can help you get funding or bring on new partners. Investors want to feel confident they'll see a return on their investment. Your business plan is the tool you'll use to convince people that working with you – or investing in your company – is a smart choice."

### B. Business Plan Overview

MBMentors can assist you in developing a business plan that meets your needs. Shown below is an overview of just 2 types of business plans we can help business owners with.

#### Feasibility Business Plan

The feasibility business plan is an early stage assessment of a business idea. It contains only limited (preliminary) assumptions concerning business structure, products, services, resources, and other information concerning your business idea. This plan will help you identify key drivers of your business. A driver is an element that is critical to the success or failure of a business.

If your decision is to proceed with your idea, a more detailed "lean startup" or "traditional business plan" should be prepared to confirm your preliminary assumptions. Why? Because the process of developing a detailed business plan will significantly increase your likelihood of success.

### Startup Business Plan

Lean startup business plans are less common but still use a standard structure. They focus on summarizing only the most important points key elements of your plan in a question/answer format. They are typically only a few pages long. There are many versions of lean startup templates, we utilize questions from "21 Question Success Plan" written by Robert Voss.

#### **ARE YOU READY TO START A NEW BUSINESS?**

Shown below are 9 building blocks to help you launch a successful business.

1. Who are your target customers?
2. What are the top 3 problems your customers have?
3. What are 3 possible solutions for these problems?
4. What is your revenue stream?
5. What is your unique value proposition?
6. What is your path to your customers?
7. What are the key metrics you need to measure?
8. What will your cost structure look like?
9. Will you have an unfair advantage in any area?

For more information on business planning see: [How to Write a Business Plan for Your Startup](#)

## **2. LEGAL STRUCTURE**

Choosing how your business will be structured is one of the fundamental decisions you will have to make. The 6 most common ways to structure a business are:

1. Sole proprietorship
2. Partnership
3. Limited Liability Company (LLC)
4. S Corporation
5. C Corporation
6. Non-Profit

Below we review the top 5.

### *1. Sole Proprietorship*

In a sole proprietorship, the business is owned and controlled by one individual. The sole proprietorship is a popular business form due to its simplicity, ease of setup, and minimal cost. However, this is not a legal entity. It only refers to a person who owns the business. A distinct disadvantage is the owner of a sole proprietorship remains personally liable for all the business's debts.

## 2. Partnership

A partnership lets two or more people or entities share the risks and rewards of a business venture.

If you set-up your business as a partnership, personal liability is a major concern. Partners are personally liable for the partnership's obligations and debts. We recommend you draft a partnership agreement detailing the authority and responsibilities of each partner. This includes; how decisions are made, how disputes are resolved and how to handle a potential buyout.

## 3. Limited Liability Company (LLC)

Forming an LLC is the simplest way of structuring your business to protect personal assets in case your business is sued. An LLC is a business structure where members of the company are not held personally liable for company debt. Business income and loss are passed through to the member and is included in his/her taxable income and taxed at each member's income tax rate. We recommend consulting an attorney experienced in drafting an LLC operating agreement.

## 4. "S" Corporation

An "S" corporation is often more attractive to small-business owners than a "C" corporation. With an "S" corporation, income and losses are passed through to shareholders and included on their individual tax returns. As a result, there's just one level of federal tax to pay. An "S" corporation must have no more than 100 shareholders. "S" corporations do come with some downsides. For example, the legal and accounting costs of setting up an "S" corporation are higher than an LLC or Partnership and they have more paperwork. However, they may provide you more tax benefits than an LLC. Again, consulting an attorney is the best route to take when deciding.

## 5. "C" Corporations

A "C" corporation is a distinct legal person or entity. A "C" corporation:

- Pays its own taxes.
- Can be sued in its own name.
- Makes contracts in its own name.
- Pays business taxes and shareholders pay a second tax on dividends.

A "C" corporation is the most complex type of business structure to establish.

### **CONSULT AN ATTORNEY!**

Because selecting a legal structure can have a lasting impact on your success, you taxes and income you should consult an attorney experienced in setting up legal structures for small businesses.

For more information on legal structures see: [Choose A Business Entity](#) from the Small Business Association.

### 3. ADMINISTRATIVE TASKS

All new businesses face a number of administrative tasks that must be done before you can start your business. Shown below are 4 key tasks associated with starting your business.

1. Naming Your Business

Choosing a name is a fundamental step in starting a business. Besides reflecting the unique identify of your brand a good name should be available for use on the web and social media.

**WHEN SELECTING A BUSINESS NAME ASK THE FOLLOWING QUESTIONS:**

- Is the name unique from your competitors?
- What image do you want to communicate?
- Is the name available to be registered?
- Can the name be misunderstood?
- Remember to avoid any potential trademark issues.

2. Register Your Business

All businesses in Minnesota must register with the Office of the Minnesota Secretary of State. Before registering your business, you will need to decide on its' legal structure.

3. Apply for a Federal Employee Identification Number

A Federal EIN is a nine-digit number assigned by the Internal Revenue Service. It's used for tax filling and reporting purposes. You can apply for an EIN online with the IRS

4. Apply for a Minnesota Tax ID Number

A Minnesota Tax ID Number is a seven-digit number used to report and pay Minnesota business taxes. You can apply online for a tax ID at the Minnesota Department of Revenue

### 4. FINANCES

#### Setting Up Your Finances

When you have finished registering your business and applying for your ID's you should open a business checking account. It is important to keep your business banking separate from your personal banking. It's not enough to just keep separate records. You should actually keep the money physically separate in different bank accounts. Co-mingling funds can result in losing owner liability protection.

Establishing dedicated finances makes it easier to monitor your cash flow and present a more professional image to your clients and vendors. It also helps build a credit history in the name of the business that's essential for future borrowing.

## Funding Your Business

A mistake many new business owners' make is not raising enough capital to operate the business.

The primary sources of capital are:

- Personal finances
- Family members and friends
- Supplier financing
- Small Business Administration
- Local banks and credit unions

Many lenders and potential investors are interested in seeing the owner has invested some of their own funds in the business. This indicates you are committed to your idea.

Two alternative funding options include:

1. **Equipment financing:** Equipment financing is the use of a loan or lease to purchase business-related equipment, such as a restaurant oven, or a copier scanner. Rates and terms will vary depending on your qualifications and market conditions.
2. **Factoring:** Factoring involves the sale of all receivables to a third-party lender in order to raise funds.

For more information on financial information see: [The Basics of Financing a Business](#)

## Set Up a Good Accounting System

"When you are just initiating your business, you don't require something fancy for bookkeeping. There are many good options on the market that are simple and convenient for new business. Systems like QuickBooks and Xero are user-friendly and inexpensive, which is exactly what a business such as yours requires at this point in time. There are also some free options for you if you are short on cash, however, they will only offer very limited features.

A simple accounting function will take care of everything related to your payroll, invoicing, bookkeeping, and payments, which takes care of most of your basic needs. Be sure to check all features before implementing a system and ask for a demo so you get a fair idea about its functionality." (Source: Complete Controller, 7 Essentials for Setting Up Your Accounting System)

For more information on setting Up your accounting system see: [7 Essential for Setting Up Your Accounting System](#)

## 5. OPERATIONS

Before you start operating you should ensure all of the systems and procedures you need are in place and operating correctly. The systems and procedures utilized will vary by business type.

Shown below are few items to consider when starting your business.

- Location: For retailers select a location near a large number of your prospective customers. For professional services, pick a location that is inviting and has adequate parking. For wholesale or manufacturing businesses consider the need for production, storage, shipping and receiving, and power.
- Equipment: If your business requires significant expenses for equipment, consider leasing rather than purchasing.
- Technology: Consider outsourcing your technology needs (hardware, software, networking, and security). It may be less expensive overall. Remember you can't manage the business if you are working on technology problems.
- Employees: Good employees can be a tremendous asset but a huge time commitment to find. Consider using an employment specialist who can find employees that fit and reduces your potential liability risks.
- Partners (vendors, suppliers, or distributors): Don't over emphasize cost. Also consider quality, reliability, and longevity. A great partner can be a valuable resource.
- Insurance: Whether you are starting a new business, or you are an existing business entrepreneur, it is important to understand your business insurance needs.

## 6. CASH FLOW

More than anything else in their businesses, smart small-business owners stay on top of their cash flow, monitoring cash flow statements monthly or even weekly to keep their eye on the pulse of their business. These critical numbers tell you just how much is coming in and how much is going out of your business. Making more than you're spending? It's all good. Cash flow regularly edging into the red? Not so good.

9 tips to manage your cash flow:

1. Keep your books accurate and up to date
2. Bill receivables quickly and collect on a timely basis
3. Extend payables as long as possible
4. Boost sales with incentives
5. Build a cash reserve
6. Use technology
7. Monitor your cash flow on a regular basis
8. Keep your business and personal finances separate
9. Focus on cash flow management, not profits

For more information on controlling cash flow see: [Controlling Cash Flow: A Key to Staying in Business](#)



## 7. MARKETING

According to Forbes, you should prioritize the following marketing strategies to spread the word about your startup.

- Send Emails: Email marketing is an essential strategy for attracting customers to your startup for little or no cost. Once you have a prospect or customer's email address, you can send him or her emails to promote your startup.
- Start a Blog: Blogging is a powerful strategy that can help your startup generate the exposure it needs. One report found businesses with blogs generate 126% more leads than their competitors without blogs. With a blog, you can position your startup as a leading source while also attracting organic search traffic to your site.
- Post on Social Media: You must post engaging, relevant content that gives users a reason to follow your account. And once you've attracted followers, you should encourage them to stay by responding to their questions and comments.
- Use Paid Search Advertising: Paid search advertising allows you to buy laser-targeted traffic from search engines like Google and Bing.
- Sponsor an Event: Sponsoring a local event can help get your startup on your prospects' radar. You'll pay the event's organizers a small fee to become a sponsor and promote your business with signs, stationary, banners, booths and other marketing materials at the event. It's a mutually beneficial arrangement that's highly effective at driving sales when done correctly.

For more information on digital marketing see: [The Ultimate Guide to Digital Marketing](#)

## CONCLUSION

These 7 factors are just some of the basics you'll need to know and be able to do when starting your business. As you can imagine, there are a lot of other tasks associated with building a viable business. That's why we started our volunteer nonprofit organization. With our combined 300+ years of experience in starting and running businesses, we can assist you for free!

For advice on structuring, running, and growing your new business, go online to [mbmentors.org](http://mbmentors.org) and make an appointment with one of our mentors or call Minneapolis Business Mentors at 612-516-5342.

Good luck!

## **ABOUT MBMENTORS**

**MBMENTORS** is a premier source of small business advice for entrepreneurs and established businesses. We were founded and are staffed by experienced executives and business owners. We are a volunteer, nonprofit organization whose mission is to promote the success of entrepreneurs and small businesses in Minnesota and the upper Midwest. As a non-profit we don't sell anything to make money. We *empower* people to fulfill their dreams and goals of becoming business owners. For current small business owners, we provide our knowledge, skills, expertise and talents to help *develop* them into better operators.

We offer **FREE** Mentoring, Webinars, Business Plan advice. We also facilitate CEO Roundtables Forums™ for small business CEO's/President's/owners to meet on an ongoing basis. Our Advisory Council is for small business owners who are seeking feedback on their plans for growth, financing, marketing, sales strategies, acquisition or exiting the business.

### **WE ARE FOCUSED ON YOUR UNIQUE BUSINESS NEEDS**

We customize our mentoring to meet your unique needs and goals. We promote and empower the success of prospective and existing small business owners.

### **WE OFFER YOU EXPERIENCED ADVISE, FACILITATORS AND ADVISORS**

Our volunteers have over 500 years of combined business experience as executives and business owners. We are entrepreneurs and have started our own businesses. We know what it's like to build from the ground up. We help empower and develop your business acumen.

### **WE ARE ACCESSIBLE TO YOU**

You can self-schedule a mentor based on where, how, and when you want to meet. We are available to you via Zoom, phone, email and face-to-face. We differentiate ourselves by our flexibility to meet our clients time needs.

#### **Contact us:**

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