

Thoughts for starting a business.... What happens past the idea stage?

This conversation is geared for the first time small business entrepreneur. And it's starts with the beginning. Your idea! You have the idea and wonder how to take the next step - assessing feasibility.

The text book definition of a feasibility study is the objective and rational finding of the strengths and weaknesses of a proposed venture, opportunities and threats and the resources required to carry through, and ultimately the prospects for success.

This is a process of outlining the idea and looking critically and impartially when determining whether it's worth investing your time and money (and the money of others). And if you are passionate about the idea, it will be even more important to talk with outside advisors. This is also the step to remove the romance from your idea and understand the commitment and responsibility of a business owner.

This is **not** about getting your business license or a domain and other business mechanics. With a little (or more) research, these items are easy, simple tasks.

This is about assessing the validity of your idea. It is a planning tool. It is done to flesh out ideas and possibilities of your business idea. (The Business plan then fully describes the business and its financial projections).

OK, so how do I do that? Well there are tools in place to help you work through this process. The criteria and questions may change to reflect the characteristics of your idea and background, but you are generally responding to two major questions:

1. Is there a market to buy the product or service
2. Can it make a profit (here's where it gets complicated)

While the questions are straightforward, the answers are anything but. What does this process look like? These two simple questions quickly lead you to a raft of others that you will address in the following sections:

- Opportunity or need
- Product/Service description
- Target market
- Unique benefits
- Competitive analysis
- Sustainable competitive advantage?

- Profitability, break-even and investment required
- Risks and how to minimize

Most people get stuck in the financial sections - profitability, break even and investment required.

Attached are some templates that will help you visualize the process of these items. Note that this is a bit of a jigsaw puzzle. You will be answering questions and filling in numbers in no particular order (think crossword puzzle):

1. Monthly cash budget to include your initial startup months and any debt payments you may incur.
 - a. You want to know the difference between a profit and loss and cash flow statements and eventually... a balance sheet.
2. Spreadsheet detailing the initial investment to get the projected moving. How much money will you need including your early months of potential loss (your burn rate) and personal draws? Where will the money be sourced?

Another big subject - where will you get your startup capital? If you require outside financing (and most people do) you will need to formally document this information in a business plan for your lender. Your lender will look at various criteria such as:

1. clear background on the business idea, your skills and other managers and the assumptions behind your projections
2. Credit History. If this is a problem, you need to make it a priority to fix it. They are assessing your maturity, responsibility and discipline.
3. Collateral
4. General Business Plan and reasonableness of your assumptions

Attached are a couple of tools to help illustrate these items:

1. Combination cash flow and profit and loss projections by month
2. Initial investment analysis (your start up cash)
3. A good outline for a business plan

There is enormous resources on the web. I caution you about jumping into any of these prior to talking with some advisors. Some of them make this very complicated and therefore not useful.

And you can always call me if you need help; Tina Oliphant, 406-293-8406, Kootenai River Development Council