

Start a Business

Starting a business is overwhelming and tough, it requires passion, dedication, sacrifices of ones' money and time (most precious resources), not mentioning family sacrifices as well. Only take this step if you are not a person who adapt as employee.

Employees enjoy weekends (most of the time), and they are not responsible of business gains or losses whether the economy is growing or shrinking like these days. All the stress in such circumstances is on the entrepreneur.

So.. Before we talk about how your business need, you definitely have to by sure of the next step once you jump in entrepreneurship. To start a business you need to be aware, understand or have beyond basic knowledge about two main subjects: Marketing & Finance.

Finance is eventually the recipe or secret sauce that you will develop to make all your stakeholders happy, well paid employees, dividends for shareholders / investors, on time payment to vendors, and eventually make yourself a living in the beginning until business grows and become a well-established tree.

Learning about finance for non finance professionals is quite tricky, because they need to understand the difference between revenue and cash for example, which explains why they can't understand the difference between achieved profit, and bank account that is not showing the same level of profit, assuming that profit margins are great, or at least acceptable.

Since time is the most precious resource for you, try to get advice, that saves you months of trial and error, if not years in some circumstances, whether for technical aspect, marketing, or finance.

Since Finance is eventually the ultimate equation of your business, and this simple equation will attract or not your potential investors, that means you should pay full attention to its details. From building the revenue assumptions, costs involved, risks to be mitigated, and value creation. To summarize the Do's in finance below:

1. Define your value creation activities, what makes your business valuable to stakeholders starting from your customers
2. Define fair price, not low, or high for that value taking into consideration the changes in the market, your premium offering
3. What cost level is required to create that value
4. Gross margin, what gross profit can you achieve at acceptable capacity utilized, you should aim for minimum 50% to 75% gross profit margin

5. Cost support functions, and way of delivering your service, or product to customers, how you will collect invoices, and get paid timely
6. What ROI level possible to achieve first year, and following years with the growth of your revenue, and diminishing (should be) fixed costs
7. Cash flow projections, and bottlenecks, when do you need financing, and how much, how you will pay that back with the current business flow

There are still many more points on the detail level for your finances to work for you, start with the big picture, and dig deeper into details, to help yourself grow all business functions parallel to the business growth. It's better to have ready to grow team with flexibility, than face unforeseen challenges on the way.