

How To Successfully Run a Small Business

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Abstract

Have you ever wanted to start your own business but are not sure how to start are make sure it is run successfully? In this paper, I will be discussing what it takes to run a small business and the steps in making your small business successful. These steps include refining your idea/ figuring out what you want to sell, writing a business plan, projecting your financials, deciding the entity of your business, registering with the government/ IRS, purchasing an insurance policy, building your team, advertising your company, and growing your business. Following these steps will ensure that you start your small business correctly and put you on the right track to keep your business successful and profitable.

Introduction

Why work for somebody when you can work for yourself? That is the exact question my father asked me when we talked about my future career. I had always admired my father for having the courage to start his own business. Not very many people believed that a young man selling air compressors would be able to run his own energy conservation company. My father's ability to diligently work from the very bottom, having zero experience in management and extremely limited experience in sales, has been able to make his business remarkably successful since starting it in 2008. Growing up and learning from a leader such as my father has taught me the attributes and personalities that make a great leader. My father has also shown me firsthand the benefits of owning your own small company as well as the challenges, and setbacks.

What Are You Providing?

The first step in starting your small business is to refine your idea or figure out exactly what you want to sell. If you are thinking about even starting a business then you must have some type of idea of what you want to sell, either that is online or in person. You don't have to sell an item or product; you can also sell a service. This service could be a lawn care company, pressure washing company, pet sitting, or mobile car wash / detailing. After you have figured out what you want to sell, you will need to complete a competitive analysis of the market to search for existing companies in your area. The analysis would include the target market, product features, market share and revenue, along with their marketing and social media presence. Learn what current brand leaders are doing and figure out how you can do it better (Stowers, 2023). Before you eventually figure out exactly what you want to sell you will need to define your why in developing a Mission Statement and Purpose along with defining your Core Values. The Mission Statement is a short description of why the organization exists, what are the overall

goals, operational goals, and what service or product you will be offering to your client. These documents will be your building blocks for the company not only in the initial years of business, but also as the company continues to grow in future years. Each document helps to define why you are starting this business and what you are wanting to accomplish. There are many reasons why one would want to start a business, including wanting to be your own boss, turn your passion into profit, improve the lives of others, be able to travel, or just want to make more money. After you have defined your why, you will need to brainstorm ideas for a business name. It would be beneficial to tie your business name into what you are selling and your why. A search will need to be made of the selected name to make sure there are not any negative connotations or any other companies with this name. The next part of this is very essential and must be done correctly, you'll need to find and identify your target audience from the competitive analysis. Putting more time and resources into a region, demographic or class of buyers who are more likely to buy your product will help you effectively allocate your marketing budget. Conducting a marketing analysis will help you figure out what your ideal customer looks like. A market analysis provides information about industries, customers, competitors, identify gaps to differentiate your product, barriers to entry in the market and other market variables. Market analysis is a large part of market research and an important component of a business plan. Based on the analysis a specific market is considered, and with the results from this, you will be able to identify the opportunities and risks of that particular market. If there is no market for your potential business, then you will need to brainstorm other business ideas.

Business Plan

The second step in starting your small business is to write a business plan. A business plan is a written outline that you present to others, such as investors, whom you want to recruit into your venture (Schooley, 2023). In your pitch, you will discuss the goals of your start-up and your expectations of being profitable, while maintaining your mission statement. Writing a business plan will help you understand more clearly what you need to do to reach your goals. There are three main reasons why you should have a business plan: establish a business focus, secure funding, and attract executives. Establishing a business focus: will help form plans for the future. These plans should include goals or milestones alongside detailed steps on how your company will reach each step. Secure funding: one of the first things a private investor, bank, or other lender looks for before investing is a well-researched business plan. Investors want to know how you operate your business, what are your projected revenues and expenses and how they will receive a return on their investment. Attract executives: a business plan will help you attract executive talent and determine whether or not they are a good fit for your company. There are two different types of business plans: simple and traditional. A simple business plan focuses on a few key metrics to quickly share data with investors. A traditional plan is a long, descriptive, and detailed plan that illustrates both short and long-term goals. A simple business plan is a picture comprised of nine sections with each part of the plan containing high-value information and metrics to attract investors. The business plan often consists of a single page of information with a problem, a solution, key metrics, unique propositions, unfair advantages, channels, customer targets, cost structures, and revenue streams. Traditional plans are lengthy documents usually around 30-40 pages, and serves as a blueprint for a new company, outlining its development from the time of launch to several years later when the startup has become an

established company. Executive summary, company description, products and services, market analysis, management team, financial plan, operational plan, and appendices are included in the plan. The executive summary is the most important section because it needs to draw your readers into your plan and entice them to continue reading. When you write your executive summary you need to summarize the market needs you aim to solve, your solution for consumers, an overview of founders/owners, and key financial details. The company description is an overview of your entire business. It is necessary to include basic information, such as when your company was founded, the type of business it is (LLC, partnership, S or C corporation), and the state it is registered in. You will then need to describe the products and services your business provides. The goal of doing so will show that your business fills a need in the market and that the company will remain viable in the future. As previously stated in the Market Analysis is when you will clearly define who your target audience is, where you will find them, as well as how you will deliver your product and or service to them. Before anyone invests in your business, they will want a complete understanding of the potential investment. The management team section should illustrate how your business is organized. This section should also list key members of the management team such as founders / owners, board members, advisors, etc. The financial plan should include a detailed overview of your finances. At the very least you should include cash flow statements, as well as profit and loss projections over the next three to five years. Investors will want detailed information to confirm the viability of your business idea, so expect to provide an income statement. The income statement will list revenue, expenses, and profit. The cash flow projection will forecast whether your business is a high or low-risk venture. The cash flow projection will also show you whether you will benefit more from short-term or long-term financing. A break-even analysis or analysis of the break-even point should also be included in

your financial plan. The break-even point is the point where your company's sales total covers all of its expenses. This will be discussed in more detail later in the document. The final part of your business plan is the operational plan. The operational plan details the physical needs for your business. This includes the location of the business, along with the required equipment or facilities needed to make your products. You will want to divide the operational plan into two different phases, which is the developmental plan and the production plan. The developmental plan describes every step of the marketing of your product or service. To show investors that you've considered all potential liabilities and that your company is well positioned for success, you want to outline the risks and the precautions you're taking. The production plan includes details about your day-to-day operations, such as your business hours, the location(s) where you operate, your company's assets, equipment, raw materials, and any special needs.

Project Financials

The third step in starting your small business is to assess your finances. Because they run out of money before making a profit, many startups fail. It's never a bad idea to estimate your startup costs because it may take some time before the company starts to generate stable income. According to the U.S. Small Business Administration, most microbusinesses cost around \$3,000 to start, while most home-based franchises cost around \$2,000 to \$5,000 (Caramela, 2023). You will need to have a plan that will help you secure the cover of your finances in the first month. When figuring this out you need to determine how you will cover these costs. It is obviously more beneficial for you to have the means to fund your startup, but if not, you can always borrow money. When planning your costs, it is crucial that you do not underestimate the expenses. You will then need to understand the type of costs you have. One-time expenses will be most relevant in the startup phase, these one-time expenses are usually large costs. When you pay for the one-

time expense, you will most likely pay more money than the money coming in for the month, meaning your cash flow will be disrupted for that month and will need to make up for it in the next month. On-going costs are paid on a regular basis and include expenses such as utilities. Fixed expenses such as rent are consistent from month to month, whereas variable costs are dependent on the direct sale of products or services. Most common startup expenses consist of web hosting and other website costs, rental space for an office, office furniture, labor, basic supplies and technology, insurance, license or permit fees, advertising or promotions, and business plan costs. Depending on your type of business, some of these items will not be on your list of expenses. Some other typical costs for start-ups include rent which would have an estimated cost of \$2,750. A website for which the typical cost is \$2,000, which will be for paying someone to design and host the site, or you could also do this yourself. Payroll, with an average of 5 employees who will make \$35,000 a year which ends up at \$175,000. The cost of advertising will be around \$5,000. Projecting the company's cash flow is another crucial part of financial planning for startups. You will need to project your company's cash flow for the first three months. This will also include adding up not only fixed costs but also the estimated costs of goods along with best and worst-case revenues. After defining your start-up costs, you will need to perform a break-even analysis. The formula is as follows: $\text{Fixed Costs} \div (\text{Average Price Per Unit} - \text{Variable Costs}) = \text{Break-Even Point}$. This formula will show you the bare minimum performance your business will need to do to avoid losing money, this also shows where your profits come from so you can set production goals accordingly. Determining profitability, the price of product or service, and analyzing data are three reasons why you should conduct a break-even point. It is advised to start your business without borrowing money if financially possible, and there are reasons because of this. Borrowing money will put a lot of pressure on

you, along with not leaving much room at all for errors. But if you do have to borrow the money you should stay close to your lender to make sure your business is financially able to handle the commitment. When you are financially able to pay the money back it is best to pay as soon as possible because it will cost you less in interest. The final part of assessing your finances is to figure out your financing methods. After calculating your expenses and forecasting your cash flow, you must decide how to approach financing. Personal savings, loans from family or friends, government, and bank loans, along with government grants are all examples of funding sources. Establishing business credit and other types of credit can accumulate additional funding.

Legal Business Structure

Deciding what type of entity your business will be is needed before registering the business. Your type of business structure legally affects everything you do. Your business's legal structure determines your tax rates, management and paperwork requirements, fundraising abilities and more (Stowers, 2023). A business legal structure, also referred to as a business entity, is a category of government that controls particular facets of your company. Your business's legal structure affects your tax liability at the federal level and can have liability effects on the state level. Some factors to consider before choosing a business structure include flexibility, complexity, liability, taxes, control, capital investment, along with license, permits and regulations. Sole proprietorships, partnerships, limited liability companies (LLC), and corporations are the common types of business entities. In a sole proprietorship one person is responsible for a company's profits and debts. Advantages of a sole proprietorship include easy set-up, low cost, tax reductions, and an easy exit. A partnership is a business that has two or more owners. There are two kinds: general partnerships, in which all partners share equally in the profits, and limited partnerships, in which only one partner oversees daily business

operations while the other partner (or partners) contributes to and shares in the profits.

Advantages of partnerships include easy formation, growth potential, and special taxations. An LLC is a hybrid structure that combines the tax and flexibility advantages of a partnership with the ability for owners, partners, or shareholders to reduce their personal liabilities. Benefits an LLC can offer include separate legal identity, limited liability, perpetual existence, flexible management structure, free transferability of financial interests, and pass-through taxations (CT Corporation, 2022). In a corporation the law regards it as separate from its owners, with legal rights independent of its owners.

Register with the Government and IRS

Acquiring a business license will be required before you can legally operate your business. Registering your company with federal, state, and local governments will be required. Several documents must be prepared before registering your business. Articles of Incorporation is one of those documents. This document provides the business name, business purpose, corporate structure, stock details, if applicable, and other information on your company. An LLC will need an operating agreement. This agreement is a key document used by LLCs because it outlines the business's financial and functional decisions including rules, regulations, and provisions. The purpose of this document is to govern the internal operations of the business in a way that suits the specific needs of the business owners (Nwatu, 2016). The operating agreement is needed to protect the business' limited liability status, clarify verbal agreements, and to protect your agreement in the eyes of the state. An employee identification number (EIN) is used to file federal and state taxes, quarterly and annually. You can file for an EIN online which is free. Income tax forms will be needed because they are official government documents you are required to fill out when paying your taxes.

Purchase an Insurance Policy

Purchasing the right insurance for your business is an important step before launching your business, although it is a very overlooked step to take. Business insurance is a form of risk management used to protect you and your company from financial loss in the event of an accident or crisis (Schooley, 2023). Businesses with employees will need to purchase worker's compensation and unemployment insurance. A general liability (GL) insurance or a business owners policy will be needed. GL covers property damage, bodily injury, and personal injury to another person or property. If you wish to combine general liability insurance and property coverage, you can purchase a business owners policy (BOP). BOP provides liability coverage for customer injury, property damage, and product related claims along with commercial building and moveable property coverage. Professional liability insurance or errors and omissions (E&O) insurance protects companies that offer personal services.

Build Your Team

Hiring people who can take on multiple roles will be key until you can expand further. A president, general manager, and chief financial officer (CFO) will be the big-name titles that will be the first employees. A president will look over the company, the operations manager will run the company, and the CFO will take care of finances. You don't need to worry about hiring people for certain positions, especially when you are a small business due to lack of financials. Multi-talented hires are more beneficial, especially ones who are flexible and willing to take on different tasks.

Brand Yourself and Advertise

Before you begin marketing your product or service, you need to establish your brand recognition and amass a fan base of clients who will support you when you open your doors for business. Taking your reputation online and building a company website. Having a website is a great way to interact with current and potential customers. Many customers turn to the internet to learn more information on different businesses and having a website will provide the data and will show proof of your business. Using social media is another great way to interact with customers. You can use social media to spread the word about your new business, possibly to offer discounts or promotions to get people interested in the business. This will also help get people interested in your company when it first launches. Depending on your target market, you can use different social media platforms such as LinkedIn, Instagram, Twitter, Facebook, and TikTok. Customer relationship management software (CRM) enables sales professionals and marketing teams to track all interactions that have taken place with a prospect or customer (Hale, 2023). Creating a logo will help people easily identify your brand. A marketing plan will identify your target audience, the most effective channels on which to engage with them, and analytical insights to guide further strategy. Ask your current and potential clients for their permission to communicate with them as you develop your brand, the use of opt-in consent forms is the simplest way to accomplish this. Opt-in forms is a great way to build trust and respect with potential customers, but more importantly it is required by law.

Grow your Business

Your task as an entrepreneur doesn't end with your launch and initial sales. You must constantly expand your company if you want to turn a profit and keep your business alive. While doing so requires time and effort, you are going to receive what you put into your business. A

great way to achieve growth is to partner with more well-known brands in your sector. Join forces with a charitable organization and donate some of your time or goods to raise awareness of your brand.

Tying it all Together

Starting a small business is not an easy task, but I have run you through the nine important steps when starting your small business and ensuring you will run it successfully. Even with all of the steps I have provided and in-depth detail, there will never be a perfect plan. You need to be able to adapt and do what must be done to make sure all your hard work sees a reward. If you can believe in your product or service and keep diligently improving your company every day, you will be well on your way to running a successful business.

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