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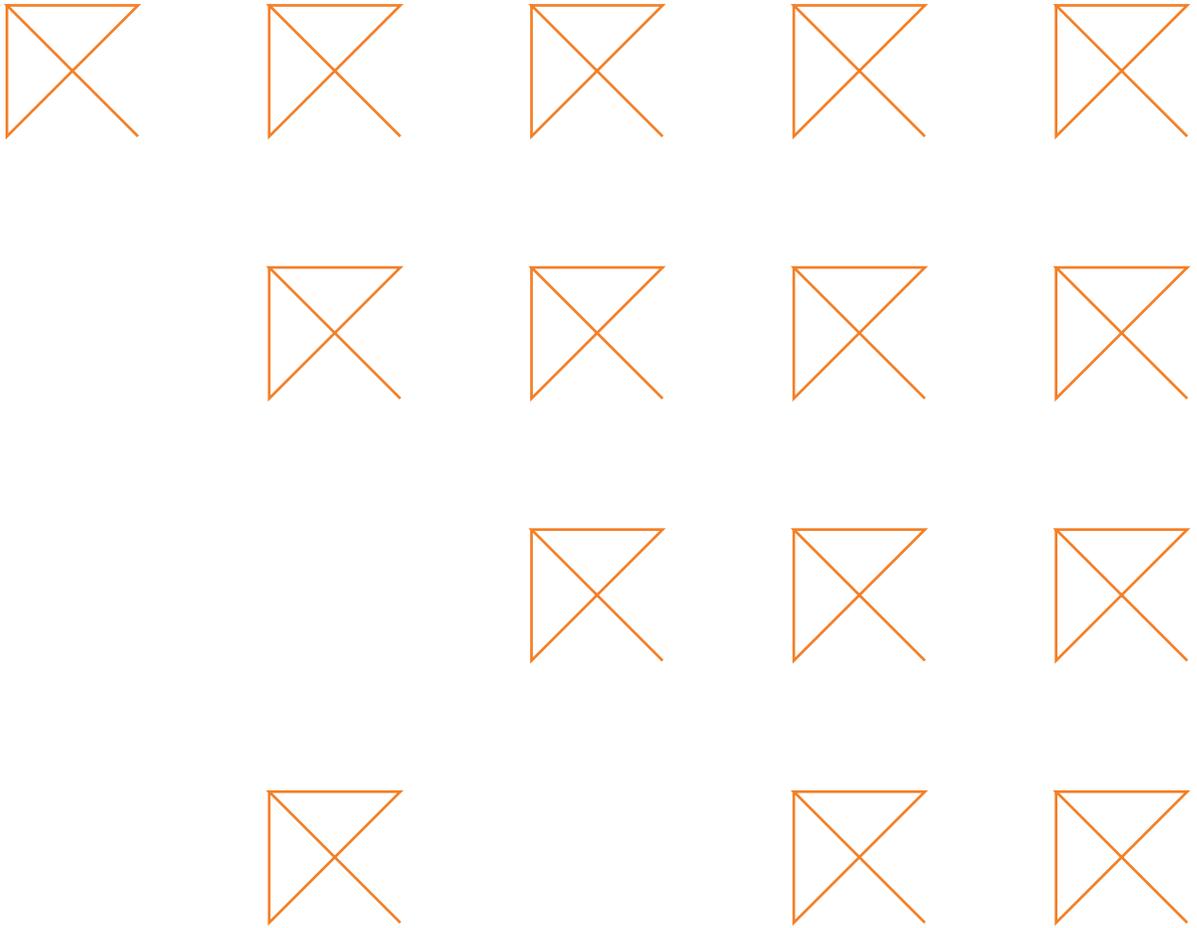
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1. Should I be an entrepreneur?

The Basics

Becoming an entrepreneur is an important decision and one that needs to be made with much knowledge and thought. Your decisions not only affect you, but also the people around you: your family, friends, and your social and business connections.

For many, the decision to become an entrepreneur means a complete change in your daily life by how you spend your time, energy and most importantly your money.

Becoming an entrepreneur can bring a sense of accomplishment and reward not only financially, but from the satisfaction of having an idea and making a business out of that idea. Many entrepreneurs relate that they started their business because they knew there was a need for their product or service or they saw that the products or services currently being sold needed improvement and that their approach was “a better way”.

The fact that providing better products or services would be rewarded financially is often less important to an entrepreneur than knowing they may be making an improvement in the way things have always been done. You need to know what is important to you and whether entrepreneurial lifestyle fits with your life priorities.

Tell Me More

1. Here are some questions to ask yourself when considering becoming an entrepreneur. If you answer no to many of these questions, you may want to consider if you really want to pursue becoming an entrepreneur.
2. Do you have an “entrepreneur’s mindset”? – An entrepreneur must be willing to take risks and do things differently; even things that have not been done before.
3. How well do I “know myself”? – This is knowing your values, skills, strengths, weaknesses and what you are passionate about. As an entrepreneur, it is just as important to recognize what you do not know, as it is to recognize your strengths, skills and talent.
4. Do I possess initiative and drive? – Entrepreneurs must be able to do things without having somebody tell them what to do, or how to do it. This also requires a certain amount of confidence to know when to ask for help or support when it is needed.
5. Am I resilient? – Being a successful entrepreneur rarely happens quickly. It is a curvy road that is filled with bumps, detours, traffic and hills that are both up and down.
6. Am I flexible? – As an entrepreneur, things rarely go exactly as planned so you must be flexible to change. This might include obstacles that require a change of plans or it might be that an unplanned opportunity presents itself and requires a different approach.
7. Am I social? – As an entrepreneur, you often need a support network of family, friends, and professional contacts to get your venture going from an idea to reality. Entrepreneurs cannot operate in isolation and you are better off having strong interpersonal skills so you can go out there and promote your business.
8. Will my family support my entrepreneurial lifestyle? – Whether you like it or not, your family plays a role in your life as an entrepreneur. You need to see if you have family responsibilities and whether you can fulfill your obligations with an entrepreneurial lifestyle. Many successful women entrepreneurs cite family support as a key factor in their success. Do you have the necessary support?

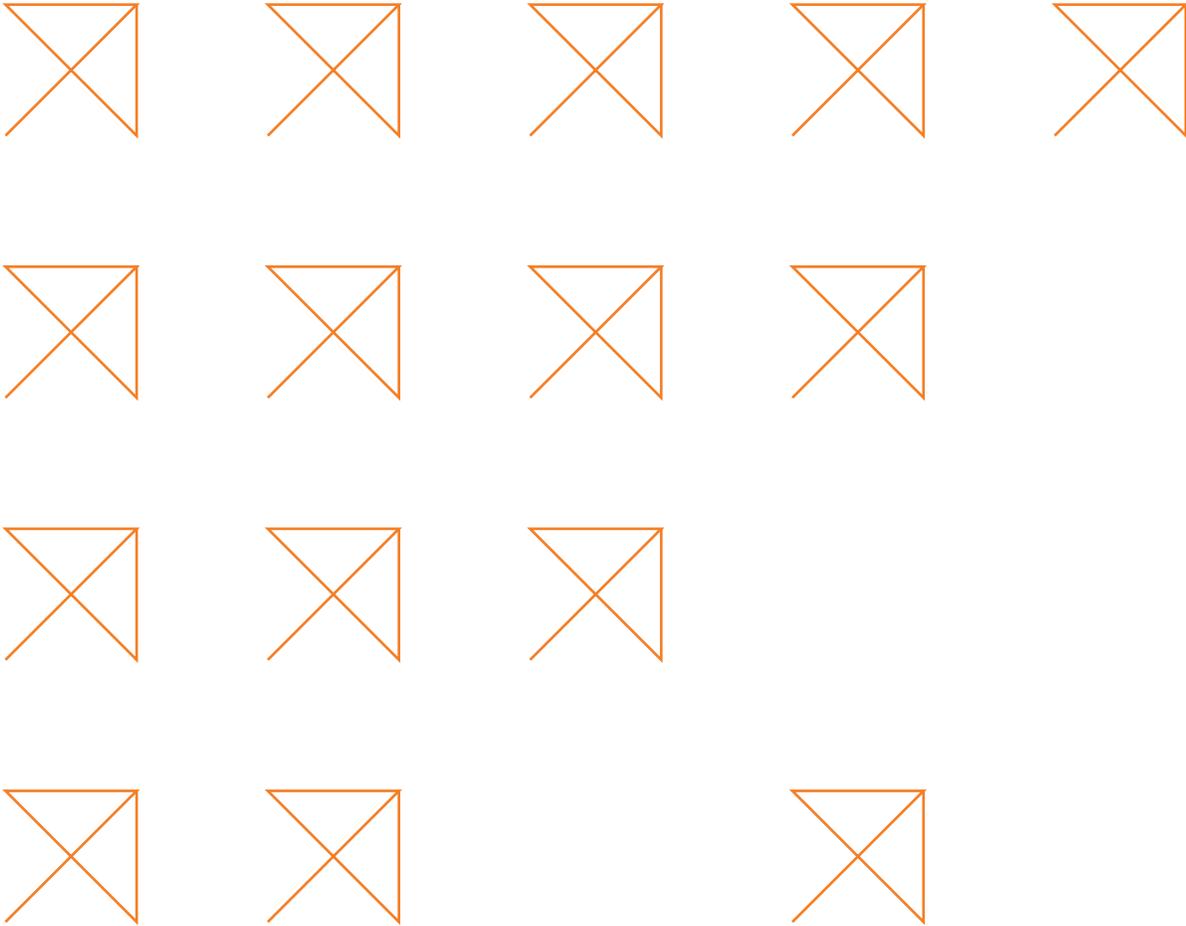
A person who organizes and operates a business or businesses, taking on risks in order to do so.

For More Information Related to this Topic See

- What are the main duties and responsibilities of an entrepreneur? 1. *Startup and Planning*
- What happens if I fail? 1. *Startup and Planning*
- How do I determine my personal goals? 4. *Leadership*
- What is market research and how do I do it? 6. *Marketing*
- What is revenue and how do I know mine? 12. *Financial Management*
- What is profit and how do I determine it? 12. *Financial Management*

Additional Tools Available

Entrepreneur Readiness Assessment



2. What are strengths and weaknesses for an entrepreneur?

The Basics

Strengths of an Entrepreneur

When entrepreneurs succeed, their strengths allow them to not only pursue goals, but also others that they lead and manage. Entrepreneurs tend to act quickly and pursue simple, practical solutions while taking risks and being comfortable with uncertainty.

Overall, entrepreneurs are upbeat, optimistic, and often have to make tough choices; they show confidence when facing adversity and even the possibility of failure.

Weaknesses of An Entrepreneur

Weaknesses of entrepreneurs are found when they do not listen to advisors, family or stakeholders regarding issues facing their company. This could either be a flaw in their own leadership or not paying enough attention to financial matters, reports and performance.

One common weakness is when entrepreneurs do not delegate responsibilities to others and try to do everything on their own. Another common weakness is when entrepreneurs do not admit to their shortcomings and do not seek help or advice from others. A third common weakness is often times entrepreneurs believe their product or service is so good that marketing and promotion is not important. They do not think it is important to communicate openly with employees, investors, customers and family about their problems and challenges. A fourth common weakness is that entrepreneurs can get caught up with their business ideas and visions without the flexibility to consider alternative thoughts and objectively evaluate their business' commercial viability.

Tell Me More

Experts in entrepreneurship share several observations about the strengths needed to be a successful entrepreneur.

Risk Taking: “Enthusiastically takes on challenges, highly optimistic perception of risk, and takes rational approach to decision making to mitigate risk.” Risk taking is not something that is detrimental to the company. It is actually taking calculated risks. Entrepreneurs need to listen to others like accountants, finance people and even those who have different points of view; nobody has all the information so it helps to listen to as many people as possible.

“Tremendous work ethic, confronts and overcomes obstacles, undeterred by obstacles and roadblocks.” There will be many challenges and setbacks encountered that require a high amount of determination to be successful. Failure will happen, but someone with determination will not quit but will continue to look for ways to turn failure into success.

Delegator: “Readily delegates authority and responsibility, proactively collaborates, recognizes and draws on others' abilities.” Nothing truly great is ever accomplished by only one person. A team is essential to being successful and within a team various tasks must be delegated.

Knowledge Seeking: Acquires business-relevant, in-depth information; uses knowledge as a competitive advantage; anticipates information needs.”

Creative Thinker: “Thinks past boundaries, generates ideas, explores options, and thinks through problems.”

There are often many different approaches to solving challenges. Being a creative thinker helps to consider and apply approaches that may not have been thought of by others.

Confidence: “Presents well, takes initiative, and believes in ability to build businesses.” Confidence in your abilities and knowledge is a key attribute of a successful entrepreneur.

Promoter: “Speaks boldly on behalf of the company, communicates company vision effectively.”

Relationship Builder: “High social awareness; develops mutually beneficial relationships; open, positive demeanor.”

Bold and Direct: Entrepreneurs have no trouble making a point, even if it is unpopular. They are not afraid to say what others are thinking. Entrepreneurs enjoy testing boundaries and being bold and direct allows them to do so.

Practical and Logical: Entrepreneurs may have an interest in philosophy, but when it comes to the way they live their lives, it is all about what is working and what is not. Concrete things and legitimate ideas excite entrepreneurs, not fluffy discussions about nothing.

Perceptive and Intuitive: Entrepreneurs are very observant people. They notice when things change, when people are comfortable or uncomfortable, and when situations are tense. Their observational skills allow them to connect with people in a comfortable and “customized” way.

Creative and Original: The entrepreneurs’ fondness for ideas and brainstorming is a part of the tendency to be creative and original. As mentioned above, a love for testing boundaries and an ability to communicate boldly and directly give the entrepreneur a means to be original and creative.

Sociable and Tactful: Entrepreneurs are often natural leaders, with an ability to not only get along with almost anyone, but also to lead and manage almost anyone. Because they are so observant and perceptive, they do an excellent job communicating with others and putting them at ease. That makes them a natural in social and leadership settings.

Remember that it is the combination of these traits and skills that make entrepreneurs succeed in their journey. When you think about these, evaluate your own abilities and visualize how you have dealt with similar situations in your personal or professional life.

Glossary Terms from this Section

Delegate - Trusting someone else to do something for you

Risk - Taking a chance when you do not know how things will turn out

Brainstorming - When a group of people gather to think of new ideas or new ways of doing things

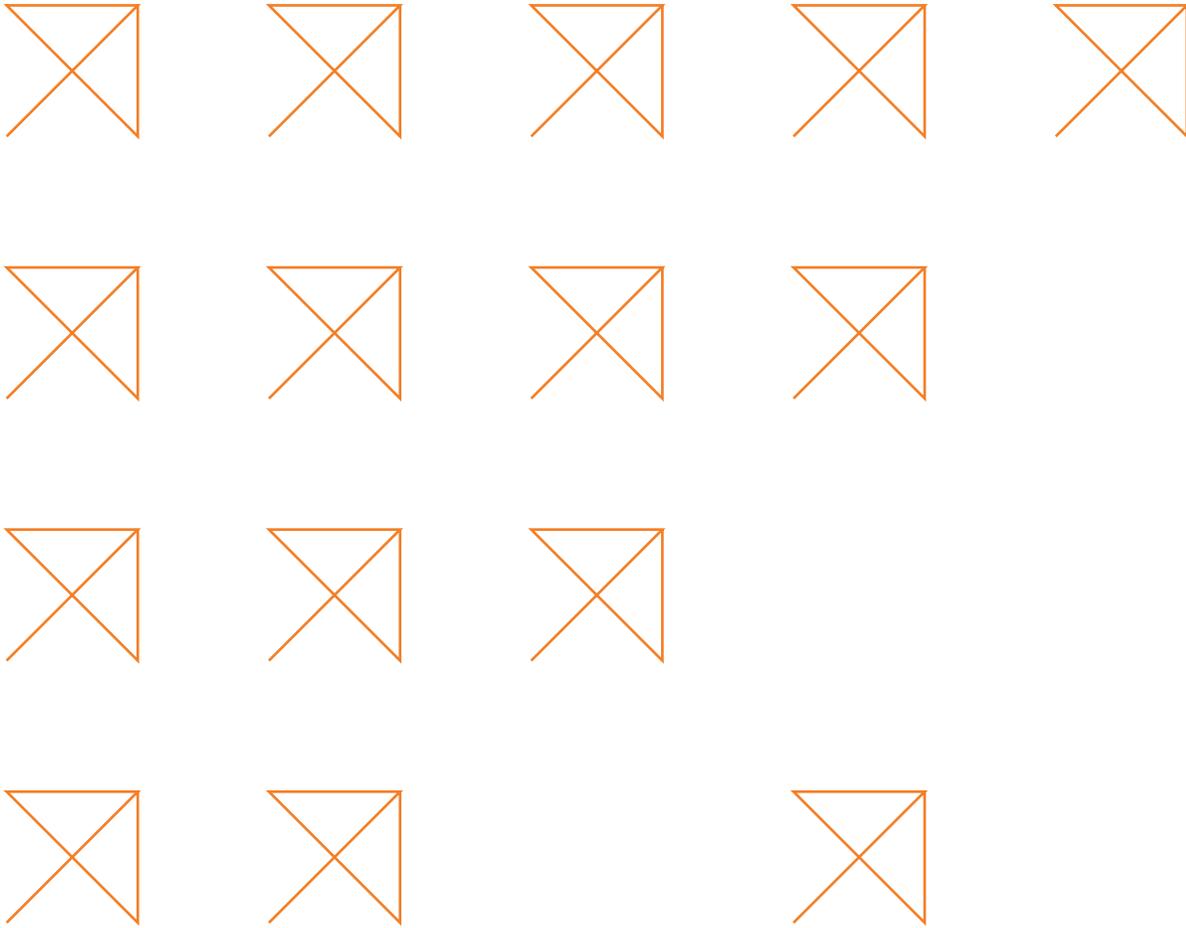
Entrepreneur - A person who organizes and operates a business or businesses, taking on risks in order to do so.

Stakeholder - People who are impacted by a business or can have an influence on it through their behavior or actions.

Investors – A person or organization that provides money or resources to another person or business with the goal of participating in the success (financial return) of the person or organization where they invested.

? For More Information Related to this Topic See

- How do I find good mentors, coaches, and advisors? *1. Startup and Planning*
- What characteristics do good leaders have? *4. Leadership*
- Why and how do I create my personal mission statement? *4. Leadership*
- How do I determine my personal goals? *4. Leadership*
- How should I receive feedback? *4. Leadership*
- How can I gather more ideas for improvements that I want to make? *4. Leadership*
- How do I develop successful teams? *4. Leadership*
- How can I become a better leader? *4. Leadership*



3. What are the main duties and responsibilities of an entrepreneur?

The Basics

The duties and responsibilities of an entrepreneur change over the lifetime of a company. Some of the main duties and responsibilities include:

- Setting the vision and purpose of the business.
- Identifying the opportunity that the business will pursue or identifying the problem that the business will solve.
- Developing the product or service that the business will offer.
- Getting input and advice from friends, family and experts that are knowledgeable about the business that is being planned. This is part of doing market research.
- Writing a business plan so that others can understand the entrepreneur's business idea and how it will be operated, including, importantly the amount of money it will take to not only start the business but to keep it running for the first year or two.
- Learning about competitors that are currently meeting the needs of the planned business and identifying the potential customers and markets that the new business will be serving. (Competitor analysis)
- Arranging for the place that the business will be operated, obtaining necessary permits and making sure any government regulations are being considered and addressed.

When the business is started and begins operating, often on their own or with minimum outside assistance, the entrepreneur's responsibilities can include:

- Bookkeeping
- Order taking
- Selling
- Shipping and receiving

After the business has been started, the entrepreneur may find herself spending more time on duties such as:

- Training others to do some of the basic operations in the business such as production, selling, shipping and receiving
- Customer service and customer relations
- Advertising and marketing
- Overseeing that proper financial and accounting records are maintained
- Looking for opportunities to grow the business
- Mentoring and building leaders to help manage and grow the business
- Meeting the additional investment needs of the business through self-financing, partnerships, or bank loans

Tell Me More

Many entrepreneurs find it rewarding to have to focus on multiple things (and all at the same time in some cases). For others, managing so many things along with having so many roles may be stressful and tiring. It does not matter which type of entrepreneur you are, because the roles are all the same.

Here are the most common roles you will play as an entrepreneur:

Leadership - This is a difficult word to define and it is even more difficult to perform: the role of leadership

is something that comes from experience. As the leader, you will be in charge of setting up the way things are done, setting a good example for others working in your company, dealing with conflicts, and promoting a positive environment inside the company, even when things may not be going well.

Face of the Company- You will be recognized as the person who represents the company, both inside and outside your company. When you meet other business people in outside meetings, events and activities, you will not only be a business owner, but in the minds of the people you meet, you and your business are thought of together. People will come to associate your company with your own personality and behaviors so be sure to represent your company well.

Visionary - Entrepreneurs are successful because they can turn an idea into a business and this requires the ability to look into the future as a visionary. Visionaries are always searching for opportunities for innovation and they find new ways to tackle old challenges; a role does not go away once your business has launched. Visionaries keep looking for new ways to improve, and new directions for their company to grow.

Decider - As an entrepreneur you may find employees, customers or suppliers coming to you with information and dilemmas. As the person who makes the majority of decisions, you will need to make a decision that is not likely to make everyone involved happy.

Financial Manager - The financial health of your company is the biggest factor for its long-term success or failure. While you might bring people with special financial skills into the company, you will still be responsible for overseeing your company's financial records and for taking action when necessary. Integrity and transparency are very important here.

Promoter - Even if you have brought marketing, sales, or advertising specialists into your company, you are still the one who promotes the most. As primary promoter, you must raise awareness and create the most positive impression of your company for both your own employees and customers outside the company. You will always want to think about ways to increase your company's sales and opportunities.

Customer Service Manager- There is nothing more important to an entrepreneur than the happiness and loyalty of the company's customers, especially when your company is small and young. This will be one of your primary responsibilities since you will likely only have a few customers and they are going to be vitally important for the health of your business. You will have to take it upon yourself to ensure their satisfaction (and make adjustments to your products and services if necessary).

Human Resources Manager - As an entrepreneur, you will be in charge of building a team that carries your ideas and objectives through to success. This means you will have full control over who comes into your organization, and you can prioritize whatever blend of skills, talents, education, experience and personality you need to make things work.

Manager of Everything Else - Entrepreneurship is not all about charisma and glory. Data entry, paperwork, making sure there is tea for the team, and other unglamorous jobs will take up lots of your time; this is also a very important part of your business being successful.

For example, when Farida established a radio station in Herat province, she began with writing the brief concept note about the business to look for investment. Once she began operations, she was the lead announcer and often had to deal with advertisers who wished to place ads in her radio. She also organized interviews with important people in the community and visited other provinces to collect stories. Often her team asked for advice on managing their finances and resolving bank issues. From time to time, the studio's equipment would

have issues that she had to ask one of her relatives to fix. She attended numerous gathering of media companies and delivered short speeches to keep her contacts alive. Her work had become her life, but she enjoyed the work because she was passionate about getting people heard on the radio. After two years and having hired 12 staff, she still felt she was in the first days of her business. The nature of her work had changed to leadership and strategic level decision-making, but still, she was very involved in day-to-day operations of the company.

Some of these roles typically do not go away over time. You may hire more people who can take on these responsibilities, but you will still be in charge of making the final decisions and establishing the direction that your other organization leaders must follow. That makes for a lot of pressure, and for some the effort will be more hectic than it is worth. It is important to note however that this will also keep your job interesting and give you greater insight into the actual mechanics of a business.

Glossary Terms from this Section

Entrepreneur - A person who organizes and operates a business or businesses, taking on risks in order to do so.

Investment - Outlay of money into business to enable later income.

Mentor - When you help others, assist them to do their best and provide advice.

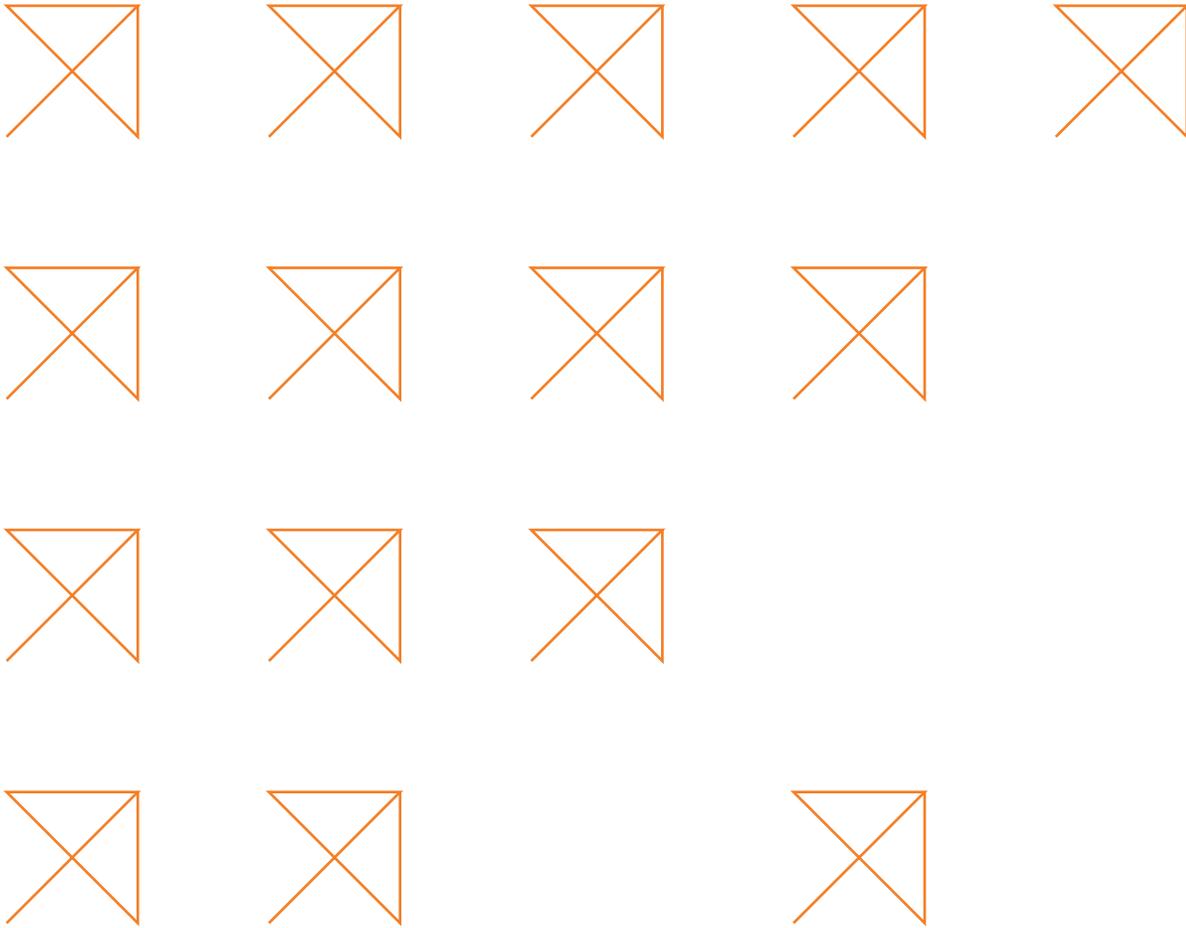
Human Resources Manager - Someone in the business who takes care of the people who are working in the business, doing things like keeping records about their employment, finding people to work in the business, dealing with problems that may occur with people working in the business.

For More Information Related to this Topic See

- How do I make my product or service better than my competitors? *1. Startup and Planning*
- How do I get advice and guidance for my business? *2. Business Formalization*
- How do I set strategy and goals to grow my business? *14. Growth and Expansion*
- What do effective leaders do? *4. Leadership*
- Why and how should I empower my employees? *4. Leadership*
- How do I develop my employees to be better workers? *8. Human Resource*

Additional Tools Available

Roadmap to Success Planning



4. **How do I gain encouragement, support and agreement from my family to start/run my business?**

The Basics

Starting a business will likely bring changes to your family. Your family is often the focus of motivation for going into business so it is important to involve them in some way and to let them know what you are going to be doing. After you start the business, it is important to keep them informed about how things are going and how their lives will change as a result.

Your family will likely be an important source of support as the entrepreneurial road is often a bumpy one. Even if members of your family are not working in the business, they can be your ambassador to represent the business to the community. It is important to let them know as much as possible about the business so they can properly be your “representative”.

Tell Me More

It is important to gain support, agreement and encouragement from your family. These three areas are most helpful in maintaining a healthy relationship with your family while starting and running a business.

Family Meetings - On a regular basis (or as often as possible) you should spend some time to keep your family up-to-date on your business. You may wish to conduct these meetings separately from regular family gatherings so you can focus purely on business.

Family Involvement in the Business - Especially when you start the business, family members may be important because they may be more willing to work the long hours needed. As the business grows and family members are included, it will be important to be clear about the roles, responsibilities and expectations for each family member that is involved.

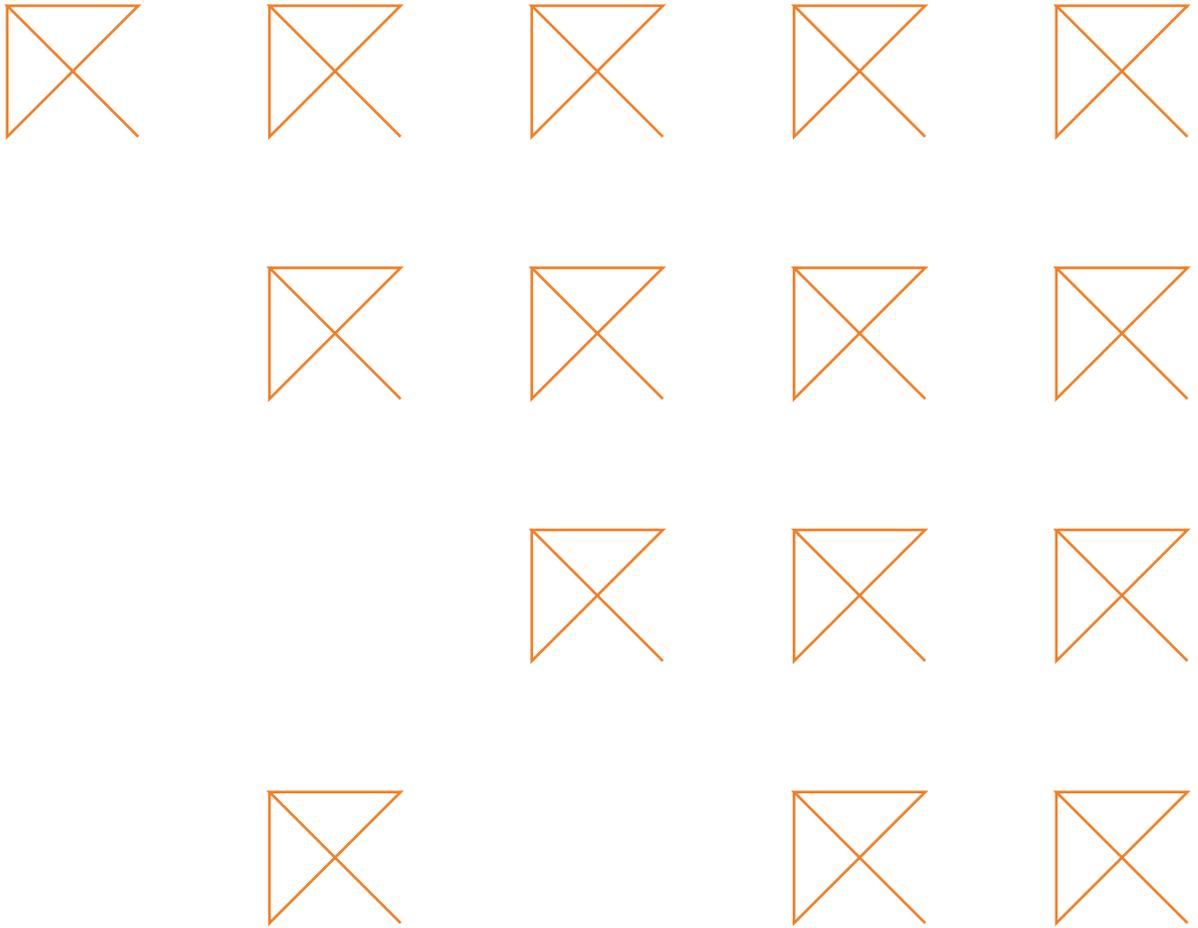
Communication - In addition to family meetings, it may be helpful send family members a note or an email with a brief update on what is happening in the business on a regular basis. Even if a family member is not involved in the business, including them in your communications will help make them appreciate the work that you are doing and generate their support and encouragement.

For example, when Ms. Rangina started her embroidery business in Kandahar province, she had difficulty getting a business license. The officials had never received a request from a woman to register a company. More importantly, the officials were resisting registering Rangina as the owner or president of the business. Rangina did not stop trying. Her strength was her family support and the endorsement of her father, who accompanied her throughout the process of starting the business. With her father’s involvement, the officials registered Rangina as the president because there was no legal barrier against women owning a company. Rangina has been successful in her business, despite having to travel to Kabul and abroad a lot, because her family extensively support her business and manage the work when she is not physically present in Kandahar. She has found that family support is a must-have for a business to succeed. You can seek support of your family members from the very beginning and ensure they feel an important part of your business as your company grows.

Women entrepreneurs often need more support from their families due to their responsibilities as mothers of children. Women with children often need family support to take care of their children while she is busy starting and growing her business. When you decide to embark an entrepreneurial journey, having your family’s support in taking care of your children will help you find the time to focus on your business. Alternatively, if you have the money, you may consider enrolling your children in school or a nursery.

? For More Information Related to this Topic See

- What are common barriers of starting a business? 1. *Startup and Planning*
- How do I find mentors, coaches and advisors? 1. *Startup and Planning*
- Should I ask for investments from my friends and family? 3. *Access to Finance*
- How do I manage family members? 8. *Human Resource*



5. What is a business plan and how do I use one?

The Basics

Think of the business you want to start as the destination in a journey and that your business plan is a roadmap to get there. By writing a business plan you will get a clear and deep understanding of what it is going to take to start and run your business.

When you plant a seed for a tree, you think ahead of time. You ask yourself many questions and discuss with family and friends. How much seed do you need? What kind? Where will you plant the seed? How much money do you need to buy the seeds? When will the tree grow big and reap fruits? Do you need the help of other people to plant the seeds? What tools do you need? These are the initial questions you answer before planting seeds. Like planting seeds, you need to think logically about starting your business. You will learn more about your business when you think ahead of time and logically plan your next steps. This thinking allows you to ask more questions and seek more answers.

It may take you some time to write your business plan and during this time you will have a lot to think about. While you are writing it, you will likely develop some new thinking or discover things that you may not have thought about in the beginning.

There is no one format used to create a business plan. The important part of the business plan is the process of creation. Creating it and thinking through what is going to be needed to reach your entrepreneurial plan of your business is what will help lead you to success.

Tell Me More

A business plan includes an explanation and plan of how you will address key areas of starting your business. These areas include:

Financing Proposal - Very often the first thing that an investor or bank will ask for is a written business plan, so your business plan will help you identify how much money you will need and give you something to share with a bank or investor to show that you have done your homework. A financing proposal will give them confidence that you are giving your business important thought and attention to make it succeed.

Complete Analysis - In writing a business plan you will be looking at many different elements of a business. This is not just the product/service but also other things necessary to successfully build the business around your product/service. Examples of different elements supporting your product/service are marketing, labor, bookkeeping, accounting and production, etc.

Guidance in Implementation - Once you have launched your business, the business plan does not just sit in the file, it can also be utilized as an important tool to keep your business running.

Communication - Your business plan is a fundamental way to be able to communicate what your business is all about to others who may not be involved in business. For example, your business plan can serve as a way to share your vision of your business with your family and friends. The business plan can be an important way to communicate when you want to buy supplies from a vendor who may not be familiar with you or your business. Showing your business plan to the vendor will likely make them feel more confident that you will be a reliable and important customer.

Learning During the Process - When writing your business plan, you will learn some things that perhaps you did not know when you first thought about starting your business. For example, if your business idea is to start a small restaurant, while writing your business plan you may find out that there are some government laws related to food preparation. By learning this during the business plan you can properly prepare to address this need in advance. Imagine how difficult (and expensive) it would be to modify your business to meet a government regulation after the restaurant has opened. A type of change like this would be more expensive and disruptive to your business, but with a business plan you are ready for it and maximize your chances of success.

Reality Check - A business plan is an excellent way to understand the size and scope of your business so you will be able to realistically assess what your business is going to need to start-up and run. It is much better to find out the reality about your business “on paper” in the business plan than it is to start your business and realize, sometimes too late, that the business is different than what you thought initially.

You might think that some entrepreneurs just start their business without developing a business plan and still succeed. Well, you should know that for any successful entrepreneurs, there are dozens who fail. One reason is lack of a clear business plan to guide their work. Without a business plan you will not have a clear vision as to what your destination is and how you plan to achieve it. The business plan sets the foundation of your business.

The Business Plan Outline tool provides you with an outline for creating your business plan. Use it to help guide you through creating a business plan for your business. It is an evolving document that will change many times as you learn about things along the way of starting and launching your business. Completing and revising your business plan is an important step in starting or growing your business. During the process of answering the questions presented in this business plan tool, you will likely discover important things that you may not have otherwise thought about yet.

Glossary Terms from this Section

Implementation - The way you move an idea or decision into action.

Business Plan - A written document that describes how a business plans to reach their goals.

For More Information Related to this Topic See

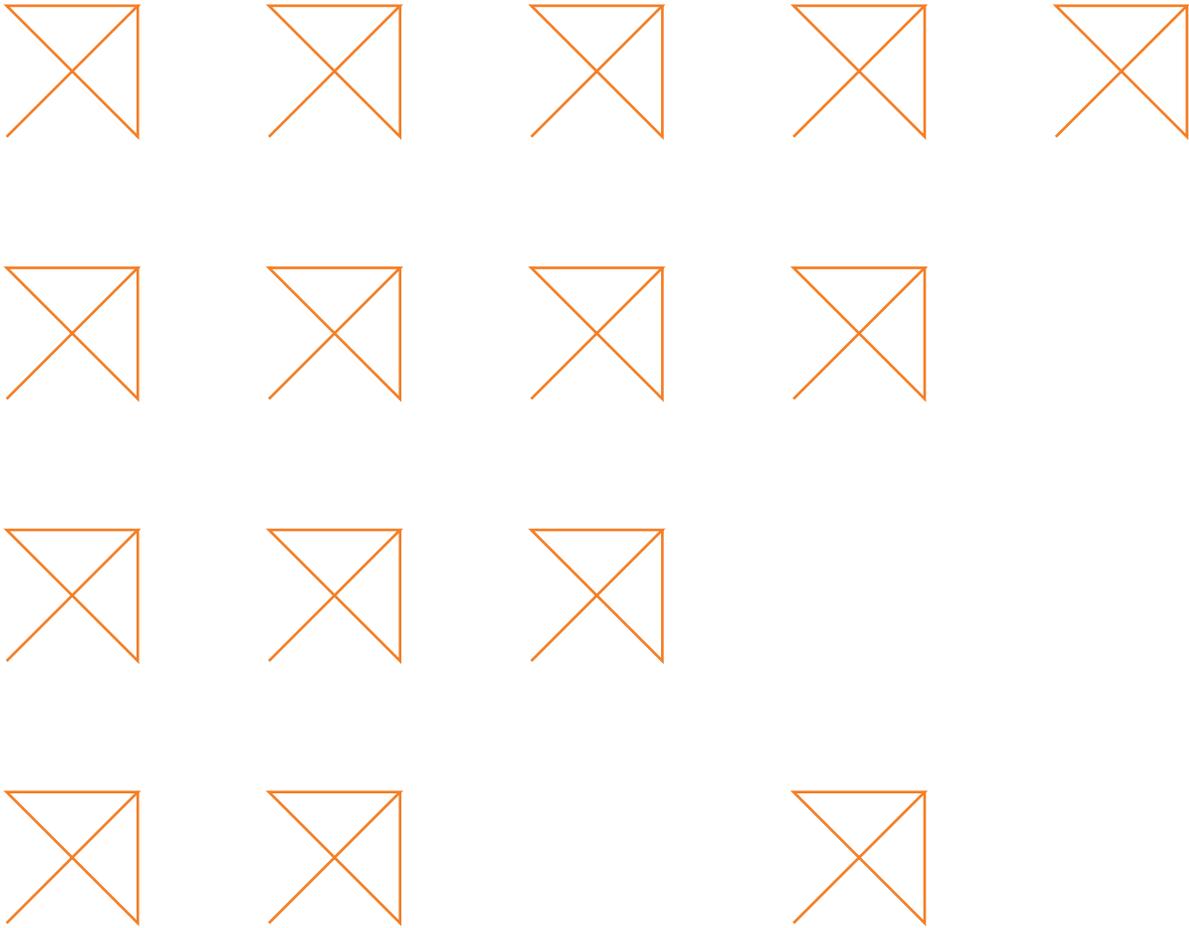
- How do I gain money and resources needed to expand my business? 14. *Growth and Expansion*
- How do I set strategy and goals to grow my business? 14. *Growth and Expansion*
- What does the bank look at when deciding to make a loan? 3. *Access to Finance*
- What is market research and how do I use it? 6. *Marketing*
- How can I find out what my customers are willing to pay? 9. *Pricing*
- How can my business sell value (quality/economic worth) to customers? 7. *Sales and Customer Services*

Additional Tools Available

Business Plan Outline

Stages of Business Chart

Roadmap to Success Planning



6. How do I choose what business to start?

The Basics

A major reason for starting a business is to make money but a good way to identify what type of business may be needed is to look at yourself, your family, and your surroundings for problems that need solved, or ways to improve life.

Many businesses are started because someone was frustrated with a problem and thought to themselves: “there must be a better way”. Many businesses are started, not by starting something revolutionary, but by simply solving a problem or improving on the way someone else was solving a problem. Entrepreneurs figure out a way to do things better.

Some entrepreneurs create a successful business by making a business out of something they enjoy doing. An example is starting a bakery business that began at home out of a love of cooking or making cakes and pastries.

Often an entrepreneur will see or experience something in a different location, perhaps while on vacation or taking a trip out of town or out of the country, and simply “transfer” the idea from abroad to their own city or town. While you cannot just copy a product directly due to trademarks, patents, and copyrights, you can be inspired by those ideas and create a similar or better product.

The key to choosing a business is to develop it around your own natural skills, experience, or knowledge because you will be spending a lot of time with the business and it needs to be something that you know, understand, and feel passionate about.

With some initial ideas of what businesses you may want to start, now you can look into ways these ideas can make money and become self-sustaining financially. A business that does not make more money than they spend will not remain in business very long.

Tell Me More

To identify a business to start, consider these methods:

Observation - Look at your own surroundings: surely there are things that you experience that need improvement or may be missing. It could be as simple as noticing how someone who is cleaning a window needs to crouch or stretch awkwardly to do their job. With a simple improvement of an extension for the handle the worker will be able to perform their job with higher quality, quicker and with less physical discomfort. Your business may be to produce better window washing tools that improve on the shortcomings of the products that are already in use.

Inquiry - Sometimes you can find a business opportunity by asking people around you what they see or experience that is missing or needs improvement. Your immediate family and friends can contribute to getting ideas. You may wish to chat with people you think are knowledgeable about how current and future trends may lead to the need for a business. An example would be chatting with the owner of a grocery store to find out if customers are asking for products that are not currently available and building a business to supply those currently unavailable products.

Research - Look to other geographic markets for product or services that are successful there and think about bringing them into your own local market. The internet is a great window into other places to see what is happening and to identify things that may be successful for your market. The internet will also help you identify important suppliers and potential partners who may wish to work with if you to bring their products or services into your market.

Passion or Interest- Think about something you are doing already, perhaps as a hobby or activity, and think about it now in terms of making it a business. Maybe you played football as a kid and now enjoy it as an adult with your co-workers after work. You could leverage that interest in football to sell football equipment, uniforms, and memorabilia or organize and market out-of-city football tournaments/tours to watch football matches in other cities or countries.

You might want to combine a number of these methods to identify what business to start. For example, Mariam had studied computer science at Kardan University in Kabul and often came across companies that struggled with building and maintaining online presence. She did not like the websites many companies were building, as they were not user friendly and included problems when using the sites. She decided to take her observations further and research how companies in other countries build and maintain websites. She found that good websites are usually outsourced to another web development company that specializes in creating websites. She consulted with a few of her friends and concluded that she could start a small web development company of her own and build websites. She started her business and now has dozens of companies as her clients.

Glossary Terms from this Section

Trademark - A sign, design, or expression that is generally recognizable as a source of a specific product or service. Trademarks owners can be individuals, business organizations or any other legal entity. NOTE: trademark agreements vary from country to country.

Copyright - A legal right given by a government in a country that grants the creator of original work the exclusive right to use and distribute this work for a limited time.

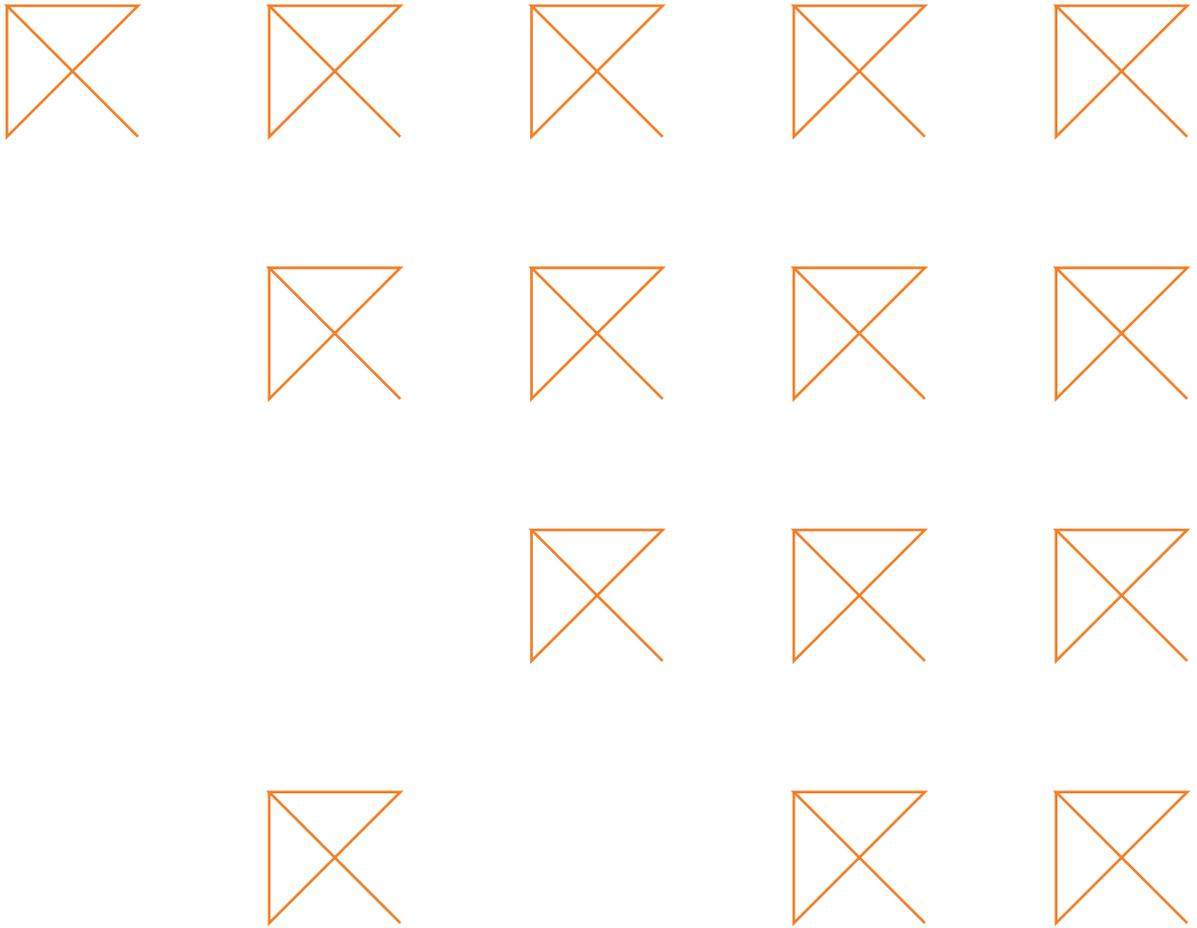
Patent - A government license that gives the holder exclusive rights to a process, design or new invention for a period of time.

For More Information Related to this Topic See

- How do I find out if people or businesses will buy my product or service? 1. *Startup and Planning*
- What is market research and how do I do it? 6. *Marketing*

Additional Tools Available

Competitive Analysis Worksheet



7. How do I identify and reach people who will buy from me?

The Basics

One of the best ways to identify people who will buy from your business is to come up with a description of your target market; these will be the most likely customers to buy from you. This will help you figure out which customers to reach and form a plan on how to best reach them. Consider these questions, and talk with family and friends to get their input too:

- What is the age range of customers who would want to buy from you?
- Are your customers men or women or both?
- Where do you think they live?
- Where and how do these customers shop?
- Are your customers other businesses or are they families or individuals?
- What other products or services do you think they are purchasing?
- What kinds of media do you think they watch, read or listen to?
- Are they on social media? If so, which ones?
- What TV or radio programs do you think they are watching or listening to?
- Why do you think they will be buying your product or service?
- Are you offering a lower price?
- Are you offering a better product or service?
- Can you deliver your product or service faster or more conveniently?
- Are you solving a problem in a new and innovative way?

When you can describe your “typical” customer, you will then be able to identify and measure the size of the market (how many possible customers are out there) for your product or service. Most entrepreneurs will use information that has already been collected to determine the size of their market (for example, population and demographic information from Central Statistics Office or government estimates).

With an understanding of your target market, you can then tailor your marketing and advertising efforts toward them. These may include using social media, radio, television, print publications, flyers, etc. – however you think that this population of customers will be best communicated to.

Tell Me More

While you will likely be gathering much of the information about your target market yourself by speaking with others, there is a lot of market and customer information collected and published by other people. Information collected by the government, universities and organizations can be very helpful. Often there is no cost to obtain this information and since it has already been collected, it saves you time, so you do not have to conduct research yourself. You may be able to find information online or by going to various organizations. Below are a few ideas of where you can look:

Government offices: Municipal, provincial or national governmental sources may provide information about population, income, age, gender, occupation, number and types of businesses more specific to your area. In Afghanistan, the Central Statistics Office (CSO) collects and disseminates information about different sectors of the economy, population, etc.

Associations and organizations: There are many groups that focus on specific kinds of businesses or industries that collect data. These are called “trade associations” and they often collect very specific information about the number and type of businesses that are in their association. For instance, there are associations of

carpet producers, restaurant owners, accountants, mining companies, hair stylists, farmers, and on and on. If your business fits into a trade association, their information can be very helpful.

Another kind of organization are chambers of commerce. These are organizations with member businesses in a local community. They also can be excellent sources of information about a local market. Chambers of commerce are often organized on a local level so if your business is focused on your local community, be sure to explore if there is a chamber of commerce operating in your area. Chambers of commerce can also cover much larger regions or even a country, such as Afghanistan Chamber of Commerce and Industries (ACCI).

There are also global organizations that collect useful information you can use in your research. The World Bank, the Asia Foundation and other large donor agencies in Afghanistan publish a lot of useful information on their websites.

Banks and other financial institutions: In some areas, a local bank or association of banks (i.e. Afghanistan Banks Associations) may collect and publish information about the economy in the area the bank serves. This information may be collected on a regular basis and made available in the bank's newsletter, website or by special request to an officer of the bank. A micro-finance organization may also have information that they are willing to share. It doesn't hurt to make the request to see if any of these financial organizations are willing to share information or simply talk to you about what they know.

Colleges and universities: The professors who work at colleges and universities may collect and publish information on a city, state and province level. Though this information may be collected in many different places within the university, the library and the people who work there are likely to be familiar with the different types of information and can help guide you to the right source. The American University of Afghanistan and Kardan University are well-known schools that may be helpful, but smaller local schools may have unique knowledge about the communities where they operate.

Glossary Terms from this Section

Target Market – A specific set of potential customers that a company focuses its marketing and sales efforts. Often the most likely customers to buy from a company.

Trade associations - organizations that are focused on serving the needs of specific kinds of businesses.

Demographic information - Characteristics of a population such as race, ethnicity, gender, age, education, profession, occupation, income level, and marital status.

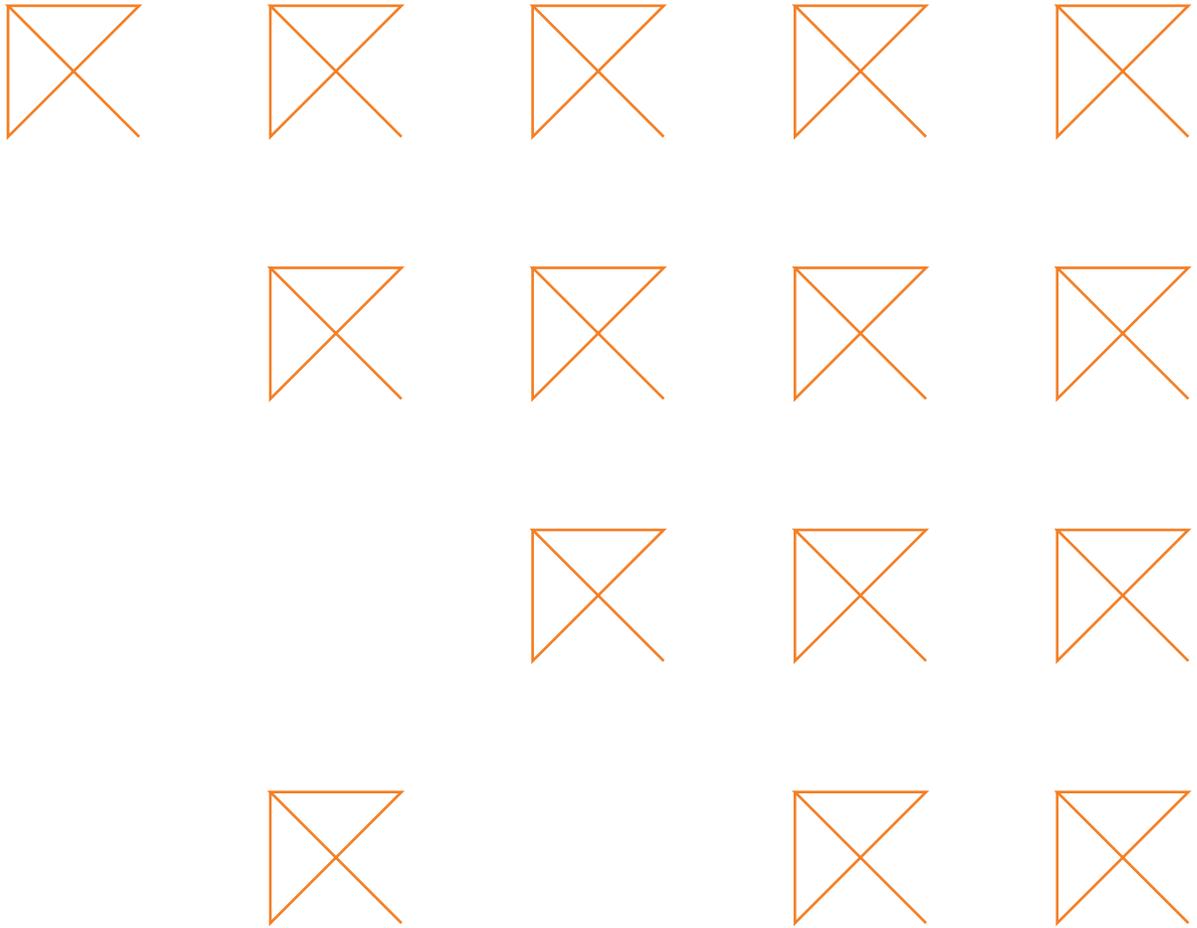
For More Information Related to this Topic See

- How do I find out if people or businesses will buy my product or service? 1. *Startup and Planning*
- How do I define my ideal customer profile from my 'target market'? 7. *Sales and Customer Service*
- What is a target market and how do I identify the right target market? 6. *Marketing*
- What is market research and how do I do it? 6. *Marketing*
- What is a marketing plan and how do I create a marketing plan? 6. *Marketing*
- How do I know if my marketing is working? 6. *Marketing*

Additional Tools Available

Competitive Analysis Worksheet

Market Research Worksheet



8. How do I know who my competitors are?

The Basics

All businesses face competition. Even if you are the only restaurant in town you must compete with any other businesses where your customers will spend their money instead of with you. With increased use of the internet to buy goods and services and to find places to go, you are no longer just competing in your neighborhood; in the internet age, you could find yourself competing with businesses from other countries.

Knowing who your competitors are, and what they are offering, can help you to make your products, services and marketing stand out. It will assist you to set your prices competitively and help you to respond to competitor's marketing campaigns with your own initiatives.

You can use this knowledge to create marketing strategies that take advantage of your competitors' weaknesses, and improve your own business performance. You can also identify any threats posed by both new entrants to your market and current competitors. This knowledge will help you to be realistic about how successful you can be.

If you can access the Internet, competitors can be researched and identified by using a web browser and entering words that describe the type of business you will be starting. For instance, if you are starting a restaurant in Kabul, you may enter the words "restaurants in Kabul" and the search engine should display restaurants currently located in Kabul.

Sometimes you can identify competitors by simply driving or walking around the market area that you will be serving, observing businesses like yours and then using a map to mark where your competitors are located. This can be one of the best ways to research your competitors – go see them for yourself. How busy is their business? What is the quality of their product and customer service? Can you see how they are attracting their customers? Use these observations to plan how you will compete to win customers.

If your market area has a telephone directory with businesses listed by category, your competitors may be listed in the directory.

Just as trade associations and chambers of commerce were helpful to find information about your target market, they may also be good sources to identify competitors because competitors are likely to be members of a trade association and/or a chamber of commerce.

Tell Me More

Here are some ways to learn about your competitors:

Identify your top three competitors and think about how your company compares and how you can add any additional value to your product or service that your competitors cannot offer.

Here are some questions you may want to be able to answer about your competition:

- What are your competitors' products or services?
- How do they let their customers know about their product or service, specifically, do **they**:
- Advertise in newspapers, television, radio?
- Use social media, like Facebook, Twitter?
- Send their customers offers through the email or leaflets?

- What are the prices that your competitors' charge for products or services that are similar to yours?
- How do your competitors get their products or services to their customers?
- How do your competitors develop customer loyalty and repurchase of their products or services?
- What kinds of customer service or guarantees do your competitors offer?

At exhibitions and trade fairs check which of your competitors are also exhibiting. Look at their stands and promotional activities. Note how busy they are and who visits them.

Look at competitors' websites. Find out how they compare to yours. Websites can give you good tips on what businesses like yours are doing around the world. If your competitors send out emails, sign up for their list to start receiving their messages. By doing so, you can watch and learn how they market to their prospects and customers. With that information, you can get ideas about them that you may want to use and what things your competitors are doing that you want to avoid. Do they have a Facebook page or other social media account? If so, follow their pages and posts. Watch for complaints or praise so that you can change or improve your own business to take advantage of these comments.

It is also likely you will meet competitors at social and business events. Talk to them. Be friendly - they are competitors not enemies. Be ethical in competing with them. You will get a better idea of them by talking - and you might need each other one day, for example in collaborating to grow a new market for a new product.

Use meetings with your suppliers to ask what their other customers (your competitors) are doing. They may not tell you everything you want to know, but any information may be helpful.

If you have a good internet connection, set up a "Google Alert" by going to Google's website and using this free service. To use Google Alert to keep track of your competitors, enter your competitor's business name into the Google Alert or enter words to describe the products or services you would like to know about. When your competitor's name appears in the Internet, you will be sent a message that will let you know about your competitor's activity. Read about your competitors. Look for articles or ads and read their marketing literature.

Make the most of contacts with your customers. Keep in mind that your customers will have valuable feedback for you. When people are spending money on what you offer, find out why. You may pick up reasons that may have not occurred to you. If even one customer gives you some good reasons as to why he/she chose your business, it is likely others are doing the same. You can use those reasons and information in your marketing and communication to potential new customers. Do not just ask how well you are performing - ask which of your competitors they buy from and how you compare.

Glossary Terms from this Section

Trade associations - organizations that are focused on serving the needs of specific kinds of businesses.

Trade fairs - An event where businesses gather at a place to show their products or services to visitors who may be interested in buying products or services .

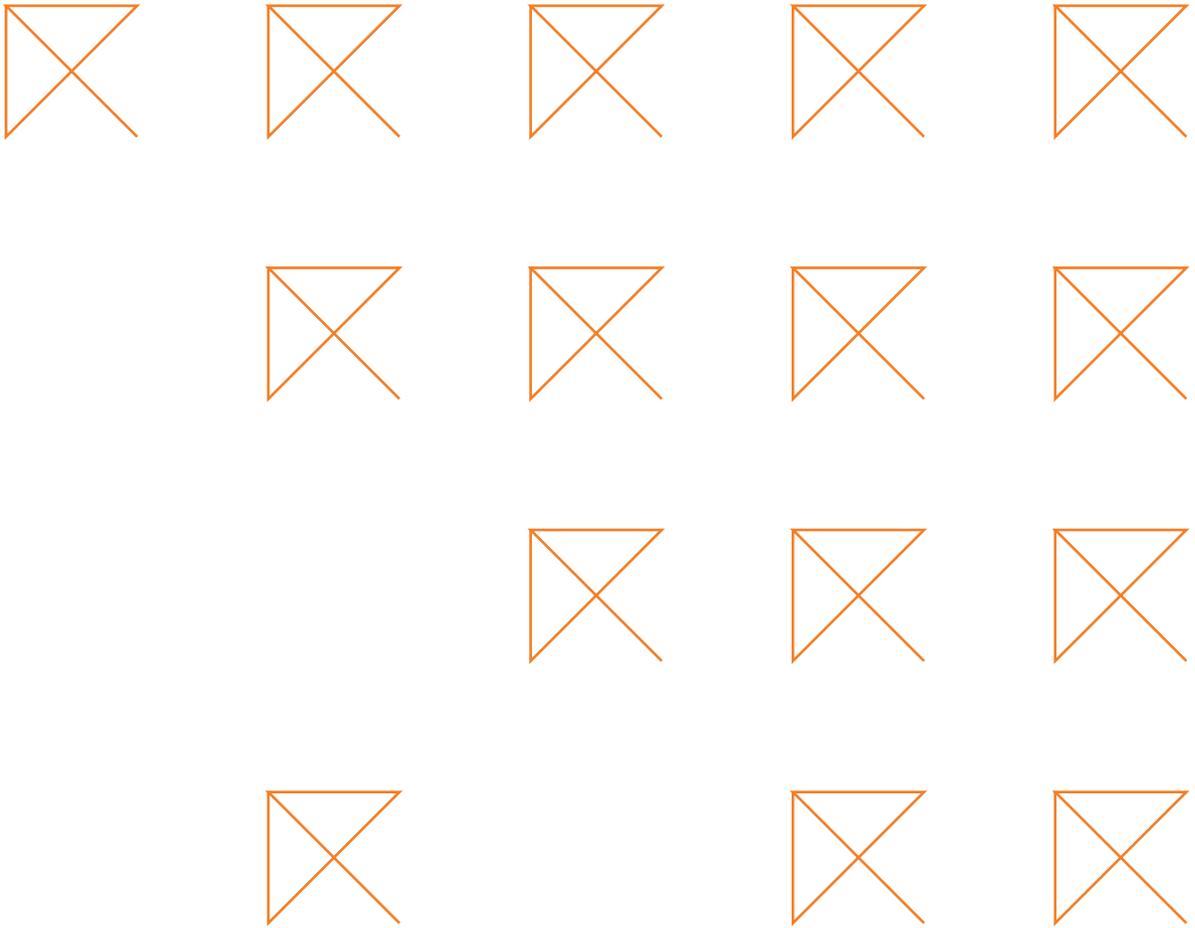
Target market - A specific set of potential customers that a company focuses its marketing and sales efforts. Often the most likely customers to buy from a company.

For More Information Related to this Topic See

- What is a competitor and how do I identify who my competitors are? 6. *Marketing*

Additional Tools Available

Market Research Worksheet



9. How do I make my product or service better than my competitors?

The Basics

Very often the reason you are starting your business is that you have identified a problem with the way things are currently being done or the way products currently are made, so you create a better way. Your product or service improvement is the basis of starting your business and how you intend to perform better than the competition. With this “competitive advantage” it is then a matter of being able to communicate to potential customers the fact that you are offering something better and for them to learn about why your product or service is better than the competition.

You may also identify ways to make your product or service better than your competitors by talking to your competitors’ customers and finding out how they are viewing or experiencing the competitors’ product or service. In this way, you will let your competitors’ customers identify ways to make your product or service better, and possibly earn their business.

With some kinds of products or services where it is difficult to improve on what is already being offered, your basis for improvement and making yours better can be simply providing a high degree of customer service and attention. For example, for many customers, there is not much difference between buying a tire at one business or another since the prices are often not very different. But you can create a “better” tire buying experience by making the tire transaction go faster, or maybe offer tire installation in addition to simply selling a tire, or, offer free tire air pressure level checking and tire inflation services.

Your business success is often due to differences in the activities you perform compared to your competition, also known as your “competitive advantage”. One of the ways your business has a competitive advantage is when your company’s strengths lead to you being able to charge higher prices or to operate with lower costs or both.

At its core, competitive advantage is about creating superior value for your customers and that leads to business success; think more about creating unique value for your customers than about only trying to beat your competition.

Tell Me More

Most entrepreneurs who are struggling to make their products or services better than the competition are simply performing the same activities as the competition and wind up focusing only on the price of their products or services compared to the competition. For example, it’s well known that two soft drink producers in Afghanistan competed to increase their market share and they kept their product quality, distribution, and marketing similar, except that one of the producers reduced its prices significantly. This started a price war between the producers where both producers kept reducing their prices. Eventually both producers lost millions of Afghanis in revenue and still their market shares did not change much.

Finding a combination of activities you perform better than the competition may help you avoid having to compete only on price. Some of the things that give you an advantage against your competitors include:

- New or customized products or services.
- Getting better prices for the raw materials used in your business that improve profitability.
- Producing your company’s products or delivering your company’s service more efficiently, quickly or with better quality.
- Providing better customer service or guaranteeing your product or service so that your customers become loyal.

When your company excels in these activities the results will achieve competitive advantage and may result in the opportunity to charge higher prices. You should remember that achieving competitive advantage is not a one-time activity, but rather a continuous effort to ensure you maintain your advantage.

Glossary Terms from this Section

Competitive Advantage – When your product or service is better than your competitors and it is clear to others why your product or service is more desirable.

Profitability – The ability of a business or product to earn enough sales to have money left over after subtracting expenses from revenue.

Raw Materials – The basic material from which a product is made.

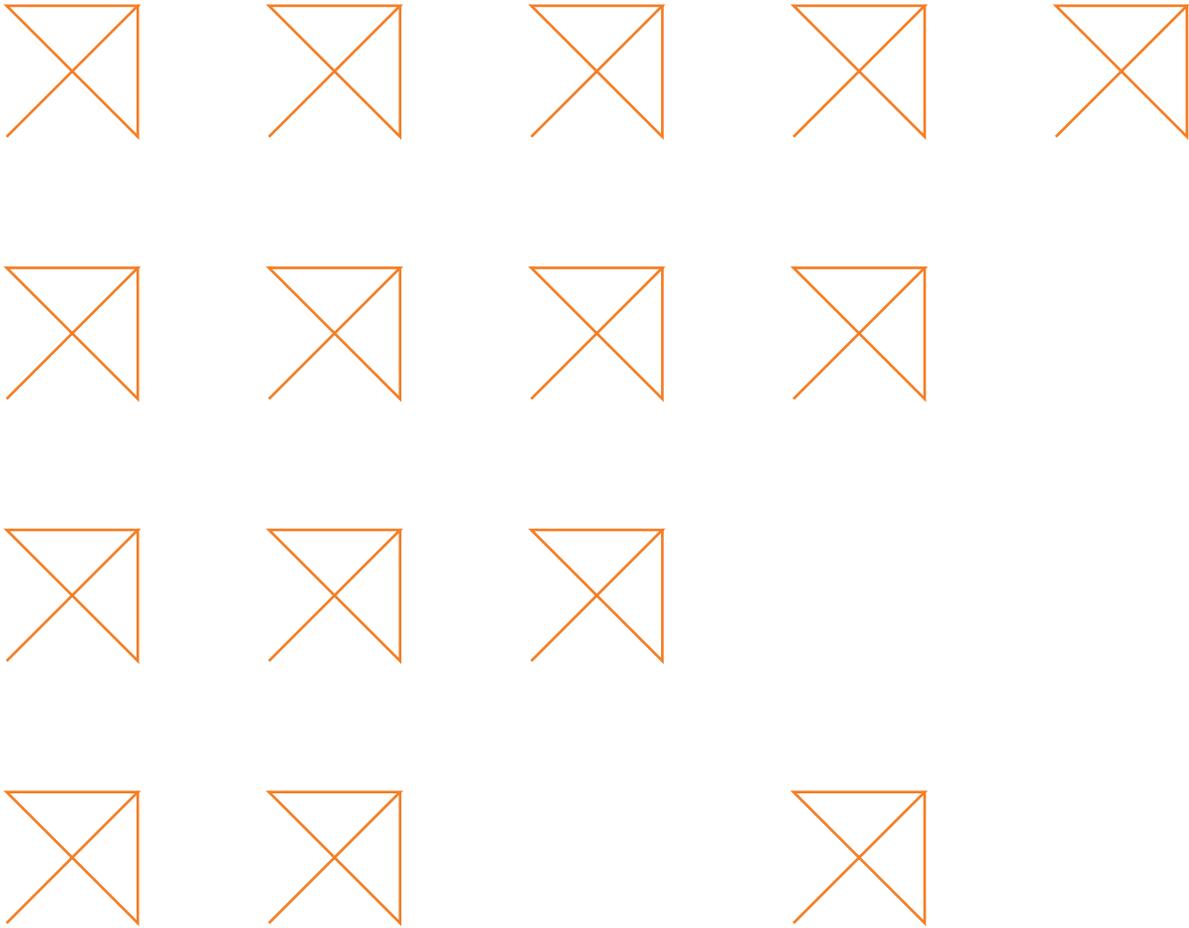
For More Information Related to this Topic See

- How do I maintain an innovative spirit and mindset as the company grows? 14. *Growth and Expansion*
- What is outsourcing and how do I use it? 14. *Growth and Expansion*
- How do I keep ahead of my competition? 1. *Startup and Planning*
- How can I make my business's operations more efficient? 5. *Operations and Project Management*
- How do I know if my operations should focus on customizing or standardizing my products/services? 5. *Operations and Project Management*

Additional Tools Available

Competitive Analysis Worksheet

Market Research Worksheet



10. **How do I find out if people or businesses will buy my product or service?**



The Basics

One of the most important challenges you will face is to find out if your product or service is what your customer wants and that they will decide to buy. Of course, you can get an idea about the desirability of your product or service by simply asking friends or family what they think, but the problem with that is it may not result in “honest” feedback since your friends or family are more likely to want to give you positive comments.

The reason you need to validate that there is demand for your product is because you are starting out with a guess, not an actual product. You are guessing that your product/service idea is something people want. You are assuming that people want to pay you for your product or service. You are guessing that you can grow your business into something profitable. Because your idea is nothing more than a series of guesses, you need to take the time to change those guesses into facts. Once you know the facts, you can refine your idea into a plan for a successful business.

To find out if customers will buy your product or service, ask (and answer) these questions:

- What problem do my potential customers have?
- What is the solution to that problem?
- Why would people pay money for my product?

First, ask yourself these questions, and answer them in the way you think your customers would. Then, check with family and friends. Ask them the same questions, and see if their answers are the same as yours were. Adjust your answers if you need to. Finally, see if you can ask some actual potential customers (called a focus group) these questions, and see what they answer. This will give you good information about your customers desires that will help you plan a successful business.

Tell Me More

There are a few ways to find out if people or businesses will buy your product or service...

Prototypes

If you will be offering a product for sale it will be helpful to build a prototype before you start making your product in large quantities. A prototype is simply a rough version of your product that will be hand made to test it and to show how your product works to others. Think of a prototype as an “experimental” version of your product, something that you can use to bring your product “to life” instead of just being an idea that you have been thinking about. Prototypes can:

- Be shown to potential customers to get an idea of what they like and do not like so that you can make changes before you start producing in large quantities.
- Be helpful when you are working with suppliers or someone else who may be involved in making your product. A prototype will help others understand what will go into the product and therefore they will be able to do better job of making the product with or for you.
- Be helpful if you are looking for outside investors. If you have a prototype your investors can see more clearly what it is that you will be making and selling.

Focus Groups

A focus group is a group of usually five or six people, who you will meet with to learn about what people think about your product or service. Usually the people you want to have in your focus group will be like the people

you think of as your “typical” customer (target market). You can ask people in your own network to help you find people to participate. Ask family, friends, neighbors, fellow members of trade associations, people you went to school with... be creative. Since you know the characteristics of your target customer, you can ask people you know for suggestions of people who fit that description.

You will want to consider how you can get people to agree to participate in the focus group. If they are somewhat close to you, they may agree to do it because they want to help you. But since you are asking people to give up their time, they may be more willing to help if they get something. You could consider paying them a small amount to participate or you could provide food. If your business provides a service (like giving manicures) you could offer to give a free service to them.

Usually a focus group will last about 30-60 minutes. It is a good idea to conduct the focus group in a quiet place like a meeting room in your office, a conference room, or even a quiet room in your home. Some libraries have small meeting rooms that are good places to have a focus group. You may also use a Masjid if you deem it reasonable in your community.

While there are people who specialize in conducting focus groups for large companies, you can easily conduct a small focus group yourself. Here is a basic guide to conducting a focus group:

1. Start out with introducing yourself and thanking everyone for their participation.
2. Tell the group that you would like to get their honest opinion about your business idea.
3. Before telling them exactly what your business is ask them questions about how they are currently buying the existing products or services similar to yours.
4. For the existing product or services ask them what they like about the product or service and what improvements do they wish they would have in the existing products or services.
5. Ask the group how they learned about the products or services they are currently buying and where are they are currently buying those products or services.
6. Ask the group what newspapers, televisions, magazines or social media they read or refer to most often.
7. Now show the group your prototype or sample of your product. If you are offering a service, describe your service.
8. Now that they can see your product or have an idea about your service ask them what they think about it, both the good things and things that they think you might want to change.

In most focus groups, there will be one or two participants that will talk a lot and there may be one or two who are not very involved. You may wish to ask the quiet ones what they are thinking so that you get everyone's thoughts and comments. Of course, ask all the participants for their contact information so that you can keep them informed as you develop your business. These folks are likely to be among your first customers and can be helpful in spreading the word once you have started your business.

Sampling

Product sampling is a good way to both get feedback about your product or service, to get people to try your product/service and to start spreading the word about your new business. Product sampling is more appropriate if you are making a product and can offer it in small amounts for tasting or testing. For instance, if you are producing a new cookie you would not want to offer an entire box of cookies as a sample, rather you will want to offer small bites so the customer can easily try the sample.

For example, Bahar always enjoyed cooking and one day realized that she wanted to make homemade jam and sell it to retail stores. She was unsure if, and how, she would do this. Her aunt had a similar business in Herat provinces and suggested that Bahar collect feedback from potential buyers to understand their taste. Bahar

made sample jams and ask her neighbors and retail store owners to test the samples for a week and give her feedback. She soon realized that her products were preferred for a number of reasons but especially because they were organic and did not have any chemicals. Some customers did not like the level of sweetness of the jams as well. After the testing period ended, Bahar took this learned information and made her jams better. Today she produces excellent jams and employs over 13 women to help her in the business.

Often when you are providing product samples you want to do it in areas where there are large numbers of people who are your potential customers so athletic events, concerts or festivals, trade fairs, product exhibitions, business conferences, special occasion events such as the Ag Fair, etc. may be good places to bring your samples and to get as much exposure as possible in a small amount of time.

Glossary Terms from this Section

Feedback - Information provided to someone for the purpose of helping improve or change behavior.

Prototype - A rough version of your product that will be hand made to test it and to also show how your product works.

Focus Group - A diverse group of people assembled to participate in a guided discussion about a particular product before it is launched or to provide ongoing feedback.

Product sample - A small amount of the product that you are trying to sell, generally given to customers for free to try.

Target market - A specific set of potential customers that a company focuses its marketing and sales efforts. Often the most likely customers to buy from a company.

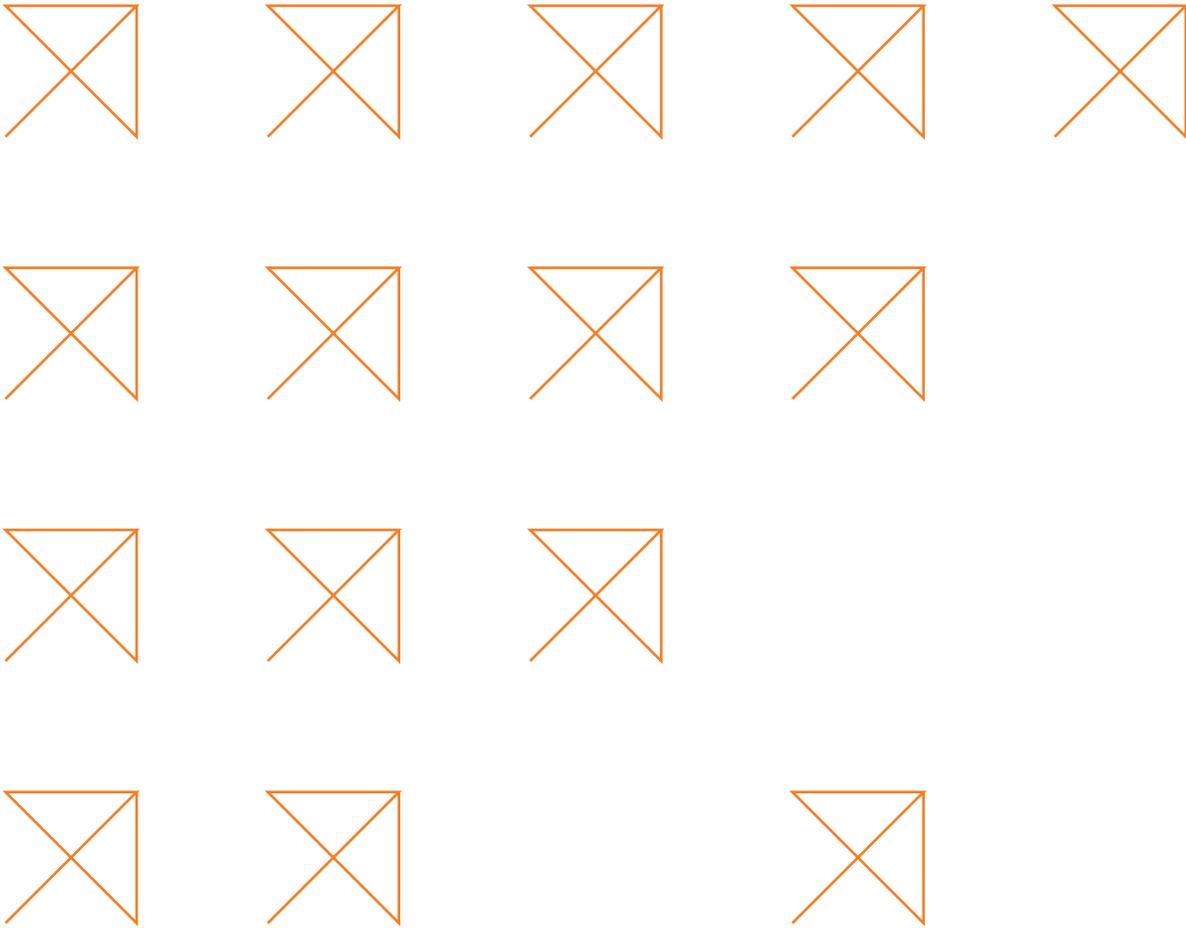
For More Information Related to this Topic See

- How do I know my business will be profitable? 1. *Startup and Planning*
- What is a target market and how do I identify the right target market? 6. *Marketing*
- What is market research and how do I do it? 6. *Marketing*
- How do I know if my marketing is working? 6. *Marketing*
- How can I find out what my customers are willing to pay? 9. *Pricing*
- How do people think about prices and how does this impact my pricing decisions? 9. *Pricing*
- How can my business sell value to customers? 7. *Sales and Customer Service*

Additional Tools Available

Competitive Analysis Worksheet

Market Research Worksheet



11.

What are common barriers of starting a business?

The Basics

Entrepreneurs want to succeed. Often it is the fear of failure that creates an internal barrier to starting a business. When entrepreneurs focus more on why their idea will fail they have introduced a big barrier. Focus on what will make your idea succeed to eliminate this barrier and create incentive.

Starting a business often takes more time and energy than expected and some entrepreneurs find it difficult to keep persisting through this long period where a lot of work is being done for very little income. To overcome this barrier, remind yourself that all businesses have to work hard to start out, and that the rewards will build themselves if your work is of a high quality.

Barriers to entrepreneurship can also occur if you are concerned about getting support from your family. It can be challenging to be an entrepreneur if you do not think your family is fully behind you and therefore create a difficult barrier. Try to lessen this barrier by talking to your family about your business from the beginning. If they feel like they were a part of the decision and planning, they will want to be a part of your success.

Other barriers that you may encounter may be:

- Government regulations or long procedures that may be expensive to satisfy or where agreement is challenging.
- Capital and financing that exceeds your own savings or that may be difficult to obtain.
- Competitors that are currently serving the same need as your business will be serving and who may be well-established and difficult to beat.
- Pressure to give bribes or facing other forms of corruption that unfairly slow your progress.

Tell Me More

Often your biggest barrier may not come from the outside but instead come from personal barriers.

Motivational barriers where you may have some fear of failure keeping you from taking the steps needed to start your business. This is a very natural barrier and it is actually healthy for you have some fear about the thought of failing. This will help you to think carefully about what it means to be an entrepreneur.

Perceptual barriers may slow your progress as an entrepreneur. If the entrepreneur needs everything to be clear and well-defined in order to perform, it will lead to problems. An entrepreneur's world is usually dis-orderly and ambiguous. People who excessively depend on order will find this a barrier to entrepreneurship. For instance, you might start your day thinking that you are going to work all morning doing research on your new competitor, but then you get a call from a customer who needs a last minute order and you find out that your delivery person has called off sick. You have to be flexible enough to change your day and get the most important things done. If you find that uncertainty is a challenge, you may struggle with entrepreneurship.

Sometimes entrepreneurs, particularly women, encounter barriers from the culture of their society. In Afghanistan, women have to balance concerns for safety, limitations on their movement and ability to travel alone, obligations and limitations from family, and general perceptions of the kinds of businesses that are proper for a woman to own. Women also face challenges in how they interact with men in their business – i.e.

business relationships with male employees, suppliers, community leaders, and authority figures can all be difficult to navigate. Other barriers against women include gender discrimination in government offices, inappropriate competitive practice by men-owned businesses, limited access to men-dominated markets, lack of financial resources, etc.

In Afghanistan, business is considered as a lower status than, for instance, a doctor or engineer or lawyer. Such a social response to entrepreneurs can be a big hurdle in developing and nurturing entrepreneurs, especially in gaining the support of family members.

The economic environment can create barriers for an entrepreneur such as:

- The capital for setting up the new venture is not accessible for the entrepreneur.
- Shortage of labor at reasonable cost.
- Shortage of raw materials in the desired quality and quantity at reasonable cost.
- Inadequate infrastructure to transport raw materials.
- Limited to access to electricity to operate a business.
- Difficulty in accessing land or renting premise for a business.

The World Bank publishes Doing Business Indicators periodically and you can study the major barriers in Afghanistan in the report and decide for yourself as to whether you are able to start a business.

The political environment can work against the interest of entrepreneurs, especially if it is unstable and if political policies do not support the creation and growth of new companies. Political systems may also create interference in the form of industry or commercial controls, delays or excessive government regulations, requirements, record-keeping, taxation, etc.

Glossary Terms from this Section

Government Regulations - The rules and requirements that a government makes businesses follow in order for the business to operate.

Capital - The money needed to start and operate a business.

Infrastructure - The roads, bridges, highways, equipment needed to move products and services from one place to another.

Entrepreneur - A person who organizes and operates a business or businesses, taking on risks in order to do so.

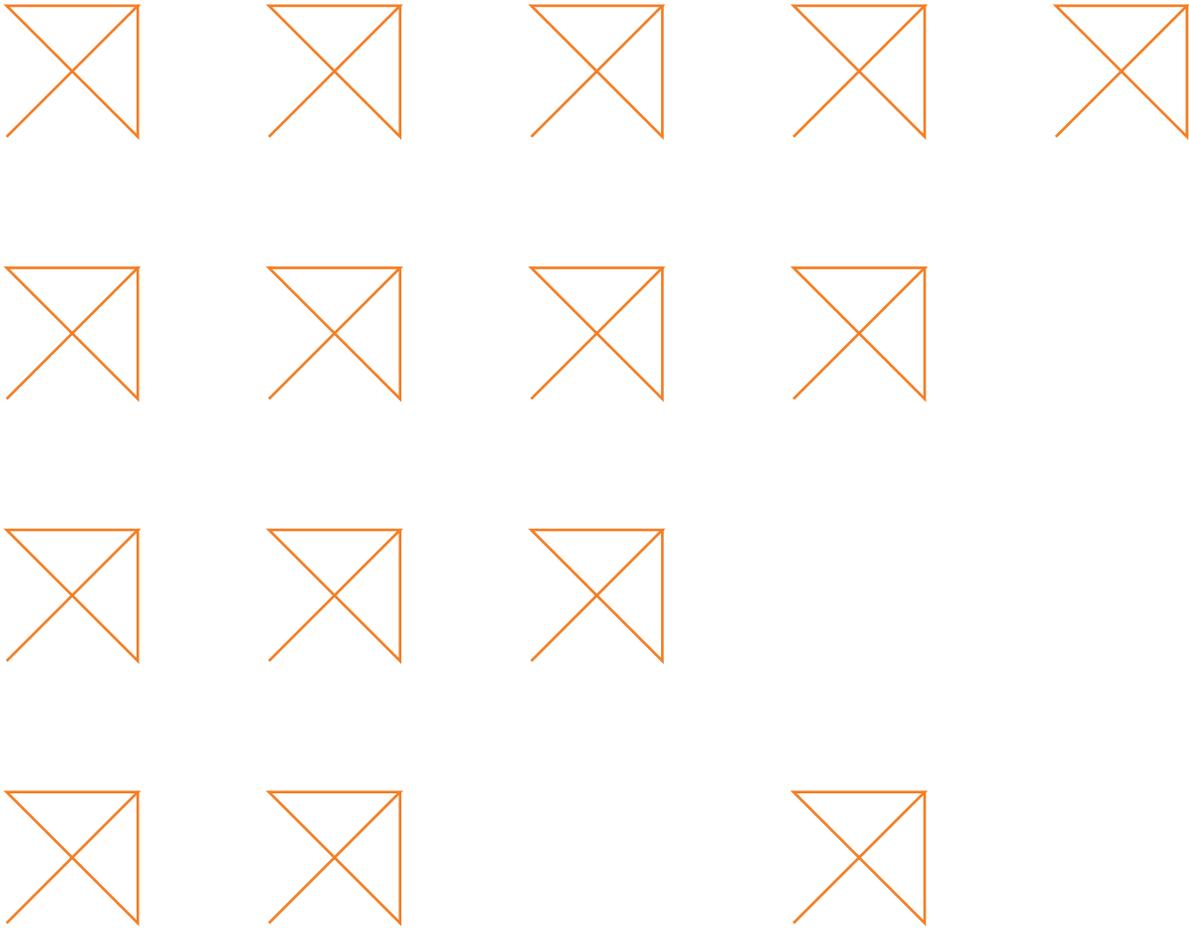
For More Information Related to this Topic See

- Where can I get the money to start my business? 1. *Startup and planning*
- What kind of certifications, license, or permits do I need? 2. *Business Formalization*
- What is capital and why do I need it? 3. *Access To Finance*
- What is the best way to find and recruit new people to my business? 8. *Human Recourse*
- How do I know that new potential customers are ready and able to buy? 7. *Sales and Customer Service*

Additional Tools Available

Stages of Business Chart

Startup Costs and Growth Capital Worksheet



12. **How do I find mentors, coaches, and advisers?**

The Basics

Mentors, coaches and advisers are important members of the team you will want to build when you start your business and may be found in a number ways.

The most logical place to look is in your immediate circle of friends and family. Even though friends or family may not have the exact same experience in the business that you are going to start many of the skills you will want in a mentor are transferable. For instance, imagine you have an uncle who successfully operated a car repair shop. Even though your business might be a bakery, there are lots of elements in running a car repair business that are similar; things like supervising workers doing a specialized job, the importance of quality and customer service, advertising, bookkeeping, etc.

You may be able to find mentors, coaches and advisers by joining organizations such as a chamber of commerce where members are already successful in business; by networking among these members you might find folks who will find satisfaction in sharing what they have learned.

You may have some good connections to successful graduates who have attended your same school and, because of this school connection, may wish to help another schoolmate succeed in their business.

Tell Me More

1. When you look for a mentor, you will want to find someone who “fits” – someone who has the right knowledge who you also get along with. Some ideas for your mentor search include:
2. Start with your family. Do your parents or grandparents have friends or acquaintances who own their own businesses? Is there someone you went to school with who has connections to a friend or colleague in your field? Is there a local entrepreneur in your industry you particularly admire? If so, this is where the most specific and valuable advice will come from.
3. As people age and gain experience in their field, they often become more interested in helping others and sharing what they know. So your mentor may likely be an older person with grown children and some financial success.
4. If your company is in the startup phase, you should be looking for a successful entrepreneur with a broad range of business knowledge and skills.

Anaita had started and managed a women-only restaurant in Mazar-e-Sharif. Within the first year, she realized her finances were a mess. She hired accountants but still had questions that she could not give answers. She sought support from a family friend, Hasib, who also ran a restaurant in Kabul. Hasib offered to help her over a period of six months and give her advice where needed. Hasib was experienced in managing multiple restaurants in his family businesses and helped Anaita build a strong financial management system. They met each time Anaita traveled to Kabul or Hasib visited Mazar-e-Sharif and also talked over the phone. Anaita felt more confidence about her financial reports and continued her business relationship with Hasib as her mentor.

It is important to find a mentor who will be there to talk to you on a regular basis. A weekly sit down is ideal, but depending on how the relationship develops you may want more or less frequent conversations. It is critical that your mentor is committed to the relationship and has the time to devote to you.

Your mentor is not there to solve your problems. Instead, he or she should help you to think through your challenges and find your own answers. This is a great way to learn how to be a better entrepreneur.

A mentor's role in encouraging you and building your confidence is crucial—your mentor can be a really great supporter and help you regain your confidence when you have had a setback. You are looking for someone who will be on your side and give you support and advice when you need it.

If possible, consider having multiple mentors because one mentor is often not enough to cover all of your needs for advice.

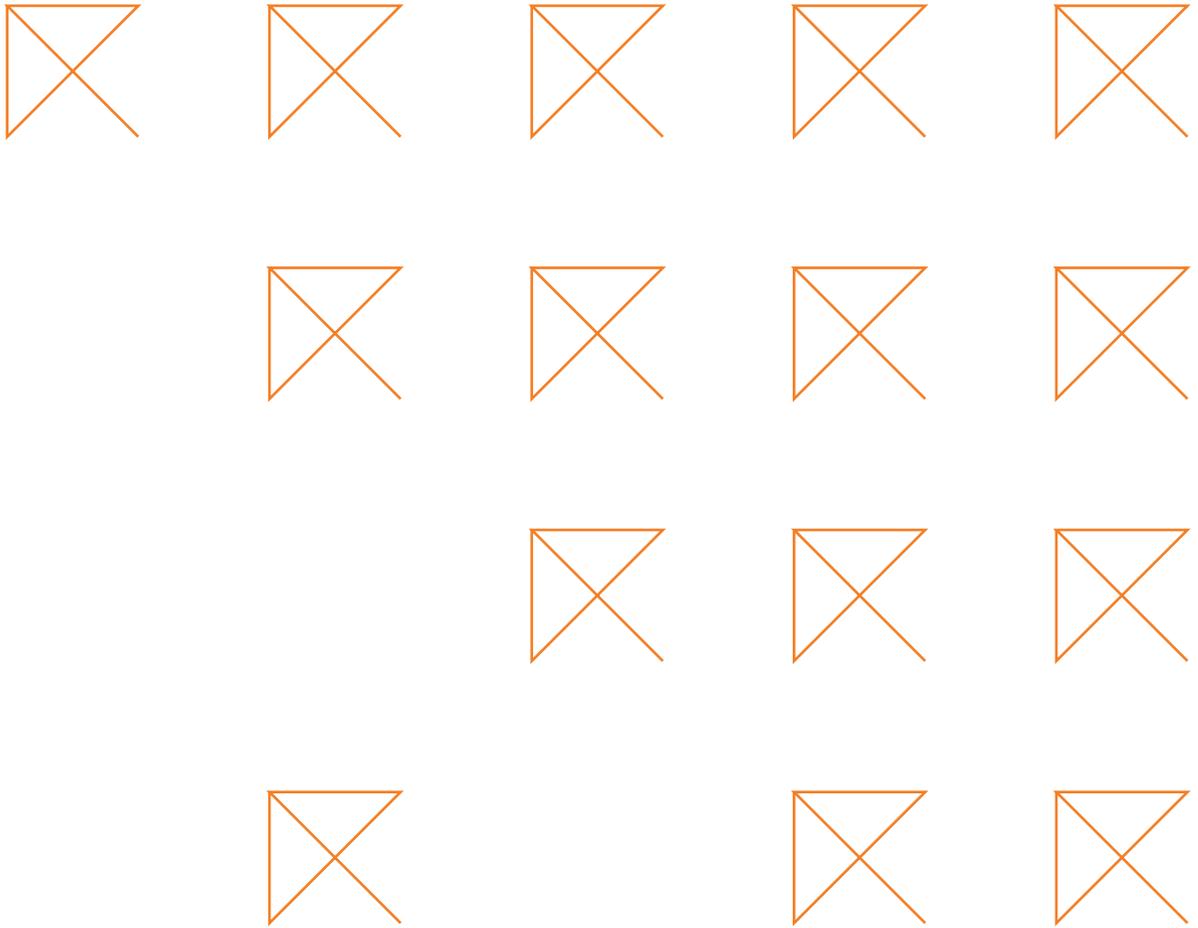
Glossary Terms from this Section

Coach - A person who helps someone do their best by suggesting ways of doing things, pointing out ways to do something better and to provide encouragement, discipline and guidance

Mentor - An experienced and trusted advisor

For More Information Related to this Topic See

- What do effective leaders do? *4. Leaderships*
- Why should I develop both personal and professional networks, and how do I do this? *4. Leaderships*
- How should I receive feedback? *4. Leaderships*



13.

Do I need to find a location for my business or can I run it from home to start?

The Basics

Many entrepreneurs successfully run their business from home; some entrepreneurs started businesses at home and then as the business gets bigger, it is necessary to find a regular business location.

The kind of business will determine whether you can run it from your home. If your business requires that your customers come to you, it can be problematic if your business is at home. Some customers may be reluctant to go in to buy a product or obtain a service at a private residence, or it may be more difficult to access your home. As your home-based business grows and the number of customers coming to your home also grows, your neighbors may become concerned about the traffic in the neighborhood and the disruption.

In many cases, the city or town where you live may also have regulations about the kinds of businesses that are permitted to be operated out of the home. Kabul has residential and industrial areas determined by the municipality and other government authorities. Many businesses operate in the residential areas but companies that depend on the production of goods and have excessive noises or considerable waste, must operate in a non-residential or commercial area in the city.

Tell Me More

Here are some advantages to operating your business from your home:

- You do not have to travel to be at your business. Not having a long commute to and from work can save a great deal of time and money. It can even reduce your daily stress levels.
- There is greater flexibility. Working from home allows you to work during your most productive times, wear what you are most comfortable wearing and create a workflow that works for you.
- It may be easier to concentrate. While there may be distractions at home, you have more control over noise and interruptions at home than you might in an office with coworkers, employees, and other office-based noise. However, if you have children or people who need care at home, you may find it more difficult to concentrate.
- You can save money because you do not have to pay rent or other costs when you have a location that is away from your home.
- You can improve your work/life balance. Many entrepreneurs struggle with finding a balance between work and their personal lives. Working from home can make this balance a little bit easier to find and maintain.

The disadvantages of operating your business from your home:

- You need a lot of self-discipline. Getting up and focusing on work every day when you are in your home environment takes a great deal of self-discipline and motivation.
- It can be lonely. Working all day away from others involved in your business can be very isolating and lonely.
- It is harder to close up your business at the end of the day. There can be less distinction between work and personal life when you work from home, making it harder to shut down and more likely that you will overwork.

- You lose living space. When you are using your home as your business location it may reduce living space used by your family in your home.
- Relationships with your team are harder to form. If you have employees working in your business it is challenging to establish trust and develop relationships with them when you do not have a daily face-to-face connection.
- Your responsibilities in your personal life might intervene with your work. Family expectations and home responsibilities will be more difficult to manage at home.

Legal and regulatory restrictions may prohibit you from running your business from home, especially if your business is the kind where you have many customers visiting your home. If your business is the kind where there is safety or health matters related to your business, like repairing or painting vehicles, it is likely you would be required to have a business location that can be outfitted to meet safety regulations for the use of hazardous materials or operation of equipment in your business.

Glossary Terms from this Section

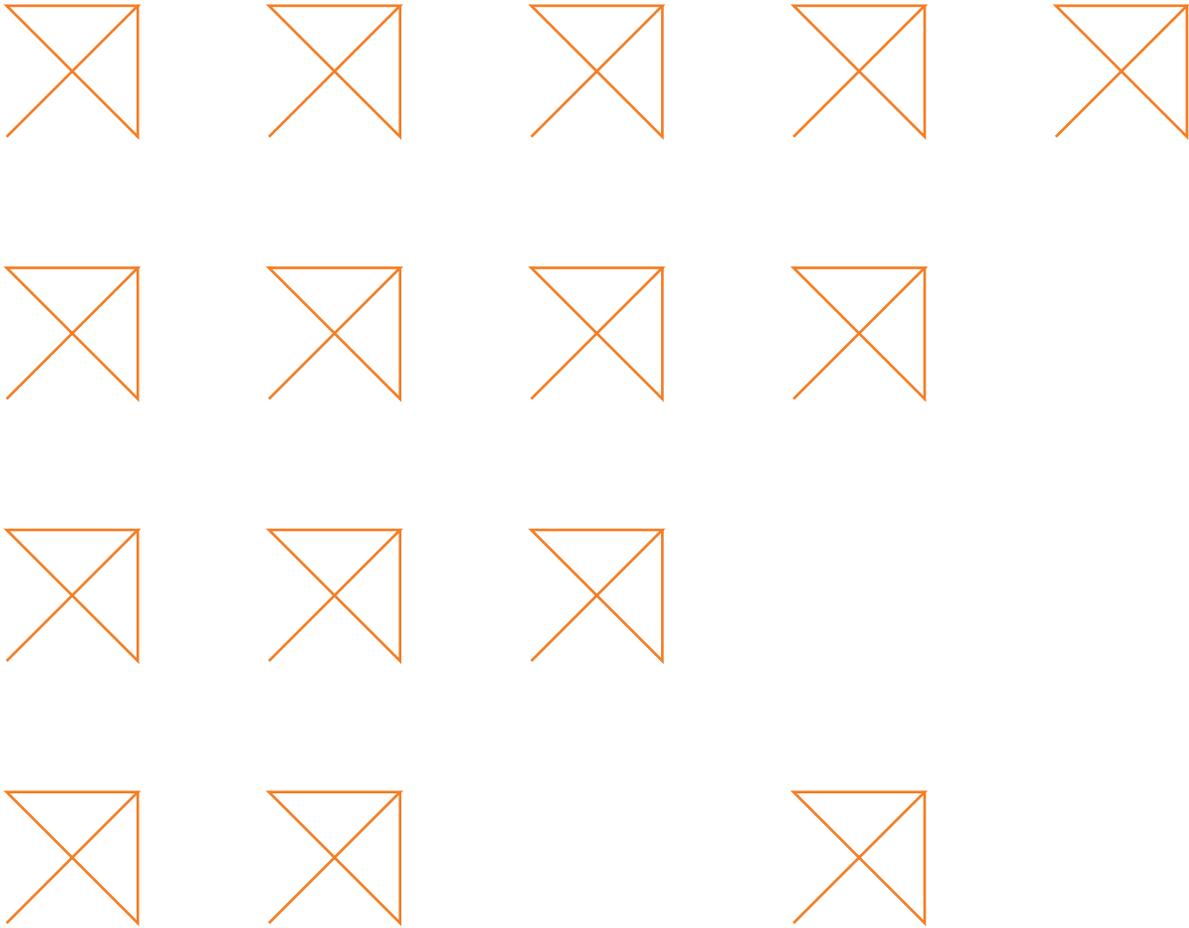
Entrepreneur - A person who organizes and operates a business or businesses, taking on risks in order to do so.

For More Information Related to this Topic See

- What do I need to consider when choosing a location? 1. *Startup and planning*
- How do I find space needed to expand my business? 14. *Growth and Expansion*

Additional Tools Available

Startup Costs and Growth Capital Worksheet



14. **What do I need to consider when choosing a location?**

The Basics

In some kinds of businesses, the location is probably the most important decision that affects the success of the business.

It is important when choosing the location for retail businesses to think about convenience and safety for the customer to find you and to get to your place of business. Retail businesses are also more successful when they are next to or near other retail businesses or places of gathering such as restaurants so that the combined traffic to all the businesses together benefits each individual business. For retail businesses, it is also important for customers and potential customers to be able to see the sign or banner for your business. Even though someone may not be ready to buy from you now if they can see your sign they are more likely to remember you when it is time for them to be a customer.

If you are running a company that produces products, you may want to think carefully about how you get your raw materials delivered, and how your finished product is then delivered to the end customer. Locating your production facility near to a main transportation route may be advantageous to you in making shipping more convenient or less expensive. If you own a business, such as a carpentry factory, which produces a great amount of waste that must be disposed of to a recycler or garbage dump, you may want to think about a location that makes it cost effective to manage and dispose of your waste.

You should also think about your employees when choosing a location. Make sure that your business is in a location where your employees can easily and safely get to and from work on time. Additionally, ensure that you will have the space and availability to hold trainings and group meetings with your employees from time to time.

Tell Me More

You need to consider your customers first and then your employees when choosing a location. If your location is difficult to reach or too far away for your employees to get to work, your business may suffer from not being able to attract good employees. Businesses that are close to public transportation may have better success because that makes it easier for both customers and employees to reach the business.

Depending on the city or town where your business is located there may be regulations about where different types of businesses can be located. These regulations (also known as zoning regulations) may restrict certain kinds of businesses to certain areas so it is important to know how your type of business fits into zoning regulations so you can select your location. In Afghanistan zoning regulations do not restrict businesses by any measure but do differentiate industrial from residential zones.

If you are renting the location of your business, you should find out about the details of the lease or the rental agreement for the location you will be renting, for example:

1. What is the amount of rent and how many years or months will you be renting the location?
2. Will you have to pay Rent Withholding Taxes for the location?
3. Will you have to pay for water, electricity, or trash removal?
4. Are you responsible the costs of maintenance for things like plumbing, lighting, heating, etc.?
5. What is the condition of the location when you move in?
6. How much parking will be available for your customers and employees?
7. Will you be able to put up a sign?

Often property dealers play a matchmaking role and set the terms and conditions of the renting agreement. The property dealers charge a certain fee for their service. You should be aware of this fee and ensure you agree to pay it before using their service. Read their Property Agreement before signing it. You are required to pay taxes on the rent you pay to the landlord. Remember that in practice, the majority of property owners do not agree to this term. You still have to pay this tax and at times it will be an additional cost added to your rent. Ideally, you should agree on a gross rent payment per month and withhold the required tax amount to pay the government.

If you use your own building or land for your business, you do not need to pay any taxes to the Ministry of Finance. The applicable tax in this case is municipality tax that is charged for their service to clean the area your building or land is located. At any case, when you register your business you will need a document that shows whether you rent your to-be-registered office or own it.

Glossary Terms from this Section

Property Taxes - Taxes that are paid to a government based on the ownership or use of land or buildings.

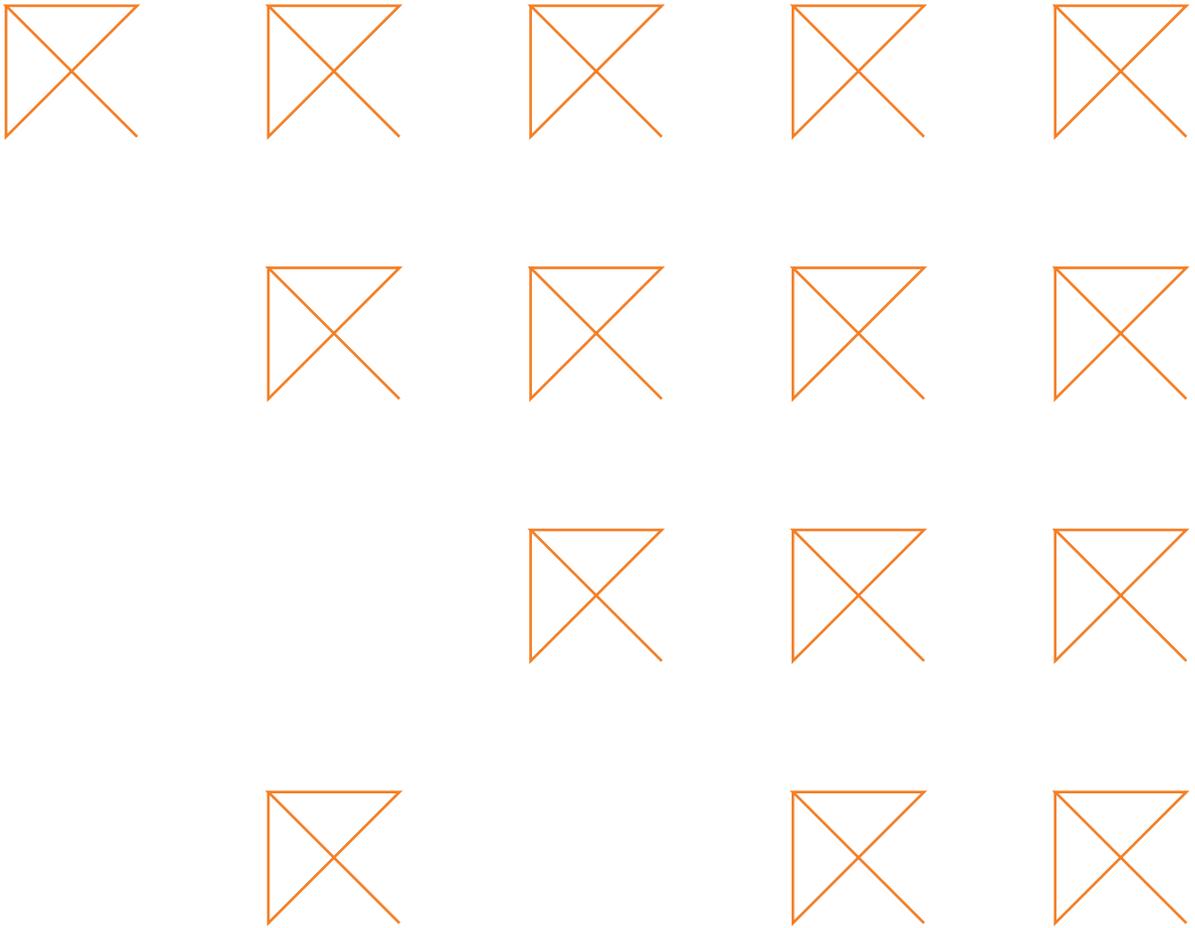
Regulation - A legal requirement imposed on organizations or products; different from laws, codes, and standards.

For More Information Related to this Topic See

- Do I need to find a location for my business or can I run it from home to start? 1. *Startup and Planning*

Additional Tools Available

Startup Costs and Growth Capital Worksheet



15.
**What equipment and materials
do I need to start / operate my
business?**

The Basics

Every business has different amounts and kinds of equipment and materials, so to begin with you will want to investigate similar types of businesses like yours and take a good look at the equipment that is being used. Make notes of what equipment is used. Talk to the business owner if possible and ask what they had when they first started their business – often business owners start very small and basic and add machinery or other materials as their business grows.

Once you have identified the different kinds of equipment, you will want to find the suppliers of that equipment and get information from them about the cost and availability of that equipment. To save money you may want to find used equipment and then as your business grows replace it with newer and possibly more efficient models.

Similarly, once you have identified the kinds of materials you need for your business, find out who can supply those materials and then contact the suppliers of those materials; they will be able to help you estimate the amount you will need to get started, the costs for your starting inventory can help you estimate how often you may need to re-order. As much as possible, find more than one supplier for each raw material, so that shortages are minimized – when one supplier has problems and are unable to deliver, a secondary supplier can step in.

Tell Me More

Because of the huge differences in kinds of businesses there is also a big difference in the equipment and materials needed from one business type to the next, but there are some basic tips to help you determine what you will need for your specific business.

You may be able to determine what kind of equipment you need by looking at other businesses that are similar to yours. Observe the existing business in action and note what kind of equipment they use. You may not need exactly the same kind of equipment or the same amount depending on the size of your business compared to the one you are observing. For instance, if you are going to be starting a print shop to serve small businesses and you are looking at a large-scale printing company that serves large corporations, you will likely have different needs. You may need to find smaller printing machines and possibly fewer of them than the big company owns. However, you can get some good ideas about the general kinds of equipment that you will need for your own start up.

Ask vendors who will be supplying you with materials and equipment for your business. The companies that are making or providing the things you will need in your business are knowledgeable and have up to date information and ideas related to your business needs. These companies also have a selfish interest in providing you with information about industry standards in equipment. It is important to keep in mind that they are in the business of selling you things, so they may over estimate what is needed. It is best to get this information from more than one vendor and compare with what you hear from other business owners so you can compare and make smart decisions about what is needed.

Ask experts who are providing services to companies like yours. For instance, if you are starting a fresh fruit juice business and using an accountant to set up your financial records that has other similar businesses as clients, that accountant may be able to assist you in estimating what materials or equipment you may need for your business.

Glossary Terms from this Section

Raw Materials – The basic material from which a product is made.

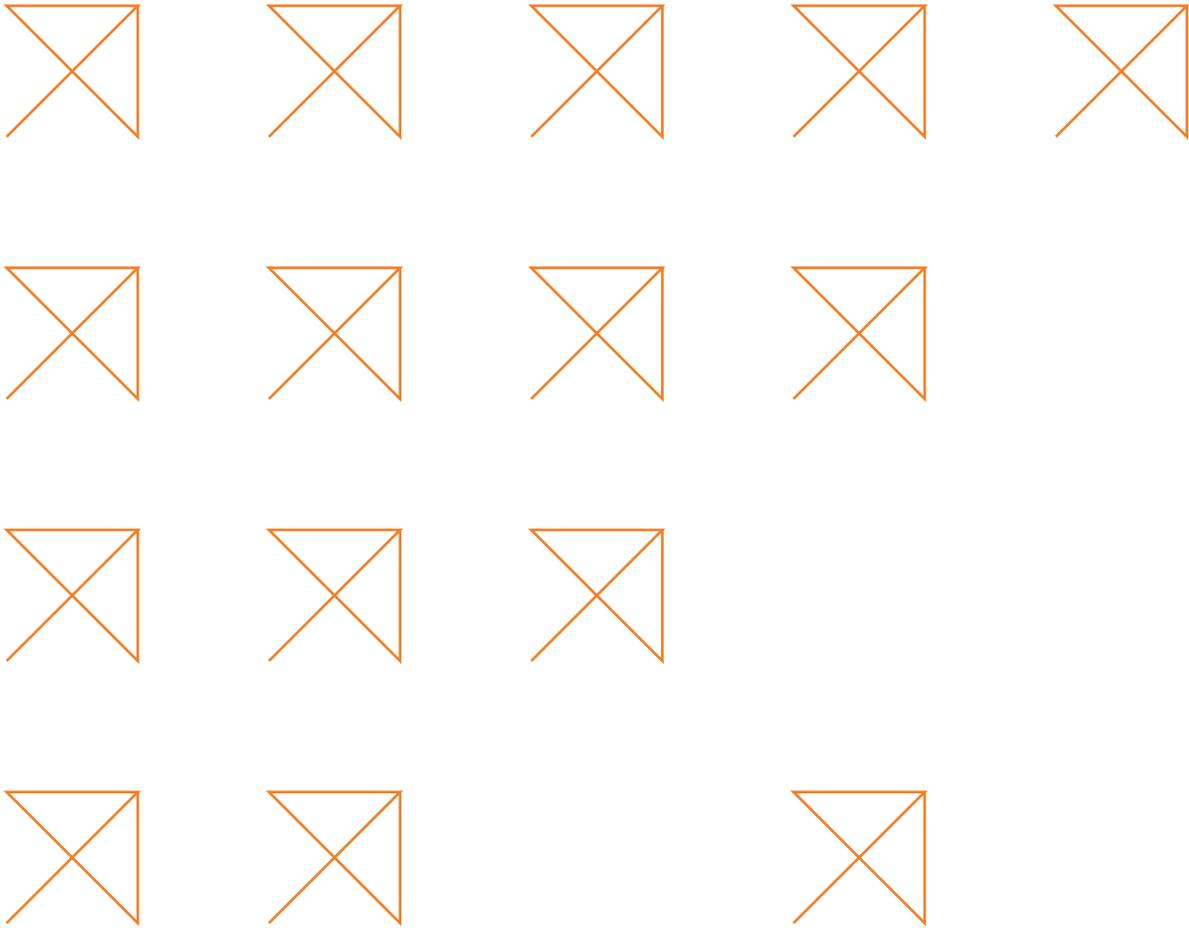
Vendors – People or organizations that provide products or services used to operate a business.

For More Information Related to this Topic See

- What are the best practices in operations management? 5. *Operations and Project Management*
- How do I create a budget? 10. *Budgeting*

Additional Tools Available

Startup Costs and Growth Capital Worksheet



16.

How do I know my business will be profitable?

The Basics

It can be common for a new company to struggle at first before becoming profitable. You will need to plan for some uncertainty and difficulty in the early stages of growth rather than trying to ensure that your business will be profitable from the very beginning. Your business plan should include at least a rough estimation of your business' profitability before you start your business, and an understanding of how long you might have to operate before the business becomes profitable.

A few key things to keep in mind about whether your business will be profitable include:

1. **Startup costs** - Some new business owners make the mistake of spending too much money on unnecessary expenses. Try to run your business on a very low budget as much as possible and especially watch costs and expenses that require cash in advance of generating revenue.
2. **Build a thoughtful and complete business plan.** A step to help predict whether your company will be profitable is by spending time to get accurate information about the costs and expenses related to your new business. Your business plan is your road map to success – and without this map, you can get lost very quickly.
3. **Do research about your customers.** In order to be profitable you need to have a sense of who your customers are and what prices you can charge to be competitive and profitable. Do research so you know what prices your competitors charge. What do your prospective customers think about the business you are planning and how do they feel about your competitors?

Tell Me More

Figuring out whether your business will be profitable will mean that you must make good estimates of your costs, expenses and sales. You should make these estimates for at least the first year and often you will want to continue the estimates into the second and third year of your business. A useful way is to do a break-even analysis to find at what point (sales volume) you will cover your costs with your revenue. This is called the break-even point. The “Break Even Analysis Worksheet” will help you find your break even point.

Once you decide on how far into the future your estimates will go, you should make a list of all activities of the business before you even start thinking about the numbers.

Sales

It is better to think about estimating sales on a daily or weekly basis rather than coming up with an estimate of sales for an entire year. Once you have an idea of how much you will sell per customer think about how many customers you will have per day; multiply the number of customers per day times the amount each customer may buy to get an estimate of your daily sales. Then, use your daily sales estimate to come up with weekly, monthly or yearly sales.

Estimate your cost of sales

Next, you will need to estimate how much it costs to make the products or deliver the service for your business. This will be especially challenging before you open your business, nonetheless you should at least make an estimate of your costs, including raw materials, employee time, machinery or electricity use, etc. Once you have the costs for each item, you should compare the cost with the projected amount of items/services sold so that you can estimate profit.

Estimate the cost of being in business

There are some costs that are not directly related to the items you sell. These are costs that are required for you to be in business. For example, you are opening a bakery and you have a pretty good idea of what it costs for you to make each item that you will bake. One indirect cost you might have not thought about is an insurance policy. For you to be in the bakery business it's better for you to have an insurance policy in case there is a fire or damage to your business. You will need to consider the cost of insurance as necessary for your business even though it is not directly included in each item that you are selling. Think about all the other costs, such as location rent, that you will have to pay in order for you to be in business and include these costs in your estimates of whether your business will be profitable or not.

Glossary Terms from this Section

Break-even point - The point where your revenues surpass your costs and you begin to make a profit. It's also the point where any new price or new volume generates the same level of profit as was achieved at the original price or original volume.

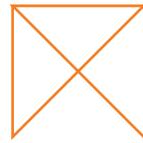
For More Information Related to this Topic See

- Is there a tool that can help me understand how to set a price and make a profit? 9. *Pricing*
- What is break even and why do I need to know? 12. *Financial Management*
- How can I manage my costs and expenses? 12. *Financial Management*
- How do I plan for spending money for my business? 12. *Financial Management*
- What is profit and how do I determine mine? 12. *Financial Management*
- What do I do if my budget says I will not be profitable? 10. *Budgeting*

Additional Tools Available

Break Even Analysis Worksheet

Projections Template



17.

What kind of financial planning and reports should I do before starting my business?

The Basics

Before starting your business, financial planning should be focused on preparing reports to summarize startup costs including:

- Equipment needed to buy or rent to start the business
- Supplies needed to run the businesses
- Materials needed to produce the product or service
- Pre-opening marketing: brochures, website, business cards, stationary, signage
- Set up costs for location: remodeling, equipment installation
- Technology: computers, networking, software
- Professional fees: legal, accounting

In addition, you will want to project general costs for the business during the first year or two:

- Expenses
- Salaries and Labor
- Materials
- Marketing

Lastly but most importantly, you will want to estimate the revenue from selling your product or service.

By comparing the projected revenues and expenses, you can estimate the amount of money needed to support the business until it reaches a stage of growth where there is more of an established routine of operating your business, and you should have cash on hand for sales to cover and exceed expectations.

It is a good idea to get advice and suggestions from others when you are trying to estimate costs, expenses and revenue, especially if you have never operated this type of business before.

Members of your team, if you have identified them in advance of starting your business, can be helpful with financial planning. In addition, you may want to seek the advice of experts who are experienced in running businesses, especially if those businesses are similar to yours. Sometimes vendors who will be selling you materials, equipment or providing you with their services can be helpful in making financial projections.

Tell Me More

Financial forecasting is one of the most challenging and yet most important steps to start your business. You will want to set aside enough time to do your financial projections without being in a hurry. It is very helpful to have others review your projections because outsiders see things that you may have missed or that you may have not considered. You will make assumptions about prices, costs, and revenue and others can help you have a reality check and not over or under-estimate your projections.

Do not rely on only one version of your financial projections. Many successful entrepreneurs will come up with three versions of their financial projections:

- A. An “optimistic” version will use numbers that are most favorable and represent the best possible results for both startup costs and operational costs as you move forward.

- B. An “average” version will use numbers that are reasonable but not overly optimistic. These numbers are the ones that you expect to be “normal” for your business.
- C. A “negative” version will use numbers that show you what might happen if things do not go very well; these numbers will warn you about what would happen if your business meets unexpected problems and difficulties.

Focus mainly on the costs and expenses for your business because you are more likely to know those numbers more accurately in advance of starting your business. For instance, if you are going to be renting a space to operate your business, you will likely be able to find out the exact amount of rent you will have to pay. If you are going to need to build a website you will likely get a proposal or bid from your website developer. Often entrepreneurs can underestimate their costs and expenses and face capital shortages at the startup stage but you can avoid this by being thorough and honest in your estimation of costs and expenses.

Be very careful about assumptions you are using for your forecast. It is easy to overestimate your sales projections and under estimate your costs and expenses. For example, take a look at the amount you forecast for your sales in the first year; now, break that down to a daily amount that you will need to sell in order to reach your sales forecast for that year. Now that you see how much you need to sell each day, think about whether or not your sales forecast seems realistic.

Try to find other businesses similar to yours to compare your costs, expenses and sales to those other existing businesses. These businesses may not wish to share their actual numbers but they may be willing to share the percentages of certain costs, expenses and sales. For instance, another business that is similar to yours may let you know that their labor cost is 25% of their sales price so this percentage can be helpful to predict labor costs for your business.

Update your financial forecasts often, especially when you get new information that is more accurate than your initial estimate. If you are using an electronic spread sheet these kinds of changes are very simple and will result in you gaining a better understanding of the financial future of your business.

Glossary Terms from this Section

Capital - The money needed to start and operate a business.

For More Information Related to this Topic See

- Is there a tool that can help me understand how to set a price and make a profit? 9. *Pricing*
- What are Income Statements (Profit and Loss Statements) and how do I use them? 12. *Financial Management*
- How do I create a budget? 12. *Financial Management*
- What is revenue and how do I know mine? 12. *Financial Management*
- What is profit and how do I determine it? 12. *Financial Management*
- How can I use a Profit and Loss statement to learn which part of my business is more profitable? 10. *Budgeting*

Additional Tools Available

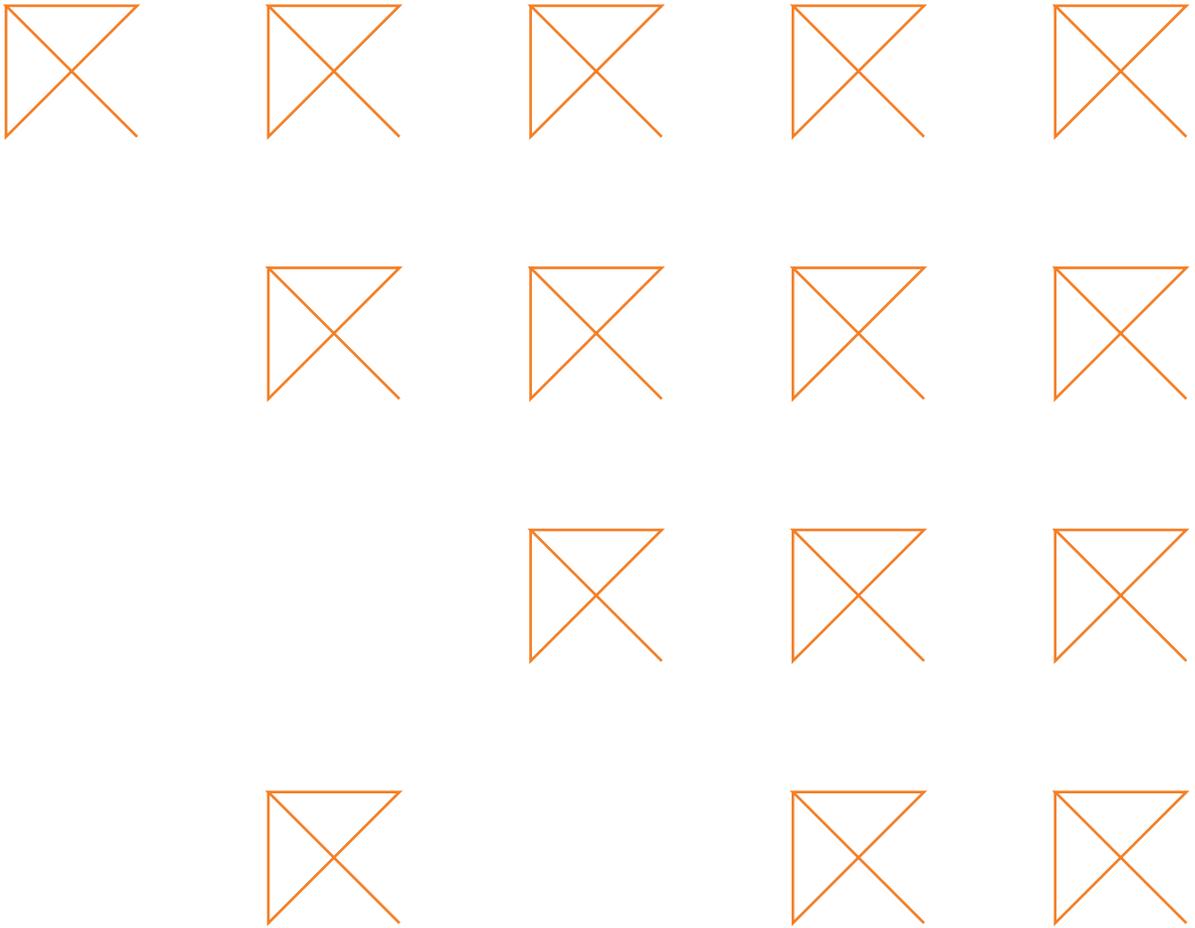
Revenue Projection Worksheet

Startup Costs and Growth Capital Worksheet

Balance Sheet

Break Even Analysis Worksheet

Tax Calculation Sheet



18. Where can I get the money to start my business?

The Basics

Raising money to start your business can be challenging, especially if this is your first business. Experienced entrepreneurs who are starting up second, third, or more businesses will likely have the contacts, experience, and assets that make it easier to find start up funding. But if this is your first business and you don't have the resources, access to finance can be a huge obstacle.

For new entrepreneurs, your very first option is your own savings. In the early days of your business, you might be able to use money that you have set aside to invest in your business. Your next easiest option is to seek funding from your friends and family who have a good understanding of your skills and business idea, and believe in your abilities. They are more likely to trust you with their money, since they know you so well.

In some cases, you may be able to find donors who are giving out grants for small business start ups. You may also find organizations that hold business plan competitions, where a small financial prize is given to winning business plans. Check the websites of USAid, DfID and the World Bank for grant opportunities.

Entrepreneurs who have access to collateral, may be able to get a loan from a financial institution or bank. However, many small businesses may struggle with the difficult requirements some banks demand.

In some cases, an entrepreneur may find an investor or a partner that will provide financial support in return for taking ownership of part of the business. It is unusual for a small startup to find funding through an investor. This is because investors provide money because they believe that their investment is going to make them money in the future. Putting money into a small, unproven business is very risky and most investors will not see this as a good bet. As a company grows and shows proven success, investors are much more interested in taking the chance that by putting their money into the business, they will make a profit.

Tell Me More

Regardless of whether you are pursuing money from friends, family, donors, banks or investors, your chances to get money for your business will improve if you are able to demonstrate that you have a chance for success. Here are a few ways that a startup entrepreneur can show that her business will likely be successful:

1. Having a well-developed, easy-to-read and well-researched business plan. This shows that you are being very responsible and thoughtful about the business you want to start and it is likely to make potential investors, lenders or government officials more confident in providing you with the money you need to start your business.
2. Having some prototypes or samples of what your business will be selling will be very helpful in demonstrating your product or service in action. Prototypes can and will impress decision-makers who are thinking about providing you the money you need for your business.
3. If you can, give a few of your future customers some of the products or services that you are planning to offer so they can try them out. Hopefully, if they are satisfied with the test, they will be willing to make a recommendation that you can use to convince decision makers to lend you money. This demonstrates that your business has something that customers will want to buy, improving the possibility of you getting money for your business. In the "Access to Finance" section of this guide, you will find much more in-depth information about how to find funding for your business.

Glossary Terms from this Section

Grants – Funding given without expectation of repayment by a non-profit or government entity; instead this money is given to achieve a specific social or economic purpose.

Collateral – Something of value you own that will be taken if the loan is not paid back.

Prototype - A rough version of your product that will be hand made to test it and to also to show how your product works.

For More Information Related to this Topic See

- Should I have investors and what role do they have in my business? 3. *Access to Finance*
- Where do I get capital? 3. *Access to Finance*
- Where can I get grants and should I pursue them? 3. *Access to Finance*
- What are the kinds of investors and how do they work? 3. *Access to Finance*
- Should I ask for investments from my friends and family? 3. *Access to Finance*
- What is a partnership and should I take one? 3. *Access to Finance*

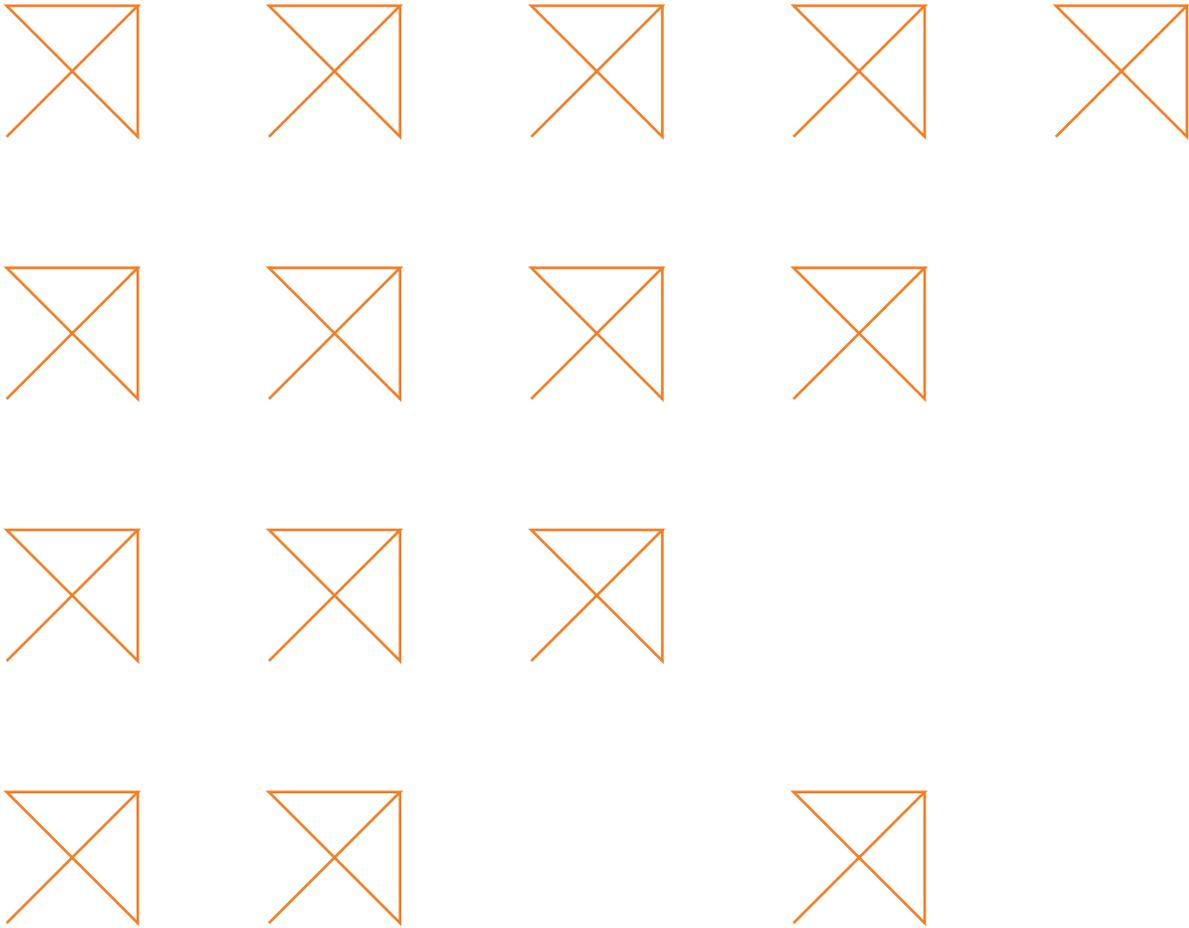
Additional Tools Available

Types of Capital Pros and Cons

Startup Costs and Growth Capital Worksheet

Approaching an Investor Checklist

Financing Options Summary



19.

What happens if I fail?

The Basics

Unfortunately, failure is a consideration and a challenge when you start a business. Addressing that challenge means that you will be focusing your time and energy on succeeding rather than failing. Risk is a necessary part of being a business owner. Without taking risks, you cannot earn the rewards.

Even though failure is difficult to accept, it is often a valuable learning experience that can benefit you in your next job or opportunity. The things you learn by starting your business are not often found when having a regular job in a traditional organization. As an entrepreneur, you will distinguish yourself from most other people working in organizations. There may be admiration for you because you were willing to take an idea and put that idea into action; most people prefer to play it safe. People most often look back at their lives having wished they perhaps should have taken a chance to do something they may have preferred for the focus of their lives.

It is important to keep in mind that many businesses fail, and that many wealthy and successful businesspeople have had businesses fail during their careers. Being an entrepreneur means taking that risk. There is no shame in failure here. Many entrepreneurs move on to start other businesses that are successful after they have failed, because they can use what they learned from earlier failures to be successful in the future.

Tell Me More

Take some time to think about things. Nobody can be successful every day, in everything—failure is unavoidable. Do not spend a lot of time thinking about the negative results. Sometimes, it is a relief when a struggling business ends or a failing product line must be eliminated. You may find it helpful to put an end to something that has become a drain on both your time and resources.

Do not blame yourself—remember even though your business failed, that does not mean you are a failure. Separate yourself from the business so you will maintain a positive feeling about yourself and your value as a person.

Once you have been able to keep emotions out of your thinking, take some time to think about the reasons your company was not successful. You can learn from the reasons you identified, making you a smarter businessperson for whatever is next. Some of the things to think about might be:

- Was your product or service of the same or better quality as other similar products/services in the market?
- Did you have enough customers?
- Were your customers happy with your product or service? Did they come back multiple times?
- Were you charging customers enough money to cover all of your costs and leave some profit for your business?
- Were you keeping track of your business finances? Were there any irregularities about how your money was paid to you by customers?
- Were your employees good – did they have the training and skills to perform their work well?

Take some time off for yourself. One of the problems of being an entrepreneur is that often you do not have any free time. Now that you do not have to devote every second of the day to your company, you can enjoy yourself. Whether that is going out to dinner with friends or taking a much-needed vacation, use your free time to give yourself some new energy and catch up on all the moments you might have missed out on in the past. By relaxing and taking some time for yourself, you might find the inspiration for your next business idea.

Glossary Terms from this Section

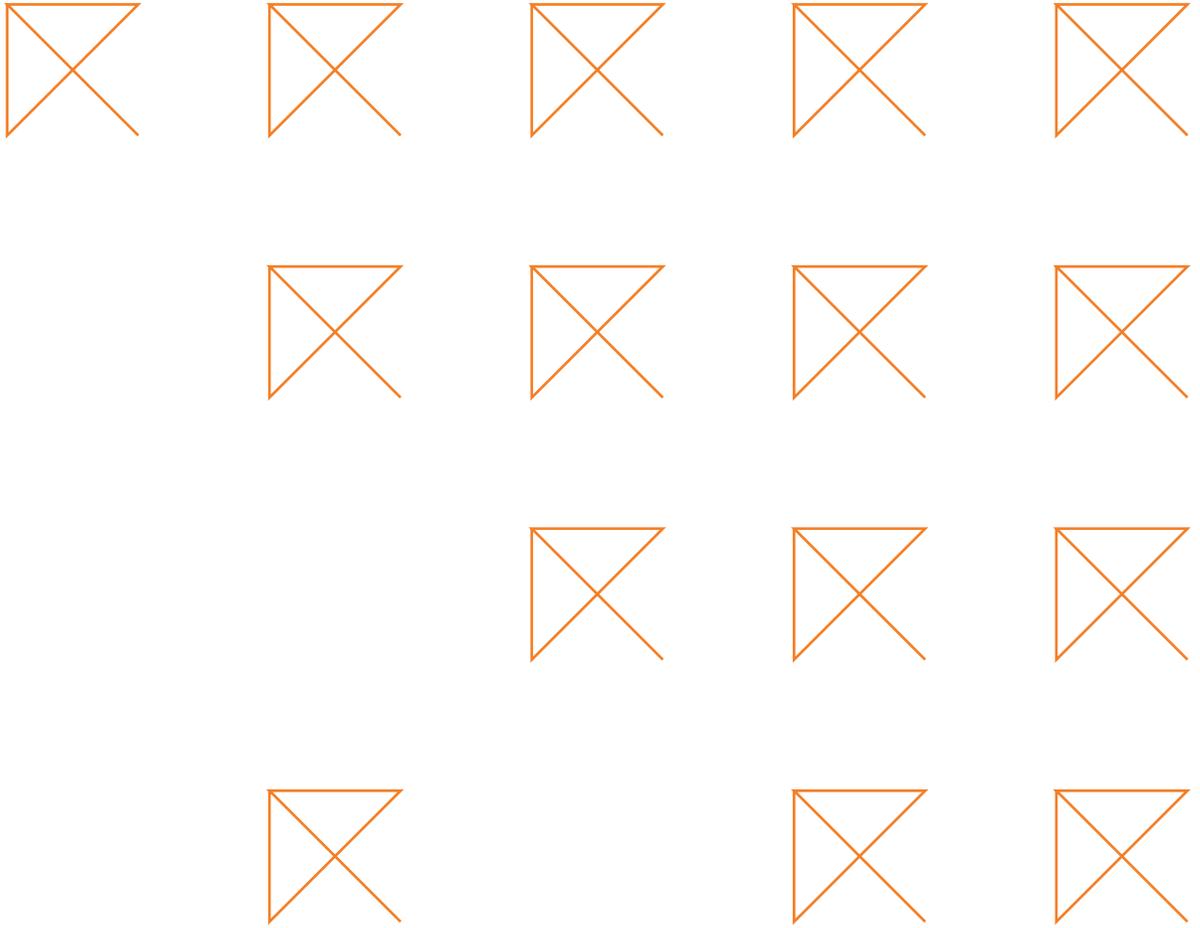
Entrepreneur - A person who organizes and operates a business or businesses, taking on risks in order to do so.

For More Information Related to this Topic See

- Is there a tool that can help me understand how to set a price and make a profit? 9. *Pricing*
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- How can I use a Profit and Loss statement to learn which part of my business is more profitable? 12. *Financial Management*
- What is break even and why do I need to know? 12. *Financial Management*

Additional Tools Available

Roadmap to Success Planning



Tools