

6 things you should know before Starting a Business in Singapore

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Thinking of starting a business in Singapore? Not sure what you need to consider – what business structure, what business focus, where to set-up? This article will try to address some of these questions and more.

1. CLARITY OF PERSONAL & BUSINESS OBJECTIVES

First things first. Be clear about what you want to accomplish with your company. The obvious one is “To Make Lots of Money!”.

However, different entrepreneurs will have other reasons for starting their own business, e.g. flexibility of time, family issues, retrenchment, or simply waking up to the idea one morning wanting to just make a career change.

Being the “Captain of Your Own Ship” can be an exciting and fulfilling experience, however, it is also important to consider the impact and expectations of those around you – your family, partners, investors etc.

2. A SOUND BUSINESS MODEL & PLAN

Since you have already made up your mind to set-up a business, the next thing to think about is ensuring that you have a sound business model and business plan. A good starting point is to look at your team and the resources you have. It makes common sense to start a business on a solid ground, i.e. on what your team knows best and what you can realistically achieve with the resources you are starting with.

The next thing is to set-out a business plan that you can follow and that will guide you to success. It is thus important to have a business plan based on clear goals and objectives, a product or service with a unique selling point and the customer you want to sell to. (See Box for more details.)

3. FUNDING

What you can achieve, at least when you first start your business, is related to the amount of funding you have. You might be one of the lucky ones that can fund the whole business from the beginning, however, most would require equity partners, seed or venture funding, overdrafts and loans to get started. In Singapore, there are avenues to obtain funding through government programmes as well as venture capital or angel investor funding.

4. WHAT CORPORATE STRUCTURE?

There are several structures to choose from when setting up a business in Singapore. Here are some options to consider:

- The cheapest option is to register a Sole Proprietorship. While such a registration requires annual renewal, there are no other “maintenance” costs like corporate secretarial fees, tax fees, etc. The major drawback is the unlimited liability. In other words, if something goes wrong, you can be sued personally.
- The Private Limited company is a popular choice among many entrepreneurs as it offers shareholders limited liability. Creditors generally also prefer dealing with a Private Limited company as their accounts are filed with the authorities and this allows background checks to be done. Such a structure does come with additional costs like corporate secretarial fees, filing of annual returns and tax fees.
- There is an option between the Private Limited and Sole Proprietorship options. This is the Limited Liability Partnership (LLP) format. This offers the partners limited liability but with the operational flexibility of a partnership.

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- Business Objectives
 - Biz Model & Plan
 - Funding
 - Company Structure
 - Shareholders' or Partnership Agreement
 - Place of Business

5. SHAREHOLDERS' OR PARTNERSHIP AGREEMENTS

An important step before starting the business is to have an agreement drawn up. It helps everyone manage their expectations of the business, in terms of returns on investment, compensations, time and work to be put in etc. It also addresses issues like exit from the company and dissolutions, minimizing the possibility of a deadlock where partners cannot agree and liquidation is the sole option.

6. LOCATING A BUSINESS

Deciding on where to locate your business really depends on the type of business you are in and the number of people in your team. The most basic would be to start out with a Virtual Office service and progress to a full fledged office as you grow bigger.

GETTING DOWN TO BUSINESS...

It can be intimidating for any new start-up to take on the market incumbents. Here are some things to consider for your business to help you meet the challenges:

- **Do your research.** Check around, make sure that you have a business model that works. Look at the competition, figure out what they are doing right and what they are not doing right. Make sure you are clear of your target market.
- **Have a Unique Selling Point.** Whilst it does not guarantee success, it will at least allow you to defend your market position.
- **Relate Price to Quality.** Whilst it is necessary to build flexibility in your pricing, it is also important that your potential customer understands that they are paying for quality (level of service, product features etc).
- **Build Relationships.** Always take the time to understand what your potential customers needs are and his ability to pay. This will help later, when it pricing and terms of contract are spelt out.
- **Make Contracts Watertight.** It does not matter if you are an start-up, SME or large company. It is always important to be clear upfront when it comes to price and contract terms.

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