

**A.L.BEAN & Company**

**Business Insights**

**Starting A Successful Business**

**New Business Edition**

*Strategic and Business Planning*

## Overview

Arguably business owners are the backbone of our economy. Small businesses make up the overwhelming majority of businesses. Small business owners are generally risk takers that are willing to bet that their idea will take off and become a success story. Unfortunately, most businesses fail within the first 12 to 24 months. Within 5 years 95% of businesses fail. In this article, we explore some ideas on what it takes to start and run a successful business. No one likes to fail. Our goal is to help our readers start off on a good footing.

## The Process

States have different processes to start a business, though most are similar. As we are based in Texas, we will discuss starting a business there. If you are located in another state, there will be similarities and we will try to highlight some of those here.

## Business Plan

Our experience shows that a lot of business owners do not start with a business plan. We feel that this contributes to the very high rate of unsuccessful businesses. How do you know where you're going if you don't have a plan to get there? A good business plan outlines the product or service you will be selling, how you will market your services, the customers you will serve, as well as many other important aspects of a business. If you have not written one, you are doing yourself a real disservice. Successful companies have plans to guide them to where they want to go. A good plan helps you plan your day, week, month and year. You could be wasting your time trying to sell services in markets that don't offer any growth. If you haven't done your research on the area you are trying sell in, how do you know you can make a profit that will sustain your business?

## State and Local Filings

Part of any business planning is determining the structure of your business. Some structures work better for certain kinds of companies. Some structures work better for people in specific tax situations. All of these things should be considered. Finding a good business planner, attorney and/or tax advisor are important to make this determination.

There are various types of business formations. Sole proprietorship, Partnership, LLC, S-Corporation, and C-Corporations are some of the various business types.

- **Sole-Proprietorship** – this is a single owner company. The owner generally takes on all liabilities and risks for the company. A sole proprietorship is often operated under the name of the owner. Whenever operating a business under a name other than the sole proprietor, an Assumed Name Certificate must be filed with the county clerk. The advantage to this type of business is that the costs to form the business are generally very low. Disadvantages include assuming all liabilities of the company. If the company is sued, you may be personally liable.
- **Partnership** – this is a company owned by multiple parties. The owners generally take on all liabilities and risk. There are various types of partnerships, which we will not cover in this article. We encourage clients to draw up a partnership agreement outlining ownership structure, percentage of ownership, profit / loss distribution, as well as many other aspects of the business. Depending on the type of partnership, the cost should be low to moderate to form a partnership.
- **LLC** – is a legal form of business that provides limited liability to its owners. An LLC is governed by each state, and requirements to open this type of business may be slightly different by state. The advantages of an LLC are that the business is a separate entity from the business owner. Therefore, the personal assets of the business owner are more protected than a sole-proprietorship and some forms of a partnership. Also, the cost to start an LLC can be relatively moderate compared to starting a C-Corp or S- Corp.

**Contact a business planner, tax advisor and/or attorney when making a decision on business formation. Making a bad decision upfront can be costly later.**

## **Research**

Performing extensive research can't be emphasized enough. Research the market you plan to sell in. For example, if you plan to start a business in Houston, research the business climate, the economy, the types of businesses that do well in that market, etc. You have to understand your businesses potential in that market.

Develop a marketing plan. Research the most effective marketing strategies for the type of business you are opening. Certain types of marketing are more effective for some businesses than others.

Research your product and your potential competitors. Determine your customers' likes and dislikes. This may give you a competitive advantage over your competition. From our experience, a lot of NEW business owners do not understand their customers very well. Older and successful business owners understand their customers enough to project the potential loss of customers if they raise prices. You should understand how important price is to your customers. Also, determine how important service is to customers. If you are offering a low-cost commodity type product, customers may not expect Mercedes type service. Your job is to determine expectations and make sure you meet or exceed your customers' expectations.

In this economy, it is also important to determine how your industry responds to poor economic conditions. In a former article we discussed cyclical versus non-cyclical businesses. Cyclical businesses will experience a tougher time in an economy like the one we have today. Therefore, determine where your business will be positioned.

There is no way to cover everything you need to think about in this article. There are several things to think about in starting to your business in poor economic times and we encourage you to call A. L. BEAN & Company for the many ideas we help our clients with.

**If you would like assistance, please contact A.L.BEAN & Company at 214-387-8525 or visit our website at [www.albeanco.com](http://www.albeanco.com).**

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## **ABOUT A.L.BEAN & COMPANY**

**A.L.BEAN & Company** is a consulting, tax and accounting firm that specializes in serving small-to-medium sized businesses. We help businesses by offering the following primary services:

- Accounting Services
- Tax Services
- Business Plans
- Budgeting and Financial Planning
- Business Process Improvement