

Tips for Successfully Starting and Running a Small Business

October 19, 2012 | by Jason Rittie



Starting a business is very exciting, but it can also be challenging without proper guidance.

You must first consider meeting with your accountant and attorney before making any decisions about starting a new business, and on a periodic basis during the growth and success of the business. It is important to assemble your “team” of professionals to help guide you through each step of starting a new business, and it is just as important to stay in constant contact with your team of professionals throughout the existence of your business.

Whether you are planning on starting a business or already own your business, here are a few important tips to consider during the start up and for the continued success of your business:

- **Prepare a written Business Plan.** A written business plan will be your “road map” and will help you organize the goals, tasks and objectives for setting up the business and to achieve growth and success. There is no single formula that must be used, and there are countless

educational classes and books to help you in preparing a business plan. However, any business plan must include some essential elements: an executive summary, a detailed description of the business, a marketing and management plan, financial projections and the supporting documents, such as tax returns for the owners, resumes of the owners, and relevant contracts and leases. Additionally, it should be updated each year.

- **Assemble your Professionals and getting Business Assistance and Training.** As previously stated, by having a team of professionals on your side each step of the way, you will be able to make informed decisions affecting the business. In addition, you must continue educating yourself and receive training through seminars or business resources like the U.S. Small Business Administration
- **Choose a Business Location.** As the old saying goes, “location, location, location.” Your choice of a business location is perhaps one of the most important decisions you will make. In accordance with your business plan, you will have to examine the location’s demographics, the competition surrounding the proposed location, whether your budget can allow the rent, and understanding laws and regulations imposed on businesses in a particular location, such as land use and zoning ordinances. You will also need to consider whether to lease space, or purchase a building to operate your business.
- **Financing for the Business.** You certainly will need startup capital and working capital for your new business. If you do not already have cash reserved for the business, with your written business plan, you may consider applying for financing through bank loans, government backed loans and venture capital. You will want to review any loan terms with your accountant, and have the loan documents reviewed by an attorney. As a start-up or new business, you should expect a lender to require your personal guarantee of any loans, which is not uncommon. However, you certainly should read and understand any guarantee, and if you have questions, ask your attorney for advice.
- **Determine the Legal Structure for Your Business.** This decision should not be made without understanding the different forms of business ownership, together with the legal and tax implications for each. There are numerous legal forms to consider including, sole proprietorship, partnership, limited liability company, and corporations. Your form of business structure will depend on your particular business and your personal circumstances. However, a limited liability company is a common structure that offers legal and tax advantages for small business owners.
- **Corporate Formalities.** Once you decide on the form of legal structure for your business, you most likely will have to observe some corporate formalities in order to maintain the protections and advantages that a corporate form offers, especially in terms of protecting shareholders (or LLC members) from personal liability. You will need to maintain business assets separate from your personal assets, as well as keeping accurate business records of meetings and decisions made by shareholders, board members, or managers in the case of a limited liability company. In addition, you will need to register the business with your state government and obtain a separate tax identification number from the IRS. Lastly, you will need several forms of business insurance, which may include workers’ compensation, unemployment and disability insurance.
- **Agreements between Co-Business Owners.** If your business has more than one owner, you will want to discuss setting up formal written agreements between the shareholders (or members in an LLC). In the beginning, it may be easy for the owners to informally agree among themselves as to their respective ownership percentages and their rights and

responsibilities. However, most business owners overlook planning for events that may happen down the road, such as the death or disability of a co-owner, when a party wants out of the business, or disagreements/deadlock between the co-owners. By having these types of discussions in the early stages of a business, the co-owners can develop a written shareholders agreement (or operating agreement in the case of an LLC), which will include buy/sell provisions and define the parties' rights, duties and responsibilities. By doing so, you will save a lot of headaches, disagreements or costly disputes later on.

- **Protecting your Business Assets and Intellectual Property.** As the business grows, you may eventually hire employees and independent contractors. Your business will need to protect its tangible and intangible assets and intellectual property. The assets may include, among other things, client lists, confidential and proprietary information, work processes, sales information and financial records. There are ways to protect these assets by setting up documents such as employment agreements, employment manuals and confidentiality agreements prior to hiring employees or engaging independent contractors. If your business decides to use written employment agreements, some consideration should also be given to including provisions for non-solicitation of customers, and/or non-competition agreements depending on each particular employees' roles and status within the business.
- **Compliance with Laws.** In addition to the business formation registrations mentioned above, there are other laws, rules and regulations that may impact your business. Some you may be aware of, and others you may not. It could be as simple as a requirement to post Equal Opportunity posters in the employee break room, to much more complicated requirements particularly impacting your type of business, such as licensing requirements or permits required from a local, state or federal agency. Many business owners have their attorneys perform an annual legal checkup of the operations and conduct of the business to help uncover any potential issues. The primary goal of a legal checkup is defensive in an attempt to predict and head-off potential legal problems, and to ensure that the business meets its legal obligations with respect to local, state and federal laws, rules and regulations, its employees and to others under contracts or otherwise.

The Closely-Held Business Group attorneys at Einhorn, Barbarito, Frost & Botwinick, PC are experienced in all of the above areas, and they can not only act as your attorneys, but also be your business partner. We understand small business owners' needs for competent, but practical, legal advice delivered in a timely, and cost effective manner.