

Buzzwords Entrepreneurs Need to Know

Like so many groups, entrepreneurs have a specialized vocabulary. When entrepreneurs communicate with their peers there are certain buzzwords used that need to be understood. We've compiled a list of eight of these buzzwords with simple explanations of their meanings.

Business Structure

There are five basic types of business structure. Choosing a structure for your business will depend upon the involved parties, operating plans, and taxable income. The following list will help you choose a balanced fit of benefits and legal protections.

Sole Proprietorship: A business owned and operated by one individual who has complete control and responsibility for the entity. Sole proprietors report business income on their personal tax return and are responsible for all liabilities, debts and losses.

Partnerships: Businesses established by two or more equally responsible individuals can be either general or limited partnerships. In General Partnerships the individuals are co-owners who accept equal shares of administrative responsibilities, operational profits and losses. Limited Partnerships require one or more General Partners and at least one Limited Partner. Limited partners are investors with no control over operations. A General Partner assumes all liability for the entity and reports all income on their personal tax return.

Limited Liability Company (LLC): Establishing an LLC allows Sole Proprietorships, Partnerships and Corporations to take advantage of the separation of business and personal liabilities. In an LLC all owners share tax responsibilities but are not personally liable for the business' debts. LLC regulations differ by state.

S Corporation (S Corp): With an S Corp profits and losses are recorded as personal income without corporate tax rates being applied. An S Corp is limited to no more than 100 shareholders and each must be a U.S. citizen. S Corp members avoid double taxation.

Corporation (C Corp): The law treats C Corps as independent entities. Corporations enjoy the strongest personal liability protection, shielding investors from corporate losses. A Corporation is the most complicated business structure but the best option for those planning to expand and add more than 100 shareholders. Corporations require detailed recordkeeping and IRS reporting. C Corps are strictly regulated and must comply with extensive tax requirements. Regarding taxation, C Corps are taxed both as a business entity and on each shareholder's personal income.

Due Diligence

As an entrepreneur, you must put in their due diligence before launching your business if you want to succeed. Due diligence includes researching all aspects of starting a business including structure, legal responsibilities in your state, bookkeeping systems, marketing strategies, etc. This is the research and planning stage of the process where a mentor can be a great help.

Mentorship

Service Corps of Retired Executives (SCORE): SCORE is a private, volunteer organization made up of retired business executives from a myriad of industries. Volunteers provide free counseling to help entrepreneurs achieve business goals. Members of SCORE have been mentoring entrepreneurs for more than 50 years through over 300 chapters nationwide. Mentors are successful business people who answer questions and help you launch your business plans free of charge.

Small Business Administration (SBA): The SBA is a U.S. government agency formed to provide "full-service programs and accurate, timely information to the entrepreneurial community." Meeting with SBA mentors can be free of charge. Other events and educational seminars are available for a nominal fee.

Business Capital

There are many ways to raise funds for your entrepreneurial endeavors.

Crowdfunding: Many popular websites have emerged in recent years to bring individual investors together with entrepreneurs. In return these investors often receive a sample of the product upon launch. Equity-based crowdfunding is just becoming popular although the Securities and Exchange Commission (SEC) regulates all equity-based investments.

Angel Investors: These investors are normally individuals who regularly finance emerging entrepreneurial endeavors. Implementing the assistance of an Angel Investor is often a bridge from self-funding to a level that requires and attracts venture capitalists. Angel Investments are often loans requiring repayment, but they can be negotiated for a portion of business ownership.

Venture Capital (VC): Venture Capitalists are investors who require a percentage of ownership and control in exchange for financing. Investments normally range from half a million to five million dollars although there are no regulated amounts.

Marketing

There are many types of marketing which all entail managing the exchange relationship in business. Marketing is the process of researching how to promote, sell and distribute your product or service. This process includes all aspects of bringing an idea to the market like packaging, pricing, promoting, advertising and more.

Business Networking

Forming relationships is paramount to business success. Networking with other entrepreneurs and small business owners can expand your customer base while providing you with the knowledge and wisdom of established entrepreneurs. You can find local Business Networking groups through social media and other online advertisements. Public Relations (PR), how people perceive you, is directly involved in the networking process.

Outsourcing

Rather than trying to handle every aspect of your business or hiring a large group of employees, entrepreneurs can outsource jobs. For instance, a small business might choose to hire an outside company to handle bookkeeping, advertising, computer services, etc.

Inbound vs Outbound Sales

A sale is defined as the exchange of a product or service for money. Outbound Sales, known as pull sales, would include cold calls and any other efforts to find and bring in clients. Inbound Sales, a.k.a. push sales, entail receiving phone calls from interested consumers, assisting them with their inquiries, taking orders and making appointments.