
Starting a Business in Massachusetts



***MSBDC
Network***

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Agenda

- **MSBDC Introduction**
- **Self Analysis**
- **Business Analysis**
- **Feasibility**
- **Financing**
- **Business Planning**



MSBDC

- **Free Business Advisory Services**
 - **Business & Strategic Planning**
 - **Marketing & Operations**
 - **Financing & Loan Assistance**
- **Mass Export Center**
 - **International Trade & Exporting**
- **Government Procurement & Contracting**



Self Analysis

- **Why do I want to start my own business?**
 - **Challenge**
 - **Comfort**
 - **Unique product or service**
 - **Social**
 - **Passion**
 - **Change in lifestyle**
 - **Be your own boss**



Self Analysis

- **What are my personal skills and interests?**
 - **Technical / design**
 - **Managerial / leadership**
 - **Marketing / sales**
 - **Financial / accounting**



Self Analysis

- **What are my personal characteristics?**
 - **Am I a leader?**
 - **Do I like to make my own decisions?**
 - **Do I enjoy competition?**
 - **Do I have willpower and self-discipline?**
 - **Do I plan ahead?**
 - **Do I like to work with people?**
 - **Do I get along well with others?**
 - **Can I handle rejection?**



Self Analysis

- **What is my physical and emotional level of tolerance?**
 - **Am I willing to work 12 – 16 hours a day and possibly Saturdays and Sundays, too?**
 - **Do I have the physical strength I need?**
 - **Do I have the emotional strength I need?**



Self Analysis

- **Will my family situation allow the strain of a business start-up?**
 - **Children**
 - **Parents**
 - **Spouse**
 - **Health care**
 - **Time**



Self Analysis

- **Do I have the financial strength?**
 - **Savings**
 - **Secondary source of income**
 - **Equity investment**
 - **Start-up funds**
 - **Cash flow**
 - **Personal budget**



Self Analysis

- **What experience(s) do I have that will help me succeed?**
 - **Past work experience**
 - **Academic record**
 - **Volunteer activities**
 - **Training**



Self Analysis

- **What skills do I need that I don't have?**
 - **Technical / design**
 - **Managerial / leadership**
 - **Marketing / sales**
 - **Financial / accounting**
- **What skills will I have to hire?**



Business Analysis

- **What do I need to do to make my business official?**
 - **Business structure**
 - **Sole proprietorship**
 - **Partnership**
 - **Corporation**
 - **LLC, LLP**

Business Analysis

- **What do I need to do to make my business official?**
 - **Name**
 - **Company name**
 - **DBA**
 - **Domain name**
 - **Tax ID Numbers or EIN Numbers**
 - **IRS Form SS-4 (www.irs.gov)**
 - **MA Form TA-1 (www.dor.state.ma.us)**
 - **Social Security Number**

Business Analysis

- **Licenses and Permitting (www.state.ma.us)**
 - **Permitting**
 - **Occupancy**
 - **Board of Health**
 - **Transportation**
 - **Contracting**
 - **Childcare (www.qualitychildcare.org)**
 - **Licenses**
 - **Federal, State, Municipal**
 - **Division of Professional Licensure**



Business Analysis

- **Do I need insurance?**
 - **Mandatory**
 - **Workmen's compensation**
 - **Automobile**
 - **Health Insurance options (10+ employees)**
 - **Essential**
 - **Liability**
 - **Fire**
 - **Product liability**

Business Analysis

- **Do I need insurance?**
 - **Desirable**
 - **Health**
 - **Crime**
 - **Business Interruption**
 - **Key Person**
 - **Bonding**

Business Analysis

- **How do I protect my idea?**
 - **Patents (www.uspto.gov)**
 - **Trademarks (www.state.ma.us/sec/cor)**
 - **Copyrights (www.loc.gov/copyright)**



Business Analysis

- **Taxes?** (www.irs.gov, www.mass.gov and www.dor.state.ma.us)
 - **Self employment tax**
 - **Sales and use tax (meals tax)**
 - **Federal income tax**
 - **State income tax**
 - **Federal withholding (FICA)**
 - **Federal unemployment (FUTA)**

Business Analysis

- **Where do I go for advice?**
 - **Accountant**
 - **Lawyer**
 - **Insurance agent**
 - **College / university**
 - **MSBDC**
 - **SCORE**
 - **SBA**
 - **Library, Internet, other**

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Feasibility

- **To begin with:**
 - **Is there a real need for my product or service?**
 - **Is there a market for my product and service?**
 - **Is there room in the competitive environment for my company?**
 - **What is my company's value proposition?**
 - **Will I have the resources to build this company?**

Feasibility

3 Business Essentials	Chance of Success		
	High	Medium	Low
Money (Resources)	Ample	Limited	None
Management (Experience)	Direct	Limited	None
Market (Potency)	Strong	Medium	No differentiation

Potency- state of economy and industry, customer demand, competition

Feasibility

Starting Your Own Business:

Advantages

- **Self-satisfaction**
- **Flexibility**
- **Control**
- **Only option**

Disadvantages

- **No guidelines**
- **Longer to build**
- **Limited initial return**
- **Uncertainty**

Feasibility

Buying an Existing Business:

Advantages

- **Shorter lead time**
- **Existing track record**
- **Customers in place**
- **Mentor support**

Disadvantages

- **Cost is usually higher**
- **Harder to structure**
- **Hidden problems**

Feasibility

Buying a Franchise:

Advantages

- **Short start time**
- **Turn-key operation**
- **Proven systems**
- **Strength in numbers**

Disadvantages

- **Initial & ongoing costs**
- **Limited flexibility**
- **Franchisor dependence**
- **May be difficult to exit**
- **Market saturation**

Financing

- **Self-funding**
 - **Savings, credit cards, home equity, and other resources**
 - **Full-time or part-time job**
 - **Friends and family**
- **Debt**
 - **Banks and alternative lenders**
 - **SBA and loan guarantees**
 - **Credit history**
- **Equity**
 - **Friends and family**
 - **Venture capital or angel funding**
- **Internal cash flow from the business**



Financing – Lender’s Perspective

- **Capital** (What are the owners’ contributions?)
- **Collateral** (What assets can be pledged to secure loan?)
- **Cash Flow** (Can the business repay the loans?)
- **Credit History** (Both personal and prior business)
- **Character** (What are the owners’ backgrounds & experience?)
- **Conditions** (What are the general & specific economic, regulatory, environmental and competitive conditions?)

Financing – Credit Score

- **Importance of good “Credit Score”**
 - **Currently need to be above ____!**
- **How to improve and keep a good “Credit Score”**
 - **Managing revolving accounts**
 - **Payments on time**
 - **Checking accuracy of reports**

Business Planning

- **Why does every business need a business plan?**
 - **“If you fail to plan ... you are planning to fail”**
 - **Allows the entrepreneur to fully examine market, competition and various operating alternatives**
 - **Allows the entrepreneur to plan for “what ifs”**
 - **Gives entrepreneur a “road map” to monitor success**
 - **Required for any kind of start-up financing**

Business Planning

- **The classic business plan includes:**
 - **Executive summary and mission statement**
 - **Product or service**
 - **Market profile and sales plan**
 - **Competitive profile**
 - **Operations profile**
 - **Location and facilities**
 - **Management and ownership**
 - **Personnel**
 - **Financial information and schedules**

Business Planning

- **The Executive Summary:**
 - **Includes a statement or paragraph on each element of the business plan**
 - **Will include the mission statement**
 - **It will also detail any requested financial assistance including: amount, rate and repayment schedule**

Business Planning

- **Product or Service:**
 - **What are your company's products and/or services?**
 - **Include a detailed description, particularly if new or unusual**
 - **What makes them unique?**
 - **How will they change over time?**
 - **What could substitute for your product or service?**

Business Planning

- **Market Profile and Sales Plan:**
 - **Is there a real need for the product or service?**
 - **How do you know?**
 - **What are the statistics relating to the target market?**
 - **What is the potential size of the market?**
 - **How much will you be able to attain?**

Business Planning

- **Market Profile and Sales Plan (Continued):**
 - **Is the market growing or declining?**
 - **Describe the target customer: demographics and buying habits**
 - **Who will your customers be in the future?**
 - **What are your marketing and sales plans?**
 - **How will you attract your customers?**
 - **How will you retain your customers?**

Business Planning

- **Competitive Profile:**
 - **Who are your direct and indirect competitors?**
 - **Who will they be in the future?**
 - **What are their strengths and weaknesses?**
 - **How will you exploit them?**
 - **What are the sales trends for the competition?**
 - **How will your pricing, quality, service and value compare?**

Business Planning

- **Operations Profile:**
 - **Production**
 - **Distribution**
 - **Customer service**
 - **Office systems: administration & financial**
 - **Human resources**
 - **Regulatory compliance**

Business Planning

- **Location and Facilities:**
 - **How much space do you need and where?**
 - **Why is the site you've selected appropriate?**
 - **Are there any zoning concerns?**
 - **Will you rent or buy?**
 - **What are the traffic and parking like?**
 - **What kind of equipment will you need?**
 - **What kind of renovations will you need?**
 - **Are there competitors in the area?**

Business Planning

- **Management and Ownership:**
 - **Who will own the company?**
 - **Who will manage the company?**
 - **What relevant experience do the owners and managers have?**
 - **What past accomplishments would indicate probable success?**
 - **Are there outside resources available to management?**

Business Planning

- **Personnel:**
 - **Who will you need to hire (experience, skill)?**
 - **What will you need to pay? Any benefits?**
 - **What is the local labor pool like?**
 - **How will you attract employees?**
 - **Will you need to use outside services?**
 - **Who will your advisors be?**
 - **Accountant**
 - **Lawyer**
 - **Insurance broker**
 - **Board of Advisors**



Business Planning

- **Financial Information:**
 - **What will your investment in the company be?**
 - **What are your financing needs and why?**
 - **What will your revenues be and why?**
 - **What will your expenses be and why?**
 - **Will your revenues grow and why?**
 - **Will your financing needs change and why?**

Business Planning

- **Financial Schedules:**
 - **Monthly P & L (Income Statement) for first twelve months and annually for years 2 and 3**
 - **Monthly Cash Flow for first twelve months and annually for years 2 and 3**
 - **Opening day balance sheet**
 - **Assumptions by line for every schedule**
 - **Start-up expenses**
 - **Lists of capital equipment purchases and renovations**

Business Launch

- **Customers:** Clearly identified
- **Capital:** Enough to get you through to breakeven
- **Systems:** Financial, production, sales, etc.
- **Support:** Advisors, friends, professionals

In closing

- **A start up is challenging!**
 - **Focus on research and planning**
 - **Break the business plan down into sections**
 - **Take it one task at a time to stay motivated**
 - **Take breaks and review what you have researched and completed**
 - **Most importantly ask and seek advice!**



Helpful Internet Sites

- www.sba.gov
- www.state.ma.us/mobd
- www.irs.gov
- www.mass.gov
- www.dor.state.ma.us
- www.epodunk.com
- www.score.org
- www.msfdc.org/semass

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