



## POE Unit 1 - Principles of entrepreneurship

Computer science Engineering (Sri Shakthi Institute of Engineering and Technology)



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## Unit I

### Introduction to Entrepreneurship.

#### **Introduction:**

Entrepreneurship refers to all those activities which are to be carried out by a person to establish and to run the business enterprises in accordance with the changing social, political and economic environments. Entrepreneurship includes activities relating to the anticipation of the consumers likes

and dislikes, feelings and behaviors, tastes and fashions and the introduction of business ventures to meet out all these expectations of the consumers. Entrepreneurship is considered as a \_\_ new product that would enable businessmen to develop new form of business organization and new business activities catering to the changing needs of the society. The liberalization of cultural rigidities are mainly due to this new product \_\_ entrepreneurship Entrepreneurship is the ability of entrepreneurs to assess the risks and establish businesses which are risky but at the same time suits perfectly to the changing scenarios of the economy.

#### **Entrepreneurship:**

There are many meanings of the term \_\_entrepreneurship'. After attentively discussing all the available ones, we can conclude that entrepreneurship is a system of operating business in which opportunities

existing within the scope of a market are exploited. Self-employment necessitates that any available opportunities within the economic system should be utilized in the creation and functioning of new organizations. A potential entrepreneur should show the interest to seek out investment opportunities in the market, so that they can run the enterprise successfully based on the identifiable opportunities. Thus,

going through the above responsibilities of an entrepreneur, the term \_\_entrepreneurship' has been finally defined as a function which covers multiple functions such as:

- Building organizations.
- Providing self-employment
- Utilization of available resources
- Innovation applied to the novel concept
- Bringing together multiple factors of production in a tangible manner.
- Identifying and exploiting business opportunities within the available market.

#### **Entrepreneur:**

Entrepreneurs are business people who can detect and sense the availability of business opportunities in any given scenario. They will utilize these opportunities to create new products by employing new production methods in different markets. They will also function in different ways by using various

resources who will give them profit. It is important to note that although most entrepreneurial businesses start small, the owners of such businesses need not be small scale owners. They could in fact be big

business owners, who first try and test the waters before investing big time in the business. Small business owners dread risk, but successful entrepreneurs are very innovative and know how to operate profitably in a business environment, even if the risk is very high.

In fact, innovation is the life blood of any kind of entrepreneurs; this is one of the tools that helps them gain an advantage over established players in the market. Entrepreneurs are, thus, defined as —individuals or groups of individuals who carry out entrepreneurship activities that are based on their innovative approaches to solving real-world problems.

### **Types of Entrepreneurs:**

Based on their working relationship with the business environment they are functioning in, various types of entrepreneurs can be found. The chief categories are these four types of entrepreneurs, i.e.

- Innovative entrepreneurs,
- Imitating Entrepreneurs,
- Fabian Entrepreneurs, and
- Drone Entrepreneurs.

**Innovative Entrepreneurs :** This type of an entrepreneur is more interested in introducing some new ideas into the market, organization or in the nation. They are drawn towards innovation

**Imitating Entrepreneurs:** These are often disparagingly referred to as ‘copy cats’. They observe an existing successful system and replicate it in a manner where all the deficiencies of the original business model are addressed and all its efficiencies are retained. These entrepreneurs help to improve an existing product or production process and can offer suggestions to enhance the use of better technology.

**Fabian Entrepreneurs:** These are entrepreneurs that are very careful in their approaches and cautious in adopting any changes. They are not prone to sudden decisions and try to shy away from any innovations or change that doesn't fit their narrative.

**Drone Entrepreneurs:** These are entrepreneurs who do not like a change. They are considered as ‘old school’. They want to do business in their own traditional or orthodox methods of production and systems. Such people attach pride and tradition to even outdated methods of doing business.

### **Roles of an Entrepreneur:**

Entrepreneurs fulfill the following three dominant roles:

Economic Change

Social Change

Technological Change

These are referred to as behavioral roles. All entrepreneurs have these common characteristics and decide to become an entrepreneur due to the factors or circumstances in their lives which made them think the way they do. To do their work effectively and operate a successful business, these entrepreneurs should perform certain roles. These roles are the same as the basic managerial roles.

### **Entrepreneur traits:**

Entrepreneurship is the oldest form of business organization. It is in fact entrepreneurs that bring innovation into our economy with new products and services. They drive a nation's economy towards development and progress.

Everybody has their own path to success. However, there are a few common traits and characteristics that all successful entrepreneurs have in common.

### 1. Vision and Passion

An entrepreneur must have a very clear vision of his business. So he must have the ability to plan out his long term and short term goals and objectives. He has to be able to map out his future plans in an articulate and efficient manner.

Another very important trait necessary in an entrepreneur is that he must be passionate about his work. Entrepreneurship is hard work and long hours, so he must be passionate about what he is doing. Such passion can translate into hard work and success.

### 2. Innovative

One of the main characteristics of entrepreneurship is innovation. The entrepreneur looks for the opportunity in the market and capitalizes on it.

He is the one who introduces new products and services in the market trying to fulfil customer needs. The innovation can also be in a production process, new marketing strategy, innovative advertising etc.

### 3. Risk Taker

A risk is an integral part of any new business. But it is an especially important factor in entrepreneurship because here the entrepreneur bears the entire risk of the business. So it is necessary that the entrepreneur has an adventurous and risk-taking personality.

### 4. Leader

One of the other important qualities of a successful entrepreneur is leadership. All good entrepreneurs are good leaders.

They have the ability to motivate and lead their employees to success. They also have the tenacity, knowledge, and skill to pull their businesses from a tight corner like good leaders.

### 5. Persistent

A good entrepreneur is always persistent by nature. A business is never an overnight success. It takes immense hard work and also a little bit of luck.

But a persistent entrepreneur makes his own luck. He can create opportunities if they are not presented to him. So a persistent entrepreneur that works tirelessly always has a greater chance of success.

### 6. Ethical

Ethics and integrity are the cornerstones of any successful business in the long term. A sustainable business cannot be run by someone with compromised morals.

So any credible business must have at its head an ethical entrepreneur who upholds the letter of the law and the integrity of the business.

### 7. Competitive Spirit

The business world is a very cut-throat space. Thousands of new businesses born and die every day. So the competition is always going to be fierce and intense. Such an environment is better suited to someone who is already competitive by nature and thrives in such situations of pressure.

#### 8. Resilient

And finally one of the most important traits in a successful entrepreneur is resilience. There is no smooth straightforward path to success.

There will always be some failures and roadblocks in the way. So the entrepreneur has to be resilient and steadfast in his pursuit of success.

### **Entrepreneur vs Manager:**

The term 'entrepreneur' is often contrasted with the term 'manager', as they are the key persons in an enterprise that help in the organisation, management, control and administration of the company. An entrepreneur is a person with an idea, skills, and courage to take any risk to pursue that idea, to turn it into reality. On the other hand, manager, as the name suggests, is the person who manages the operations and functions of the organisation.

The main difference between entrepreneur and manager lies in their standing, i.e. while an entrepreneur is the owner of the organization and so he is the one who bears all the risks and uncertainties in the business, the manager is an employee of the company.

### **BASIS FOR COMPARISON ENTREPRENEUR**

#### **MANAGER**

##### **1. Meaning**

Entrepreneur refers to a person who creates an enterprise, by taking financial risk in order to get profit.

Manager is an individual who takes the responsibility of controlling and administering the organization.

##### **2. Focus**

Business startup      Ongoing operations

##### **3. Primary motivation**

Achievement      Power

##### **4. Approach to task**

Informal      Formal

##### **5. Status**

Owner      Employee

##### **6. Reward**

Profit      Salary

##### **7. Decision making**

Intuitive      Calculative

##### **8. Driving force**

Creativity and Innovation      Preserving status quo

##### **9. Risk orientation**

Risk taker      Risk averse

## **Key Differences Between Entrepreneur and Manager**

The difference between entrepreneur and manager can be drawn clearly on the following grounds:

- A person who creates an enterprise, by taking a financial risk in order to get profit, is called an entrepreneur. An individual who takes the responsibility of controlling and administering the organisation is known as a manager.
- An entrepreneur focuses on business startup whereas the main focus of a manager is to manage ongoing operations.
- Achievements work as a motivation for entrepreneurs. On the other hand, the primary motivation is power. The manager's approach to the task is formal which is just opposite of an entrepreneur.
- An entrepreneur is the owner of the enterprise while a manager is just an employee of the company.
- A manager gets a salary as remuneration for the work performed by him. Conversely, profit is the reward for the entrepreneur.
- An entrepreneur's decisions are driven by inductive logic, courage, and determination; that is why the decision making is intuitive. On the contrary, the decision making of a manager is calculative, as they are driven by deductive logic, the collection of information and advice.
- The major driving force of an entrepreneur is creativity and innovation. As against this, a manager maintains the existing state of affairs.
- While an entrepreneur is a risk taker, the manager is risk averse.

### **Conclusion**

After reviewing the above points, it is quite clear that entrepreneur and manager are two different persons in an organisation. So they cannot be juxtaposed. While managers are concerned with managing available resources, entrepreneurs focus on spotting and capitalising opportunities.

### **Creating and starting venture:**

An enterprise also means an undertaking, a business firm or venture. Here is a step-by-step approach for starting a new venture. These can be divided into three stages:

1. Pre-launch Stage
2. Launch Stage
3. Post launch Stage

A step by step approach is provided to assist the potential entrepreneur.

#### **I. Pre launch Stage**

The functional areas of marketing and finance dominate this stage. Forecasting skills are also required in this stage.

The following steps are involved in a Pre-launch stage in starting a new venture.

1. Identify, Analyze and Decide on the business idea.
2. Analysis of strengths, weaknesses, opportunities and threats.
3. Analyze competition and select the positioning strategy.
4. Estimate and forecast the market size, growth and marketing feasibility which involves measurement of demand — supply gap.

5. Whether to be an ancillary unit.
6. Understand the technology, process and selection of the idea.
7. Decide on the size of the enterprise in terms of production capacity, employees.
8. Decide on the location of the venture.
9. Identify the incentives given by the Government to promote the small and medium industries.
10. Understand the relevant laws which are applicable for the business.
11. Analyse the business idea as opportunity in terms of Profit, costs, expenditure, income, sales, market share.
12. Estimation of manpower requirements.

Pre-Launch Stage of a new venture involves collection of information through primary and secondary sources of data. It is a critical stage. The skills that are required are entrepreneurial skills of business opportunity identification and analytical skills.

## **II. Launch Stage**

In the Launch stage of a new venture, operational actions and decisions are taken. It requires managerial skills of coordination with the various agencies. Project management skills are required.

There is lead time from planning to implementation stage. Close monitoring has to be made to see that the launch is as per the plan. Delay will increase the cost and have an impact on the finances of the firm.

1. Selection of the Name of the enterprise.
2. Hiring or construction of building
3. Deciding on the ownership pattern — sole proprietor, partnership, private or public limited company and limited liability partnership.
4. Registration of the firm. If it is a partnership firm, then agreements have to be signed. The registration processes of SMEs have been streamlined. Now provisional registration certificates can be obtained online with District Industries Centre.
5. Preparation of business plan and project report.
6. Deciding on the product mix and markets to serve.
7. Application for loan to banks. If private or public, issue of shares.
8. Raising finance.
9. Ordering and installation of machinery.
10. Recruitment of people.
11. Deciding on the channel of distribution.
12. Sources of raw materials to be finalized and purchases made.
13. Production started.
14. Products to be made available in the market.

## **III. Post Launch:**

1. Teething problems to be solved.
2. Systems to be developed in all the areas of management
3. Feedback on the product
4. Changes if needed to be introduced.
5. Expansion decisions.

After the launch of the business, the gestation period varies from one to three years. The provisional certificate is valid for a year. After commencement of business, a permanent certificate is to be obtained from District Industries Centre.

An entrepreneur has to plan and prepare for this critical period. The profits will start flowing once the business settles down. All the businesses may not succeed, so mental preparation for failure and exit route should also be a part of the business plan.

### **Sources of New Ideas:**

- The main thing which is required for thinking or finding new ideas or solutions is “Creativity”.
- These are some basic methods of finding new ideas:
  1. Consumers
  2. Existing Companies
  3. Distribution channels
  4. Government
  5. Research & development

1. Consumers: The potential consumer should be the final focal point of ideas for the entrepreneurs.

- The attention to inputs from potential consumers can take the form of informally monitoring potential ideas or needs or formally arranging for consumers to have an opportunity to express their concerns.
- Care needs to be taken to ensure that the new idea or the needs represents a large enough market to support a new venture.

2. Existing Companies:

- With the help of an established formal method potential entrepreneurs and entrepreneurs can evaluate competitive products & services on the market which may result in new and more market appealing products and services.

3. Distribution Channels :

- Members of the distribution channels are familiar with the needs of the market and hence can prove to be excellent sources of new ideas.
- Not only do the channel members help in finding out unmet or partially met demands leading to new products and services, they also help in marketing the offerings so developed.

4. Government Research & Development

- The patent office files contain numerous product possibilities that can assist entrepreneurs in obtaining specific product information, and secondly, response to government regulations can come in the form of new product ideas.
- Entrepreneur’s own R&D is the largest source of new ideas.

### **Method generating new ideas:**

No matter what you do for a living, the success of your business probably depends on how good and creative you are. The ability to come up with fresh and exciting ideas is what separates top-performers from their less successful peers, so you definitely need to think of how to improve this skill.



Idea generation is defined as the process of creating, developing and communicating abstract, concrete, or visual concepts. To put it simply, it's the process that requires finding new solutions for practical problems in all fields of life and work.

But how can you improve idea generation? Is there a way or tactic to strengthen your problem-solving capacity? The simple answer is: Yes, there is. As a matter of fact, there are many different techniques you can try, so keep reading to discover seven creative idea generation methods.

### **1 The 5W+H Method**

Although it may seem like a random set of numbers at first glance, the 5W+H method is a really meaningful way to cope with the creative drought. The technique represents basic questions you need to ask when thinking about a specific topic: Who, what, where, when, why, and how?

Jason Richardson, a content creator at essay writing services, shared his thoughts with us: "If you answer each of the 5W+H questions precisely – regardless of the topic – you can get one step closer to solving your problem. These answers should stimulate your brain to rethink the whole subject and find a new angle of looking at things."

### **2 Social Listening**

Idea generation doesn't mean you have to come up with a great suggestion single-handedly. On the contrary, sometimes it's enough to do a little bit of social listening and see what the target audience has to say about a certain topic. You can use social networks like Facebook or Twitter to find precious ideas coming from end-users.

Besides that, you can always organize an opinion poll to directly ask people what they want.

### **3 Brainstorming**

Brainstorming is a well-known method that people all over the world use for decades already. What makes this tactic so popular? Well, it's the fact that no one gets laughed at for proposing a stupid idea. There is no right or wrong here – you just need to say the first thing that comes to your mind and that's it. After a quick brainstorming session, you just need to filter through all suggestions and find the ones that have the biggest potential to succeed.

### **4 Role Playing**

Walking in someone else's shoes is everything but easy, but sometimes it's the only way to break the barrier and think of a brilliant idea. The process is simple: you just need to switch places with your colleagues and try to embrace their point of view. It doesn't guarantee immediate results, but it often leads to interesting conclusions and brand new ideas.

### **5 Use Online Tools**

The Internet is filled with interesting tools that can assist you in identifying alternative ideas. You can choose between many different options, but the final decision usually depends on the nature and peculiarities of your business. However, we can definitely recommend a couple of valuable platforms here:

Evernote: Nothing hurts like coming up with amazing solutions and forgetting it along the way. Evernote prevents this because it allows you to write down every thought instantly.

Ninja Essays: It's a team of incredibly creative authors who can help you to brainstorm and craft high-quality topics for your websites, blogs, or research papers.

## **6 Mind Mapping**

Mind mapping is another method to get through the creative drought successfully. By definition, a mind map is a diagram for representing tasks, words, concepts, or items linked to and arranged around a central concept or subject using a non-linear graphical layout that allows the user to build an intuitive framework around a central concept.

Let's say you are writing a screenplay. In this case, you can put the main character in the center of the map and then add links leading to all other elements of your movie – from plot and love relationships to supporting roles.

## **7 Think In Reverse**

The last solution on our list is very amusing. Instead of thinking about how to reach your goal, you can think about how not to achieve it. For example, you can make a plan on how to reduce the number of Instagram followers instead of increasing it. The so-called negative thinking often leads people to unbelievable conclusions, which in turn brings them a bunch of new ideas.

## **Conclusion**

You can be the most creative person in the world, but it won't save you from an occasional creative drought. Everybody knows that feeling when you feel miserable because you just can't seem to think of a good idea, but there is a way to get out of the whole.

## **Creative Problem solving:**

Entrepreneurs need to script their own journeys, figure out their own things, and solve problems. If you keep running back to your mentor at the drop of your hat, you're not an entrepreneur. A true entrepreneur is a risk-taker, problem-solver, a person who's willing to face challenges and failures.

While scripting your own life and career journey, it is imperative to master the skill of creative problem-solving. Successful people and organizations recognize that the solutions to their problems lie within themselves. They try to find them with a creative problem-solving process.

problem-solving at work.

Creative problem-solving involves approaching a problem or a challenge in an inventive way. It is a process that redefines problems and opportunities and helps us come up with innovative solutions.

Generally, the creative problem-solving process involves the following stages:

- Identify the problem or the challenge
- Generate ideas that may be possible solutions

- Solve the problem with the help of generated ideas
- Implement the solution plan and move to the next step

A well-planned and strategically executed creative problem-solving process brings team members together. It encourages proactive participation among colleagues.

Let's look at an example. Seema was not happy with her career in the IT industry. She approached the problem by thinking about various options that appealed to her. Using her creative problem-solving skill, she decided to try her hand at travel blogging given her passion for travel and nose for digital marketing.

Let's turn to some highly successful techniques of creative problem-solving.

Most professionals face problems at work. It could be meeting a sales target or fixing a technical glitch in a product. Learning how to solve problems efficiently is a key skill for success at work and life in general. Sometimes, you have to think out of the box to solve problems creatively.

## TECHNIQUES OF CREATIVE PROBLEM-SOLVING

### 1. BRAINSTORMING

Brainstorming is one of the most popular techniques of creative problem-solving. It is an individual as well as a group activity. When the city's municipal corporation needs to come up with measures regarding safety and health, citizens are often asked to brainstorm and suggest innovative ideas. Brainstorming is a blend of creativity and problem-solving.

### 2. MIND-MAPPING

Mind-mapping is a useful creative problem-solving process. A mind map is a graphic representation of ideas and concepts. It is a visual tool for creativity and problem-solving. Mind maps help you categorize and structure information. They aid comprehension, analysis, and help generate innovative ideas. Seeing the problem and possible solutions represented in visual form helps many of us see the bigger picture and connect the dots.

### 3. COUNTERFACTUAL THINKING

When Rosie has to take a call on a problem, she thinks about all her previous decisions. She thinks of the things that have gone wrong and the opportunities that she missed out on. Such counterfactual thinking helps her face the current problem and find a solution. Counterfactual thinking is one of the smartest examples of creative problem-solving at work. However, it is important not to channel negative emotions while going down the counterfactual thinking route. Use your past experiences to ensure you don't repeat mistakes, seize opportunities, and measure how far you've come. Be present and future-focused, and don't use counterfactual thoughts to get trapped in the "What ifs" of your past.

### 4. ABSTRACTION

Abstraction is a great booster for creativity and problem-solving. When a creative director in an advertising agency has to design a campaign for a brand of fruit drinks or evening wear, he uses abstraction. He thinks about the emotions associated with the drink or the evening, such as camaraderie, romance, taste, health, joy, and so on.

You must have noticed many examples of creative problem-solving at work.

Deploying a thought experiment by using comparison or similarity as a tool

Breaking free from assumptions to think originally

Going beyond assigned tasks to experiment

Raising questions and seeking new viewpoints

Reapplying rules that have worked previously

Stepping out of your comfort zone and thinking differently

Go ahead and build a culture of creativity around you. Overcome your mental barriers and let your imagination run free. Navigate obstacles to solve problems and come up with innovative solutions.

Harappa Education's Unleashing Creativity course teaches you how to generate, test, and refine new ideas. It empowers you with in-depth creativity and problem-solving skills by teaching you concepts such as the Disney Creative Tool framework involving three roles: including dreamers, realists, and critics. Assigning these roles to groups will help organizations brainstorm ideas, create plans, and identify roadblocks. to reach the desired goals successfully. Sign up and begin your creative problem-solving journey.

### **Business plan:**

A business plan is a document describing a business, its products or services, how it earns (or will earn) money, its leadership and staffing, its financing, its operations model, and many other details essential to its success.

### **How to write a business plan**

There are a few key things to keep in mind to help you write an effective business plan.

Know your audience. When you know who will be reading your plan—even if you're just writing it for yourself, to clarify your ideas—you can tailor the language and level of detail to them. This can also help you make sure you're including the most relevant information and figure out when to omit sections that aren't as impactful.

Have a clear goal. You'll need to put in more work, and deliver a more thorough plan, if your goal is to secure funding for your business versus working through a plan for yourself or even your team.

Invest time in research. Sections of your business plan will primarily be informed by your ideas and vision, but some of the most crucial information you'll need to include relies on research from independent sources. This is where you can invest time in understanding who you're selling to, whether there's demand for your products, and who else is selling similar products or services.

Keep it short and to the point. No matter who you're writing for, your business plan should be short and readable—generally, no longer than 15 to 20 pages. If you do have additional

documents you think may be valuable to your audience and your goals, consider adding them as appendices.

Keep the tone, style, and voice consistent. This is best managed by having a single person write the plan or allowing time for the plan to be properly edited before distributing it.

After you create your Business Plan, in order to succeed, it is essential that you evaluate it periodically and modify the sections that you feel are not working for your business.

### **Evaluation of business plan:**

In this post, we will explore 5 ways in which you can evaluate your business plan:

#### **1. How Viable is your Plan?**

While starting up your business, there may have been many assumptions you made that do not translate well into the functioning of your business.

When evaluating your plan, look for the gap between these assumptions and the reality of your business. Make adjustments and corrections to ensure that your business plan is more realistic and in touch with the current and future scenarios of your business.

Create a Business Action plan based on this evaluation and ensure it works well with your strategies for growth.

#### **2. Involve your employees**

Your employees are involved in the details of the running of your business. Share your Business plan with them and ask for their feedback.

This will allow you to gauge how the plan actually impacts the running of your business. It is key to ask them questions such as:

Do they have suggestions to improve ways to provide better customer service?

Do they feel the objectives laid out in the business plan align with the way they currently do their jobs?

Do they feel that the correct target audience is being reached?

Is there any possible target group that could also be targeted for your business?

#### **3. Is your Target Group correct?**

Before starting your business, you may have listed out your ideal consumer based on age, income, gender and so on.

After your business has been running for a period of time, you will need to look at these demographics, check if your assumptions were right and if you can find a way to widen your TG by enhancing your products or services.

Getting a good grip on which the right TG is for your business will enable you to make better marketing decisions as well as allocate funds in a better, smarter way.

#### **4. What are Current Industry Trends?**

When evaluating your Business Plan, it is important to look at industry trends and ensure that you are making the best of current trends that impact your business.

It is also essential that you examine the ways in which competitors have changed their functioning to accommodate the change in trends.

This does not mean that it is necessary to ape competitor moves but rather you look at the best way you can better your service and deliver benefits to consumers that competitors are unable to due to their restraints in the market.

#### 5. Are your funds allocated properly?

Every month, spend an hour with your accountant or set up a weekly meeting in order to get a clear picture of how your resources are being spent.

Discover if there are other ways in which your resources can be optimized, how you can reach more people by concentrating on more marketing channels or focusing on the ones that will reap you better benefits for the time and effort spent on them.

It is very important as your business grows and expands to ensure that you are on the right track with your business plan. Make sure that you take the time to evaluate your plan at least every quarter to make sure your business and your business plan is on the path to success.

Running a business can have a powerful impact on your life and the lives of those around you. But before you can run a business, you need to start a business.

#### **Launching formalities:**

Deciding to start your own business can seem like a daunting prospect if you've never done it before. Luckily, plenty of other entrepreneurs have, and you can benefit from the wisdom they gleaned from their successes—and their mistakes.

These 13 time-tested steps will help you start a business—whether it's your first or your 10th—with tips on everything from finding and validating your money-making idea to figuring out your shipping strategy to finally launching your product or service.

- Use the time you have available
- Identify a business idea
- Validate your business idea
- Find a business name
- Make a plan
- Understand business finances
- Develop your product or service
- Pick a business structure
- Research licenses and regulations
- Select your software systems
- Find a business location
- Plan workload and team size
- Launch your business

#### 1. Use the time you have available

No matter how ambitious your business goals ultimately are, you can still start a business in your spare time, working around the current commitments in your life. Not everyone has the

ability to quit their full-time job and pursue launching something of their own, but that doesn't mean you can't get started.

For example, it's possible to launch a handmade goods company on the side of a full-time job, or start a blog that you later turn into a business.

## 2. Identify a business idea

Finding a business idea is something you can approach systematically by relying on time-tested approaches that have worked for other entrepreneurs. No matter if you're looking to start a low investment business on the side or you'd prefer to go all-in on your idea, the best way to find a product to sell includes strategies like:

**Mining your personal interests.** What do you like to do in your spare time? Are there products you can sell that relate to your hobbies, or that would solve a common frustration you have?

**Research existing products.** Peruse product reviews to see if there are common complaints about popular products, and see if you can identify gaps in the market.

**Capitalize on trends.** If you notice a particular product seems to be popping up everywhere, or you have a great idea to help make the most of a popular product, those can make for great online business ideas.

Remember, all you need is one idea to get started. Many successful businesses launched with a signature product and expanded into complementary goods from there.

## 3. Validate your business idea

Validating your business might sound difficult, but it's really just a matter of testing whether customers are willing to pay for your product before you sink too much time and money into it—and it's important to do no matter what type of business you're starting.

There are plenty of ways to validate your business, from the simple to the complex. Here are some tactical examples that can help you figure out how to gauge market demand before getting in too deep.

Set up a store to take preorders

Launch a crowdfunding campaign

Create a beta of your product or service to sell

There are other ways to validate your product ideas, but when in doubt, start selling as quickly as possible. Learning from direct customer feedback, and understanding how your products are being used, is invaluable when growing a small business.

Take PopSockets, a now-ubiquitous way to confidently hold a smartphone in one hand. Initially, David Barnett designed PopSockets as a way to manage headphone cords. It wasn't until he saw students in his class using their PopSockets to get a better grip on their phone that he realized the unplanned value his customers saw in the product. That insight helped PopSockets sell more than 35 million units.

## 4. Find a business name

Work on finding a name for your business that makes it clear what you do, that's short and memorable, and that isn't already in use in your industry. This isn't an easy task, but it's one that's achievable with a bit of effort and imagination.

Name generators can help you come up with a list of unique ideas, and there are also plenty of time-tested naming best practices you can lean on to help build your own list.

A strong name will usually have a few characteristics:

Short and simple. You want customers to be able to quickly remember your name, and the best way to do that is to avoid long names. One or two words is ideal, although three to four short words can also work if they create a memorable phrase.

Different. If your market research shows that everyone in your industry seems to have similar names, or relies on similar elements, it can be helpful to avoid them in order to come up with a name that really stands out.

Original. Beyond just avoiding similar names, you'll need to make sure that your business name isn't in use by a competitor already. To do that, run a free trademark search in the countries you'll be doing business in, and make sure to check Google and social media sites, too. (The same goes for URLs, so do a domain name search too before you register anything.) Even if someone hasn't registered a trademark, in many jurisdictions they can legally challenge your use of a name they've been using to do business in the same industry. If you're unsure, it's best to consult independent legal counsel for advice specific to your situation.

#### 5. Make a plan

Writing a business plan helps validate and formalize your idea, and can streamline the business-creation process by getting you to sit down and think things through methodically.

A classic quotation that's especially applicable to the business plan process is, "Plans are worthless, but planning is everything." Many entrepreneurs say they rarely look at their plan once they've launched—but they'll also tell you there's value in thinking through and researching your idea while creating a plan.

When creating your plan, make sure to pay extra attention to the competitive analysis and SWOT analysis sections. While nothing can replace validating your idea by confirming that people will pay for it, the research involved in completing these sections can be further proof you're on the right track.

#### 6. Understand business finances

The shared goal of any business is to make money, which means the flow of money is an integral part of running a business. You'll need to understand some basics to get started and scale that knowledge as you grow.

There are plenty of businesses you can start with only a small startup cost, but others will require money for inventory, equipment, or physical space. A clear view of your total investment—before you spend a cent—is a must, and can help you make important projections, like when you'll break even.

those calculations show you you'll need more funding than you can afford to spend out of pocket, you can look at funding options like a small business loan or a crowdfunding campaign.



Bookkeeping needs to be one of your primary financial tasks as soon as you're ready to start making purchases for your business. Accurate records of your income and expenses will help you keep an eye on cash flow, and make for a smooth transition to working with an accountant or bookkeeper later on.

To make the process even easier, consider opening a separate bank account and credit card for your business. Keeping your personal and business finances separate makes doing your business taxes much simpler, and can help you automate some of the steps as well.

#### Resources:

Shopify Capital. Helps approved merchants get the funds they need without lengthy bank approvals or giving up part of their company.

Profit First. A book designed to help make sure your business is profitable, no matter what kind of business you run.

Accounting tools. Apps that work directly with Shopify to streamline your accounting processes.

#### 7. Develop your product or service

You've done the legwork, and you understand the financials—now it's time to dig deep into the product or service you'd like to offer.

For a product-driven business, developing your product could mean taking one of three general approaches.

Creating your own product. Whether you're making items by hand, or sourcing an original product from a manufacturer, developing your own product to sell can help you stand out in the market.

Customizing an existing product. With print on demand options, you can add your unique designs and ideas to products including t-shirts, leggings, towels, backpacks and more.

Curating a selection of products. Dropshipping is a way to stock your store without creating a new product, so you can start selling almost immediately without managing inventory. Get tips for starting your dropshipping business.

As you develop your product, keep your total costs in mind when figuring out your pricing. While your product's price is not solely driven by costs—and there are many factors that influence pricing strategy—it's important to price your product profitably.

#### 8. Pick a business structure

Your business structure influences key parts of your business, from taxes to operations to your personal liability. Choosing the right structure is about balancing the legal and financial protections you need with the flexibility offered by different options. It's an important decision, and it's one you should consider carefully before you launch your business.

Business structures vary based on your country and area, but two common types—that may go by different names in your country—are sole proprietorship and incorporation. A sole proprietorship is great if you're the only person involved in the business, and is usually the lowest-effort structure to pursue, but you remain personally liable for the business and its activities. You can even hire employees as a sole proprietor, but you'll need an employer identification number to do so, which means registering your business.

On the other hand, if you opt for a more formal structure like a corporation, it's easier to involve multiple owners in the business, and you're not personally liable for the business—but there's more paperwork and steps involved in starting and maintaining a corporation.

When it comes to choosing a business structure, there are a few factors you'll need to consider.

Where is your business located? Your country's laws will outline the different business structures you can form., and whether or not you need a business license to get started.

What kind of business are you running? Some structures are more suited to businesses of a certain scale or within a certain industry. There might come a time when you need to restructure your business in order to work with new partners. It's not uncommon for large businesses to ask that their suppliers or partners be incorporated, for example.

How many people are involved? If you're going it alone as a solo founder, you may be able to look at streamlined options. If you have a business partner or multiple people with ownership in the company, you'll need to look at more advanced options to ensure everything is set up and shared properly.

An accountant or lawyer can be helpful in evaluating the different options available in your area and with the process of setting up your business.

#### 9. Research licenses and regulations

No one wants to end up in legal trouble. Your business is subject to the laws governing businesses in your area, as well as laws and regulations specific to your industry. For instance, a food service business needs to follow specific licensing and regulations for handling what it sells, but it also has to pay attention to the legalities of its marketing efforts and to trademark and copyright laws.

With so much to know, and a lot of it specific to your location and industry, it's worth consulting with a lawyer to get advice before you launch your business. Investing time and money upfront to obtain legal advice can save you from considerable headaches down the road.

#### 10. Select your software systems

One of the best ways to reduce the heavy lifting involved in running a business, and to set yourself up for future success, is choosing software that can help you automate or streamline the things you need to do.

Often, when you choose the right software systems, you'll be able to set them up once and have them run efficiently with little ongoing work. Consider looking into software to help you manage the following:

**Accounting.** With multiple options to help you track everything from a meal with your business partner to a big inventory order, accounting software is one of the best ways to start your business off on the right financial foot.

**Email marketing.** A good email marketing tool will help you stay in touch with your current (and future) customers and make sure you're able to send the right messages to the right people at the right time.

Ads. Paying for ads is often a cost of doing business, especially online, but there's marketing software that can help streamline the process and make the most of your advertising budget—no matter how much you have to spend.

Project management. Even if you're a sole proprietor, having one place to plan your work and keep track of important tasks can help you stay on schedule. Tools like Trello and Asana can help.

Website or online store. Choose a platform that allows you to easily manage all the critical tasks involved in running your business. Look for a theme that supports your product lines to the ability to take and manage orders easily. To get an idea of what you'll need to do, here's a comprehensive store launch checklist.

#### 11. Find a business location

Your business plan will help guide what kind of space you need for your business. If you're selling print-on-demand t-shirts, you may only need to find space in your home for a small workspace, a desk, and a laptop. On the other hand, if your business requires in-person retail space, you'll need to find a place to rent.

To help narrow down what you need from your business location, consider these questions:

How much space will you need for inventory? If you're accepting deliveries of thousands of items at once, you may not be able to accommodate it in your living room.

Do you plan on offering in-person retail sales? While selling out of your home is certainly an option for your first orders, if in-person is an important channel you'll want to find space that's comfortable and easily accessible for customers to visit.

Will you be packing and shipping orders from your location? Depending on the scale of your shipping operations, that may necessitate more space than you have available in a home office.

It's possible you'll be able to run your business from a space you already have available, especially if you don't plan to sell in-person. If that's the case, here are some home-office design ideas to help you create an effective workspace while you get your business off the ground.

#### 12. Plan workload and team size

How much work will you need to do and what skills will be required to launch your business? These are fundamental questions you'll need to answer, because they'll guide both your timeline and your level of investment in the launch.

If you plan to do all of the work yourself, you're limited by the time you have available to invest. If you plan on hiring help, you'll need to account for those costs—as well as the time involved in finding and onboarding freelancers or employees.

Here's an overview of the basic skills you'll need to learn, know, or hire as you launch.

#### Design

There are many design decisions that need to be made as you set up your business, from designing a logo to choosing your brand's colors. There are tools available to help make some initial decisions and guide you in the right direction.

Logo. You can rely on a logo creator like Hatchful or online image software like Canva to build your logo.

Colors. Start with one of the many online tools that can create a color palette, or use Hatchful to pick colors for your brand.

Website design. Starting with a professional theme for your website gives you a site that's based on design best practices.

### 13. Launch your business

You're ready to take the last step in starting a business: launching. The preparation you've already done has laid a solid foundation to support your launch, so you can focus on marketing activities and making your first sale. However, a plan of attack, especially as you're trying to build traction, can help make your launch even more successful.

While every launch will be unique, there are some elements that can boost any business' first few days of sales.

Leverage your network. Promote your store first and foremost on free channels that are already available to you, which includes your personal social media and your contacts list. Sending one-on-one emails asking for support, which can be as simple as a social share, can go a long way towards gaining traction.

Consider offering discounts. Rewarding early customers with a discount code that fits with your profit margins can help you get traction early on, especially when your store is new and may not have many customer reviews or social proof points.

Test paid ads. Even if you start with a small budget, paid ads can be one of the most effective ways to get in front of your ideal audience. Testing early and learning from your results can help you drive your first few sales and optimize your ad performance as you scale.