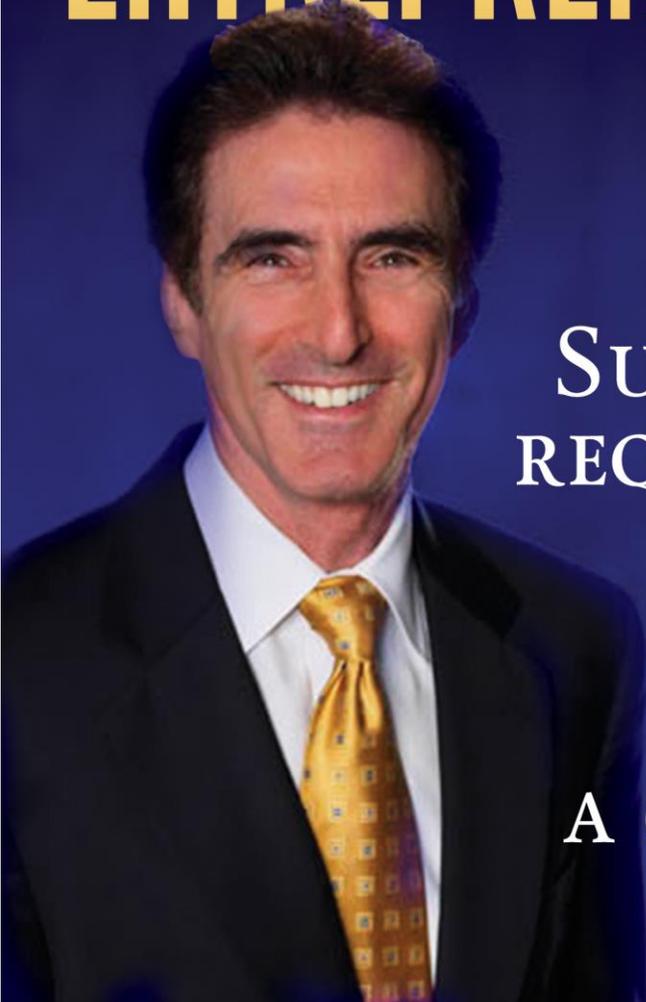


YOU WANT TO BE AN
ENTREPRENEUR



SUCCESS
REQUIRES
MORE
THAN
JUST
A GREAT
IDEA

J E F F S T O L L E R *J D, M B A, M B T*

“You Want to be an Entrepreneur” is a primer for new and future entrepreneurs. It’s important to understand that launching a new business is more than just a great idea or a dream. It involves marketing, finance, law, production, accounting and everything that is the foundation of any business. Unless you simply sell the idea to someone else, you will have to deal with issues, overcome obstacles and solve problems that have little to do with your idea. Whether your dream is a new restaurant or a new widget, you will have to address contracts, licensing, labor and a whole range of topics you may never have thought of before.

“You Want to be an Entrepreneur” doesn’t give you all the answers. It gives you some answers but more importantly it gives you a broader vision of the matters that will be important and the questions that have to be asked. If you are confronted with an issue and remember that you read something about that in this book – and because of that you ask questions that help avoid a big problem – this book will have achieved its purpose.

I wrote “You Want to be an Entrepreneur” as the result of experiences in two of my careers. As both a student and a professor of finance and law I saw that subjects are put into neat boxes. This class is marketing, that class is finance and this class is law. The reality is that to a great extent they intertwine and it is the ability to look at them all together in the big picture that lets you make better decisions. The other experience that inspired this book was my consulting firm where people with different ideas came to me for guidance and most had little idea what starting a business meant beyond having a dream. Listening to them tell me their visions and even their experiences talking to attorneys and accountants led me to the conclusion that if someone is going to pursue his or her dream and possibly give up the security of a job, they had better have a better understanding of the process because simply asking an attorney or accountant, with no disrespect to all the fine attorneys and accountants, was not necessarily going to be in the best interests of the entrepreneur. This book is for you, the entrepreneur -- the person with whom every new idea, every new product and every new concept begins whether you’re Bill Gates who started Microsoft or Annie Brodsky who started Annie’s Home-Made Lemonade.

With a professional background as an attorney, accountant and professor of finance at the University of Southern California and his work in the hospitality/entertainment field, Jeff Stoller is a recognized expert in entrepreneurship and brand management, having worked with world famous brands including The Rolling Stones and Warner Bros. Stollers firm has helped dozens of companies through startup and growth stages.

Selected as one of the 20 top professors at the USC School of Business, Jeff has been a speaker on many panels, trade shows and conferences, and a contributing author to numerous publications. If you would like him to speak at your event or for your group, write to info@youwanttobeanentrepreneur.com

YOU WANT TO BE AN ENTREPRENEUR



YOU WANT TO BE AN ENTREPRENEUR

Success requires more than a great idea

by

Jeff Stoller
JD, MBA, MBT

Published by 321 Bayshore Investments, Inc.
1717 N Bayshore Drive, Penthouse A56
Miami, FL 33132 USA 1-866-653-4245
info@321bayshoreinvestments.com

©2015 321 Bayshore Investments, Inc. All rights reserved. Printed in the United States of America. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the permission of the author.

1st edition June 2015

Each year, tens of thousands of people all over the world set out on a dream to start their own businesses. It is this drive that leads so many of us to leave jobs, to give up security and forego so-called *traditional* paths. While many fail, it is the success stories like the thingamajig that someone made in his or her kitchen that sold 1 million units, or the app that someone thought of in the shower that was sold for millions that motivate us each day.

Most entrepreneurs fall into one of a few categories:

- They may be sales people who believe they've found the hottest thing in the country or just think they can do better on their own than by working under or with someone else.
- They may be inventors who believe they've invented the "better mouse trap."
- They may simply be bored with whatever they've been doing, whether it's been as an attorney or a housewife, and are looking for something more fulfilling.
- Then there are those people who have had an idea forever and just didn't know how to go about doing it.

For all the reasons to start one's own business, these people should be congratulated. Why, though, do so many fail? The answer is that something was missing from the equation that makes a business successful. The missing element could have been a proper evaluation of the merits of the idea or location, a realistic assessment of the skills or personality of the principal(s), adequate capital, adequate knowledge of the market, good staffing and others. Or, it could be something that has nothing to do with the entrepreneur and over which the entrepreneur had no control – there is such a thing as bad timing and bad luck.

There are hundreds if not thousands of books about business – general views, specific views, opinions about this, statistics about that. So, why should you read this book?

Before answering that question, it is relevant to know something about me. I am an attorney, accountant, consultant and professor. I am also an entrepreneur. I have started my own businesses. I have succeeded and I have failed. The advice in this book is not coming from someone who has never actually done it or a pure academician, but rather someone who has seen it from all sides. Sometimes when we get advice, especially from a professional, our gut response is “He doesn’t know what I’m going through, and he’s never done it.” Consequently, maybe we don’t trust the advice or don’t give it as much credit as we should. In fairness to many very good attorneys, accountants and consultants, even though they have not done exactly what you are doing, they can still be right. Still, I have been there. I have experienced many of the highs and lows described in this book; and made some of the same mistakes I caution you about.

Back to the question: Why should you read this book?

Any book that says it has “all the answers” is, to be polite, inaccurate and misleading. No book has all the answers. But this book has a lot of the questions you need to ask and for which you will need answers.

No author is in exactly your shoes. Your situation, your background, your ideas and your intellect are all unique to you – and what works for you may not work for someone else and vice versa. This book will not tell you how to run your business or get into any specific ideology of how I think you should operate. But this book will give you information and knowledge to help you make those choices for yourself and, if you do get advice from some professionals, you will be able to better understand and evaluate their advice rather than be like some people when we go to the auto mechanic and he or she tells us what’s wrong with some widget and we try to look like we know what they are

talking about but we're really thinking "whatever."

Consider all the books an undergraduate business or MBA student reads in the course of his or her education... And they still don't have all the answers. (They may think they do when they graduate, but they quickly learn it ain't so.) What those books and courses accomplish is to put the students in a better position to figure out the answers when they are confronted with a specific set of facts. This book is not intended to get you to that same point, but it will give you an advantage over the people who simply charge ahead into the unknown with no clue what they're doing.

As an entrepreneur, it is your inspiration and drive that contribute to the creation and realization of your dream. Your time is better spent developing and implementing your ideas while others can help you with the answers that will aid you in your endeavor.

You should read this book if you would like help to begin the process, to better communicate your ideas to others and to know when there are questions that need to be addressed. You should read this book if you would like some basic information to help you better understand the challenges you will encounter and to recognize situations when you need to ask someone else a question. Since no one can know all the answers, you are at least in a *better* position if you know many of the questions.

Lastly, while this book was written from the point of view of a business in the United States in regard to some of the laws and regulations, the business principles are applicable virtually anywhere and any specific rules mentioned in this book probably have a corollary in whatever country you are reading this.

FOLLOWING ARE SOME EXCERPTS FROM “YOU WANT TO BE AN ENTREPRENEUR”

For some people, the entrepreneurial endeavor is guided by a particular expertise. If you're a rocket engineer, you might create a business in that field of technology. If you're a cook, you might start a restaurant or other food related business.

For other people, it is an idea born out of necessity (“necessity is the mother of invention”) regardless of the inventor's previous skills. Whether that necessity is *real* or *imagined* is a different issue.

It makes good sense to start with something within your particular expertise. Most entrepreneurs are surprised and often disappointed how involved they are with aspects of the business unrelated to what they know and enjoy.

Being an entrepreneur has many pluses and minuses. **HOWEVER YOU PERCEIVE YOURSELF, REMEMBER ALSO THAT BEING AN ENTREPRENEUR AFFECTS THE PEOPLE AND LIVES AROUND YOU - POSITIVELY AND NEGATIVELY.** It's a balancing act and involves choices you have to make - maybe with your family - carefully.

What is a business plan? A business plan is a document that clarifies in your mind and clearly conveys to others:

- (a) what you want to do;
- (b) how you plan to do it and what it will take in terms of people, money and other resources; and
- (c) what you expect the results to be and why.

You might find that while your idea is good, the cost of getting your message out is prohibitive. On the other hand, no matter how much advertising your competition does, you might learn what niche is available for you to exploit. You may even be able to use their advertising to help you.

The liability issues discussed below are not the kind of liabilities that come up in the normal course of business, such as contractual and warranty. The following are liabilities that arise when something has gone wrong.

You must know what capabilities you'll need, as well as the strengths and weaknesses of people already available to you. Those will help you determine what gaps exist.

DON'T FORGET: THE BUSINESS PLAN IS WRITTEN FOR DIFFERENT GROUPS OF PEOPLE AND INSTITUTIONS. You may be presenting your plan to a lender and an investor at the same time, each of whom has deal structures he/she/it is comfortable with. You will want to tailor your proposed deal structure for the particular party you're making the presentation to. For example, don't present an equity investment to a savings & loan which only lends money; and don't go to a venture capital company and expect to get loan rates competitive to that of a bank.

Definition: A sole proprietorship is a business owned by one person. From a practical point of view, the owner may keep the business and his/her personal life separate; but from a legal perspective, there is no distinction between the individual's personal life and his/her business. There are no other owners of the business.

Definition: A corporation is a legal entity separate from its owners, regardless how many. Each state grants a *charter* for a corporation which gives it the status of a legal "person" with the same rights to own property, sue and be sued as a person.

You may wonder why you should know about accounting. There are many accounting programs such as QuickBooks that make the task of *bookkeeping* easy. But as anyone who has ever watched the popular TV shows "Shark Tank" or "Dragon's Den" knows, investors expect entrepreneurs to be very familiar with their own finances; and accounting is the means by which you obtain the information to make decisions as well as analyze performance. In addition, understanding the building blocks of our accounting system will help you better understand the financial statements you will use and how other people will view your business.

Unlike the Balance Sheet which looks at what you own and owe at a specific point in time, the Income Statement reflects the income you earned and what it cost to operate for a period of time, whether it be for a month or a year.

Equity is what you, as the entrepreneur, will be getting for your capital investment. No matter how optimistic you are about the prospects of the new business, anyone - you or outside investors - investing in the equity of the business must understand that this investment could be lost. You don't have to like it, but you do have to understand that it can happen.

Following are some typical forms of equity.

Know your rights, but always consider the practical implications of enforcing your rights – what will it cost in terms of time, effort, money, reputation.

In the United States, we have both federal and state laws. Many countries have only one level of laws. So, to reduce or try to eliminate potential conflicts and confusion, one set of rules adopted by all states in the US (except Louisiana) is called the Uniform Commercial Code (“UCC”). Louisiana didn't need it since their commercial law was already codified and other countries do not need it if they do not have federal and state (or their local equivalent of “state”) laws as does the US. The UCC was adopted to provide standard rules specifically to facilitate interstate commerce. Without the UCC or something like it,

different state rules could create a horrible problem of communication, misunderstanding and lawsuits.

There are several types of contracts. It's not so important that you memorize the differences or the names; but it is important to remember that they are all contracts.

One of the most frightening thoughts in creating a new idea is that someone will steal it. Though most new business ideas are not protectable, the federal government has created various means of protecting ideas and products

Let's review what this book does not try to do:

- It does not give you *all the answers*.
- It does not tell you whether to be an entrepreneur.
- It does not tell you how to run your business.

What this book tries to do is give you some fundamental information to help you make better decisions and ask better questions.