Thank you, Jane. It is my pleasure to introduce Sheila A. Murphy, the Chief Operating Officer at the Center for Women and Enterprise, the Women’s Business Center for Massachusetts and Rhode Island. Since its founding only ten years ago, the Center for Women and Enterprise has assisted 10,000 women and men to start and grow businesses, helped create more than 14,000 new jobs in Massachusetts and Rhode Island, and helped generate over $400 million in wages for their clients and their employees. This year the center has served as a New England partner in the Women’s Bureau Wi$e Up program.

Before joining the center, Ms. Murphy served as the Vice President for Operations for the Big Brother Association of Massachusetts Bay, the Controller and CFO of two companies, and the co-founder and CFO of her own business. She holds a Masters Degree in Business Administration from Simmons College Graduate School of Management. We are delighted to have Sheila Murphy on the call today. Sheila.
S. Murphy  

Thank you so much, Jackie. I’m going to talk a little bit about business planning, how to finance your business, choose your legal entity, and get the help that you need for your business.

Claudia mentioned the need to be competitive as a business owner. One of the ways that you can do that is through creating a very strong business plan. Many people come to us, many clients come to us, and say, “Well, why do I need a business plan? I really know what I want to do.” Think of the business plan as a roadmap. Think of it as the opportunity to sit down and think, “Where do I want to be in this business two years down the road, five years down the road; how will I get there; and what will be the checkpoints along the way? How can I tell if I’m headed in the right direction?”

There are multiple uses for a business plan. The one that most people consider first off is external use, which is if you’re looking for funding; if you’re certainly looking for a business partner; if you’re looking for a business loan; if you’re looking for investors. All of those folks, external folks, will want to see your business plan. They’ll want to see a pretty comprehensive plan.
There’s also an internal need and use for a business plan. That’s the roadmap, that’s the operations plan. How do I know what I should be doing the first month, the first 90 days, the first year?

When things aren’t going [well], when I’m not meeting my benchmark and things are not going exactly the way I thought, how will I know that, and how will I actually be able to figure out what to do? How do I plan? That’s the internal use for a business plan.

Typically you will write your plan one to two years out. Then you will revise it. If you’re already in business, every quarter you should be sitting down looking at your plan, looking at what your goals and projections were, and now looking at your actual numbers to see where you are.

The components of a business plan. There’s a narrative or an articulated section. There’s a financial forecast section. Then there’s supporting documentation. The very specific things that are in each of those sections vary somewhat depending on whether it’s an internal plan or whether you’re using it to attract funders or investors. But generally you will want to start off with an executive summary. You will want to have a very good description of the business. You will want to have a very good description, a very targeted description of the market. As Claudia
mentioned, the market is not the entire world, you really need to
 hone in on what your specific market is.

The competition. Who are your direct competitors? Who are your
indirect competitors? What’s your pricing and product mix? How
will you differentiate yourself? What’s your marketing strategy?
What are your channels of distribution? What are your
advertising, public relations vehicles?

A section on operations--how will you actually run this business?
How will you keep things under control? How will you be able to
get your financials done? How will you be able to have your Web
site done? What’s your management team look like?

Investors, in particular, are very concerned about the management
team. Have the people in the management team done this type of
thing before? If you’re starting a fast-growth business, a high-
growth business, and you think that you’re going to grow it very
quickly over two years, investors and lenders in particular want to
know is there anybody on your management team who’s been in
this particular space before and has grown a company of this
nature in that same timeframe.
Of course, there’s the financial plan, which is in some ways really the crux of the business plan. That’s really where your assumptions come into place. What will your market share be, and can you support that? Can you really defend all of the assumptions, particularly again if you’re using it externally? If you go to a lender, for example, that lender is really going to want to know can you defend these assumptions. But even if you’re using it for your own use internally, being able to defend your assumptions is really a huge piece of it.

Claudia talked a little bit about financing your business. She particularly talked about her caution around credit cards. I certainly would reiterate that caution. Credit cards have huge interest rates. Generally, it’s not the best way to finance your business. There really are a couple of different ways. Equity, your own money, your own capital, your own investment in the business certainly is the first one. Friends and family as a source of equity is a second option.

Most people end up financing their business in some way through debt, if not to start up your business, then certainly to grow your business. There are many types of loans. Claudia has talked about some of them. Line of credit, term loan, lease line. The actual
The type of loan that you would want will, of course, depend on what you’re actually going to do with the money, what the repayment schedule should look like and so forth.

As you’re thinking about looking for a loan, you need to first look at both your own credit and your business credit. That’s an enormous issue for banks. Banks want to know that you are able to repay the loan. They want to know that you have some kind of collateral. They, of course, want to know what you’re going to use the loan for. They want to know what your own and your business credit history have been as well.

There are other types of financing, of course, which Claudia has touched on. Bartering, customer or vendor financing, strategic partnership. You might look at investments from your own employees as well. As you get ready to approach a lender, you want to make sure that you really understand your business plan and your financial statements very clearly. You also want to build a relationship with a lender before you need the money so that when you go in and you ask for a loan that you’re talking to somebody who knows you and has known what your business has been doing, what the ups and downs have been.
As you’re getting ready to start your business you’ll, of course, want to choose your legal entity. I can give you a very brief overview of what the various types of legal entities are. You, of course, will want to contact a lawyer and sit down with that person and work through the pros and cons.

If you start your business with no formal legal structure, you are by default a sole proprietor. There are no requirements for forming a sole proprietorship. There are, of course, some disadvantages, the most obvious one being that there’s unlimited liability for you as an owner.

There are also various types of partnerships: general partnerships, limited partnerships, limited liability partnerships, and so forth. Each has its own advantages and disadvantages. Again, you want to sit down with an attorney and talk those through.

Then the third type of entity is a corporation. The most obvious advantage there, of course, is that there is limited liability for the shareholders. It’s relatively easy to form although you will want to work with an attorney.
There are a couple of different types of corporations. There’s what’s known as an S-corp, which is what the vast majority of small businesses who incorporate become. It has much more flexibility, and the tax implications are much more favorable for small business owners.

That brings us to getting the help that you need for your business. You really want to make sure that, particularly in the beginning when you probably are not in the position to hire a high-level management team in every functional area, so you may bring in somebody you knew had a lot of marketing experience, but not at that point be able to recruit a CFO, for example. You want to make sure that your team of outside professional service providers is strong and that you have chosen people who you are comfortable with. So interview.

If you’re going to meet a lawyer, meet with a couple of different people. Make sure you understand how you’re going to be billed as you’re going along. Make sure that you know what an estimate will be for each project. Ask a lot of questions and make sure that you remember that you’re actually in control of the professional service relationship.
If you want to register your business, talk possibly with your city or town hall. You’ll generally need a taxpayer ID number, which is obtainable from the IRS. Your state will also, most likely, require some form of tax registration as well. Depending on your type of business, there may be permitting and licensing. So, for example, if you’re opening a restaurant, there will be a myriad of licensing requirements that you will need to meet. Make sure that you meet with an attorney and get a good understanding of those things and that you get off on the right foot.

One other service provider that you really want to make sure you have once you have employees is a payroll service. It is possible to actually lease employees so that the employees work for a leasing company and you pay the leasing company. If you go that route it’s very important to make sure that you’re dealing with a reputable firm so that you aren’t surprised down the road if they have not met their compliance requirements.

If you have your own employees, I strongly recommend to our clients that you get a payroll service. Payroll tax regulations are complex; they’re time-consuming, and we see clients who just very easily and very quickly get into difficulties with their payroll taxes.
That’s not a place that you want to be. So work with a payroll company.

The final piece of what you’ll want to make sure that you do is that you’ve really analyzed your insurance needs, that you’ve gone through a whole risk management process and analyzed your exposure to loss. When you’re looking at insurance, again, interview a lot of different people, review the alternatives, and then each year or two, or maybe even every two or three years, go out and look at your insurance policies and bid them.

Claudia talked about negotiation, and that’s really important in just about every aspect of being a business owner, including things like professional service firms and insurance. See what the competition is; see if you can find ways to cut your cost and manage your risk appropriately. So I will reiterate what Claudia said. I was, as Jackie mentioned, an entrepreneur for ten years before I [joined an] organization that counsels and trains entrepreneurs. It is just a great experience.

J. Walstedt Thank you, Sheila. I’m sorry, did I cut you off? Was that it?

S. Murphy That was it.
Okay. Thank you so much for that very helpful information and advice. Now let me turn the program over to Sarah Miller, a member of the Women’s Bureau’s Wise Up team, to introduce the person who will introduce our third speaker.