

# 11 Steps to Starting a Business

## So You Want to Go into Business?

If being your own boss appeals to you starting your own small business might be the right road to follow. As a small business owner you can enjoy:

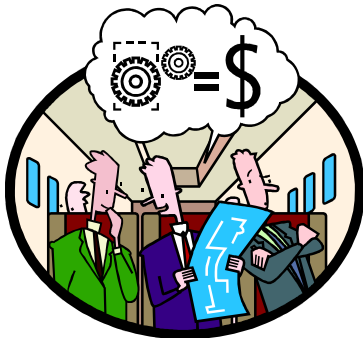
- creating your own business ideas
- turning your ideas into real products and services
- the thrill of being responsible for your own destiny
- flexible hours that suit you.



While it sounds fantastic there is no doubt that starting a small business and making it a success means hard work, focus and commitment. There are also some disadvantages in starting or going into your own business, such as losing employee benefits (annual leave, sick leave, workers compensation, superannuation etc.), being the sole decision-maker, variable income; to name a few.

Certain activities are vital to the successful setup of a new business.

Before you invest your time, money and energy in setting up a business it is crucial that you ensure that you thoroughly investigate factors such as:



- the feasibility of your business idea (including market research)
- access to adequate starting capital (and working capital)
- sufficient demand for your product or service
- efficient use of market research information
- products being sold at an acceptable and profitable price
- a good location
- the owner(s) business and people management skills
- business and industry training and experience
- the owner'(s) knowledge of the industry
- initial and ongoing business planning
- compliance and licensing requirements that effect your type of business
- a high level of energy, enthusiasm and passion for your business
- the owner(s) capacity for hard work and mutli-tasking

### Small Business Survival

You will often see the statement that “more than 70%or 90% of businesses fail within the first five years”. But it should not be so surprising when you consider that only a small number of businesses conduct a formal feasibility study (incorporating market research) and prepare a business plan before they started the business. Still a survey conducted in WA in 2003 by the Small Business Development Corporation showed it is not all bad:

- 92% of all business entries in 2001/02 and 2002/03 survived their first year, and
- 87% of business entries in 2001/02 survived their first two years.

When a business does fail research undertaken by the University of Sydney identified that it was because of the following reasons:

- Financial Mismanagement (32%) ~ lack of business experience; cash flow problems; being undercapitalized at the start; excessive private drawings; overuse of credit; no budget; and inadequate provision for tax payments.
- Lack of management experience (15%)
- Inadequate or inaccurate records (12%) ~ in some cases no records and ‘books’ at all.
- General economic conditions (12%)
- Personal factors (6%) ~ divorce, illness, changed personal situation
- Ineffective sales and marketing problems (11%) ~ poor promotion; inability to cope with seasonal factors; insufficient knowledge of competitors; lack of market research.
- Staffing problems (9%) ~including lack of supervision.
- Failure to seek external advice in times of crisis ~ only 3%.

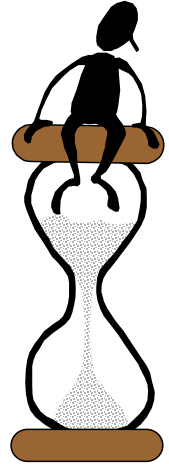
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**There is a lot to think about and a lot to do.  
Here are 11 Basic Steps to help you get started.**

## 1. Be Patient, Start Small

Take your time. The worst run businesses – and those that are more likely to fail – are those that are developed as a spur of the moment project. Don't rush into your business, and **plan everything** before you actually go out and start.

If you're starting your own business from scratch you might want to start small – particularly if you do not have sufficient funds required to cover your start-up and first 6 months of business or you do not have much experience in small business or the profession/industry you are moving into. *For example*, rather than quitting your job, hiring staff, leasing an office/shop/yard/factory and decking it out, start your business part time in your spare time and work from home. That way you can get a taste to see if you actually enjoy being your own boss, and further test the waters to see if your idea can be a success. From there you can build your way up to leased premises.



## 2. Undertake Research to know if your idea has a good chance of success, before you start.

Before going too far you need to put some time and effort into seeing if your business idea is feasible and viable. In other words, you must confirm that there is a demand for your product or services. And that there are going to be enough people who will buy your product or engage your service over the lifetime of your business at the prices you need to charge to cover your costs and make some money.

This means doing some **market research** to find answers to questions such as:

- Is there a market for my product and who is this market?
- Am I going to be able to get into this market or are there already too many players in the field?
- Who are my competitors? Learn what they do, what you can do better or differently.
- What does my target market think of my product idea?
- How much will they pay for it?
- What is the best way to promote my products and services to my target market?

- **TIP: Download the Start-up Feasibility Study worksheet from our website [www.sbcnorthwestmetro.com.au](http://www.sbcnorthwestmetro.com.au)**

Use different research methods to find these answers, such as:

- focus groups or surveys of members of your target market
- research your competitors online to find out what they do, how well they do it, and what you can do better or in another way
- review statistics on the industry you're thinking of going into, such as how many businesses like yours already exist in the market.

You can access national research studies that have been done at the State Library of WA through the Business Librarians (Phone 9427 3456). Also contact any representative industry or government body such as [www.tourism.wa.gov.au](http://www.tourism.wa.gov.au)

- **TIP: The SBC North West Metro can also give you a look at any relevant IBIS World Industry reports and Business Benchmarks Library. Phone (08) 9300 1418 or email [info@sbcnorthwestmetro.com.au](mailto:info@sbcnorthwestmetro.com.au) for details.**

Keep in mind that market research isn't something that you just do once, lock it in a cupboard and forget about it. The key to continued success is staying ahead of your competitors and knowing what your customers want.

Research your market on a regular basis throughout the life of your business. For example, to see what people think of a new product package or name and to see how you can improve your services.

# 11 Steps to Starting a Business

If it looks like your idea is a good one you also need to ask yourself some tough questions, such as:

- Am I ready to put in the hard yards to get a business up and running?
- Do I have the skills and knowledge I need? If not, am I willing to get them, for example, by undertaking a small business management course?
- Do I have, or can I access, the financial resources I need to get my business going?
- Based on my research, am I going to make enough money?

## 3. Prepare a Business Plan

Successful small businesses are run by people who:-

- Pay attention to detail in preparing a viable and adaptable Business Plan, and
- Have the personal qualities and skills needed for small business ownership

Therefore having a business plan is vital. As well as helping you get any financial support from banks or investors your business plan highlights everything you need to do to get your business started and keep you focused and on track. It is a like having a road map to follow, or if you like or a “go forward” plan that enables you to stay on track.

Your plan should cover:

- what you need to do to get your business going
- how you intend to operate the business
- how you intend to market and sell your products and services
- what costs are involved
- how you plan to finance everything.

Most successful businesses developed their Business Plan before starting and update it regularly. A Business Plan encapsulates your business idea and the financial, marketing, and operational strategies to achieve success – it can be quite simple if you are not seeking finance. A Business Plan is essential if you need to seek finance from a lender or impress a potential investor/partner.

- **TIP: Download the Simple Business Plan template from our website [www.sbcnorthwestmetro.com.au](http://www.sbcnorthwestmetro.com.au)**

## 4. Personal Assessment

Although running your own business can be a very rewarding venture it is a step to take only after carefully considering your motivations, skills and experience.

*Running a business is not the right thing for everyone – is it the right thing for you?*

Going into business is a long process that requires dedication, time and energy, especially during the early stages of set up where you may find the line between home and work life becomes a little blurred. Owning and operating a business generally involves greater risk and responsibility than working for someone else.

The first question to ask is 'Am I the right type of person to run my own business?'

Key questions for you and any business partners to address are:

- am I/we able to start and operate my own business?
- am I/we going into business for the right reasons?
- am I/we aware of the reasons that some businesses fail?
- do I/we understand the business I have in mind?
- do I/we have experience and contacts in this industry?
- do I/we have management experience/skills?
- do I/we have financial management, sales and marketing skills?
- do I/we have the necessary technical skill?



# 11 Steps to Starting a Business

- do I/we have the financial resources to get started and operate for the first 6 months?
- Do I/we know how to overcome our limitations?
  - **TIP: Consider attending workshops held by the Small Business Centre North West Metro or the Small Business Development Corporation (SDBC), completing formal training at TAFE/University, working for a competitor or reading appropriate books (the SBDC Bookshop has a great selection - 131 BIZ.**

## 5. Set your Goals

Set your goals for the first year in your business, and where you would like to be in 3 years.

Goals should be SMART > Specific, Measurable, Attainable, Realistic and Timebound. For example: 'To run this business as a one-person operation for the next five years', OR 'to make \$XXX a year' OR to have XXX chargeable clients contact hours per week.

Think about the long term capability of your business (and you in your business) not just the first few months or years.



## 6. Buy, Start-Up or Franchise?

Before creating a business from scratch, consider other options such as buying a business which is more expensive to begin with, but can provide established premises, equipment and customers.

You might prefer to buy a franchise rather than coming up with your own idea and starting a new business. Franchising is an alternative form where a company will sell you established products, operating methods, and cut out much of the leg work involved in starting up. Consider these options and ask your advisers if they are better suited to you. Note: Before buying a franchise it is essential to conduct a Due Diligence check!

- **TIP: Download the Franchise Start-up Checklist from our website [www.sbcnorthwestmetro.com.au](http://www.sbcnorthwestmetro.com.au)**

Once again, with both of these options the most important thing before jumping in head first is to **do your research**. Make sure you know exactly what you're getting from the deal and find out things like what sort of income you can expect.

## 7. Check the Statutory Requirements

There are lots of things you'll need to do before you can start trading, such as registering a business name, obtaining an Australian Business Number (ABN), and potentially trademarking any product names that you want to protect. You'll also need to understand your taxation and legal obligations, as well as do the simple things like opening a bank account, registering a domain name and setting up a phone line so potential clients can contact you.

- **TIP: Enrol in one of our free "So You Want to Go into Business" session or make an appointment for a free individual consultation with one of the SBC North West Metro's business development facilitators. Phone (08) 9300 1418 or email [info@sbcnorthwestmetro.com.au](mailto:info@sbcnorthwestmetro.com.au) for details.**

There are a wide variety of laws that cover small business in Australia, and it is your responsibility to ensure that you comply with them.

## 11 Steps to Starting a Business

*Here is a list of some of the areas you will need to address:*

**Licenses:** You can do a search of licenses and government regulations that might apply to you and your business online at [www.licence.sbdc.com.au](http://www.licence.sbdc.com.au) alternatively you can contact the Small Business Centre North West Metro and we can do it for you.

Business licences that *may* apply to your business include:

- **Registering a business name or company name** -see [www.docep.wa.gov.au](http://www.docep.wa.gov.au) or [www.asic.gov.au](http://www.asic.gov.au). (If you choose to be a Sole trader you can trade using your own name or register a business name).
- **Registering for taxation purposes** (ABN,GST, PAYG) – you can register online at the ATO’s website [www.abr.gov.au](http://www.abr.gov.au) and [www.ato.gov.au](http://www.ato.gov.au)
- **National Police Clearance** Check and/or Working with Children Check.
- **Home based businesses** may need to apply for a Home Based Business (HBB) Licence. Check with your local Council who can also advise on Building and Planning by-laws. Our local Council websites are [www.wanneroo.wa.gov.au/business](http://www.wanneroo.wa.gov.au/business) and [www.joondalup.wa.gov.au](http://www.joondalup.wa.gov.au)



- **Local Council Bylaws** – check with the local council to ensure that you know about any by-laws affecting your business idea. In addition to those discussed above, these can relate to the type of proposed premises, zoning use, annual fees, signage, waste management, advertising restrictions and health registrations. For example food licences will apply to food premises (including home based).
- **Other regulations ...** There may be requirements for Retail Trading Hours; If you wish to serve Liquor you will need to apply for one on the 10 licenses that apply in WA. For trade marks, patents and design protection see [www.ipaustralia.gov.au](http://www.ipaustralia.gov.au)

**Legal Structure:** you will need to decide how your business will be legally structured.

This can be as a **sole trader** (where you have all rights and liabilities), a **partnership** (where profits and responsibilities are shared), a private **company** (a more complex legal structure that owns the business and takes responsibility for it) or a family **trust**. You may need to see an Accountant to find out the best structure for you.

- **TIP: If you decide to operate as a partnerships we recommend you download the Partnership Agreement Checklist from our website [www.sbcnorthwestmetro.com.au](http://www.sbcnorthwestmetro.com.au)**

**Insurances:** Don’t forget insurance. Some aspects are **compulsory** (such as worker’s compensation if you employ people or use subcontractors; and third-party motor vehicle), whilst others are just good common sense (such as public liability, fire, burglary, professional indemnity, equipment/assets, personal accident and illness cover).

**Employment Obligations:** If you employ any people you will also have special legal obligations. You need to understand your legal obligations in relation to Taxation, Workers’ compensation insurance cover; Occupational health and safety; Superannuation, Long service leave; Record keeping (including keeping a wages book); Equal Opportunity legislation in relation to the recruitment, management and termination of employees. Staff must be employed on an appropriate employment contract or award; see Wageline on 1300 655 266 or [www.docep.wa.gov.au](http://www.docep.wa.gov.au) for essential employment conditions/awards. Consider also Apprenticeships and Traineeships.

- **TIP: Download the DOCEP’s Subcontractor or Employee Factsheet from [www.doceps.com.au](http://www.doceps.com.au) or our website [www.sbcnorthwestmetro.com.au](http://www.sbcnorthwestmetro.com.au)**

**Taxation:** See the ATO website [www.ato.gov.au](http://www.ato.gov.au) for the Checklist for New Businesses, an easy to follow checklist that will tell you what your taxation requirements will be. Taxation considerations include TFN, ABN, GST, PAYG, Contractor/Employee.

- **TIP: Contact the ATO or the Small Business Centre North West Metro for a copy of free Booklets “Tax Basics for Small Business” and “Record Keeping for Small Business”.**

## 11 Steps to Starting a Business

**Other online resources:** There are many online resources available that can help you to start and successfully run a small business. Check [www.business.gov.au](http://www.business.gov.au) for a wide range of advice when you're thinking about getting started, and the Small Business Development Corporation website at [www.sfdc.com.au](http://www.sfdc.com.au) has good local information.

### 8. Locate Suitable Premises

You will need to have a business address. If this is at home, check that it's a suitable venue and that will allow you to operate there. You will need to apply for a Home Based Business License as advised in previous section.

**Leasing:** If you intend to rent or lease a building proceed carefully. Make sure the premises are in a good location ("location, location, location"); suitable to your needs and budget; and that you understand the lease thoroughly before you sign it.

- **TIP: Do Not Sign any Lease (or offer to purchase) without having it checked by your solicitor/ lawyer. You can also make an appointment to talk to one of the SBDC's Specialist Leasing Advisers on 131 BIZ**



### 9. Plan Your Marketing

How will people know you are open for business and what you have to offer that is different, better than your competitors? How do you plan to promote your business?

As part of your feasibility study and business planning process you are required to work out your target market(s). That is, who will really buy your goods/services, where they are, and what is the best way to reach them.

Consider how your target market goes about finding your kind or product or service. Be sure to plan your promotions and marketing efforts to ensure you are making best use of your time, money and efforts.



Some ideas:

- Mail-outs (post and email), fliers, letterbox drops (the cheapest but often have a low response rate);
- Advertising in (local) newspapers and/or trade publications (more expensive but can be effective if chosen well);
- Yellow Pages advertising – hardcopy publication or online (can be expensive but may be where your clients look for a business such as yours);
- Website & Internet Marketing – consider using an expert to ensure the resources you invest in your website and other internet marketing is going to reach and impact your target market. There is much more to it than "build it and they will come"; and
- Networking – join a business networking group and attend networking functions put on by groups where members of your target market will attend.

Work out how much this will all cost or how much you are prepared to spend over a year, how long you will use the method/advertising, what message you will put in it and how many exposures to your advertising messages your customers need to make their buying decisions.

- **TIP: Download the Introduction to Marketing PDF from our website [www.sbcnorthwestmetro.com.au](http://www.sbcnorthwestmetro.com.au)**

## 11 Steps to Starting a Business

### 10. Work Out Your Sums/Financial Projections

You will need to know the following financial projections before you start:

- **How much money is required to start** - for equipment & stock purchases, advertising, wages, insurance, leases, and other issues, AND how much will you need to carry you over for the first 6 months (working capital).
- **Finance:** *How much money you will need to borrow*, and how you will be able to obtain that money (either from funds you already have, friends, relatives, or through a financial institution). If you are looking for a loan you will need to consider what security you have to offer the financial institution and how you will make the loan repayments. If you are looking for an investor you will need to consider what they will want in return – percentage of your business, Return on Investment (ROI) and so on. If you are unable to do these things then you may have to reconsider your plans.
- **Sources of finance:** *banks, non-conforming lenders, venture capital enterprise, merchant banks, creditors, vendors, leasing and hire purchase.*
- **Must-Do Financial projections**
  - **Cash Flow:** Work out our projected cash flow for the first/next year.
  - **Profit and Loss:** Work out your projected profit & loss for the whole year (this will show you if your business is viable). (Remember Cash is King) *Net Profit = (Revenue/Total sales) minus (Expenses/Cost of sales) minus Overheads.*
    - **TIP: Download the Cashflow Forecast Template from our website**  
[www.sbcnorthwestmetro.com.au](http://www.sbcnorthwestmetro.com.au)
- Hire a qualified professional Accountant who can work with you in the survival and growth of your business.
- Open a separate business bank account to keep your money in and establish a bookkeeping system be it manual or computerised, in consultation with an Accountant, for taxation and management purposes.



### 11. Use Professional Advice

It is advisable that you use competent professionals who have specialist advice in key areas.

These should include:

- **Accountant** – for financial projections, business planning, record keeping, compliance with tax laws and preparation of your tax returns.
- **Book-keeper** - but know they are not able to prepare your BAS for you – only you or your accountant can.
- **Insurance Broker** – for all your insurance advice.
- **Lawyer/Solicitor** - for any lease arrangements, contracts of sale, or other legally-binding arrangements. AND
- The **Small Business Centre North West Metro** for business guidance and general management assistance.

*You should consider all these professionals to be part of your management team!*

- **TIP: Contact the SBDC North West Metro for a list of local solicitors, accountants, printers, web designers and so on.**



**Good Luck and remember that business people do not plan to fail they just fail to plan!**