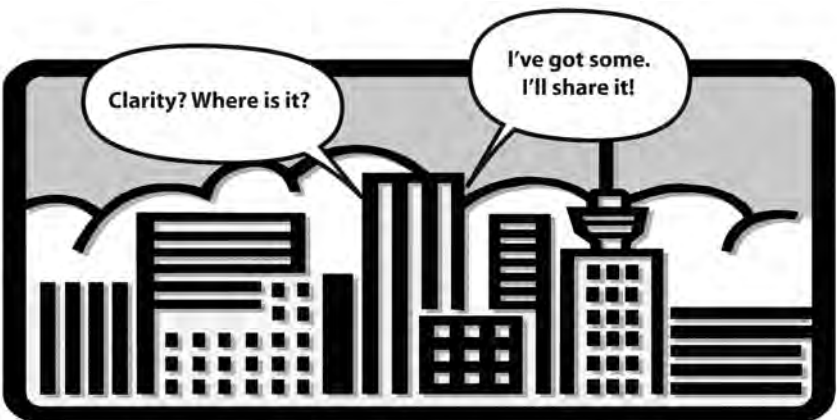


1 Structure

Immediately, in your own words, begin writing a statement about “how it is around here” according to how you are going to proceed with your business. Sad but true, many owners, even after they open the doors and operate their business, proceed without a clear statement about their business: how it will meet the needs of customers or how their business relates to the industry. Their dreams and goals are not in writing or in focus yet.

Your “Business According to You” Begins Right Now

Clarity is helpful and it has a positive impact upon your bottom line. So, do you want more profit? Then, gain clarity. Want more clarity? Then, schedule a little more time to walk/work through the planning process with me.



Seven Phases of the Business Process

Business develops in phases, so it is important to begin the planning process by identifying the part of one or more phases, or stages of development, of the business process your business represents. Your business may be at a point where you want to add a phase of the business to your existing plans or it may be an idea that you want to sell to someone else. You may want to purchase a developed product in order to market and distribute it, or you may be starting a business that will include all phases of the business process.

This step is a major decision point since it will match your expertise and passion with the type of business you should pursue. So, take a moment to get comfortable and get a firm picture in your head of yourself as the owner of the concept or product in one or more of the key phases of the business.

1. Idea

Invention or creation, up to or including research for development or production. Ideas are often fostered to the point where they can be sold for development.

Example: A client just wanted a plan regarding his idea. He did not want to run the business, but he had an idea that was not in the marketplace and he knew it would be profitable. Therefore, we developed a business plan and highlighted the fact that the idea could be “franchised” (duplicated) in various parts of the country and around the globe. With the clear idea defined within a feasible business plan, he sold his plan to a publicly listed corporation for a few million dollars. He also offered to remain available as a consultant, which resulted in additional, significant income for the next five years.

2. Development

From research and development to defining the structure.

Development of the idea can result in successfully selling the structure of the business without opening a production or business location.

Example: A client had a great design concept. She planned to sell the design as a logo on various products, i.e., T-shirts, mugs, etc. After analyzing the idea, she realized she would be paying for the products, processing, and shipping before being paid, and she would be responsible for paying for all marketing costs. She finally agreed it would be best to license the logo design so various products could be sold with her logo through companies that are already known in the marketplace, and they would provide the products to their established client base. She receives a residual income for each sale without showing up for work or becoming responsible for expenses!

3. Location

The type of office, retail, or business building space you will require in order to house your business. Production, manufacturing, sales, distribution, repair, retail, and wholesale needs must be considered as well as whether the business will be launched locally or internationally.

Example: A client decided to use the home garage to begin the business. However, as soon as the client realized the large volume of products that would have to be shipped daily from his small garage to cover the expenses, he changed the business location.

Example: A client was using the dining room and garage to operate a trophy business. The inconvenience of running such an enterprise out of his home nearly cost the man his twenty-year marriage. During a family meeting, his two sons suggested opening a certificate business. Within

ninety days, the two sons were able to secure a leased location that they used to house the trophy and certificate business. The sons paid for their college education through the profits from this business, and their father was able to save his marriage.



4. Production

Identification of products and services for the customer base leads many businesses to specialize only in manufacturing or creating the product. They do not invent or develop the business idea and they do not distribute the product.

Example: A client decided to produce the products and discontinue the marketing, billing, and shipping phases of the business by using a successful and well-placed fulfillment corporation. Profit margin of the business doubled within ninety days!

5. Marketing & Sales

Defining market niche and developing a sales strategy.

Some businesses only market or sell products invented and produced by other businesses.

Example: A client was excellent in marketing products and services. His mistake was in trying to develop and produce these products and services, which kept the business in the “hobby” level of income after two years of extensive effort. Once he realized that he needed to establish a strategic alliance with a production company to produce his products, the marketing figures steadily increased with a significant profit margin established within six months. This status allowed him to stop having a hobby he called a business, stop working as an employee, and flourish as an entrepreneur and business owner.

6. Distribution

From point of sale through a distribution center to a retail outlet or direct to the customer. Some businesses are developed to only distribute products to the next phase of development or to the consumer after the products are sold.

Example: A client met me after she gave up a business that provided her with \$5,000 profit per month. Why? She was killing herself by doing everything. She hated the packaging and mailing phase of the business because it “robbed” her of the quality life she enjoyed before starting the business. Within thirty days of our initial meeting, she reactivated the business after establishing a strategic alliance with a fulfillment house to handle the orders, distribute the products to the customers, and resolve the returns. Her profit margin increased significantly since sales were not restrained.

Example: A client insisted he wanted to establish a parts business for recreational vehicles. At any time a part is

needed, wherever the customer is located, the part would be provided within minutes rather than hours. Clearly, he recognized a need. It was evident; he had experienced a wait of hours and even days for a part after his recreational vehicle needed repairs.

Bottom Line: It is not practical to provide this level of response and parts distribution. He would have to carry an extensive inventory for every recreational vehicle, pay employees to staff the phones at all hours of the day and night, and then arrange for delivery to any destination, since the business was being established to provide parts within minutes . . . wherever the customer is located.

7. Repairs or Redevelopment

Returns, warranty work, repair, restructure, and recycle. Some businesses are developed only to repair, warranty, or recycle products.

Example: A client was living like the washing-machine repairman in the ads: nobody was calling. He did not have another option for income. Since he represented a sturdy product base, the calls for repair were few and far between. We met after he heard I was a “marketing guru.” He trusted I could “guru” him to a profitable business level by shaking the bushes to find more customers.

Bottom Line: He did need more customers. However, he needed additional revenue streams. As soon as we identified additional products and services for his same client base, his business began to flourish.

My Mistake

When I started my first business, I took on the responsibility for all phases of the business. I trusted I could save

money, and I thought every business owner takes on all aspects of the business until other options are affordable. However, this meant I also took on the costs for each of the phases and I personally carried all the expenses until I obtained the first payments from our customers. This is a tough way to establish the structure of the business and then to do business. I do not recommend it!

Be cautious. The business development phase can become so exciting, you can easily become isolated from the business community and lose perspective. I was so busy finding an office space to lease and designing the layout while hiring the staff and doing everything to save costs I did not realize invoices were not developed or in the mail the first weeks of the business. I was spread so thin while running on pure adrenaline and managing everything, I did not have time to market the business. I went from marketing guru to exhausted entrepreneur without a break.

Marketing is my area of expertise, so it became my blind spot. Marketing is a phase of business development that is second nature to me, so much so that I did not even realize I had dropped the ball. Since I was the owner, I was the person who needed to see the big picture and keep the business goals in perspective for everyone involved with the business.

Bottom Line: Remain objective and practical while you define your business and what you know you can accomplish.

***Only you can define specifically how
your business will be structured.***

***Only you can state how your business
transactions will be conducted.***

Until you schedule time to plan, to think through your business idea from beginning to end and fill in the blanks, be

careful what you choose to be responsible for before you commit your hours and dollars to a business. You may decide that it is more beneficial for you to focus only upon one business phase for your business plan. I have provided a few examples to help you during the thinking process since your decisions are critical and need to be specifically stated within your plan. When this decision is clear and understood by all vendors and companies that have formed strategic alliances with you, the flow of the business will begin.

***“How it is around here” is
absolutely up to you!***

Whether you decide that your business idea will encompass one or more of the phases of the business or that you will take on all phases of the business, a winning business strategy is to establish key strategic alliances within the community, local to international, and within the industry. You want your business to become the business that is significant within the industry. Where you are positioned, both the location and your standing within the industry, will speak volumes to your customers. Are you launching a business that is in the early stages of the industry? Will your business influence the industry in a unique way? Do you have a business that will attract customers in a new or larger market niche? Express your passion about your idea when you describe your business so the plan confirms how and why your business will make a difference in the industry.

Why is this so important? Many businesses fail within the first few months of establishing or expanding the idea due to the costs of carrying the new idea forward until it is profitable. In fact, the majority of businesses that proceed through the business loan process, even after they are thoroughly “planned,” still fail within the first year of

business. When the business is not able to consistently cover the ongoing expenses of the business or pay for the supplies or services required to proceed with the business each month, the business fails.

WARNING: Your business idea is still “on the drawing board.” Create it your way!

Too often, clients get excited about the strategic alliances that immediately come to mind, and they begin negotiating deals before all the information is available. It is too early in the planning phase to begin committing to other businesses. At this time, it is more important to make a list of the potential businesses you can contact. Keep adding to the list as we continue through the planning process. This is a good time in the process to pick up a pad of paper and pen and go for a walk. Often, ideas come to mind when you pull away from the process.

You will have enough time to put your plan together—to adjust the business idea and define the business structure—before you commit to any agreements with businesses in the other phases of the business process or potential vendors you will enter into a strategic alliance with. This step is critical, since all of the options need to be considered as you review your business type and industry.

Business Type: Defining the Business

When I wrote my first business plan, I tried to follow the outline supplied by my bank. The outline was developed to help owners applying for a small business loan. At first glance, it seemed like a very simple outline. However, every term they

used required a level of understanding that I did not possess.

One term that I misunderstand was “business type.” I thought business type and industry were the same—one term fits both—however, the two terms are very different. Business type describes your specific business phase and purpose as well as the services you provide within an industry. Some businesses are comprised of all phases and are simple to define since they fit into a specific industry, while some businesses are specific to only one part of the business within an industry or are part of numerous industries. Your industry is the specific branch of manufacture or trade in which your business is involved.

Business Type	Industry	Business Phase
<i>Truck or Car</i>	<i>Automotive</i>	
Design	Automotive	Development
Manufacturing	Automotive	Production
Sales	Automotive	Marketing & Sales
Used Sales	Automotive	Sales/ Redevelopment
Mechanic, Diesel	Automotive, Diesel	Repair
Mechanic, Gas	Automotive, Gasoline	Repair
Mechanic, Transmission	Automotive	Repair
Mechanic, Brakes	Automotive	Repair

This chart represents a small segment of the various business types within one given industry: automotive. These examples are provided simply to begin the process of recognizing how specific your business type may be within your specific industry. The automobile manufacturer does not sell the vehicle, which seems easy to figure out since the business type and industry identification process is easily recognized. However, as you review your notes,

your business idea may not be as easy to determine.

Your Exact Phase of the Business

After you have defined your business type and determined your industry, you need to clarify the phase(s) that define your business process within the industry. As you read the questions below, keep the following points in mind:

- Your specific business type is the exact business you are going to operate within the industry.
- The business description is vital, and each word of your business description is important.

1. What is your product or service?
2. Who will benefit from the business?
 - a. Who needs your products and services?
 - b. Will the customer come to your place of business?
 - c. What is the customer's income level? What is their ability to pay for your products/services?
 - d. How will you reach customers who want information?
 - e. How will they benefit from and purchase your products and services?
 - f. What can your customer expect from your business?
3. Why does your business exist?
 - a. What will your business accomplish in your business community, whether local, national, or international?
 - b. Are you establishing a business that will provide a product or service to a mass market or will consumers place custom orders?
4. Where should your business exist?
 - a. Is your business community your local town, region, state or province, nation, or part of the international marketplace?
 - b. Where will the business be located? Where will transactions take place?

- c. Will you be selling from a wholesale or retail location?
 - d. Will you be establishing one or more locations?
 - e. Will you be setting up a business within one region or on the Internet?
 - f. Will the customer come to your place of business?
 - g. Will you arrange delivery or involve a vendor to fulfill the orders?
5. How will your business transactions be conducted?
 - a. Will the customer come to your place of business?
 - b. Will you be selling from a wholesale or retail location?
 6. When will your business be “in business” for the customers?
 - a. Will you be open seven days a week?
 - b. Will you be closed on weekends and holidays?

Answering these questions is a big step toward developing a successful plan!

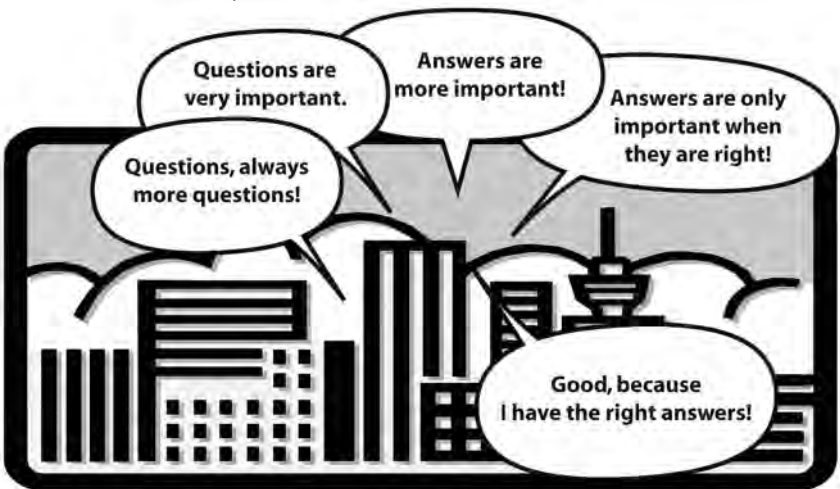
You will have additional opportunities to answer the questions about your business type and phase as you define your business within your industry and when you prepare the 30-second commercial for your business. Right now, it is important to take a few moments and begin to see how your business idea is taking shape and becoming part of an overall business structure, even if it is only taking shape in your mind and not appearing on a piece of paper, yet.

Industry: Identifying Your Position

It is important to begin the process of identifying your industry and the position of your business within the industry. Though you will further define the placement of your business in chapter 2, right now, you are in the initial stages of defining the business. Think about how you would describe:

- Your business type within the industry

- The phase(s) of the industry your business will be involved in
 - Strategic alliances with businesses in other phase(s) of the industry
 - Businesses within your business type, in other communities, and how they are establishing and marketing the business within the industry and to the customers
1. Why is your business a key business within the industry?
 - a. What do you bring to the industry?
 - b. What does your business idea bring to the industry?
 - c. What will you bring to the industry that is not available at this time?
 2. How does your business serve needs within the industry?
 3. How is your business unique from other businesses within the industry?
 4. Where is your business positioned within the industry?
 5. Who is served?
 6. What are the benefits of your business for the industry/customers?
 7. When will your business take the rightful place within the industry?



Legal Structure: Determining Organizational Options

When you clearly determine your organizational options, you define the ownership, legal, and tax structures and define the financial plan for your business. Following is a list of key points to consider when establishing the organization of your business.

1. Name of Your Business

If you will be using a business name other than your name, a fictitious business name, a DBA, or “doing business as” document, needs to be completed and filed before you proceed. When you file the paperwork, you will be asked to provide the business title. The recording office for business filings in your area will have a listing of all business titles already in use. It is important to review the list and be sure you will have “clear title” rights to the business name you want to use.

Establish the business location as well. The address for the business needs to be supplied when you file any paperwork. This information becomes public record and is easily accessible to marketing companies, so a post office box is recommended. This step will keep the mailing address separate from your business’s physical location.

Be sure to decide upon the name of your business and your mailing address before you proceed. If you make changes to this information in a week or a month, you will have to repeat every step of filing the local and state or province paperwork for the business.

***How Is Your Business
Going to Be Established?
According to You! Make it a Golden Rule!***

2. An Independent Contractor or Sole-Proprietor-Based Business

If you are the only owner, you absolutely want to look at the tax options as a sole-proprietor or the owner of a corporation. The first step is to inventory and distinguish your personal assets from your business assets and establish a trust, personal or family, for your personal assets and accounts.

3. Financial or Managing Partners

Thinking about establishing a partnership? My best recommendation is to remove the word “partner” from your vocabulary. The excitement you feel while establishing a business with a partner is intoxicating in the early development phases, but entering into a business agreement with a partner is identical to “marrying” the partner. I have been called in too often to help with the breakup, or “divorce phase,” of the partnership—without a community property statute to help unravel the issues or split the equipment/assets/profits.

If you have not entered into a specific contractual agreement that clearly defines all the buyout and sales options and how the discrepancies of the records will be handled, then the best option is to arrange for a limited liability company or corporation structure. This structure will keep you independent from other partners regarding your level of liability for actions, finances, and decisions.

In either scenario, be sure to define as many plans and decisions in writing as possible. The best way to know what another person interested in being involved is thinking about the business is to immediately get everything being considered, discussed, or agreed to in writing. Then, review each line and have all parties initial each line of the document. A good option: Ask the person to *independently* complete the Seven Step Business Plan form, then compare notes and determine if you are headed toward the same business goals.

It is important to prepare the draft copy of each step of

the Seven Step Business Plan. Review the prior steps as you further define your business idea into a concise and succinct plan before you schedule an appointment with a business attorney and a CPA to review the content. Your initial appointment will be free, so be 100 percent ready to review all your questions and concerns before the time clock starts and you make a decision regarding which attorney and CPA you will allow to advise you as you proceed.

4. A Corporation Structure

It is critical to establish a limited liability company or corporation when more than one owner will be involved. Most businesses established as partnerships have changed to limited liability companies or corporations, so the liability is limited to the exposure of each, specific owner.

Before you establish the corporation, it is important to be aware of the various options of the corporation financial and business structure available within your state or province, based upon your regional or national laws. Establishing a corporation can be beneficial, as the tax structure is different for the different types of corporations, “for profit” C or S, etc., or “not for profit.” Is the corporation being established as a profit-based business? Is the business going to be a nonprofit-based corporation? Multiple options exist within nonprofit structure and tax status, including the option to hire employees, establish as a charitable trust, etc.

***Check with the state/province office
of corporations to review the regulations!***

One or more business attorneys should review your choice to be sure you have checked on all the local and regional regulations. They will typically provide a free

appointment to review your initial business structure. The best tax status for your corporation should be reviewed with one or more accountants.

5. Necessary Permits and Licenses

The city or regional licensing office will provide the outline of the regulations required to operate your type of business within their community. Typically, you will be required to obtain a business license to operate the business in each location, whether you hire contractors and employees or not. The requirements regarding licensing and permits can often be double-checked through one of many resources: 1) Internet, 2) library, 3) city or regional clerk's office, 4) chamber or community service office for businesses in the region, 5) labor workforce or employment department offices in your area, etc., before operating your business in the community.

For the identification of your business in legal documents, as a sole-proprietor or partnership, the business ID number will be your social security or ID number. If the business becomes a for-profit or a not-for-profit corporation, the assigned taxpayer ID number will become the ID number for the business.

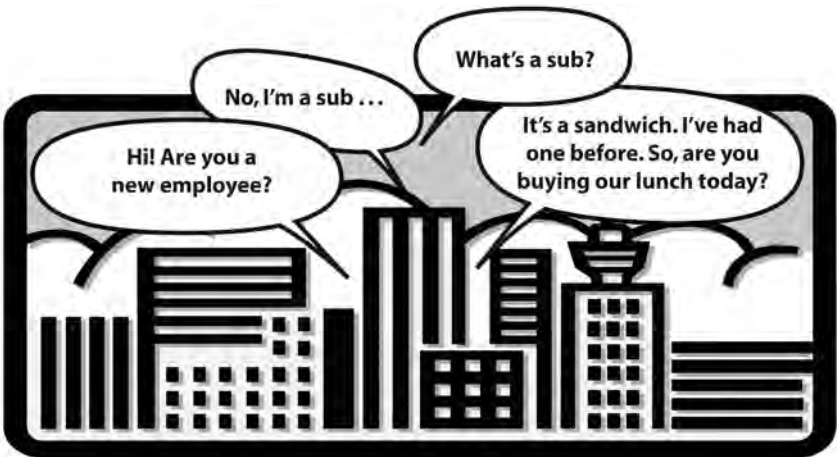
6. Subcontractors

Do not start by creating all contracts for subcontractors "from scratch." Obtain sample contracts to review before you prepare the draft copy to be examined by an attorney. Copies are typically available at a law library or the public library. The samples will refer to a similar business type and it is important to review the outline before you begin to establish the initial agreements or contracts for involving any independent contractors or subcontractors.

Example: I obtained a sample Practice Management Agreement for the various types of physicians who would

become involved in my corporation. I worked directly with attorneys to be sure I did not break the law. Working with my attorneys, I learned that a nonlicensed physician is not able to sign a contract and split fees for services provided by a licensed physician.

Again, one or more business attorneys will be available to consult with you and review your contracts before you issue or sign the contracts.



7. Employees

An organizational development plan needs to be enacted regarding the type of business structure you are establishing. This organizational plan will help to define the types of employees you plan to hire and at what stage of your business development the positions will be required. The organizational development structure, job descriptions, and options for the plan are available within books in the public library or within the labor workforce or employment department in your area. The staff will often assist you with the process, as you will be contributing jobs to the region. Therefore, take advantage of their expertise. They are there to assist

business owners, especially since your business plans match their community goals!

The various options within organizational development books in the library are extremely helpful. After reviewing a few sample organizational development structures or charts, you will be able to adapt a chart that matches your hiring goals and plans.

The structure will help you to define which employees are going to become a direct or an indirect cost:

- Direct employees are those employees involved in the immediate production process of your business.
- Indirect employees are not involved in the direct production or service phases of your business, but they are required to complete the tasks of the business.

Typically, office staff will be included in the indirect category when you are producing a product. If, however, your business is a professional service type of business, i.e., engineering or architectural, the office staff may be in the direct cost category if they are involved in the production of the service. This is an important cost to consider, so it needs to be defined during the start-up and expanding phases of the business. Therefore, we will further define this section of your plan within chapters 6 and 7.

Part-time or temporary employees are often available on a contractual basis through employment agencies. You will pay a percentage of the hourly rate to cover costs for benefits and workers' compensation insurance, but you would pay a similar rate for an employee for whom you would be obligated to pay all employment costs, and you would not be able to end the agreement at the end of the day. For a temporary employee, you are only obligated for the pay rate during the hours of the contract, which can be terminated at any time. When you no longer need the assistance, or if

the costs dip into your profits, you can end the agreement with little notice. This is an advantage during the early days of a new division or the launch of a new business, since tasks are required in the initial development phase that may not continue into the next phase of the business.

Obligations of the Employer

You need to know all the laws regarding hiring employees, establishing payroll, payroll taxes, liability and other insurances, hours of work, benefits that are paid in the area where you are conducting business, etc. Spend some time with the labor, workforce, or employment development office in your area. They will have the simplified outline of the labor or workforce regulations and they will provide the required posters for your business type and industry. The Internet and library often include reference sources that can confirm this information.

8. Legal Status

Review the business's legal status with at least three attorneys and the tax status with at least three licensed CPAs. Until a business attorney and a CPA review the legal and tax section of the business structure, it is not finalized! Set appointments with top business attorneys and CPAs in your area. Compare notes before making decisions about your business structure, especially regarding which professional you will accept advice from in the future.

Each CPA and attorney will provide a perspective according to their field of expertise and how they do business. During the "free" initial appointment, check on each key point on your list, and if a question is posed in a later appointment, call the prior expert(s) and review the question. Be sure to obtain the same information from the same type of expert before reviewing the specific facts and choosing your representative.

From this day forward, your business "health" will depend

upon their advice, and you will be paying a fee for that advice. The relationship needs to be based upon good facts and trust, so take your time in making the final decision.

Congratulations!

Defining your business is the toughest part of the planning process. You've taken the first big and powerful step.

Building Your Seven Step Business Plan

1. Structure

A. Business Type:

B. Industry:

C. Legal Status (Corp., LLC, etc., and either C or S, etc.):