

Welcome to
Entrepreneurial Discover!



COVENTURE

Your Facilitators Today:



Venture Strategy and Implementation

Bo Blodgett





OWEESTA Collaborative Entrepreneurship
Development System: Handbook of the Wawokiye
Business Model



Today's Agenda

- Opener and Introductions
- Housekeeping & Logistics
- Path to Entrepreneurship
- Motivations & Mindset
- Budgets & Goals
- Recognizing Opportunities
- Review & Wrap-Up

Today's Handouts

- PPT Handouts
- Self-Assessment
- Budget Worksheet
- The Problem and The Solution

Ground Rules

- Build an open environment
- Show respect - people matter
- Be "All In" - you get out what you put in
- Treat every business idea as the next great success, even if all you see are great big flaws
- Minimize distractions



Introductions

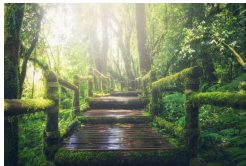


The Path of the Entrepreneur

Two Approaches to Entrepreneurship

Linear

Discovery and
Experimentation



Linear

- A series of planned steps
 - Clear vision and goals
 - Acquire resources
 - Accomplish goals and reach vision
- This Path tends to:
- Be inflexible
 - Requires access to resources



Discovery and Experimentation

- Evaluating available resources
- Have vision & set goals
- Weave networks
- Recognize and discover opportunity
- Adjust goals as needed



Cooking a Meal Metaphor

When you cook a meal, do you:

- Follow a recipe?
- Look at what you have in the fridge and improvise?



The Entrepreneurial Mindset

What is Necessary for Entrepreneurship?



Motivation

- Why are you doing this?

Acceptance of risk.

- What are you willing to lose if this fails?

Basic Business Skills

- Ability to handle the day to day in an effective way.

Motivation



Acceptable Risk

How much money and time am I willing to put into an idea to get it off the ground?

What is the opportunity cost of pursuing this venture (what could you otherwise be doing?)

Basic Business Skills

Managing:

- Time
- Finances
- Operations
- Relationships
- Outreach
- Promotions
- Image/Brand
- Others?



“Traits” of an Entrepreneur

Key Traits

- Action Oriented
- Persistence
- Risk Acceptance
- Problem Solver
- Network Builder
- Others?



What's the most important trait for being an Entrepreneur?

- **Knowing your weaknesses**
 - Ask for help
 - Build teams
 - Be fluid and flexible



Are these skills relevant outside of starting a business?



Self Assessment

What Motivates You? - Draw a picture!

In 10 years:

- What will your ideal life look like?
- What will you have achieved?
 - Have you owned a business?



What is important to you?

- What are you good at doing?
- What do you enjoy doing?
- What problems would you like to see solved in your community/the world?

What resources are available to you?

- Public Resources
- Support Systems
 - Personal
 - Community
- Community Wealth
 - Financial
 - Non-financial



Entrepreneurial Motivation Activity

Draw yourself in 10 years. What have you done and what does your ideal life look like?

Entrepreneurial Motivation Activity

I am good at doing:

What I enjoy doing most is:

What are the most significant problems facing your community?

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Entrepreneurial Motivation Activity

Public Support

Examples: Libraries, Small Business Development Centers, Workforce Centers, Support/Networking Groups

Personal Support

Examples: Friends, Family, Mentors

Community Wealth

Examples: Investors, Successful Businesses, Natural Assets, Built Assets.

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Budgets



What is a Budget?



A spending plan based on your income (revenue) and expenses



Forces you to think about the future



Helps allocate resources effectively and efficiently

Mechanics of a Basic Budget

Revenue ↑

-Expenses ↓

Net Income

Mechanics of a Cashflow

Cash In ↑
-Cash Out ↓
Cashflow

Why Budget?

- Awareness
- Achieving goals
- Financial health and stability
- Efficiency



Personal Goals

- Stability
- Homeownership
- Emergency Fund
- Retirement
- Starting a family
- Debt Elimination
- Education
- Fun
- **Starting a Business**



Why save for a business?



Start-up Capital Expense

- Building
- Equipment
- Inventory
- Fees
- Uniforms
- Supplies



Seasonality and Cash Flow



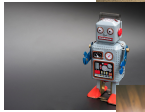
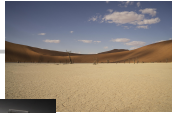
Time to Establish Success AKA Ramp Up Period



Personal Expenses

Strategies for Saving

- Establish goals
 - Establish an emergency fund
- Budget
- Illusion of scarcity
 - Pay yourself first
 - Make saving automatic
 - Cash Budget
- Limit Impulse Buy
 - Find Substitutions
 - Meal plan
 - Use your coffee maker
 - Stop smoking
- Eliminate debt
 - Be mindful of your cashflow



Budgeting Activity!!



RCAC Building Rural Economies
Start, Grow, Revive Your Business
Personal or Family Budget

	1st	15th	Total
Income			
Job 1			
Job 2			
Other:			
Other:			
Total Income			

Expenses	1st	15th	Total
House Payment/Rent			
House Insurance			
Electric			
Gas/Propane			
Trash/Water/Sewer			
Home phone			
Cell phone			
TV cable/dish			
Internet			
Car Payment			
Car Insurance			
Gas for cars			
Health care			
Child care			
Student Loan			
Credit Card #1 (monthly payment)			
Credit Card #2 (monthly payment)			
Credit Card #3 (monthly payment)			
Credit Card #4 (monthly payment)			
Newspaper			
Groceries			
Savings			
Other:			
Other:			
Other:			
Total Expenses			

Total Income - Total Expenses

Questions that need research to finish the budget:



Recognizing Opportunity

Problems Equal Opportunities

Successful businesses solve a problem



Gaps in the Marketplace

- Gaps
 - Something that is not yet available that people want to have.
 - Gaps can be:
 - **Unique**-nothing else like it on the market
 - **Improvements** – an update that will increase sales
 - Existing solution that is absent from your target market.



Imitation

Doing something completely new is difficult and rarely successful.

Some of the most successful firms have been second to the game not first: Apple, Ford, Google, etc.

Its okay to look for things that work and make them your own.

Finding a Niche



- Narrowing your product or solution down to focus on and specialize in a very distinct segment of a larger market.

What am I trying to do?

Problem

Solution



Problem/Solution

What Am I doing:

Is this a Problem?

Is this a Solution?

Is this a Problem?	Is this a Solution?

Review & Wrap-Up



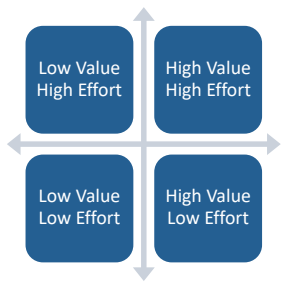
- Motivation and Risks
- Personal and Community Resources
- Opportunities

How are you feeling?

Parking Lot & Questions



Choosing a Focus



Effort Value Matrix

- Helps visualize multiple ideas or goals
- Helps determine which will give you the most Value for the lowest effort

Value Hypothesis

What is a Value Hypothesis?

A potential solution.

Captures your theories about market demand.

Can be disproven.

Allows for changes in direction.

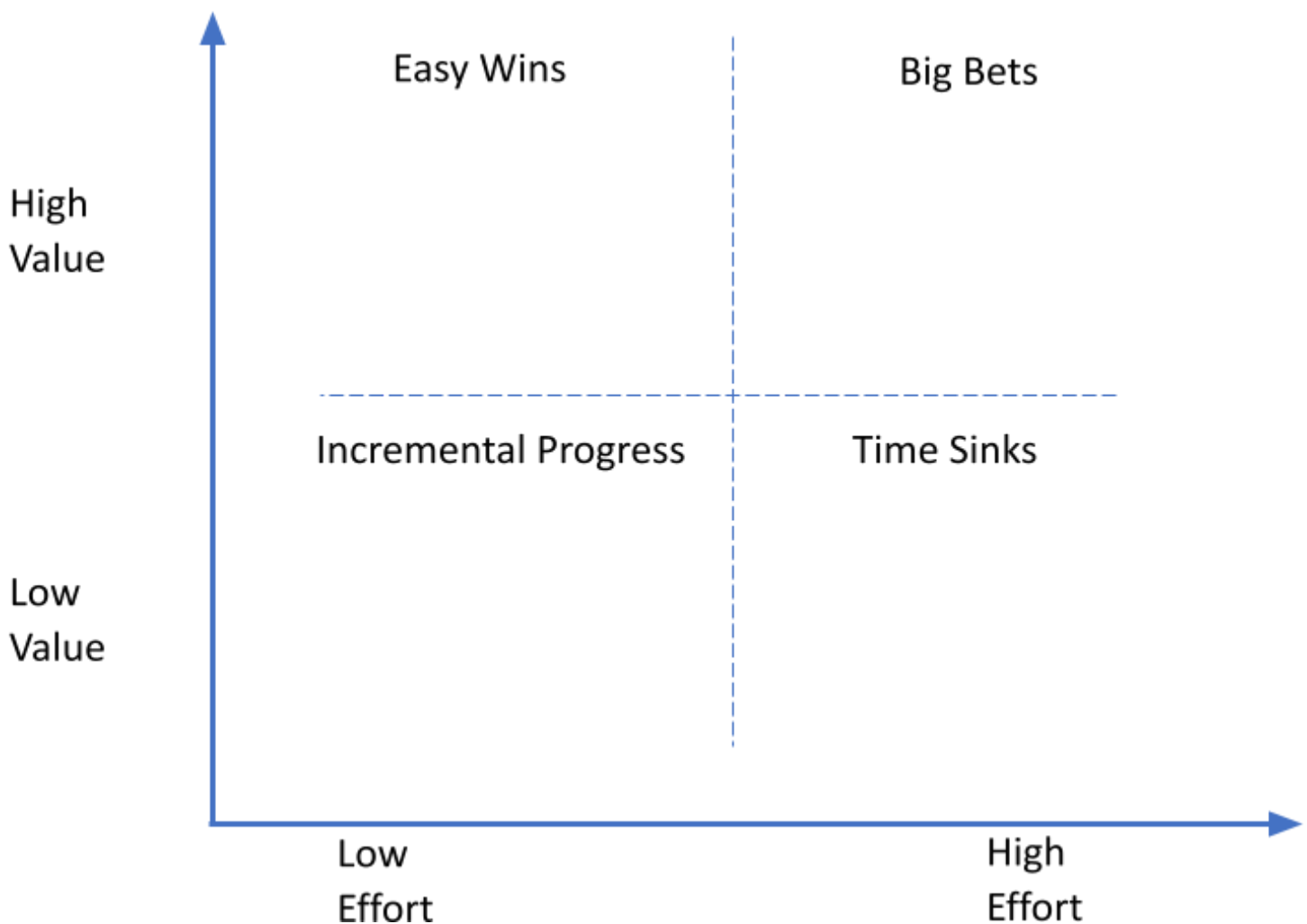


Value-Effort Matrix

A Value-Effort Matrix is used to prioritize business opportunities but can be applied to many different aspects of life. When you have more opportunities and goals you would like to accomplish than the limited resources will allow i.e. time and money. Use the Value-Effort Matrix to prioritize them to see which ones you should focus on first.

Value: Consider value to be the outcome once you have accomplished your goal. This can be more than just monetary, it could also include new skill development, increased level of respect, better connection to family and/or community and financial and mental stability.

Effort: Consider effort to be the work required to accomplish your goal. This could be related to time while learning new skills either formally (through the education system) or informally (self-taught). This could also be related to the financial investments you will have to make like purchasing tools or equipment.



Value Hypothesis

A value hypothesis can be used to test whether your assumptions about the value that you bring to your customers are correct.

This is a way to test your product or business idea *before* investing a lot of time and money into development and execution.

A value hypothesis must always contain three elements:

1. Your solution
2. Your customer or target market
3. The problem that you are solving and/or the perceived value to your customer

The more defined you can make these elements, the easier it will be to test your value hypothesis.

An example of a value hypothesis:

For \$35 a week UpDog provides a meal delivery service for raw dog food, designed for working adults age 35-60, who do not have the time or capacity to provide their beloved pooch with a premium personalized diet.

Now, go out and ask your demographic. Would they be willing to use this product at the given price point?

If the data comes back and says your likely target audience isn't willing to pay, then it means you must rethink and reframe your product before running another test. For example, you may want to focus on another demographic, or look at reducing the price of the subscription.

So, what is your value hypothesis?

Writing a Value Hypothesis



My business does (solution),
which helps (your customer),
address (problem).

How Industries Work: Value Chains

Value Chains

Businesses, organizations and institutions linked together to help take a product or service to the consumer/market



- Types of Sectors:**
- Arts and crafts
 - Health
 - Tourism
 - Food/Agriculture
 - Manufacturing
 - Downtowns

Value Chain as an Asset Building Tool

- A **network** of people, businesses, organizations, agencies addressing a **market opportunity**;
- To **meet demand** for specific products and services; advancing **self-interest**;
- While building rooted local and regional wealth.

Value Chain Stakeholders

- **Demand Partners:**
 - Consumers of goods and services
- **Transactional Partners:**
 - People, businesses, orgs with direct role in sourcing, producing, distributing
- **Support Partners:**
 - People, businesses, orgs that provide infrastructure that helps the transactional partners obtain resources needed to produce the product/service

Build a Value Chain

Brainstorming Activity

Value Chain Definitions

Value Chain Functions are steps that must happen for a successful demand-driven value chain. There are transactional functions needed to deliver the product or service. These might include: producing, value-adding, aggregating, etc. Support functions include things like: research, development financing, training, certification, etc.

- **Demand Partners or Stakeholders** include those who will buy or use the product or service. What does the Value Chain offer to the demand partner that they cannot already get?
- **Transactional Partners or Stakeholders** include people, businesses, or organizations that play a direct role in sourcing, producing, distribution the product or service. Transactional partners may include but are not limited to:
 - Suppliers – Provide raw materials to other Value Chain partners
 - Producers – Create good or services
 - Aggregators – Gather products from multiple producers for processing or sale
 - Distributors – Transport goods or services to retailers and consumers
 - Wholesale Buyers – Purchase goods or services for resale
 - Customers/Consumers – Purchase goods or services for direct use
- **Support Partners or Stakeholders** include people, businesses, or organizations that provide the infrastructure that helps the transactional partners obtain resources needed to produce their product and/or remove barriers to an effectively functioning Value Chain. Examples include: business and technical assistance programs, financing (philanthropic, debt and equity), policy and regulation, media, research, and capacity building.

Using a Value Chain

At its most basic, a business maps their value chain in order to better understand their business environment. However, understanding is just the first step. Building a value chain, helps you identify key players, and allows us to create an action plan for reaching out to those individuals and organizations. This will not only allow you to build a strong infrastructure for your business, but may also allow you to identify ways in which you can reach your customers through referrals or unfulfilled marketplace gaps.

Use the Value Chain to Discover...

- Key Players in the Ecosystem/Industry
- Potential Customers
- Opportunities and Gaps
- Path to Launch

Value chains are dynamic, not static, and usually aren't linear.

Understanding Value Chain Partners

Helps you to:

- Bring *buyers, processors, producers* and other **transactional partners** together for mutual benefit to create value in response to **market demand**.

Understanding Value Chain Partners

Helps you to:

- Include direct engagement by **support partners**- *educators, researchers, technical assistance providers, financiers, policy-makers, etc.*- who are critical to creating and maintaining wealth that sticks with their communities.

Engaging your Value Chain

Testing Your Value Hypothesis (Solution)

- Engage your value chain
 - Interview industry experts or current businesses who are solving your problem
 - Seek out community support
 - Talk to your customer

Engage Your Customer!

- Surveys
- Focus Groups
- Conversations and Interviews
 - Be Creative
 - Collage
 - Card Sorting
 - Guided Tours
 - Drawing

Focus on the Problem not Just the Solution

- Try to:
 - Gain insights about how the problem you are trying to solve affects people's lives.
 - Disprove your value hypothesis.
 - Avoid leading people to the answers you want.

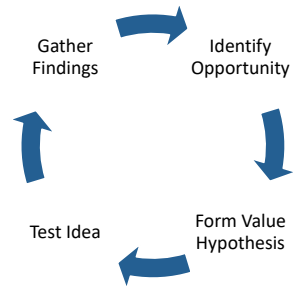
Value Chain Engagement Plan

- Who are you going to engage?
- How are you going to engage them?
- When are you going to engage them?
- What did you learn?
- How are you going to incorporate your learnings into your solution?

Reflection/Brainstorming

- What did you learn?
- How can you incorporate what you learned into your solution?
 - Mind Maps
 - Business model canvases

Discovering Opportunity





Review and Next Steps

- **Today's Learnings:**
 - The Problem, Solution, and Connection
 - Your Value Chain Network
 - Engaging Your Potential Customers
- **Next steps:**
 - Session 3:
 - Homework: Fill out The Problem, Solution, & Connection Handout for **your** business idea

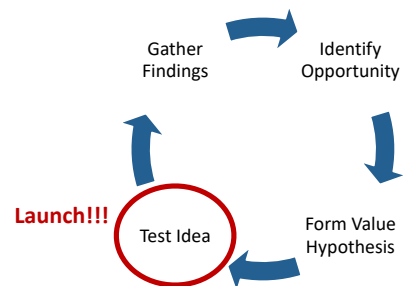
Review and Reflections

- What is a value hypothesis?
- What problem is your business solving and for whom?
- What major players are in your network, and how are you going to engage them?



Reassessing & Adjusting Your Idea

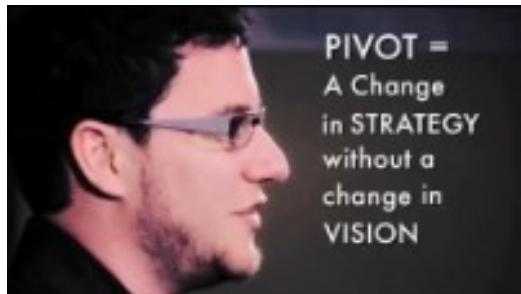
Discovering opportunity



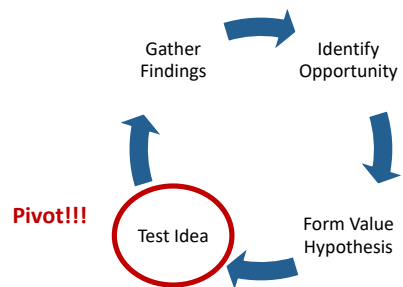
What if I find out my value hypothesis is incorrect?

Pivot!

What is a pivot?



Discovering opportunity



Mitigating Your Risk.

Celebrate your failures



Define Your Exits

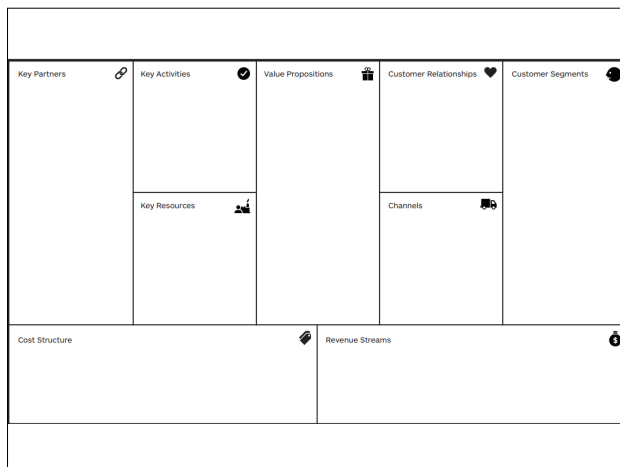
- What does success look like?
 - Selling the business.
 - Passing the business to your kids.
 - Moving on to better opportunity.
- When do you walk away?
 - Business proves to not be feasible.
 - Is it time for a pivot?
 - You are no longer connecting with your "why."

How do I know if my business will succeed?



- You don't, but you can think through the different elements. . .
 - Operations
 - Promotions
 - Sales
 - Startup Costs
 - Operating Costs
- And mitigate your risk by modeling your business.

The Business Model Canvas












The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

<h3>Key Partners</h3>  <p>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p>MOTIVATIONS FOR PARTNERSHIPS Optimization and economy Reduction of risk and uncertainty Acquisition of particular resources and activities</p>	<h3>Key Activities</h3>  <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?</p> <p>CATEGORIES Production Problem Solving Platform/Network</p>	<h3>Value Propositions</h3>  <p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p> <p>CHARACTERISTICS Newness Performance Customization "Getting the Job Done" Design Brand/Status Price Cost Reduction Risk Reduction Accessibility Convenience/Usability</p>	<h3>Customer Relationships</h3>  <p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?</p> <p>EXAMPLES Personal assistance Dedicated Personal Assistance Self-Service Automated Services Communities Co-creation</p>	<h3>Customer Segments</h3>  <p>For whom are we creating value? Who are our most important customers?</p> <p>Mass Market Niche Market Segmented Diversified Multi-sided Platform</p>																								
	<h3>Key Resources</h3>  <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p>TYPES OF RESOURCES Physical Intellectual (brand patents, copyrights, data) Human Financial</p>		<h3>Channels</h3>  <p>Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?</p> <p>CHANNEL PHASES 1. Awareness How do we raise awareness about our company's products and services? 2. Evaluation How do we help customers evaluate our organization's Value Proposition? 3. Purchase How do we allow customers to purchase specific products and services? 4. Delivery How do we deliver a Value Proposition to customers? 5. After sales How do we provide post-purchase customer support?</p>																									
<h3>Cost Structure</h3>  <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p> <p>IS YOUR BUSINESS MORE Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing) Value Driven (focused on value creation, premium value proposition)</p> <p>SAMPLE CHARACTERISTICS Fixed Costs (salaries, rents, utilities) Variable costs Economies of scale Economies of scope</p>		<h3>Revenue Streams</h3>  <p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?</p> <table border="0"> <tr> <td>TYPES</td> <td>FIXED PRICING</td> <td>DYNAMIC PRICING</td> </tr> <tr> <td>Asset sale</td> <td>List Price</td> <td>Negotiation (bargaining)</td> </tr> <tr> <td>Charge fee</td> <td>Product feature dependent</td> <td>Yield Management</td> </tr> <tr> <td>Subscription Fees</td> <td>Customer segment dependent</td> <td>Real-time-Market</td> </tr> <tr> <td>Lending/Renting/Leasing</td> <td>Volume dependent</td> <td></td> </tr> <tr> <td>Licensing</td> <td></td> <td></td> </tr> <tr> <td>Brokerage fees</td> <td></td> <td></td> </tr> <tr> <td>Advertising</td> <td></td> <td></td> </tr> </table>			TYPES	FIXED PRICING	DYNAMIC PRICING	Asset sale	List Price	Negotiation (bargaining)	Charge fee	Product feature dependent	Yield Management	Subscription Fees	Customer segment dependent	Real-time-Market	Lending/Renting/Leasing	Volume dependent		Licensing			Brokerage fees			Advertising		
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The makers of Business Model Generation and Strategyzer

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The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 			Revenue Streams 	



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Do I need a formal business plan?

- It depends
 - A formal business plan can be useful for thinking through all facets of a business.
 - Business plans are often required to secure loans or private equity funding.
 - The research that goes into a formal business plan can provide structure to the startup process.

Business Plan Outline

- Table of Contents
- Executive Summary
- The Company
- The Market & Competitors
- Marketing Mix
- Facilities & Operations
- Financials
- Critical Risks & Barriers

Compliance & Paperwork

Review the Steps to Register and Start a Business in Colorado



Checklist for New Businesses

There are many federal, state, and local requirements for doing business in Colorado. The following is a checklist of general issues that you may want to consider as you set up your business. Some of these items may not apply to your business or situation, and there may be other considerations not listed here.

For more help with starting a business, see the [Colorado Business Resource Book](#).

Register & maintain a new business

- Register your business with the Colorado Secretary of State's office by [filing online](#).
- Subscribe to [email notifications](#) to receive important reminders related to your new business. The Secretary's office sends all business reminders electronically, so it's important to keep an active email address on file.
- Maintain your record at the Colorado Secretary of State's Office to avoid delinquency and higher filing fees. This may require filing an annual periodic report with our office. More information on periodic reports can be found on our [FAQ](#).

Formation

- Hold a first meeting of directors/shareholders or managers.
- Elect new directors if applicable, appoint officers, and adopt bylaws.
- Determine which officers are authorized to sign checks.
- Decide if you are going to do business under a name other than the entity name. To file a trade name with the Colorado Secretary of State, go to your entity record and file a statement of trade name. More information on filing a trade name with our office can be found on our [FAQs](#).
- If applicable, contact the Secretary of State and the U.S. Patent and Trademark Office for information on state and federal trademarks and copyright. [Trademark FAQs](#).
- Document buy-sell agreements between shareholders if applicable.
- Contact the Internal Revenue Service. Are you going to apply for "S"

corporation status?

- Determine if and how you will be selling stock.

Financial/Business plan

- Create a business plan, budget, cash flow projections, and determine working capital needs.
- Contact your accountant for bookkeeping and account management.
- Establish a business bank account and credit card.
- Establish business credit.
- Understand the tax implication of the entity you are using for your business.
- Obtain your federal tax identification number from the IRS.
- Obtain your wage withholding account number from the Colorado Department of Revenue.
- Check that you have all of the federal, state and local tax information and forms:
 - Federal withholding
 - Federal/state unemployment
 - State withholding
 - State workmen's compensation
 - State & local sales tax

Marketing

- Establish your product and market.
- Create a marketing plan.
- Create a distribution plan.
- Advertise your business
 - Create a web page
 - Create social media accounts
 - Create a logo
 - Advertise on radio/television
 - Order business cards/signage

Local regulatory environment

- Determine if local zoning is appropriate for your business use.
- Contact your city hall or county clerk to obtain necessary business licenses or other special licenses, such as a liquor license.
- Contact local/state health department if you will be serving food or providing public accommodations.

Insurance

[Department of Regulatory Agencies Small Business Guide to Insurance](#)

- Obtain proper insurance for your business. This could include:
 - Liability
 - Fire and Premises
 - Auto
 - Glass
 - Business interruption
 - Crime
 - Officer and director liability
 - Products liability

State regulatory environment

- Apply for a license on the [Department of Regulatory Agencies](#) (DORA) site if you will be a state-regulated entity.
- Contact the department of revenue if you will be serving liquor.
- If your business is a utility or transportation service, check with the Public Utilities Commission (PUC) for their regulatory authority.
- Contact the Department of Revenue if you will buy or sell wholesale.

Federal regulatory environment

- Comply with state and federal minimum wage laws.
- Review the Equal Employment Opportunity Law.
- Become compliant with the Americans with Disabilities Act (ADA).
- Review Colorado Department of Health & Environment regulations if your business has an environmental impact.
- Contact your local fire department or the Federal Bureau of Alcohol, Tobacco and Firearms if your business involves the sale or use of firearms, explosives, or fireworks.
- Comply with Occupational Safety and Health Administration (OSHA) regulations.

General management

- Decide who manages and how.
- Consult with your attorney to create standard contracts for the sale of your products or for the purchase of materials.
- Verify employee eligibility pursuant to the Immigration Reform and Control Act of 1986. Get information about [e-Verify](#).
- See the [Colorado Department of Labor and Employment](#) for information on satisfying the requirements of the Colorado Employment Verification law.
- Contact your attorney regarding the tax and liability impact for independent contractors or employees.
- Draft employment contracts with upper-level management employees if applicable.
- Determine employee fringe benefits such as vacation, sick leave, retirement plans, stock options, military leave, health and disability programs, automobiles or auto allowances, and other perks.
- Draft nondisclosure agreements if applicable.

State-regulated businesses

Register with the [Department of Regulatory Agencies](#) if your business needs to be licensed in the State of Colorado.

You should not consider any guidance or assistance that you receive from this office to be legal, business or tax advice. Any such guidance or assistance is no substitute for the informed advice of competent legal, business, tax or other professional counsel. If you have substantive questions, we encourage you to consult your private attorney, business or tax advisor, or other professional. The employees of our office are not authorized to provide legal, business or tax advice. [Legal disclaimer](#)

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Comparison of Organizational Types

Choosing the right organizational type is important because it can impact your taxes, liability and income. As a small business owner you will want to consider 6 key factors: Management, Payroll, Taxation, Continuity & Transferability, Expense & Formality, and Liability & Risk. Because each individual's situation differs, it would be best to consult with an accountant and business attorney to help determine which structure is best for you.

Organizational Type	Description	Management	Payroll	Taxation	Continuity & Transferability	Expense & Formality	Liability & Risk
Sole Proprietorship	Owned by one individual, owner & business considered one in the same.	Owner	Owner cannot be paid through payroll. Owner compensation is through distributions.	Profit/loss are filed on owners personal tax return. Taxed as personal income and subject to individual tax rates and self-employment tax.	Owner can sell or transfer business and any assets.	Simplest and lowest cost business entity to create.	Unlimited personal liability. Risk can be managed with insurance.
General Partnership (GP)	Association between two or more people in business seeking a profit.	Partners have equal management rights unless otherwise stipulated in partnership agreement.	Partner cannot be paid through payroll. Partner compensation is through distributions.	Annual partnership tax return is to be filed. Partners receive schedule K-1 from the 1065, business' income/loss flows through to partners personal tax return. Taxed as personal income and subject to self-employment tax.	Partnership Agreement spells out terms and conditions.	Low expense and legal formality. Partners should create a formal partnership agreement w/ attorney and CPA assistance.	Unlimited joint personal liability. Each partner can be individually liable for all obligations of the partnership. Risk can be managed with insurance.

Organizational Type	Description	Management	Payroll	Taxation	Continuity & Transferability	Expense & Formality	Liability & Risk
Limited Partnerships (LP)	Association between two or more people in business seeking a profit.	General partner manages the day to day operations of the business. A limited partner is generally an investor, either for short term projects or investing in capital assets.	Partner cannot be paid through payroll. Partner compensation is through distributions.	Annual partnership tax return is to be filed. Partners receive schedule K-1 from the 1065, business' income/loss flows through to partners personal tax return. Taxed as personal income and subject to self-employment tax.	Depends on Partnership Agreement. May be terminated if one partner leaves the Partnership.	Filing fee and annual fees to state. In Michigan, a Certificate of Limited Partnership is filed.	Liability varies. General Partner has unlimited personal liability and is responsible for day to day operations. A Limited Partner is liable only up to their own investment and must maintain a limited role in day to day operations.
Limited Liability Partnerships (LLP)	Association between two or more people in business seeking a profit. Restrictions may apply to eligibility such as particular associated license with profession.	General partner manages the day to day operations of the business. A limited partner is generally an investor, either for short term projects or investing in capital assets.	Partner cannot be paid through payroll. Partner compensation is through distributions.	Annual partnership tax return is to be filed. Partners receive schedule K-1 from the 1065, business' income/loss flows through to partners personal tax return. Taxed as personal income and subject to self-employment tax.	Depends on Partnership Agreement. May be terminated if one partner leaves the Partnership.	Filing fee and annual fees to State.	Personal liability may be limited, but rules vary from state to state.

Organizational Type	Description	Management	Payroll	Taxation	Continuity & Transferability	Expense & Formality	Liability & Risk
S Corporation	A legal entity that is separate and independent from the people that own and run it and has elected subchapter S tax status by filing IRS Form 2553. Owned by one or more shareholders.	Owners, managers and board of directors – one person may hold all positions in small business S-Corps.	Shareholder is paid through a combination of payroll and shareholder dividends. Shareholders must pay themselves reasonable compensation through payroll per IRS regulations.	Annual S-Corp tax return is to be filed. Shareholders receive a schedule K-1 from the 1120S, business' income/loss flows through to shareholders personal tax return. Taxed as personal income. NOT subject to self-employment tax.	Separate legal entity. Ownership can be transferred by sale of stock.	Articles of incorporation and corporate bylaws need to be submitted to the state of MI. A subchapter S election needs to be filed with the IRS. Attorney will be needed. Annual fee paid to MI.	Owners have limited personal liability for obligations of the business.
C Corporation	A legal entity that is separate and independent from the people that own and run it. The most common form of business entity for larger companies. Owned by shareholders.	Board of directors are chosen by shareholders. Officers of the company handle the day to day operations.	Shareholder is paid through a combination of payroll and shareholder dividends.	Annual corporate tax return is to be filed. Business' income is taxed at generally higher corporate tax rates and tax is paid with the 1120.	Separate legal entity. Ownership can be transferred by sale of stock.	Articles of incorporation and corporate bylaws need to be submitted to the state of MI. Attorney will be needed. Annual fee paid to MI.	Owners/ shareholders have limited personal liability for obligations of the company.

Organizational Type	Description	Management	Payroll	Taxation	Continuity & Transferability	Expense & Formality	Liability & Risk
Limited Liability Co (LLC)	An unincorporated association. Owners are called members. An LLC with one owner is called a single member LLC. Articles of organization are required and operating agreement recommended.	The operating agreement for an LLC specifies how the business is managed. Members may have either an active or non-active management role.	Member cannot be paid through payroll. Member compensation is through distributions.	Annual partnership tax return is to be filed. Partners receive schedule K-1 from the 1065, business' income/loss flows through to partners personal tax return. Taxed as personal income and subject to self-employment tax. A single member LLC may file on Form 1040, Schedule C.	Generally, ownership cannot be transferred. Check with State for requirements.	Articles of organization need to be submitted to the State of MI. Formal operating agreement recommended, attorney may be needed. Annual fee paid to MI.	Members have limited personal liability for obligations of the business.

Choose Your Business Structure



The business structure you choose will have legal and tax implications. Learn about the different types of business structures and find the one best suited for your business.

Sole Proprietorship

A sole proprietorship is the most basic type of business to establish. You alone own the company and are responsible for its assets and liabilities. Learn more about the sole proprietor structure.

Limited Liability Company

An LLC is designed to provide the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. Learn more about how LLCs are structured.

Cooperative

People form cooperatives to meet a collective need or to provide a service that benefits all member-owners. Learn more about how cooperatives are structured.

Corporation

A corporation is more complex and generally suggested for larger, established companies with multiple employees. Learn more about how Corporations are structured.

Partnership

There are several different types of partnerships, which depend on the nature of the arrangement and partner responsibility for the business. Learn more about how these are structured.

S Corporation

An S corporation is similar to a C corporation but you are taxed only on the personal level. Learn more about how S corporations are structured.

Financial Feasibility

What is the one thing you need to run a business?



Mechanics of a Cashflow

Cash In 

-Cash Out 

Cashflow

 Time

Three uses of cash

1. Paying obligations on time
2. Investing in working capital (inventory)
3. Investing in fixed assets

Cash pays the bills!

Pricing Strategies



RCAC Building Rural Economies Start, Grow, Revive Your Business Pricing Strategies

Tom builds and sells hexagonal picnic tables for \$225 a piece at the farmer's market. Last week he sold 3 tables. The raw materials (lumber, hardware, stain, etc.) \$75 per table and it takes him 12 hours to build and stain each table. His booth rental each week costs \$50 and even though the farmer's market is only open from 4-7 pm, Tom left his house at 2:00 pm to give himself time to drive to the market and set up his booth. He got home at 8 pm. It cost him \$20 in gas to drive his pickup and trailer back and forth. How much did Tom pay himself per hour to make and sell his tables?

Calculations:

Activity:



Activity:

• Revenue:	\$225 x 3 =	\$675.00	
• Subtract:			-
• Raw material:	\$75 x 3 =	\$225.00	
• Booth rental:			\$ 50.00
• Gas:			\$ 20.00
• Take home:		\$380.00	
• Divided by:		+	
• Hours to make and sell tables:		42.0	
• Hourly pay:			\$9.05

Startup and Operating Budgets

Startup Vs Operating

- Startup Budget
 - Cover's all expenses needed to launch business.
 - All pre-revenue expenses plus a period of operating expense needed to achieve positive cashflow
 - Includes the initial *investment* needed to cover startup expenses

Startup Vs Operating

- Operating Budget
 - Includes all day-to-day expense
 - Includes revenue and cash injections

Revenue Assumptions

What: Best guess of how much product you can sell at a given price

Why: Make sure we have enough income to offset expenses

How: Market Research

- Use national statistics
- Census data for community demographics
- Feedback from customer surveys

Expense Assumptions

What: How much is it going to cost to produce or sell your product?

Why: Control and manage expenses

How: Best guess and adjust as you go ☺

- Lots of Research
 - Vendor Prices
 - Rent
 - Utilities
 - Internet

Weekly Cash Flow

MONDAY

Top-of-Mind

Bank Balance of
\$19,500 on Monday

TUESDAY

Forgotten

Quarterly tax charge
will automatically withdraw
for **\$12,000** on Tuesday

WEDNESDAY

Payment of invoice
\$15,000 on Wednesday

A late invoice, due 11 days
ago for **\$17,500**
will be paid on Wednesday.

THURSDAY

A check to a supplier for
\$2,700 will clear on
Thursday.

FRIDAY

Payroll of **\$32,000**
due to on FRIDAY
Expected **\$34,500**

Unknowns

Payment of invoice
for **\$15,000** will not be
paid on Wednesday!

Your client is struggling
with their cash flow and
is **unable to pay** for
three more weeks.

A quick turn-around
project is accepted but
you need **\$1,100** to fix
required equipment.

The service technician
requires **cash** on
completion.

**ACTUAL BANK
BALANCE** on Friday:

\$21,200 for a
**shortfall of
\$10,800**

Reflections

- WS1: Ideation
 - What is your motivation? Entrepreneurial Mindset
 - Recognize opportunities (Problems = Opportunities)
 - Developing Personal Budgets
- WS2: Exploring Opportunities & Markets
 - Problem, Solution, Connection
 - Formulating a Value Hypothesis then Test It
 - Mapping your Industry using Value Chains
- WS3: Assessing Opportunities
 - Reassessing & Adjusting Opportunities (THE PIVOT!)
 - Business Planning – Business Model Canvas
 - Critical Business Skills
 - Financial Feasibility – Estimating Cashflows



Cashflow Iceberg

- Is the company able to make payroll on Friday?
- Why did the expected cash balance not equal the actual cash balance at the end of the week?
- What can this company do to make up for the shortfall?

Minimal Viable Product

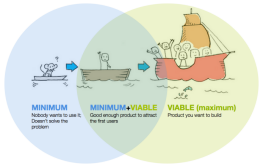
Start Small Grow Big, Fail Fast Fail Often

Telling the Future

Can we ever know for certain our business will be a success before launch?

What is the one way can we test and prove our value hypotheses?

Minimal Viable Product



- Steppingstone/bridge
- Lower cost version of your final vision
- Start faster
- Tests your market value
- Adjust or change offering if needed

How can you start next month?

• Let's change your assumptions:

1. You have one month to start
1. You have less than half the resources needed for your vision



Scale it Back




Vision 

MVP 

Time 

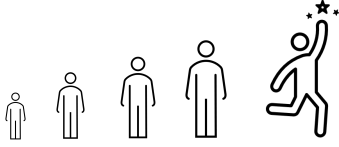
 Resources

One Month

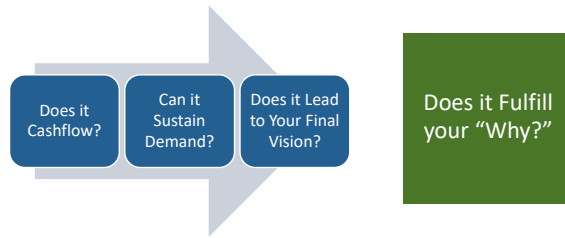
 Resources

Why Start Small?

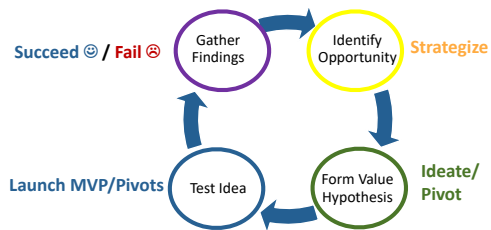
- Serve your customer now.
- Involve your customer in start-up process.
- Find what's "mission critical."
- Shorter timeline to revenue; no overextension of resources.



Is Your MVP a Success?



Discovering opportunity



Funding Your Venture

What is a Capital Stack?

- Total cash or assets provided by
 - Owner(s)
 - Family and friends
 - Crowdfunding
 - Outside investors
 - Federal or state grants (*if applicable*)
 - Banks, credit unions, or nonprofit loans funds



Equity vs Debt in a Capital Stack

Equity

- Invested in by owner(s)
 - Owner's savings
 - Crowdfunding
 - Money from family, friends, or others in exchange for a piece of the business
 - Stock/convertible debt
 - State or federal grants

Debt

- Must be repaid
 - Bank or credit union loans
 - Loans from local nonprofits
 - Loans from family or friends (with or without interest)
 - Credit card purchases

Balancing Equity & Debt

- **Caution:** Too much debt is dangerous!
 - Debt typically comes with fees and interest
 - Credit cards more expensive than loans
 - Must be affordable long-term
- Equity should be $\geq 10\text{-}30\%$ of total costs

Types of Business Loans



Line of Credit

Revolving loan for ongoing expense, seasonal fluctuations, inventory, purchase order financing, etc.



Working Capital Loan

Loan for a lump sum paid back, with interest, over a relatively short period of time (i.e. 3-5 years)



Term Loan

Loan for a lump sum paid back, with interest, over a set period of time (i.e. 10-30 years)

Sources of Equity – Owner Savings

- Investing your own savings
 - Shows you believe in your business
 - Makes you less likely to walk away if things go bad
 - Demonstrates your ability to be financially prudent



Why save for a business?



Start-up Capital Expense

Building
Equipment
Inventory
Fees
Uniforms
Supplies



Seasonality and Cash Flow



Time to Establish Success
AKA Ramp Up Period



Personal Expenses

Mechanics of a Basic Budget

Revenue



-Expenses



Net Income

Grants (You Probably Won't Get a Grant)

- State and Federal
 - Granting entities include:
 - USDA
 - SBA
 - State Economic Development Offices
- Private Grants
- Finding Grants
 - Databases, sometimes available at local libraries
 - Email lists
 - Helloalice.com
 - Government websites
 - SBDCs



Crowdfunding



Sources and Uses (Startup Budget)

- Shows the sources of funds and their uses for starting a new venture or project
- Communicates to investors what their money is going toward, and what other funds are being used to seed the project
- Common in loan applications



UNDERSTANDING CREDIT

Five C's of Credit

- Capacity
- Character
- Capital
- Collateral
- Conditions



Capacity

- Standard business operating ratios

$$\text{Debt Service Coverage Ratio} = \frac{\text{Net Income}}{\text{Debt Service (Loan Payment)}}$$

- Attempt to judge your ability to repay the loan



Character

- History or track record as a borrower
 - Total amount borrowed and owed
 - On-time vs late payments
 - Collections, liens, judgements, or bankruptcies
- Typically measured using credit score
- Attempt to judge your likelihood to repay



Capital

- Assets available to help launch or expand
 - Cash, savings or investments
 - Existing equipment or inventory
- Typical Requirement: 10-30% of total costs
- Lender wants you to have "skin in the game"



Collateral

- Allows the borrower to secure the loan
 - Land
 - Business equipment or inventory
 - Business vehicle
- Discounted value used to account for collection
- Helps protect the lender in case of default



Conditions

- Purpose of the loan
- Size of Target Market
- Competition
- Industry trends
- Overall economic conditions



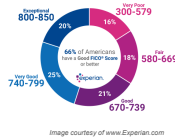
Credit Report

- Get a free copy of your credit report at: www.annualcreditreport.com
- Review the report for errors
 - Doesn't give you a score
 - Paid accounts showing as unpaid
 - Duplicate information
 - Unauthorized inquiries
 - Items listed too long
- Fix any errors



Credit Score

- FICO Credit Score Range: 300 to 850
- Ways to improve your credit score
 - Pay on time, every time!
 - Pay down balances
 - Minimize hard inquiries
 - Reestablish credit



Ingredients

Payment history	35%
Amount of debt	30%
Length of credit history	15%
Amount of new credit	10%
Credit mix	10%

Tips From Initiate

1. Set up automatic payments for at least your minimum payment amount.
1. Schedule a reminder at least five days before your due dates each month to ensure you have manually submitted your payment.

About payment history



How you've paid your bills in the past—whether you've paid on time or late, or missed payments—is a very important category of credit data for the FICO® Score. The more severe, recent and frequent the late payment information, the greater the impact on a FICO® Score.

Ingredients

Payment history	35%
Amount of debt	30%
Length of credit history	15%
Amount of new credit	10%
Credit mix	10%

Tips from Initiate

1. Don't spend beyond your means.
1. Reduce your existing balances.
1. Don't exceed your credit card limits.
1. Set up an emergency fund so you won't need to utilize credit cards in case of an emergency.

About amount of debt



The amount of credit you're using is a very important category of credit data for the FICO® Score. FICO® Scores consider the total balance owed, how many accounts have balances and how much of your available credit you're using.

Ingredients

Payment history	35%
Amount of debt	30%
Length of credit history	15%
Amount of new credit	10%
Credit mix	10%

Tips from Initiate

Consider keeping old accounts open to help retain your overall history.

About length of credit history



FICO® Scores take into account how long your credit accounts have been established, including the age of your oldest account, the age of your newest account and the average age of all your accounts.

Ingredients

Payment history	35%
Amount of debt	30%
Length of credit history	15%
Amount of new credit	10%
Credit mix	10%

Tips from Initiate

1. Don't apply for credit you don't need.
1. If you choose to pursue new credit, complete as few applications as necessary as quickly as possible.

About amount of new credit



When considering your amount of new credit, FICO® Scores take into account how many new accounts you've recently opened and whether you've been rate shopping for a single loan or applying for multiple new credit lines. Opening several new credit accounts in a short period of time indicates greater credit risk.

Credit Activity

Draw Lines between the activity and how it will affect your credit score (can affect more than one)

Missed a credit card payment	Credit Mix
Took out a car loan	Payment History
Received a discount at Old Navy by opening an account	Amount of New Credit
Closed a credit account that was 10 years old	Length of Credit History
Paid off student loan	Amount of Debt

Ingredients

Payment history	35%
Amount of debt	30%
Length of credit history	15%
Amount of new credit	10%
Credit mix	10%

Tips from Initiate

1. Be strategic and, if possible and within your means, seek to have a variety of accounts including both revolving credit, and an installment loans.
1. Be sure to look for any inaccurate information on your credit report and file disputes with reporting agencies
1. By being proactive and properly managing your credit...

About credit mix



FICO® Scores consider the different types of credit accounts being used or reported, including credit cards, retail accounts, installment loans and mortgage loans. Your credit mix will be more important if your credit report doesn't have a lot of other information to base a FICO® Score on.

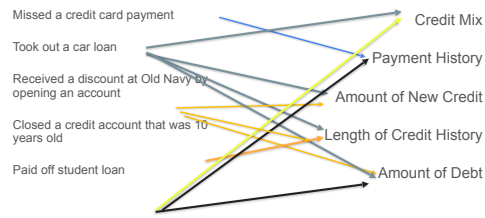
Credit Activity

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Took out a car loan	Payment History
Received a discount at Old Navy by opening an account	Amount of New Credit
Closed a credit account that was 10 years old	Length of Credit History
Paid off student loan	Amount of Debt

Credit Activity

Draw Lines between the activity and how it will affect your credit score (can affect more than one)



Resources on Fixing Credit

Seek out

- Call your creditors
- Check your credit report for errors
 - File a dispute if you find any
- Non Profit Credit Counselor
 - Certified by either the:
 - National Foundation for Credit Counseling (NFCC)
 - Financial Counseling Association of America (FCAA)
 - Guide:
 - [3 Steps to Choosing a Qualified Credit Counselor - NerdWallet](#)

Avoid

- Scams
 - Ask you to pay upfront
 - Not accredited
 - Guarantee Success
 - Creditors warn you about them
 - Not upfront with terms

SMART Goals

SMART GOALS



Paul J. Meyer, businessman, author and founder of [Success Motivation International](#), describes the characteristics of SMART goals in his 2003 book, ["Attitude is Everything: If You Want to Succeed Above and Beyond."](#) We'll expand on his definitions to explore how to create, develop and achieve your goals

SMART GOALS

S

Specific

Your goal should be clear and specific, otherwise you won't be able to focus your efforts or feel truly motivated to achieve it.

When drafting your goal, try to answer the five "W" questions:

- **What** do I want to accomplish?
- **Why** is this goal important?
- **Who** is involved?
- **Where** is it located?
- **Which** resources or limits are involved?



SMART GOALS

M

Measurable

It's important to have measurable goals, so that you can track your progress and stay motivated. Assessing progress helps you to stay focused, meet your deadlines, and feel the excitement of getting closer to achieving your goal.

A **measurable goal** should address questions such as:

- How much?
- How many?
- How will I know when it is accomplished?



SMART GOALS

A

Actionable

Your goal also needs to be realistic and attainable to be successful. In other words, it should stretch your abilities but remain possible. When you set an achievable goal, you may be able to identify previously overlooked opportunities or resources that can bring you closer to it.

An **Actionable goal** will usually answer questions such as:

- How can I accomplish this goal?
- How realistic is the goal, based on other constraints, such as financial factors?

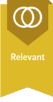


SMART GOALS



Relevant

This step is about ensuring that your goal matters to you, and that it also aligns with other relevant goals. We all need support and assistance in achieving our goals, but it's important to retain control over them. So, make sure that your plans drive everyone forward, but that you're still responsible for achieving your own goal.



A **relevant goal** can answer "yes" to these questions:

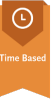
- Does this seem worthwhile?
- Is it applicable in the current socio-economic environment?
- Is this the right time?
- Does this match our other efforts/needs?
- Am I the right person to reach this goal?

SMART GOALS



Time-based

Every goal needs a target date, so that you have a deadline to focus on and something to work toward. This part of the SMART goal criteria helps to prevent everyday tasks from taking priority over your longer-term goals.



A **time-based goal** will usually answer these questions:

- When?
- What can I do six months from now?
- What can I do six weeks from now?
- What can I do today?

Action Planning

Typing it All Together – Action Planning

- Setting Goals
- Completing the steps and milestones needed to achieve your goals

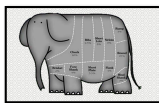


Setting Goals

- Goal is something specific you want to achieve
- Include a quantity and timeframe
- Examples:
 - Increase sales 25% by December 31, 2022
 - Increase my customer base by 50% before year end

Setting Milestones to Achieve Goals

- Milestones = actions needed to achieve goals
- Have a timeframe and quantity (*if appropriate*)
- Provide a continuous supply of achievements
 - Fuel you toward success
 - Help you not get discouraged



Goals, Milestones & Action Steps

Goals are measurements of success

Milestones are small goals that lead to bigger goals

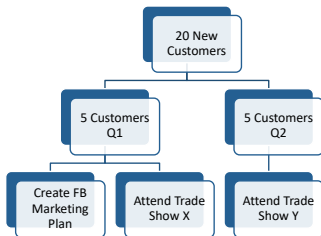
- The **Goal** is to get 20 new customers within the next year
- The **Milestone** is to get 5 new customers each quarter
- Goals and milestones only happen if you do something

Goals, Milestones & Action Steps

Action Steps are things you do to reach goals/milestones

- The Goal of 20 new customers will only happen if you take action
- The **Action Steps** might include developing new advertising, launching a new website, attending six trade shows, etc.

Tying It All Together: Action Planning





RCAC Building Rural Economies Start, Grow, Revive Your Business Strategic Action Planning

A **Goal** has a quantity and time frame. *Example: I will open my business by January 1, 2019.*
A **Milestone** has a quantity and timeframe. *Example: By the 3rd quarter of 2018, I will have the financing I need (\$25,000) to open my business.*

Goal 1:
Milestone 1:
Milestone 2:
Milestone 3:
Milestone 4:
Milestone 5:
Goal 2:
Milestone 1:
Milestone 2:
Milestone 3:
Milestone 4:
Milestone 5:

When	What	Notes
Within Next Month		
Within 3 Months		
Within 6 Months		
Within Next Year		
Within 3 Years		
Within 5 Years		

Working on Your Action Plan

Take XX minutes to begin to develop your
Individual Strategic Action Plan



Working on Your Action Plan



We're Here to Help



Bo Blodgett
Programming@coventure.io
