6 Steps to Get Your Business Startup on Track For Long Term Success

It's easy to think about startup businesses and consider the success or horror stories, but what about the average startups? The hard and bleak reality is that the majority of small business startups fail. So, to avoid being like the average startup, you need to create a plan for success.

Choose the Right Entity

One of the first steps to forge a solid start includes selecting the right entity for your business. This legal structure will affect the amount of paperwork you need to do and the legal ramifications you will face.

The right entity will help you reduce your liability exposure and minimize your taxes. You need to ensure your business can be financed and run efficiently with a method that helps ensure the business operations will continue after the death of the owner. Along with making the startup process more organized in an official capacity for the company, the formalization process will also solidify the ownership of participants who are participating in the venture.

To choose your entity, you will first need to consider what personal level of risk you face from liabilities that could arise from your business. You will then need to consider what the best angle is for taxation, finding ways to avoid layers of taxation that can increase unnecessary expenses. Then, you will have to consider what kind of ability you have to attract investors and what ownership opportunities will need to be offered to key stakeholders. Finally, you will have to consider the overall costs of operating and maintaining whatever business entity you choose.

There isn't necessarily only one entity that can fit your business. The key in this process is looking at how each entity will alter your business's future to select the one that is right for you. You might choose a sole proprietor, corporation or limited liability company if you are a single owner. If your business is going to be owned by two or more individuals, then you might choose a corporation, limited liability, limited partnership, general partnership or a limited liability partnership.

Sole Proprietorship: The most common entity type where a single owner is personally liable for financial obligations. This is the easiest type of business entity to form and offers complete control to you as the managerial owner.

Partnership: When two or more people want to share the profits and losses of a business, they can benefit in a shared entity that does not pass along the tax burdens of their profits or benefits of the losses. In this entity form, however, both partners are personally liable for the financial obligations of the business.

Corporation: A corporation is an entity that is separated from the founders and handles the responsibilities of the organization for which it bears responsibility. The corporation can be taxed and held legally liable for its actions, just like a person. The corporate status allows you to avoid personal liability, but you will have to provide the funds to form a corporation and keep extensive records to keep the corporation status. Double taxation can also be seen as a downside to the corporate status, but a Subchapter corporation can avoid this situation by using individual tax returns to show profits and losses.

Limited Liability Company (LLC): This is a hybrid form of a partnership entity that allows owner to benefit from aspects of the corporation and partnership forms of the business. Both profits and losses can be passed to the owners without taxing the business and while shielding owners from the personal liability factor.

Plan for Growth

Even though the number one reason startups fail is due to the production of a product no one wants, you can't just stop with a great product. As an entrepreneur, you have to know about every aspect of your business. Even if you are not an expert in the process of business and aspects of your company, failure in those areas can still cost you your success. You have to know enough to catch key problems in your company's startup process.

Too segmented, and your company will struggle with gaps and overlap. If the CEO believes it is his or her job to lead, but not to market, then he or she may miss an important connection between target audience and company direction. If the marketer believes it is his or her job to market, but not to develop the website, then he or she might find the website design does not appeal to the right audience. Each individual needs to be both responsible and organic in their approach to helping the company move in the right direction.

While you want growth, you need to be prepared to sustain it. In order to get your venture capital secured, you need accelerated growth; grow too slow and you won't be eligible for the funds you need to keep growing. Yet, your company will have to be equipped for that growth. The shifting size will alter your ability to work as an agile startup, will force you to reconsider a variety of your tools and may even make you update your physical headquarters. This is just one more reason your current company leaders and employees need to be flexible in the nature of their coverage and thorough in the application of their talents.

The second major reason that companies fail is due to a shortage of funds. These companies run out of cash because their growth stalls. Stalling growth can kill a startup by making them lose to the competition, lose customers, lose employees and lose passion.

Growth Hack

Once you've gotten your business prepared for substantial growth at a very rapid pace, you will need to focus your attention on increasing that growth. A relatively new term, growth-hackers are professionals that are specifically focused on the rapid growth of startups. Since the second largest reason startups fail is directly related to money shortages (and indirectly related to growth), you will want to focus a lot of your initial attention on increasing growth in creative ways.

The growth hacker job is usually done by a professional who stands in the place of a marketer. The growth hacker has to understand your startup's audience and how to appeal to them for faster growth. The growth hacker will also break your large end goal (increased growth at a rapid rate) into smaller, actionable and achievable tasks, like doubling your content creation, to reach that end goal.

Watch the Money

In order to help manage the funds that you do have, you will want to establish financial controls to provide your startup with a solid foundation. The internal controls will include accounting, auditing, damage control planning and cash flow. You will need to have disciplined controls to ensure solid growth and help you never run out of cash.

You will want to adjust and re-adjust your projections for cash flow, never allowing the cash to run dry. This also means you need to set maximum limits of purchasing authority to keep partners or employees from overspending. You will need to require all payments to be recorded on invoices to support audits and keep spending on track. Additionally, you will want to use an inventory control system and use an edit log to track changes made to your website. Don't overlook your suppliers as sources of financing or assume that all shipments are accurate or in good condition. Ask for term discounts, pay on time and always create purchasing contracts to ensure your goods are delivered.

Measure Your Achievements

Key Performance Indicators (KPIs) are ways to measure the company's success in achieving key business goals. You will want to establish KPIs on multiple levels in order to monitor your efforts on meeting your objectives.

You will want to use SMART KPIs that are Specific, Measurable, Attainable, Relevant and Timely. Goals that are too general, don't have an end date and aren't within your control are goals doomed to fail. To help your startup succeed, you need to discover the core objectives that will really improve your company status.

Work With Us

Finally, you need to spend more time growing your business than accounting for it. Remember, a misplacement of funds and lack of cash is the second biggest reason why startups fail.

Once you have a product that is worth taking to market and a plan in place to cultivate funding, you will be in a good place with your startup. Don't let any of these points cause you to lose control of your business with a blind side hit that you could have prepared for.