

Starting Your Own Business

INTRODUCTION

You are thinking of going into business. You should know from the start that owning and operating a business is always a risk, and that at least fifty percent (50%) of new businesses fail. Nevertheless, research indicates that many business failures could be avoided by better planning and preparation which reduces the risk.

This brochure has been prepared to help you understand the important elements in starting a business, and covers the following:-

- ☞ Management Requirements
- ☞ Common Characteristics of Entrepreneurs
- ☞ Starting the Business
- ☞ Legal, Technical and Financial Aspects
- ☞ Marketing
- ☞ Record Keeping
- ☞ People Skills

MANAGEMENT REQUIREMENTS

Do you have what it takes to own or manage a small business or micro enterprise?

First you must recognize that while you may be the owner of the business, you are also an EMPLOYEE and as the most important EMPLOYEE, you have to decide if you can handle the job.

Some questions to ask yourself are:-

- ☞ How well have I prepared myself for undertaking this venture?
- ☞ Do I understand the business I am getting into?
- ☞ Can I plan and organise well?
- ☞ Do I get along with different kinds of people?
- ☞ Do I delay in making decisions?
- ☞ Am I strong and emotionally fit?
- ☞ Can I sustain interest in my business, even in “hard times”?
- ☞ Is my family encouraging me?
- ☞ Can I work hard, long hours, day after day?
- ☞ How well do I accept advice?
- ☞ Do I know the market for what I am selling?
- ☞ Am I prepared to make the sacrifice involved in running a business?

What Business should I choose?

The best business is the one you either know well or are very interested in. You must be deeply committed to making the business a success, for when problems arise you will easily lose interest and give up. To ensure success you have to match up your skills, experience and sound business management practices with what your customers want in your product or service.

Why do I need to outline my Business in detail?

You might think you know what you are about, so there is no need to spell it out. Many persons however, never decide what business they are really in and end up in the wrong line of business. Take for example a man selling watches and also repairing them; the repair service grows and he focuses his attention on this area and neglects the sales. The sales area may become more profitable and he realises too late that he is losing money, by concentrating on repairs.

How do I become an owner of a Business?

There are mainly four (4) ways to become the owner of a business and you should examine the alternatives.

1. Starting a New Business

Creating a new business requires the greatest amount of creativity, planning, self-motivation and financial risk. The failure rate is highest here (as high as 75%) and financing can be difficult to arrange.

However, a new business also offers the highest sense of accomplishment and the strongest feeling of independence.

2. ***Buy an Existing Business***

An existing business usually has a proven track record and known customers, and can therefore attract financing much easier. It is also easier to project future performance. However, you should take time to understand why the business is being sold, how the price is calculated, and what factors will have a positive or negative effect on the business under your ownership.

3. ***Inherit or Marry into a Business***

When operated properly, such a business which is normally family-owned and operated, can offer a high level of support, loyalty and long-term commitment to the success of the enterprise. However, you must be conscious of the possible problems of family-run businesses such as, little competence or interest in the businesses and poorer decision making where personal relationships, rather than sound business management, influence decisions.

4. ***Purchase a Franchise***

Purchasing a franchise is increasing in popularity in Trinidad and Tobago and is a sound way to start a business, provided the franchiser is reputable. Franchises provide the opportunity for training, technical assistance and management guidance and have a better than average rate of success.

What is a BUSINESS PLAN and why do I need one?

A BUSINESS PLAN is a written form of the ideas and project plans you have in your mind. A business plan helps you to explain your business idea, determine the cost, plan the use of your resources, handle difficulties, identify strengths, weaknesses, opportunities and threats and make the right decision.

A business plan includes a Balance Sheet which shows the assets you have and what you have to pay out; an Income Statement which lists the money you earn from sales and the Expenses you have; and a Cash Flow Statement which shows the cash coming into the business and cash leaving the business. Most important, the Business Plan will show how the business will repay any possible loans and the marketing strategies identified to guide the business in obtaining its objectives.

What does it take to succeed in business?

- ☞ Good management practices
- ☞ Experience in the type of business
- ☞ Technical support
- ☞ An ability to plan and organise work

If you are lacking in any of these areas you will need to undergo training or look for a partner who is strong in the areas where you are weak.

Common Characteristics of Entrepreneurs

Do Entrepreneurs have common characteristics?

There is no magic formula for creating the successful entrepreneur or business personality. However, small business persons tend to have an above-average amount of the following five (5) characteristics:

1. ***Common Sense***

Often, in running a small business, important judgements have to be made on the basis of incomplete or inadequate data, and the ability to quickly figure out what makes sense becomes crucial. Common sense is therefore an invaluable asset in making the hundreds of decisions that determine the success of a business.

2. ***Ability to learn from Mistakes***

Every business person makes mistakes.

Those who succeed are able to:

- ☞ Recognize where and why they went wrong
- ☞ View their errors as learning opportunities
- ☞ Modify their actions to avoid making the same mistakes over and over again.

3. ***Responsibility and Commitment***

In the first five (5) years of operating a business, good small business owners work longer and harder than ever before. Success, in fact, depends on the amount of quality time and quantity time you are willing to spend.

4. ***Self Confidence***

Small business ownership requires the individual to feel good enough about him/herself to be able to inspire confidence amount customers, suppliers, financiers, employees and other supporters. Running your own business is impossible if you are full of self-doubt or indecision.

5. ***Perseverance***

Success comes to those who do not surrender. You cannot operate a business without meeting serious set-backs, obstacles and defeats along the way. The single most important characteristic of the small business person is the ability to overcome disappointment or “roll with the punches”.

STARTING THE BUSINESS

LOCATION

Is location important?

For most businesses, the location determines whether it will be a success or failure. If you are selling something from a shop or boutique, you have to be where people can see you and reach you easily.

For other types of businesses, you might need a reliable electricity or adequate water supply, or need to be near to appropriate transport. You should therefore take these things into consideration when deciding on the location of your business.

Can I operate a business from my home?

Yes. In fact, a growing number of persons are doing so, especially housewives and young persons now starting out in business. You need, however, to ensure that you obey the rules and regulations embodied in the law. You should check with the Town and Country Planning Division and other Regulatory bodies.

Legal Aspects

What are the key legal questions?

- ☞ Am I going to operate as a sole proprietor; partnership; limited liability company or co-operative?
- ☞ Do I have to register my business?
- ☞ If I am in partnership with others, is a partnership agreement necessary?
- ☞ What licences and permits are required from Government agencies?

The advice of a Professional would be useful in answering some of these questions.

TECHNICAL ASPECTS

Is knowledge of the Technical Aspects of the Business important?

As a small business person, you must either have the required technical knowledge of how to manufacture the product or perform the service you offer, or be able to obtain that expertise easily. Knowledge of the machinery and process you will be using is crucial to the success of the business.

Have I checked whether plant and equipment are available?

In planning your business you have to be certain that all the items of plant and equipment are available locally or can be imported easily. You must also be aware of the availability of spare parts and maintenance services.

FINANCIAL ASPECTS

How much money do I need to get started?

As the owner of the business, you have to calculate this figure. You should include the cost of any building and equipment (capital) as well as your monthly operating expenses for twelve (12) months on a month by month basis (working capital). These expenses should include your salary, utilities, rent, loan repayment, raw material, advertising, etc.

Financial discipline is vital to success and in this regard business and household/personal expenses must be separated.

Where do I get the money for the Business?

The first step is to put into the business whatever money you have because this is the test of your seriousness. You can also raise money from family, friends or a business partner.

The next step is to go to a lender, such as a commercial bank, credit union or insurance company and present your business proposal. They may lend you if they think you have a good project, but you must have some collateral or stake in the business.

Can I get a loan with little collateral?

Yes, but you must have a good project. It should be a winner and as owner you should have a stake in the business. The Small Business Development Company (SBDC) stands guarantor for amounts of up to fifty percent (50%), for loans to businesses over one year old and up to eighty-five percent (85%), for businesses under one year old as well as micro enterprises. The difference between the amount of the loan and what the SBDC guarantees will have to be your contribution or you will have to convince the lender to take the risk for that part. The Trinidad and Tobago Development Foundation (FUND AID) and Women's World Banking of Trinidad and Tobago (WWB) also act as guarantors and lenders for micro enterprises and should be consulted.

Can I get a loan with NO COLLATERAL?

From the commercial banks this is unlikely, unless your business proposal is judged to be very low risk or you are a known customer. To start a business with no collateral you will need to obtain a business partner with assets or private guarantors willing to back you, such as family or close friends.

MARKETING

What is Marketing all about?

Marketing involves all those activities a business should undertake to find out in what form the product or service being sold should be presented to the customer to ensure satisfaction.

Marketing is your most important tool and covers seven (7) major areas called the “7Ps”:

Product	The item or service you sell.
Price	The amount you charge.
Promotion	The ways you inform your market about your product or service.
Place	The point at which your products or services can be located.
People	Defining who exactly are your customers.
Period	Knowing when people will buy your product.
Packaging	Determining how best to present your product or service.

You can see that marketing involves researching your customers to find out what they want, what they can afford and what they think. The success of your business depends on finding answers to such questions. Also, you must determine what special benefits you are going to offer your customers, e.g. price, convenience, service, design, etc., and how this relates to your competition.

How can you know the size of your market?

You have to decide who are your customers, where they live or work, and how many of them are there in the particular area you are going to serve. After deciding how many, then you have to figure out what percentage you can get as your customers. If you are the only business person, then you may get all the business. However, if you have other competitors, then you have to figure out how many customers you can attract, remembering that you have to share the market with other business persons.

How do I set my prices?

The price you set will depend on your pricing strategy. You need to know what segment of the market you are aiming at, whether high priced or low priced. However, your operation can be profitable only if your cost of inputs (materials, labour, overheads) are less than the price charged.

Record Keeping

Should I keep financial records?

Record keeping is important if you are to know whether you are making or losing money. Also, you need to keep financial records for tax purposes, obtaining loans and when you wish to sell the business. Records will help you to decide when to spend, how much to spend and how much money will be left over after you spend.

What other records should I keep?

Generally, you would have a Sales, Purchases and Expense Ledger, a Cash/Bank Book and a Journal.

Depending on the kind of business you have, there are other records you may have to keep, such as National Insurance, Health Surcharge and other matters which affect employees, should you have any.

People Skills

Is dealing with people important?

In most businesses success is determined by how well we deal with people - our customers, suppliers, sales persons, employees. The small business person must develop sharp people skills, because he/she relates directly with the general public.

Where do I go from here?

You have done your homework. You have a completed business plan or have all the facts and figures. You know where you want to operate. You know how much cash you will need. You have solid information on suppliers and customers.

If you have all the above, you can go directly to the branch of Republic Bank Limited which is most convenient to you.

Who can help?

There are several developmental agencies which can help with your business needs, and you should find out what they do and how they can help you.

The main agencies are:

Small Business Development Company Limited (SBDC)

Loan Guarantees, Business Advice, Training and Information

Tourism & Industrial Development Company of Trinidad & Tobago Limited (TIDCO)

Tourism Marketing and Development, Trade Facilitation, Market Development, Investment and Export Promotion & Facilitation.

Caribbean Industrial Research Institute

Technical and Technological aspects of Projects, Feasibility Studies, Research and Information

Trinidad and Tobago Bureau of Standards

Manufacturing standards and Labelling, Testing and Certification and Information.

Youth Training and Employment Partnership Programme Company Limited (YTEPP)

Training