*Strategic Management*, 9e: Chapter 17 study guide

Checklist: Setting up a new entrepreneurial company

Here is a checklist of pointers for the entrepreneur in the very early stages of setting up a new business venture:

 *Try to operate the business from your home or garage in the early years*. It is often possible to hire some expensive offices or other facilities at the outset. But they can be a costly and irrelevant overhead while you are starting a new business unless there are special quality image issues.

 *Do not give up the day job*. If possible, it is highly valuable to have a steady wage coming in while you are developing a new business. It is better to use the evenings and weekends to develop the business. Alternatively, perhaps find a part-time post that will bring in a steady income while developing the business.

 *Try to avoid using expensive financial and legal advisors*. You will be astonished (or at least I was surprised) how quickly the fees of such people can quickly escalate. Even if you ask advisors to estimate their fees, they often find reasons to give the vaguest answers – sometimes for good reasons since the question itself is often difficult to define precisely. Importantly, many obvious areas of professional advice – such as tax issues or company legal information – are available *free* on the internet or in books.

 *Accept that you are unlikely to be an instant millionaire*. It is fine to dream of immediate, untold wealth but the evidence is that most small companies stay small. Even if you think that you are going to make your fortune, it is still better to have limited ambitions early in your entrepreneurial career. The clear implication is that it is advisable to develop an experimental business and test the results, as described in Chapter 17. There will usually be some problems and difficulties. It is better and easier to learn how to cope with these issues if you are a small company.

 *Consider carefully before taking partners*. Sometimes partners are essential for business start-ups. But they can produce real tensions because it is often difficult to discover how working and sharing with others will work out in advance. For example, partners may have different ambitions, targets and motivations from you for being part of the new business. Trial working before finalizing a partnership is advisable.

 *Do you really need bank finance*? Retail banks have tightened up on lending in recent years. Moreover, they can call in debt at any time in many circumstances. It is worth considering alternative sources of funds – maybe factoring, leasing, discounts for customers paying cash, etc.

 *Consider whether you really need to spend on advertising*. This can be quite an expensive up-front outlay without any idea of whether there will be a good payback. Even small-scale advertising like telephone trade directories may not justify the expense. Importantly, marketing has now changed radically for small entrepreneurial businesses. There are many free or very cheap media outlets: maybe some free PR coverage, maybe an inexpensive website, maybe even personal recommendation will be more cost-effective.

* *Work hard on studying the market, the customers and the comp*etitors. This always pays off but needs substantial and persistent work. How do competitors price? What are the technical problems in running your business? What are customers really seeking? What are the major cost areas of your business and how will they change? And so on. It is worth preparing a business plan, even if it is rough and ready, because you need to have some basis against which to judge how your progress.