

An MBA Student's Guide to Entrepreneurship

An entrepreneur's path is not for the weak of heart. When you start down this road, you will face extreme unknowns and take on major risks. As an entrepreneur, you will need to trust your ability to lead an organization through its growth and an unstable future.

However, the rewards for becoming an entrepreneur are great. Owning a business allows you a wide range of freedom for career direction and growth. In this guide for MBA student entrepreneurs, college students will learn the fundamentals of becoming a successful entrepreneur.

I. Questions to Ask Yourself Before You Begin

Before you begin, sit down and **get some answers** before moving forward with an entrepreneurial career shift. You may also have a close friend, family member, or association listen to your answers and provide feedback.

Are you a natural leader?

Are you the type of MBA student who would prefer to delegate work or are you more interested in completing tasks that are given to you? Do you enjoy doing specific types of work, or are you a Jack-of-All-Trades? If you decide to pursue your own venture, you will initially need to rely on yourself to fill multiple roles. Don't be surprised if you find yourself toiling into the late hours managing payroll, finishing client projects, and cleaning up the office.

Are you ok with taking risks?

Think about your lifestyle. Would you be able to live with less financial security? College students, generally speaking, already live with less and -as a new entrepreneur-it is a distinct possibility that you could be forced to make additional cut backs. Do you have family members who are dependent on you? If so, what is your contingency plan if things don't work out right away or

at all? The steps you take to prepare may inform your willingness to start a new career path.

How imaginative are you?

It is no surprise that creative individuals tend to be the most successful entrepreneurs. Even if a product isn't particularly innovative, MBA student business owners are usually able to envision marketing tactics, operations, and distribution methods that their competitors cannot even imagine. How willing are you to think outside of the box?

Is this idea financially viable right now?

Before leaping into a new business, you will want to seriously consider whether you can risk the financial security of a traditional job. Some entrepreneurs don't get to choose – if they've been laid off or unemployed, many turn to entrepreneurship out of desperation. But you still need to manage startup funding and living expenses before you get a business off the ground. Startup funding requires frugality in the early stages of your venture. Being a spendthrift can sink your entrepreneurial efforts into the ground. Take the time to think about whether or not you can afford your MBA degree and the costs of a new startup at the same time.

II. Know the Habits of Highly Successful Entrepreneurs

Entrepreneurs have certain traits in common. They are often passionate about their own ideas and work and organized with their time and finances. An entrepreneur cannot be shy when it comes to self-promotion; he or she must understand the value of networking, word-of-mouth, and a solid online portfolio. Business owners will spend so much time thinking and researching their industries, that they will eventually become subject experts.

As an entrepreneur, you must be willing to learn from your setbacks and become known as an expert within your field. Min Cho, the founder of Nova

Datacom, earned nearly two decades of **banking industry experience** before she launched her small business. Nova Datacom has since grown into a multimillion-dollar organization. Once you launch a company, you must continue to grow and learn, in order to maintain your expert status.

III. Solidify and Assess Your Big Idea

Are you brimming with excitement, ready to test out your grand, new business venture? Slow down, before jumping in, you will need to test out the stability of your project and work out the details of market demographics, investors, and operations. You'll also want to examine case studies of other businesses in your market, so that you can learn from their successes and failures. Once you've done that, ask yourself some hard questions about your next steps forward.

- Who will my product and service help?
- What is the market landscape? Is there a need for this product or service in the long run?
- Who are my best resources and will they be able to help me start a business?
- Financially, can I handle not earning money until this business has grown?
- How will I protect my work using copyrights and patents?
- Do I need a mentor?

We're living in an era of struggle for startup ventures. In post-Recession years, employment rates at startups have been only 45% of the 1999 rates, according to the U.S. Small Business Administration's **Office of Advocacy**. How likely is it that your startup will survive past its **first four years**? In the information industry, only 37% of organizations make it through this period. The industries with the highest four-year survival rates are finance, insurance and real estate, holding strong at 58%. These rates will fluctuate depending on the current state of the economy, but it is a good idea to research your niche industry first.

IV. Map Out a Realistic Business Plan

Before you knock the business plan, think about how many doors this brief document can open. A well-crafted business plan can show VCs and angel investors that you have both the vision and the credibility to carry your ideas into fruition. This will help you secure the necessary funding to take your plans to the next level. **Enloop** is an excellent, free online tool that can help you start a business plan and compare your projected success rates to similar startups.

Retail Business Plans

Startups account for 52.6% of all **retail sales** in the United States, according to the U.S. Small Business Administration. You will need to do in-depth research into operations, shipping, sales predictions, wholesalers, market statistics, and marketing as you write out a business plan for retail. A strong **marketing strategy** will be crucial, since your predicted sales will rely on brand visibility and recognition.

Services

Some of the most popular **professional services** industries for startups include temporary staffing, healthcare technology, self-improvement consulting, and accounting. Exposure will be crucial with a service-based career, where people learn about you through word-of-mouth or your online presence.

Food Industry

The **National Restaurant Association** predicts that over \$660.5 billion will be generated by restaurant sales in 2013. This doesn't even include the huge amount of revenue generated by bars, bakeries, cafes, and food trucks. As you generate a food-service business plan, you will need to read up on FDA

food regulations, to make sure that your proposal is compliant with federal government regulations.

Formatting

There are specific business plan elements that must be addressed, no matter what type of venture you're exploring. This is a list of the most common components you will need to address during the business plan drafting process.

- Executive Summary: This is **the crux** of your business plan. Here, you will outline your company mission, objectives, and background.
- Company Summary: Who are the founders and how do they split ownership? Create graphs of your expenses, assets, and investments.
- Products or Services: Go in depth with the project management steps for the development and creation of your products and services.
- Market Analysis: Who is your **target demographic**? Show market testing and research that supports these audiences. Are there hidden demographics that would benefit from your products and services?
- Implementation and Forecasts: You will want to examine **two possible futures** with your forecasts: conservative and optimistic.
- Financial Plans: Have you worked with a financial advisor to see if this venture is economically feasible? What are the hidden costs? Create an expense budget, cash flow statement, and a projection for **breaking even**.

V. Gain Exposure and Funding

Before you start getting your brand name out there, you will need to establish a solid online presence. This includes professional social media profiles, an engaging website, and a blog. Contact industry experts to see if they will contribute content in the form of guest blog posts and partner up with other companies online. Once you have gained an online audience, it will be time to start the startup funding search.

Venture Capital

Look into **investment companies** such as Diamond State Ventures, Madrona, and NewSpring Capital, which can match your organization with the best venture capitalists. Make sure that your startup team and your business plan are polished – you will need to be prepared when networking with potential investors. Don't go into VC meetings empty-handed. Practice pitching your startup and take your best team members with you. Don't spam VCs with funding requests – the key is to build meaningful relationships with investors who believe in your cause.

Crowdfunding

Crowdfunding has become a popular term in the last few years. Crowdfunding is a source of funding for startups and new projects that simply requires a great idea and excited investors. Project campaigns on Kickstarter, a popular crowdfunding website, **raised \$176 million** from backers who were excited to see these ideas come to fruition. If you have a clearly defined business plan and a compelling video presentation, your company may be able to earn startup funding through websites like Indiegogo, Kickstarter, and GoFundMe, which is a great way to maintain financial security while getting your business off the ground.

Loans

Some of the most popular small business loans include the 7(a), 504, and the 7(m) microloan program, which are offered by the U.S. Small Business Administration. However, you don't want to rely on loans for the bulk of your financing, as they have low approval rates in this economy.

Grants

Grants, a form of startup funding that doesn't require repayment, is perhaps your biggest ally in obtaining financial security for your startup. [Grants.gov](#) is an excellent starting point to see if your organization will qualify for a grant.

Self-funding

From a financial security stand point, funding your business with your own money is risk. While this funding method can place your [personal finances](#) at risk, it is a great way to start moving toward your vision quickly. Your 401(k), life insurance, and a home-equity loan are just some borrowing avenues you can explore.

VI. Get a Legal and Licensed Start

Before you start moving forward with business operations, you will need to acquire the right businesses licenses, file tax paperwork, and adhere to employer laws. The following checklist and resources will walk you through the ins-and-outs of business structures, accounting, taxes, and legal requirements.

1. Choose a [business structure](#) based on your size and operations. Your categorization as a sole proprietorship, partnership, corporation, S corporation, or LLC will affect your company's tax responsibilities.
2. Obtain an [Employer Identification Number](#).
3. Obtain your state and city [business licenses](#).
4. Apply for local permits for applicable factors like zoning, building construction, and signage.
5. Work with your accountant on your startup's [tax form schedule](#).
6. Prepare for [tax filing](#) by collecting records of all sales, expenses, and inventory.
7. Review federal and state [employment laws](#).

VII. An Entrepreneur's Essential Toolkit

Entrepreneurial Education

- **Khan Academy:** This non-profit institution offers free courses across a multitude of educational topics, such as chemistry, physics, finance, and art.
- **CreativeLIVE:** Creative media and business experts host streaming courses and seminars, which are free if you catch them live.
- **Coursera:** Over 80 universities around the world host over 450 free courses on this educational platform, great for college students who wish to broaden their educational horizons.
- **iTunes University:** College students can get a taste of Ivy League education by downloading free video lectures, textbooks, and assignments from the top universities in the world.

Startup and CEO Publications

- **Forbes:** This is a biweekly print magazine that is great for college students who enjoy reading about national finance and marketing. The online version offers a wide selection of columns featuring tech and business trends.
- **Harvard Business Review:** This print and web publication engages the worlds of academia, management, and enterprise with the most current business news.
- **Entrepreneur:** This web platform explores startups, technology, franchises, and marketing strategies within the U.S.