



INTELLIGENT OFFICE

# Leveraging the SBA For Entrepreneurial Success

PART 2: STARTING A SMALL BUSINESS



*Starting a small business is one of the most commanding aspects of the American Dream. It is an energizing opportunity for burgeoning entrepreneurs to try something new, potentially make more money, satisfy a need in the market and the community, and run their operation the way they see fit. But while entrepreneurship is an exciting proposition, it is also a complex undertaking loaded with risk and the potential for frustration. This segment of our four-part report will help you understand the basic elements of launching a business and offer a clear overview of the logistical challenges, best practices, and how to leverage Small Business Administration (SBA) programs and resources in order to successfully launch your business. Subsequent parts of this white paper will focus on managing operational needs such as leadership, managing growth, marketing, sales, human resources, sustainability and social responsibility, and exit strategies. By leveraging SBA programs and resources and absorbing this common sense advice on launching a business, managing operational needs and financing your operations, you will have the upper hand when it comes to entering the competitive local marketplace.*

# Is Entrepreneurship Right for You?

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## Questions to ask before starting a small business.

Starting a business can be an energizing and rewarding experience but it also presents numerous challenges that can only be addressed through self-motivation, thorough planning, creativity and hard work. Just some of the characteristics of successful entrepreneurs include a certain comfort level in taking risks, independent thinking, a knack for persuasion, an ability to negotiate, and the ability to engage the support of other individuals and institutions. Before launching a small business or other entrepreneurial enterprise, it is worth thoroughly exploring the Small Business Administration's collection on "[Thinking About Starting a Small Business](#)," which includes a large and beneficial selection of articles about starting a business.<sup>1</sup>

*Just a few of the questions budding entrepreneurs will want to ask themselves include:*

- » Why am I starting a business?
- » What kind of business do I want to run?
- » What products or services do I want my business to provide?
- » Am I prepared to spend time and money to launch this business?
- » What differentiates my business from potential competitors in my market?

# Creating a Business Plan: The Elements

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## 1. Executive Summary

This is the most fundamental item in your entire business plan. While it is always the first element to appear in a business plan, it is also the section that you should write last, when you have the most complete understanding of your potential business. This section is your best and most important opportunity to grab the attention of potential investors, so it should be thoroughly edited and written well. For startups, focus on your background and experience as well as identifying the strengths of your business concept.

## 2. Writing the Company Description

This part of your business plan provides investors, banks, lenders and other essential partners with a high-level review of the various elements of your business. You can think of this section as essentially an "elevator pitch," a short summary designed to simply and quickly define the parameters of your business and its value proposition.

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<sup>2</sup> <https://www.sba.gov/thinking-about-starting>

*The company description should include:*

- » A description of the nature of your business and the needs that you are trying to satisfy in the market.
- » A clear and thorough explanation of how your products or services will meet the needs of consumers.
- » A list of the specific consumers, businesses or organizations that your company seeks to serve with your products or services.
- » A clear and thorough explanation of the competitive advantages that you believe your company or organization has in the market, such as location, personnel, operational model, unique technology or other qualities that you believe will bring value to customers.

### **3. Performing a market analysis**

A proper market analysis identifies the geographic and demographic demand for your product or service, examines what economic and societal forces are driving your potential market, and lays out research findings, correlations, and conclusions.

*The key elements of a successful market analysis include:*

- » A budget and timetable that includes funding for market research and an appropriate timetable that takes into account the cyclical nature of some business models as well as elements like holidays.
- » An industry overview and outlook that depicts your industry's size and historic growth rate as well as trends, characteristics and major customers or client groups.
- » Detailed data from both primary and secondary sources that supports your mission statement, business model and sales strategy.
- » Specific identification of your target market as well as niche prospects that may benefit from improved technology or an augmented ability to deliver a product or service.
- » A detailed description of your business's projected market profitability including what market share percentage and number of customers you expect to obtain within your identified geographic area.
- » A competitive analysis that identifies your competition by product, service, and market segment. This section should include elements like market share, strengths and weaknesses, barriers to entering a competitive market, the viability of your window of opportunity to enter the market, and any other barriers such as technology, personnel or investment.

Finally, your market analysis should also identify success factors. These factors are identified as those elements that are necessary for your business to achieve your marketing objectives.

These elements can include access to essential or unique resources, ability to achieve economies of scale, access to distribution channels and successful applications of technology.

#### **4. Organization & Management**

This section of your business plan includes your company's organizational structure, details about the ownership of your company, profiles of your management team, and the qualifications and background of your board of directors. A simple but easy to understand way to describe your company's organization and management is to create an organizational chart that includes a narrative description of each team member's role in the small business. This will demonstrate to potential investors or employees that you have clearly thought out the structure of the company in advance and that each member of your team serves an essential function in the small business. This is also a good place to think about alternative staffing methods, flexible work schedules, and virtual office space. For more information on these forward-thinking alternative methods to staffing and office administration, contact Intelligent Office.

#### **5. Service & product line**

Once you've determined how your small business will be structured, it's time to describe your service or product, pointing out to readers and potential investors the benefits that your small business will provide to current and future customers.

*This section includes:*

- » A brief but thorough description of your product or service.
- » Details about your product's life cycle.
- » Details about any existing, pending or anticipated intellectual property.
- » An outline of any research and development (more commonly known as "R & D") activities.

#### **6. Marketing and sales approaches**

Next, you will want to describe your small business's approach to marketing and sales. Marketing is how we reach customers, so an overall marketing strategy is an integral part of your business.

*A good, common-sense marketing strategy will include:*

- » A market penetration strategy.
- » A strategy for growing the business, which may include expansion, acquisition, franchising or vertical market integration, among many other ideas.
- » A distribution strategy that describes how you will get your product or service to customers.
- » A communications strategy to include advertising, your web presence, public relations, printed collateral and face-to-face or person-to-person sales, among other tactics.

In addition, you will need to describe your company's approach to sales. A comprehensive sales strategy focuses on two elements, which includes a sales force strategy and a thorough breakdown of your sales activities.



## 7. Funding request

The next section of your business plan is where to request any essential funding.

*This section should include:*

- » Your current funding requirements.
- » Your estimated future funding needs for the next five years.
- » A description of how you intend to use the funds you receive, whether it's for capital expenditures, working capital, more personnel or acquisitions.
- » Any strategic financial plans that are anticipated, which may include a buyout, an acquisition, debt repayment or selling your small business. Lenders are very interested in this section because it has a direct correlation on your ability to repay your debt.

## 8. Financial projections

Next, it's time to offer your lenders and readers detailed financial projections. For established businesses, this will include your company's income statements, balance sheets and cash flow statements for up to three to five years, as well as information on any collateral that may be used to ensure your funding. New businesses should include forecasted financial data that includes income statements, balance sheets, cash flow estimates and capital expenditure budgets. For the first year of business, use monthly or quarterly projections. It may also be advisable to include a short analysis of your financial information with graphs and charts that reflect your trend analysis.

## 9. How to make your business plan stand out

Really think about the structure of your business. It is critical that you understand what makes your business unique. Opening up a coffee shop within a few blocks of several Starbucks locations will not benefit your business in the long run. Ask what needs your product or service fulfills, and how your business will change the community for the better.

It's also important to learn to strategize and take advantage of your strengths, unique qualities and market advantages. In addition to doing your market analysis, it is important to take the time to know your customers. It can be advantageous to conduct a market survey with potential customers in addition to your market research in order to unearth customer needs of which you may not be fully aware. Finally, it is important to demonstrate in your business plan that you have a deep knowledge of the areas in which your competitors are already deeply entrenched, which areas are potentially being ignored by your competitors, and where niche or unique opportunities exist for your small business.

## Choosing a Business Structure

Next, you will need to decide on the structure of your small business and determine how it will be organized and managed. The business structure you choose will also have legal and tax implications.

Other types of business structures include limited liability companies, corporations, partnerships, and cooperatives. [Explore the SBA's resources on business structure](#) to determine the best kind of application for your business model.<sup>2</sup>

*The simplest type of business structure is the sole proprietorship, a structure in which you alone own the small business and are responsible for its assets and liabilities.*

## Making it Legal

### 1. Choosing a business name

Now it's time for you to choose the name under which your small company or proprietorship will do business. There are many factors that go into choosing a business name including the characteristics you wish to associate with your brand, the importance of registering and protecting the name both now and in the future, and the name's availability on the web and social media.

<sup>2</sup> <https://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/choose-your-business-stru>

## 2. Register with state agencies

Registering your business name is an important part of the process. Unless you are doing business under your own name as a sole proprietorship, it is very likely you will need to register your business name with state or local authorities under a designation commonly known as a “DBA,” which stands for “Doing Business As.” Registration is traditionally done with your county clerk’s office or your state government, depending on where you are doing business.

## 3. Obtain state or federal business licenses or permits

Depending on the nature of your business, it may be necessary for you to acquire state or federal business licenses or permits. Examples of types of business that fall under federal regulation include, but are not limited to:

- » Agriculture
- » Aviation
- » Alcoholic beverages
- » Firearms, explosives and ammunition
- » Fish and wildlife
- » Maritime transportation
- » Mining and drilling
- » Nuclear energy
- » Radio and television broadcasting

You can also visit [the SBA’s detailed database of state licenses and permits for all 50 states](#) to determine how the physical location of your small business may be impacted by the need for permits or licenses.<sup>3</sup>

## 4. Overview of legal issues: employment & labor law, intellectual property, etc.

As a small business owner, you are also subject to some of the rules and regulations that are designed to support and protect larger businesses as well. It is worth exploring the [SBA’s resources on business laws and regulations](#) to help get a sense of whether your small business will be affected.<sup>4</sup>

*Some of the areas of U.S. and State law that may affect your small business include:*

- » Intellectual property
- » Advertising and marketing laws
- » Environmental regulations
- » Employment and labor laws
- » Foreign workers and employment eligibility
- » Privacy regulations
- » Workplace safety issues
- » Finance laws

City and county laws may also apply. For example, employers in the City of San Francisco are required to provide certain insurance projections that employees in the neighboring city of San Jose, California, are not.

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<sup>3</sup> <https://www.sba.gov/content/register-with-state-agencies>

<sup>4</sup> <https://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/business-law-regulations>

# Financing Your Business

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It is crucial to understand the financing of your small business in order to demonstrate that you are capable and competent to start and manage your business. From investment to paperwork to tax liabilities, it is incumbent upon you to learn how small business financing works.

## 1. Estimating startup costs

In order to start a business, you will have to understand your budgetary requirements. Because every small business is different, your cash availability and need for monetary investment will be unique to your own operation. To determine your startup costs, you will want to estimate how much seed money you will need based on how much cash you think it will take to operate your business for the first few months. Some of these costs will only occur one time or annually, such as paying fees for registering your business and acquiring licenses or permits. Others will organically be ongoing, such as rent, insurance, payroll and other constant expenses. All of these expenses will either be fixed, including things like virtual assistant services and other administrative costs, while others will be variable based on factors that may be outside your control.

## 2. Understanding financial statements

It is worth investing the time of you and your employees to learn about financial statements. These crucial documents offer a clear, black-and-white portrayal of how your business is doing financially and are essential tools not only for investors but also to determine the most strategic and effective way to manage your business. [Explore the SBA's resources on preparing financial statements](#) but also consider taking a class.<sup>5</sup> Many small business incubators, nonprofit organizations and governmental offices offer short, two-hour classes that teach the basics on how to read, prepare and understand financial statements.

## 3. Preparing a cash flow analysis

Understanding how cash moves in and out of your small business is an important part of daily, weekly and monthly operations. Cash coming in is known as inflow, which comes from the sale of goods and services, investments, loans and lines of credit. Outflow, conversely, happens when your small business pays out business expenditures, payroll, loan payments and business purchases. Cash-flow analysis statements can be extrapolated from your profit and loss and income statements.

*These analyses traditionally include three parts:*

- » Operating activities, which evaluate the net income and losses of a business. Income from non-cash items is adjusted to reflect the inflow and outflow of cash transactions.
- » Investment activities, which reports inflows and outflows from purchases and sales of investments like property, assets, equipment and other capital purchases.
- » Financing activities, which reflect all the money that is relating to financing your business such as small business loans.

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<sup>5</sup> <https://www.sba.gov/content/financial-statements>



## 4. How to leverage SBA loans

The Small Business Administration supports a wide variety of financial programs to support small businesses in America. These programs are designed specifically to meet key financing needs including debt financing, surety bonds, equity financing, and venture capital matching.

Explore the subsection [“What the SBA Offers to Help Small Businesses Grow”](#) to learn about their general small business loans, microloan program, real estate and equipment loans, disaster loans, research grants, and capital matching programs.<sup>6</sup> Note that there are certain eligibility requirements in order to qualify for financial assistance from the SBA.

*Small businesses that apply for this kind of assistance must:*

- » Operate for profit
- » Be engaged in, or propose to do business in, the United States or its possessions
- » Have reasonable owner equity to invest
- » Use alternative financial resources, including personal assets, before seeking financial assistance

## 5. Other forms of financing

The SBA is also committed to educating entrepreneurs and small business owners about other forms of [financing](#). Other forms of financing can include personal investment, loans, grants, venture capital and more. It is also worth learning about [the SBA’s network of Small Business Investment Companies](#),<sup>7</sup> which work with private investment funds to provide growth financing for U.S. small businesses.

## 6. Understanding tax obligations

Each U.S. state and most municipalities have their own tax requirements for small businesses so you and your accountant must have a clear understanding of your tax obligations. Visit [the SBA’s resource site on filing and paying taxes](#) to learn how to apply for a Tax I.D., determine your state and federal tax liabilities, and ask questions of the SBA community about including taxes in your business plan and annual operations.<sup>8</sup>

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<sup>6</sup> <https://www.sba.gov/content/what-sba-offers-help-small-businesses-grow>

<sup>7</sup> <https://www.sba.gov/tools/local-assistance>

<sup>8</sup> <https://www.sba.gov/tools/local-assistance>

# Leveraging Non-Financial SBA Resources

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Keep in mind that the Small Business Administration offers a wide variety of technical assistance programs, educational resources, and entrepreneurial development programs to help American entrepreneurs start and grow a small business. Many of these non-financial forms of assistance were covered in part one of our white paper series, “Introducing the Small Business Administration,” which is available on our website at Intelligent Office. However, it is well worth reaching out to your local resources, which may include:

- » Local SBA District Offices
- » Your local SCORE office, which is part of a network of volunteer business counselors supported by the SBA
- » Small business development centers
- » Women’s business centers
- » U.S. Export Assistance Centers
- » Veterans’ business outreach centers
- » Disaster field offices
- » Technical and procurement assistance centers

Visit [the SBA’s searchable map of technical assistance locations](#) to find out which resource is right for your small business.<sup>9</sup>



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<sup>9</sup> <https://www.sba.gov/tools/local-assistance>

# The Logistics of Running a Small Business

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Now it's time to learn the technical details of actually launching your small business. In our next installment, we will learn more about the day-to-day details of managing a small business.

## 1. Choosing a location

Choosing a location is one of the most important aspects of launching a small business. While access to customers is the most important consideration for most businesses, other factors also come into play. Is the location in tune with the image you want to project for your small business? Your market analysis should reveal whether the businesses adjacent to you are complementary or competition. Does the area support enough potential employees to make it easy for you to hire? You will also need to review local zoning regulations to determine if your type of business can be conducted in your target location, which can be determined by contacting your local planning division. Note that these regulations can change as well; municipalities like San Francisco, California and Boulder, Colorado have recently started changing their zoning regulations to address concerns about innovative but potentially hazardous business models like Air BNB and Uber. Knowing that a location is heavily trafficked, safe for your employees and legal to operate can go a long way towards your future success.

## 2. Zoning law basics

Understanding local zoning regulations is a key element of launching a business. While most areas are divided into areas zoned for housing or business, fusion models are starting to emerge that provide "live-work" options that provide more urban density while still encouraging small business. Contact your local planning agency to determine the requirements and eligibility of your small business for a certain area in advance.

## 3. Unique challenges of running a home-based business

While it may seem counter-intuitive, home-based businesses are still subject to the same laws and regulations as standard businesses. Issues like signage, traffic considerations, nuisance codes and rules about business conduct can all affect your business.

## 4. Buying or leasing equipment

Buying or leasing equipment is another important decision to make. While leasing can save you time and trouble and help you keep up with emerging technologies, it also has a lasting impact as far as business equipment depreciation on your taxes. Doing your homework well in advance of bringing on new equipment will help you prevent unwanted repercussions down the line.

## 5. Hiring & retaining employees

We will discuss hiring and maintaining employees in more detail in our next installment looking at how to manage the day-to-day operations of your business. For the purposes of launching a business, visit [the SBA's subsection on "Hiring and Retaining Employees"](https://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/establishing-business/hiring) for sound advice on hiring your first employees, screening potential candidates, and writing your employee handbook.<sup>10</sup>

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<sup>10</sup> <https://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/establishing-business/hiring>

## 6. Unique benefits of virtual offices & employees

Many burgeoning entrepreneurs unfortunately feel like they have to follow the business models of decades past by opening up a physical storefront and manning the counter. However, in this age of technological complexity, many alternatives exist that can help you increase the productivity of your small business without bringing on expensive personnel, equipment, and rented space. [Intelligent Office](#) offers virtual assistants that can help with marketing, administrative assistance, sales support and more. Moreover, these smart professionals don't take sick days and don't require the expensive time and resources required by the hiring process, onboarding, training, or taxes. Conversely, [Intelligent Office](#) also offers on-demand meeting space that can be used to meet with clients or have a productive office retreat without having to rent a significant amount of space that isn't used constantly. With geographical convenience, contemporary technology and amenities, these professionally set-up spaces can help your small business boost productivity and reduce expenditures.

## Conclusion and Summary

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Thank you for reading and considering this guide to launching your small business and achieving success by leveraging the resources of the Small Business Administration. Our third installment of our four-part series will focus on the operational aspects of running a business and offer common-sense advice and resources for leadership strategies, day-to-day decision making, and the nuts and bolts of running a business. It will also examine the challenges of doing business abroad, delve deeper into business laws and regulations, and touch on options for eventually exiting your small business. We hope you will join us for our third installment soon, and we wish you every success as you enter the exciting and dynamic field of small business ownership.

## About Intelligent Office

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Intelligent Office ([www.intelligentoffice.com](http://www.intelligentoffice.com)) is a professionally staffed temporary and virtual office space for mobile executives and small businesses. Founded in 1995 and headquartered in Denver, Colorado, Intelligent Office operates over 50 service locations throughout North America. In addition to flexible shared office and conference space, Intelligent Office also markets Intelligent Assistant®, a virtual receptionist and executive assistant service that serves as a modern alternative to traditional staffing as well as Intelligent Solutions, a concierge service that provides a battery of vital services to busy executives. Visit our website today for a free, customized quote to find out how Intelligent Office can help you operate, market and grow your small business.



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