



Practical Entrepreneurship

...and \$10,000
competition

CLASS 4: TACTICS AND STRATEGY

The nuts and bolts of starting a venture and nuggets of wisdom to keep in mind on your journey





Goal of today's class

Review the specifics behind getting a business going. Understand how to reinvest to keep your business going. Leave with some parting thoughts to keep in mind.



Today's Plan



First steps to getting your business going

How to grow your business (or not)

Parting thoughts/nuggets of wisdom



Five steps to get your business going

- 1** Incorporate
 - There are many options each with their own trade offs
- 2** Set up a bank account
 - It's important to not comingle personal and business funds
- 3** Buy insurance
 - Protect yourself against loss (at a cost)
- 4** Set up a basic accounting system
 - Strong records are important, there are tools to help
- 5** Pay your taxes!!!
 - Not complying with the IRS is ... a problem



Step 1: Incorporate

	Proprietorship/ Partnerships	Limited Liability Corporation (LLC)	S – Corp	C – Corp
What is it?	A business that has one owner (Proprietorship) or two or more co-owners (Partnership) and is governed by a partnership agreement	A business structure that protects its owners from personal responsibility for its debts or liabilities	A business structure that is permitted to pass its taxable income, credits, deductions, and losses to its shareholders	A legal structure for a corporation in which the owners are taxed separately from the entity
Can I have investors?	✗	✓	✓	✓
Am I protected from business debts/liabilities?	✗	✓	✓	✓
Admin difficulty	● ● ●	● ● ●	● ● ●	● ● ●
Set up costs	Free	\$\$	\$\$\$	\$\$\$
Tax implications	Owners taxed on income	Owners taxed on income	Shareholders taxed on income	Profits taxed twice (corp income and shareholder dividends)

Types of shareholders limited



Step 1: Incorporate – Live example

Let's start a company right now...

Head to the [GA SOS website](#)





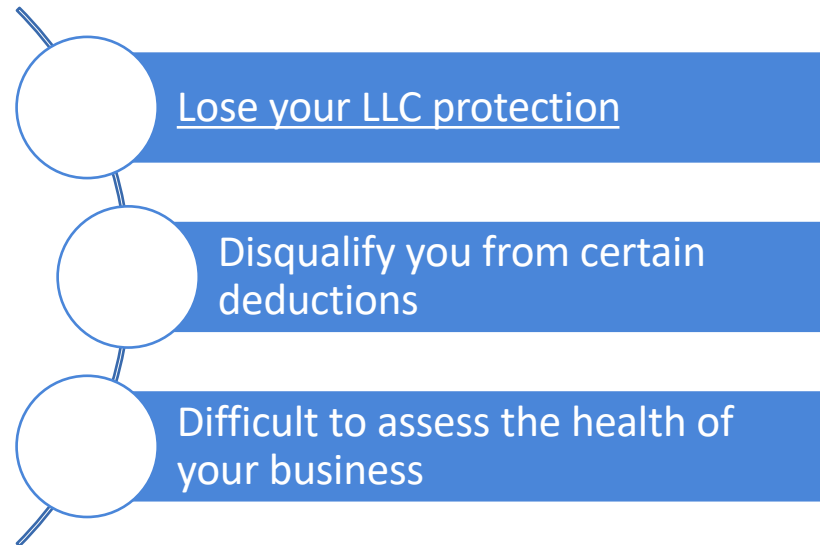
Step 2: Set up a company bank account...don't commingle funds

What does it mean to commingle funds...

Commingling of funds means that you're treating your business's money as your own. Some ways to commingle funds are:

- Taking money out of a business account to pay for personal expenses
- Using only one bank account for both business and personal needs
- Writing business cheques to pay for personal expenses
- Transferring money back and forth between business and personal accounts

...and why shouldn't I do it





Step 3: Buy Insurance

Insurance is a means of protection against loss.

This comes at a cost, namely

- **Premium** – an amount to be paid (typically monthly) for an insurance policy
- **Deductible** – a specified amount of money that the insured must pay before an insurance company will pay a claim



General Liability (GL)

- Protects a business from **third-party claims** for bodily injury, property damage, or personal injury
- Example: customer slips and falls in retail store

Worker's Compensation (WC)

- Provides coverage for **employees who are injured** or become ill due to work-related activities
- Most states require WC
- Example: an employee is injured carrying heavy boxes

Errors and Omissions (E&O)

- Protects against claims alleging **negligence, mistakes, or failure to perform professional duties**
- Example: a consultant provides advice to a client that results in financial loss for the client







Cyber

- Protects against data breaches, **cyber attacks**, or other cyber-related incidents.
- Can help cover costs associated with **data breach notifications, legal defense, and damages**

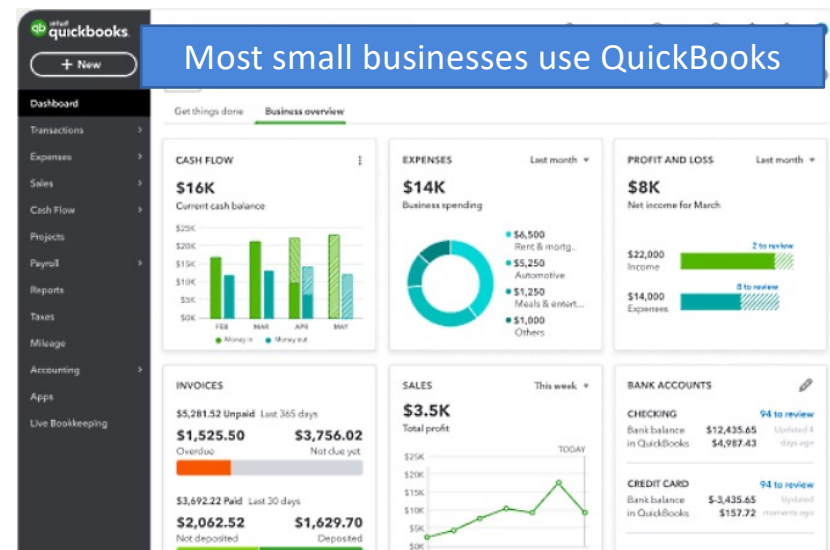


4. Set up a basic accounting system

Why do we need an accounting system?

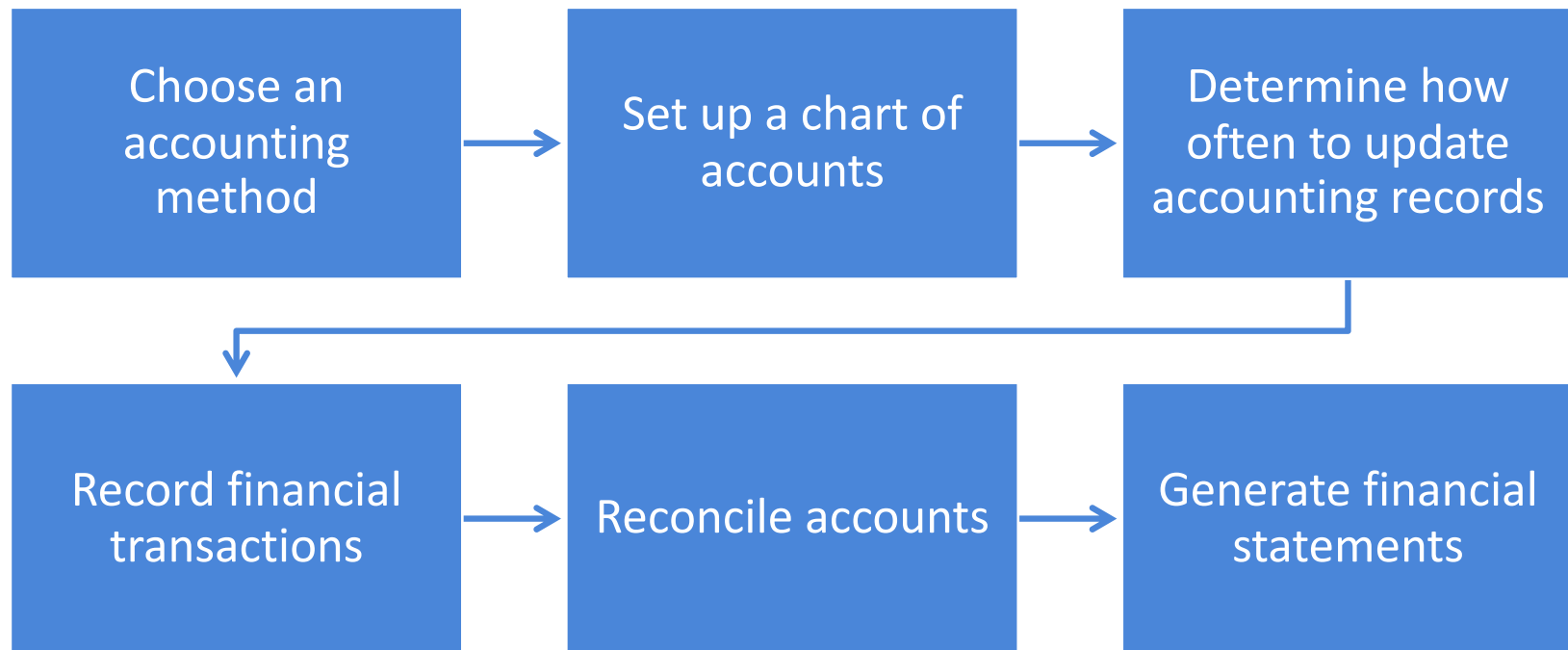
 Understand the financial health of your company	 Communicate financial health to investors, customers, employees, etc.
 Properly track and pay your taxes	 Manage cash flow
 Budget for the future	 Issue invoices (for you to be paid) and POs (for you to pay suppliers)

What do we use to do that?



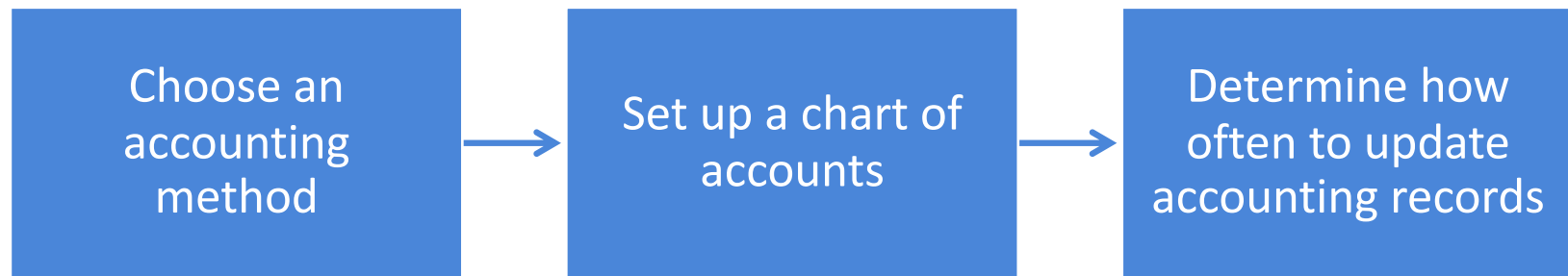


...but what do I need to know to setup and use accounting software





...but what do I need to know to setup and use accounting software



Two main accounting methods

- **Cash basis** – records transactions when money changes hands
- **Accrual basis** – records transactions when they occur, regardless of when the money is received or paid

A list of all the accounts that a business will use to record financial transactions

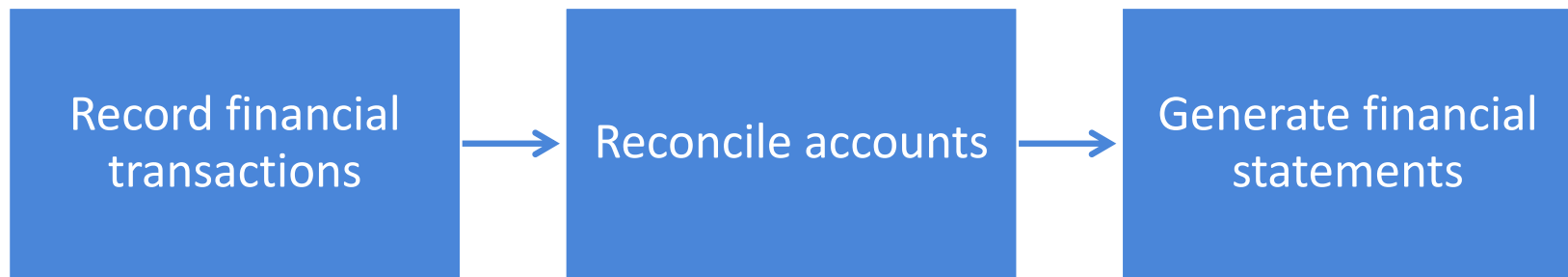
Typical accounts

- Assets
- Liabilities
- Equity
- Revenue
- Expenses

Depending on the business, accounting records can be updated daily, weekly, or monthly



...but what do I need to know to setup and use accounting software



These financial transactions should be recorded accurately and consistently

- Invoices
- Receipts
- Payments made to vendors
- Revenue received from customers

Reconciling accounts involves comparing accounting records to bank statements to ensure that they match

This is important for identifying errors or discrepancies

Generate these regularly (at least quarterly) to track performance

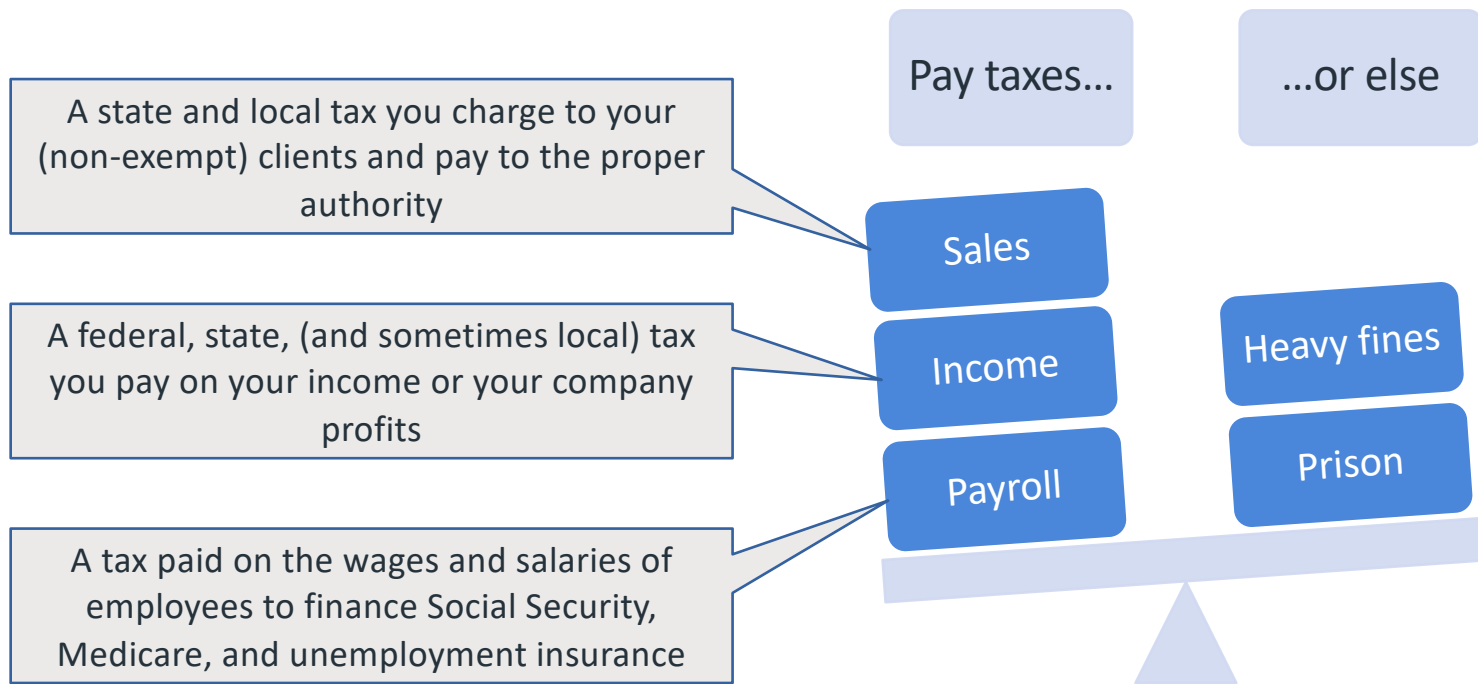
Generate financial statements

Three main types

- **Balance sheet** – a snapshot in time showing assets, liabilities, and equity
- **Cash flow statement** – shows how the balance sheet has changed from one period to another
- **Income statement** – shows the profit (or loss) received during a particular time period



5. Pay your taxes!



Today's Plan

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How to grow your business (or not)

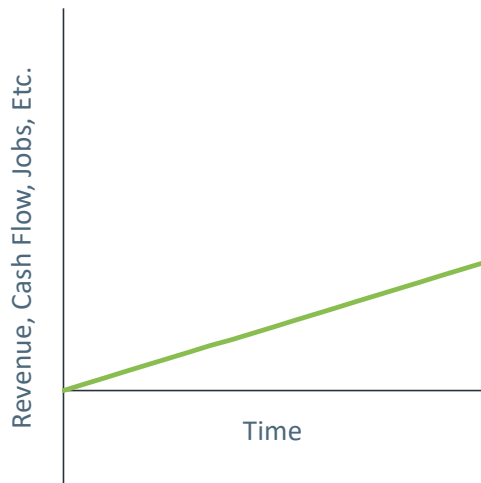
Parting thoughts/nuggets of wisdom





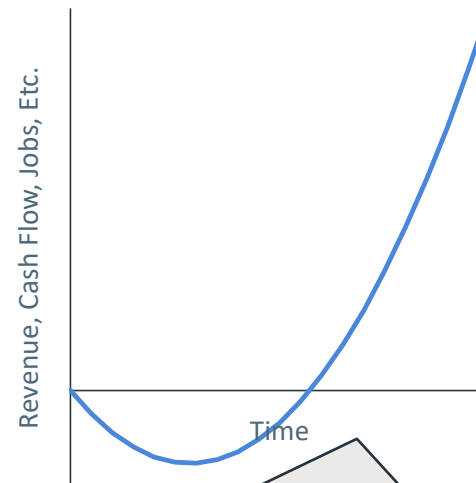
Reminder: there are two types of companies

Lifestyle Companies



- Focuses on local or regional markets
- Innovation not necessary and may not be a competitive advantage
- Most often a family business
- Requires very little external capital

Growth Companies



- Focuses on global or regional markets
- Based on some innovation (tech, business process, model) which provides an advantage
- Diverse ownership structures
- Starts off losing money, requires upfront investment

If you want to start a growth business, the next slide is for you

Allow your company to grow by reinvesting profits



Growth businesses can be difficult to maintain for the founder. Here are some tips and tricks



Learn to be an expert in the operations of the business, know your craft



Learn to delegate and trust others to scale



Stay positive in times of defeat and passionately focus on the success of the business

Most important!



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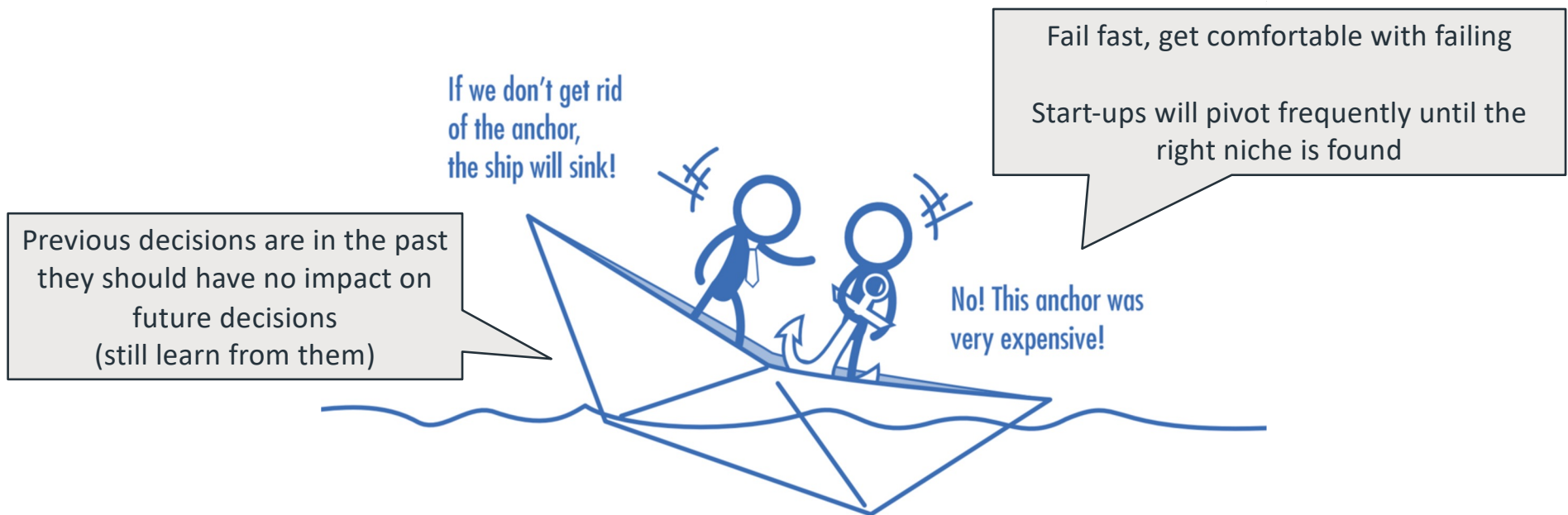
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The sunk cost fallacy



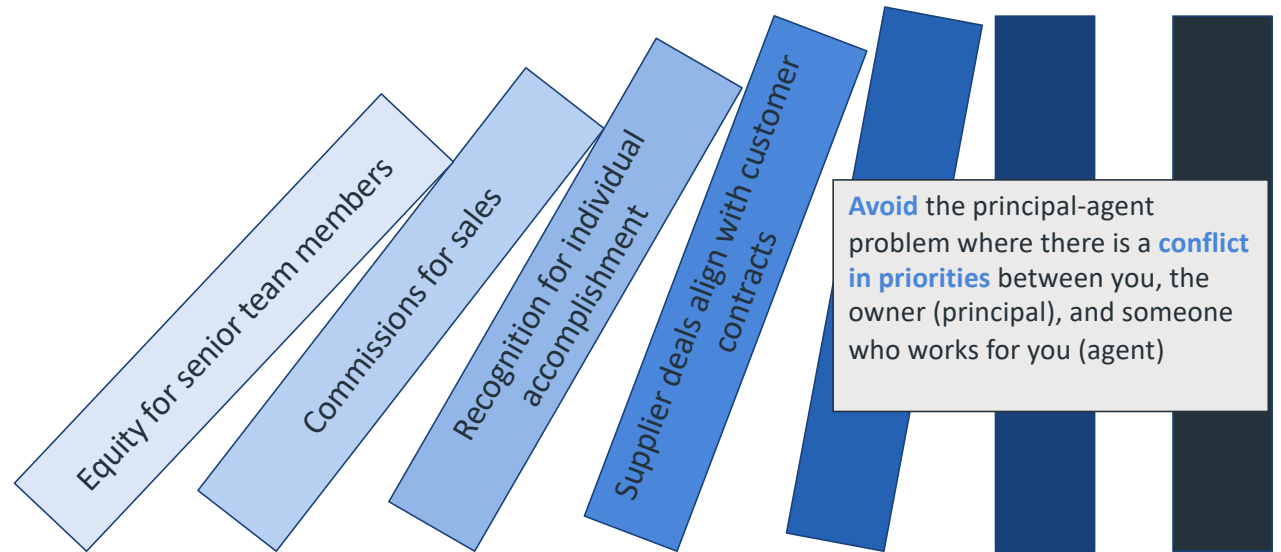


Aligning incentives

All economic behavior is driven by incentives, which are the rewards and penalties associated with different choices...

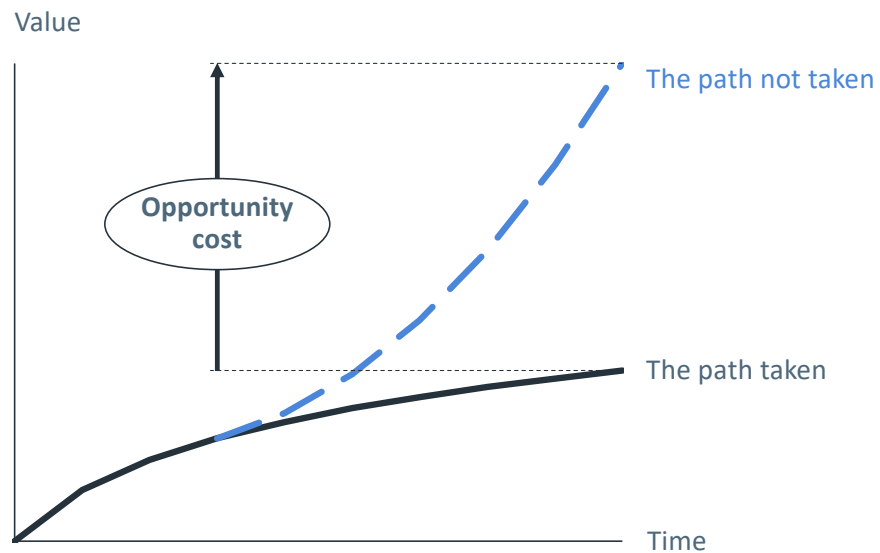
...make sure those incentives work for you

Make sure incentives for all partners and team members work in the same direction, to support your goals





Opportunity costs

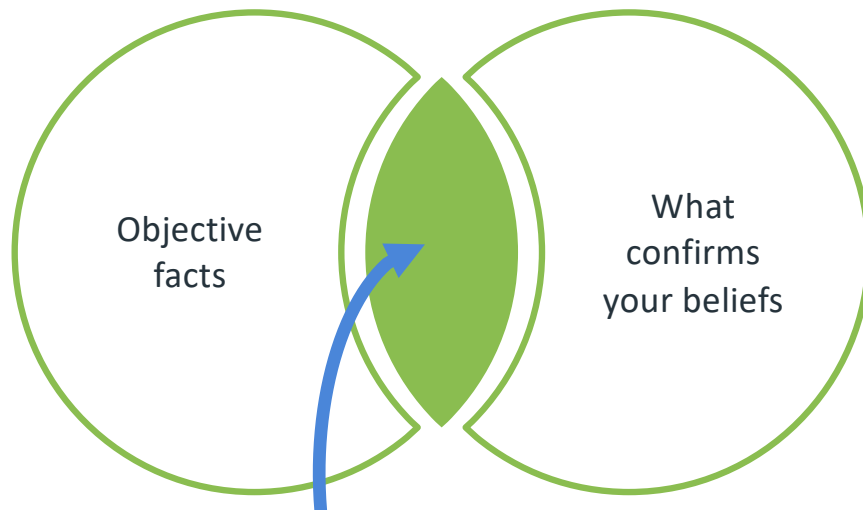


The cost of an action is the value of the next best alternative that must be given up

Internalizing this will let you value your time enough to be able to **let mildly successful projects go in order to chase more valuable projects**



Confirmation bias



What most people choose to see

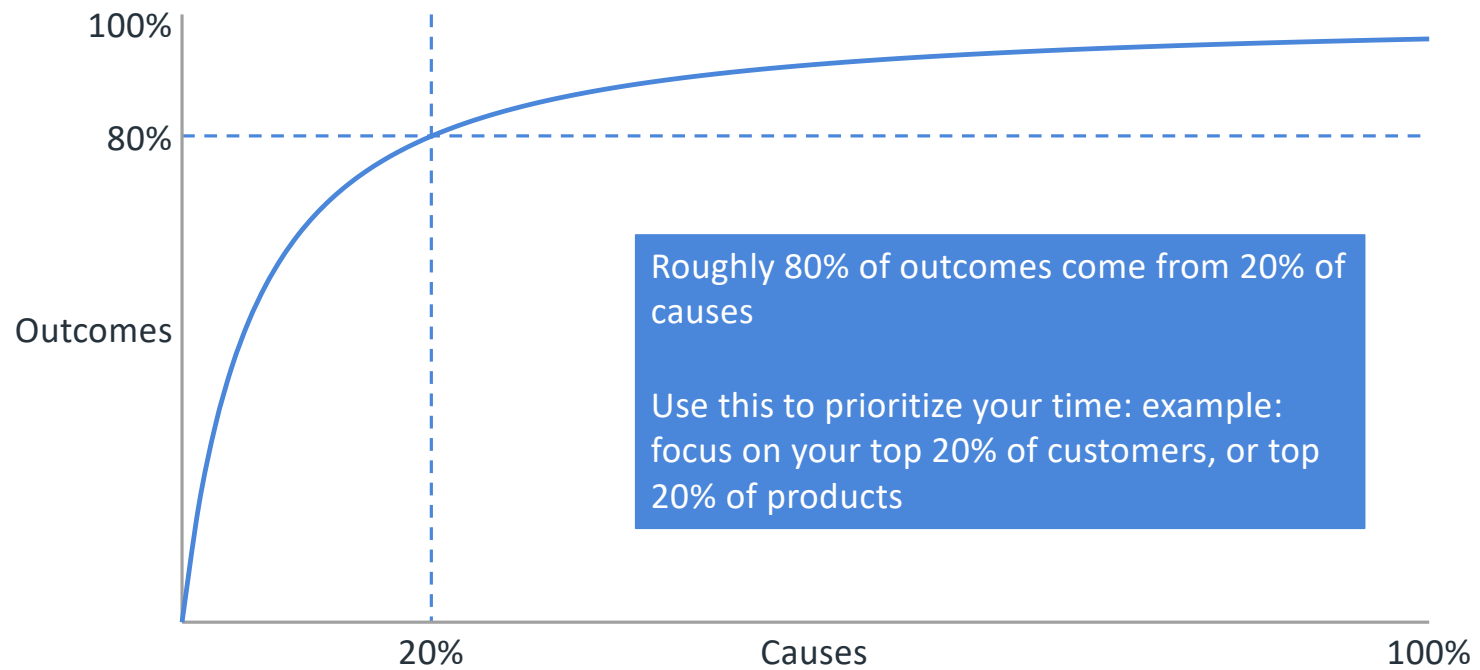
Confirmation bias: The tendency to seek out information that supports existing beliefs and ignore information that contradicts them

Instead, flip this tendency and try to prove your ideas wrong

When you're not able to prove your idea is a bad one...you might be on to something



The pareto principle (80/20 rule)



Don't forget to
fill out our quick
survey



<https://forms.gle/16puteUvv6ahJD76A>

