

Top 15 Questions From SCORE

by SCORE

1. What kind of person makes a successful entrepreneur?

Research of successful entrepreneurs has documented that successful small business people have certain common characteristics. This checklist cannot predict success, but it can give you an idea of whether you will have a head start or a handicap with which to work. How do you measure up? Ask yourself these questions:

- Can I persevere through tough times?
- Do I have a strong desire to be my own boss?
- Do the judgments I make in life regularly turn out well?
- Do I have an ability to conceptualize the whole of a business?
- Do I possess the high level of energy, sustainable over long hours, to make a business successful?
- Do I have significant specialized business experience?

While not every successful business owner starts with a “yes” answer to all these questions, three or four “no’s” and undecided answers should make you think twice about going it alone right now. But, don’t be discouraged. Seek extra training and support with help from a skilled team of business advisors such as accountants, bankers, attorneys and SCORE counselors.

2. How do I determine whether I am capable of starting a business?

Small business owners have many things in common. Below are some of the qualities you will need to be successful.

- **Willingness to sacrifice** – If you enjoy working 9-5, do not go into business for yourself. Entrepreneurship often requires many more hours beyond the forty-hour work week.
- **Interpersonal skills** – You will be required to interact with a host of people other than customers: lawyers, employees, salespeople. If you do not like talking to people you do not know, better keep your day job.
- **Leadership ability** – You will be the one everyone turns to for the answers. Are you ready to call the shots?
- **Optimism** – Being able to hang in there when business gets tough is an important quality in small business owners.

Compare your skills and expertise with others who are successful in similar businesses. Can you duplicate and surpass the capability of other successful businesses? What unique skills, or “edge,” can you provide to obtain a sufficient share of total market?

Review business journals, trade magazines and other comparative studies that identify the requirements to operate the business. From that information, derive a formula for the skills and traits you plan to incorporate into the business operation.

3. Why is a business plan important and who should write it?

A business plan is important because it summarizes both your vision for the company and your blueprint for the company’s operating success. The business plan is a written guide that details the start-up and the future direction of your company. Who should write the plan? You, the entrepreneur. No one else knows your business idea and goals better. Yes, there are services that can do the work for you. However, you must present this business idea to bankers or other investors. Therefore, it is best if you are very familiar and comfortable with the plan. Although there’s no set format, a good business plan typically includes:

- **Cover page** – Identifies your business
- **Table of contents** – Organizes information for the reader
- **Executive summary** – Provides a “big picture” view of the plan, highlighting the factors that will lead to success
- **Business background** – If it is a brand-new business, include your background and skills

- **Marketing plan** – Relates the business’s marketing strategy
- **Action plan** – Summarizes how you will create and deliver your product or service
- **Financial statements and projections** – Illustrates how the business will perform financially based on the plan’s assumptions
- **Appendix** – Includes statistical analyses, marketing materials, resumes.

4. If I am not planning to apply for a bank loan, why do I need a business plan?

The fact that a bank or lending institution requires a well-executed business plan is a secondary consideration. The primary purpose of the business plan is to guide the owner or manager in successfully operating the business. Preparing the plan forces the writer to consider all aspects of the business and to confront any problems the plan highlights. For example, a monthly compilation of all known costs, over time, will indicate the revenue necessary to support these costs, plus a profit. This leads to the question of whether or not this revenue number is reasonable. If not, it may cast doubt on the viability of the venture itself. The business plan is a vital management tool that enables the manager to anticipate situations before they become problems-or worse yet emergencies.

5. How do I determine my start-up costs and other expenses?

It is wise to find out what start-up costs you will incur before starting the business. Many a budding entrepreneur takes his or her life savings, or will borrow on the equity on their home before figuring these financial factors, only to find that they don’t have enough money. There are many web sites and other resources (including SCORE offices and Business Information Centers) that provide guidelines and worksheets to help determine costs for your business. Each item on your proposed budget sheet should be researched. Closely estimated costs can be obtained from utility companies, trade associations, shopping and networking with other business people who may have already gone through this experience. Do not start buying until the investigation shows this venture is viable and you have all the information needed.

6. What do I need to know about financial statements?

First, you need to know which financial statements are important. They are:

- **Balance Sheet** – shows the financial conditions of your business at a point in time
- **Statement of Operations** (Profit and Loss Statement) – shows whether you made a profit during a specific period of time
- **Cash Flow Statement** – shows what happened to your cash position during a specific period of time You should have a basic understanding of each of these statements. When compared with statements from prior periods, you can determine whether something is happening in your business that needs your special attention.

Your accountant can prepare these statements for you from the business data that you supply. There are also a number of computer software programs that will help you generate these statements from your input of regular transactions such as sales, collections, purchases, payments and payroll.

A SCORE counselor can help you understand these statements and may be able to direct you to a workshop on this subject. In addition, most community and business colleges teach courses in financial statement analysis.

7. Why is it important to do a monthly cash flow analysis?

Your businesses cash-flow cycle may differ substantially from the income statement projections. Even if the projected income statement shows a profit, it is possible that the cash flow for the same period is actually negative. The analysis of monthly cash flow can indicate whether your business will collect sufficient cash to pay operating expenses. It will point out specific months during the year when the business may experience operating cash shortfalls and, therefore, either require additional capital or excess cash reserves for payment of expenses. It will also show when you may be able to make debt reductions and when there is excess cash to make major purchases or expand operations. By developing a monthly cash flow projection, you can time cash needs and quantify the amount needed. The cash flow projection is an important management tool and must be developed with very realistic

expectations. Sufficient cash is critical for a business to pay its expenses and to enable it to expand. If your monthly cash flow projections indicate frequent cash shortfalls, you should review the type of products and services that you offer, the mix of sales, the pricing and terms of the sale and your short-term borrowing needs.

8. How can I obtain cash to maintain and grow my business?

Develop a positive business relationship with your bank. Seek your banker's advice even at times where you are not seeking funds. You may find that every time you go to your bank you speak to a different loan officer, so you should know them all. When the loan officer gets a promotion, you must start all over again with another person. If you want the bank to take an interest in your business, then you have to take an interest in theirs.

How?

- **Know your banker** – Take an interest in your banker as a person. Ask your banker to hold on to your account if he/she is promoted. When you go to see your banker, have your business plan and financial papers ready. Make it easy for your banker to see what you want and why. The bank wants to minimize its risk with regard to you and your business. This is where you have to sell yourself.
- **Know your bank** – Know and understand your bank's annual report. Know your bank's business direction and plan. Know the bank's lines of authority. Get on the bank's mailing list. It's an easy way to keep up with bank news.
- **Go to a bank-sponsored seminar** – Go to your bank's seminars on commercial lending. This will teach you how your bank operates in terms of lending policies. By doing this, you also prove that you have an interest in what the bank is doing. Finally, it affords you the opportunity to meet and make an impression on the loan committee.

9. Why is location the most important aspect of my business?

A good location can make the difference between a profitable and a bankrupt business. There are many questions to consider when choosing a business site. Use the questions below as a checklist for potential locations and then compare several sites.

- Are there parking facilities?
- Is transportation available and convenient?
- Is the quality of police and fire service adequate?
- Will it be a quality site for the future – 5, 10, 25 years from now?
- Is nearby housing readily available for management and employees?
- Is there nearby competition? Are those sites better or worse than yours?
- What is the general business climate in the area? Is this a prosperous market?
- Are merchandise and raw materials available? Are your suppliers easily accessible?
- How is the traffic flow – can your customers reach you quickly and inexpensively?
- Is your building suitable to your kind of business – will it need any major renovations?
- Is there an adequate community infrastructure for utilities (sewer, water, power, gas, etc.)?
- What is the tax burden – town, city, county, state? Will this impede your business and growth?
- What are the costs of operation in this location – will it be too high to offer you an adequate profit?

10. Why is competition important?

No business operates without direct competition. There also may be indirect competition, which has a significant impact on customer's buying decisions in your market. Direct and non-direct competitors try to convince customers to buy their products or services instead of yours. It is in your best interest to learn more about the companies that are trying to reduce your take-home pay. List the strengths and weaknesses of each competitor. Talk with friends, visit your competition, call for information about their products and analyze how they advertise. Next, take a sheet of paper and list the major competitors. Give each a rating, on a scale of one to 10, for product quality, process, advertising, price and customer satisfaction. You can add other ratings that you feel are important. Your business can become more profitable by adopting practices you admire in competitor

operations and by avoiding their mistakes. Some of your competitors have been in business successfully for many years. Certainly, as a new or relatively new business, you can learn a lot from them.

11. How can I better market my business?

To market your business, you must define your customer. To maintain consistent sales growth, you must become knowledgeable about your market. Develop an outline of your “typical” consumer:

- What exactly is your market?
- Where do the consumers come from? (city centers, suburbs, tourists, international)
- What are customers buying patterns?
- Why should they buy from you? (convenience, price, quality, service)
- Should you try to appeal to a niche market segment or the entire market?
- Have you missed a new customer segment or special market?
- How large is the potential target market (in units or dollars)? Is it growing, stable or decreasing? What percentage of the market do you have?

Research will provide answers that are not available from your business records and a financial analysis. Conduct research through trade associations, your local chamber of commerce, libraries or even ask for the help of a SCORE counselor. Pay attention to how competitors market to their customers. Perhaps, some of their marketing strategies can be adopted for your business, or you may find examples of what not to do.

12. What makes a successful marketing strategy?

When creating a marketing strategy, keep in mind the four P’s of marketing:

- **Product** – What good or service will your business offer? How is that product better than those offered by competitors? Why will people buy/want it?
- **Price** – How much can you charge? How do you find the balance between sales volume and price to maximize income?
- **Promotion** – How will your product or service be positioned in the marketplace? Will your product carry a premium image with a price to match? Will it be an inexpensive, no-frills alternative to similar offerings from other businesses? What kinds of advertising and packaging will you use?
- **Place** – Which sales channels will you use? Will you sell by telephone, or will your product be carried in retail outlets? Which channel will economically reach your market?

The marketing strategy should summarize your findings about the key target buyer description, market segments the company will compete in, the unique positioning of the company and its products compared to the competition, the reasons why it is unique or compelling to buyers, etc.

13. What do I need to know before creating a marketing brochure?

A marketing brochure can be long-lasting or short-term. It can represent your business to potential customers and it can be a referral piece for existing customers. Decide the purpose of and goals for the marketing brochure before you begin to design and write. Remember, this brochure represents you and your business; be sure its look and feel complements your business. Here are few tips for when you are ready to begin.

- **State your message up front** – The selling message should appear on the cover of the brochure. For instance, “The XYZ Company – Consultants on Doing Business Overseas.”
- **Include artwork** – If you have space limitations, one large photograph or graphic is better than several small images that might not clearly portray your services or products.
- **Photo captions** – Photo captions are read twice as often as the main copy.

- **Create a keeper** – Make your brochure worth keeping. Include a calendar of events in your specific industry or some data that will be useful to potential clients in the future.
- **Quality is key** – Your publications reflect you and your business. Using one to four colors in the brochure will make it stand out over one that is black and white. A good quality paper stock is also important (and comes in many colors and shades if you choose to use black ink). Remember to consider the weight of the paper stock in relationship to mailing costs.

It is wise to have your brochure professionally designed. Even if you have computer graphic skills, design is best left to professionals.

14. How can I improve customer service in my business?

Develop a strategy that puts the customer first. Customers will receive the best possible service when employees are empowered to make this happen. This is not to say that you should be lenient with your policies, but have a degree of flexibility. Just remember, a lost customer could spread the word of their discontent, resulting in more lost customers. Review the most common reasons for poor customer service. Use these insights as a way to improve your customer service:

- **Too many rules** – Employees lack creativity in problem solving. Rules are followed and good solutions are not developed because employees do not want to jeopardize their jobs.
- **Lip service, not customer service** – Customer service is really only a name for customer complaints. Time is spent trying to fix problems rather than preventing them from occurring in the first place.
- **Unempowered employees** – Approval is needed by a manager for small problems that can easily be solved by a good employee. This problem leads to long lines and time-consuming waits by the customer, who then refuses to come back-business operations turns a small problem into a large one.
- **Unmotivated employees** – Personnel are not encouraged to please the customer because there is no merit in it for them.
- **Bad communication** – Coordination of functions does not exist-one person may write an order while another picks it off a warehouse shelf and someone else delivers it to the customer. This can result in miscommunication, incorrect goods or services, and time delays.
- **Arbitrary policies** – Policies that are followed blindly without room for situational allowances may result in angry customers. For example, a store's return policy of 30 days prevents a customer who, with good reason, could not get back to the store in time from receiving a refund. That customer will refuse to do business there anymore.

15. Is there anyone who can answer questions specific to my business?

SCORE "Counselors to America's Small Business" provides free and confidential business advice and mentoring services to entrepreneurs nationwide. SCORE is a nonprofit association consisting of 10,500 business counselors who donate their time and business expertise to guide small businesses via face-to-face mentoring or online counseling. SCORE, a resource partner with the U.S. Small Business Administration (SBA), has assisted millions of start-up and growing businesses since 1964. You can visit the SCORE web site and find a wealth of small business information. A popular online service is Email Counseling, which allows you to choose a counselor from a bank of more than 800 SCORE counselors. Using email, your counselor will answer questions, give advice and otherwise provide valuable support – all for free. Also on the SCORE site, you will find articles written by industry experts and successful small business owners.

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