

A Guide to
Starting and Running
a Manufacturing Business

Product issues play a large role in your operation: parts or finished products, wholesale or retail, inputs and outputs. And financing such a large startup operation requires in-depth planning and plentiful resources. In addition, this industry tends to be heavily regulated by government authorities. These are just some of the special considerations of manufacturing businesses that will be outlined in this *Guide to Starting and Running a Manufacturing Business*, brought to you by BizFilings and Business Owner’s Toolkit®.

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Special Considerations for Starting Your Manufacturing Business

Join the wealth-producing sector of the economy.

Welcome to the world of manufacturing — the wealth-producing sector of our economy! Potentially the most complex of all commercial enterprises, manufacturing starts with raw materials or pieces or parts that may have little value in and of themselves. Through processes of fabrication and assembly, these pieces and parts are converted into useful products that, hopefully, will benefit many.

Starting a manufacturing business is not a decision to be taken lightly. It involves a substantial commitment. Often, manufacturing calls for a heavy up-front financial investment for specialized facilities, complex equipment and raw materials. Workers with special skills may also be required. You must ready yourself for a broad array of responsibilities to effectively coordinate the many steps of the manufacturing process.

Obviously, manufacturing processes come in all shapes and sizes. You may be able to gather all the necessary materials and fabricate them into a new product all by yourself using your hands and/or small hand tools. But you may require substantial machinery and equipment for various steps in the fabrication process and transportation equipment to move work-in-process inventory from step to step in the process. The size, complexity, and aggregate number of products you want to manufacture will all affect the way you plan your entry into the world of manufacturing.

What do you need to know before you begin? Before starting a manufacturing enterprise, you need to give careful consideration to a variety of concerns. You may have come up with a great product, but the choice to become a manufacturer involves a lot more than having the perfect product. You need to think through a whole series of related decision points. Ask yourself several questions to assess your readiness to move forward:

- Do I have what it takes to be a manufacturer?
- What product will I manufacture?
 - » How will I protect my rights to the product?
 - » What is the most effective method to manufacture my product?
 - » How much will it cost to produce my product; how much will my product sell for; what is my profit margin?
 - » What is the market for my product; who will buy it; how will I market my product?
- How can I finance my enterprise?
- What are my tax obligations and can I get incentives or tax breaks for starting my business?
- How will I protect myself and the business from liability risks?
- What other sources of information are available for manufacturing business owners?

Do you have what it takes to lead a manufacturing business?

Because a manufacturing enterprise requires such a commitment of time and energy and resources, you need to have confidence going into it that you have what it takes to succeed in the business. Your personality and skill-set must be geared toward effective leadership in the manufacturing environment? You must have the financial wherewithal to make the substantial capital commitment at the front end of the process while waiting for the payoff at the back end.

So you will have to ask yourself some questions before choosing to jump into starting and owning a manufacturing business. First, and possibly most important, are you an inventor/developer or a manufacturer/producer? Perhaps you have created a great new product, and you want to see it mass-produced. Do you need to be the one to produce it? Maybe your gift and passion is for invention and innovation. If so, maybe you want to seek out someone else with the gift and passion for manufacturing to produce your creations for you. Don't be a round peg trying to fit into a square whole. Don't let your pride tell you that you have to be the producer, too. There are easier ways to achieve your goal than becoming a manufacturer yourself.

If you are suited to be a manufacturer, consider this: Do you have the requisite administrative and managerial skills to coordinate the many people and processes that constitute a manufacturing enterprise? The skill set for manufacturing can be very different than the skill set for inventing. Make sure that you feel comfortable with the change in roles you will have to make as you transition into manufacturing.

Finally, do you have the financial resources — or access to the financial resources — necessary for a business that typically calls for a major, up-front investment in machinery and equipment and raw materials, and can't pay off until the manufacturing process is finished and the products can be sold? Preparing for this inevitable cash flow challenge is essential to the ultimate success of the enterprise.

Manufacturing product issues for startup businesses

Almost presumptively, if you are thinking of starting a manufacturing enterprise, you likely have a pretty good idea of what you want to produce. The product idea might be the driving force behind your starting a manufacturing business. Maybe you created the product, in which case you already know the product inside-and-out. Or maybe someone else created it, in which case you still need to be fully informed about it to have a chance for product success.

But just knowing the product may not be enough. Before making a significant financial commitment, you need to know that others will want to buy it. You may want to seek third-party evaluation of your product early in the development stage in order to provide evidence that the product is feasible.

You can contact others in the manufacturing industry or technical experts, and they can provide advice and consultation on your product. But be sure to protect the intellectual property rights of your product when sharing it with others.

You can also contact marketing firms to get market research done on your product and the market for it. You will need this information when executing your business plan, getting financing and generating sales.

A big part of your financial commitment is going to be wrapped up in the actual manufacturing process—the facility, equipment, materials and labor required to get a finished product. You have many options available when choosing your manufacturing production process. Making the right choices will be vital to your business's bottom line.

Finally, to recoup that startup investment in your manufacturing business, you will need to properly price your products. But in order to do that intelligently, you need to understand the various inputs into production costs. Manufacturing is a highly complex process with many steps to account for. Without an accurate per unit cost for your products, you can't make wise pricing decisions.

And understanding the individual costs of the various inputs of that overall per unit cost will allow you to engage in continuous improvement processes with the manufactured product and the manufacturing company as a whole.

Protecting your rights and your manufactured product

Early in the process of creating a new product you will want to protect your ideas and innovations from people who want to take advantage of them without giving you due credit (or due compensation!).

Non-Disclosure Agreements. When the business activity that you pursue requires you to provide confidential or proprietary information or trade secrets to another party, you may want to protect its confidential nature through the use of a non-disclosure or confidentiality agreement. Through such an agreement, you can obtain a legal commitment from the party to whom you disclose the information to keep it secret. Such an agreement can outline many facets of the agreement, including the information to be protected, the purposes for which it can be used, who is allowed to have access to the information, the measures to be taken to protect the information, and the legal obligation to keep the information confidential.

Non-disclosure agreements are routinely used when two business entities are considering entering into a business transaction together. Before a decision can be made, one party may need to understand the details of a manufacturing process or a specific product of the other that may constitute valuable trade secrets. Thus, confidentiality is essential. Such agreements are sometimes unilateral in nature (protecting just one party), while others are mutual (protecting confidential information of both parties).

Patents. Patent protection prevents others from copying, producing or selling your product without your permission. By federal law, any person who “invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent.” You can obtain a patent to protect your invention for a period of 20 years by filing an application with the U.S. Patent and Trademark Office, www.uspto.gov. Technically, a patent gives you the right to exclude others from making, using, offering for sale, or selling your product in the United States, or importing the product into the United States.

The ‘right to exclude’ sets the stage for your own, exclusive manufacturing of your product or, if you so choose, to give one party or multiple parties permission to make, use or sell your product through licensing agreements or joint venture arrangements.

Trademarks and Service Marks. While pursuing protection for your product, you may also want to protect a logo, a business slogan or a brand name that you intend to use. A trademark or service mark includes any word, name, symbol, or design, or any combination thereof, used or intended for use in commerce to identify and distinguish the goods or services of one provider or seller from goods or services provided or sold by others, and to indicate the source of the goods or services. In short, a trademark or service mark is a brand name.

You can establish rights in a mark simply by using the mark legitimately. However, owning a Federal trademark registration provides greater legal protection to your mark. Similar to patent protection, you can register your trademark or service mark by filing an application with the U.S. Patent and Trademark Office, www.uspto.gov.

Choosing your production process

As you begin to consider your options for manufacturing your new product, you might be surprised by the various choices you can make. Of course, if you are ready, willing and able to jump in with both feet, you can start and run all of your own production processes. But you also have the option of outsourcing either some or all of the steps of production.

As an alternative to beginning a manufacturing operation from scratch, you may want to work with other people or businesses that can perform some of the operations in the process. Perhaps you want to have various parts made for you by other parties while retaining for yourself the responsibility for assembly of the final product. Or perhaps you want to make parts that can be assembled by someone else.

You will want to structure your methods of production in a way that makes sense for your product. You can choose between three basic methods of end-to-end production — the job method, the batch method and the flow method. Or you can segment the processes among various parties or enterprises in a flexible manufacturing network.

End-To-End Production. Here are your options:

- **Job production** calls for one person, or a few persons working together, to perform the entire production process. For example, teddy bear production can be done by giving one worker all the necessary raw materials and tools to make a teddy bear from start to finish.
- **Batch production**, on the other hand, allows for more specialization, and there may be different workers doing different tasks as batches of parts or pieces are completed. With our teddy bear example, one person may cut the cloth, another may sew, another may stuff the bear, and another may attach the eyes and nose. This might be done in batches so that bears can be produced in different colors and designs.
- **Flow production** can be visualized by thinking of your typical assembly-line system. The product is built up through many segregated stages, and after each stage it is passed directly to the next stage where it is built up again. It is similar to batch production, except that it is

typically broken down into smaller, simpler tasks that are performed by different workers one right after the other (or performed by machines along an assembly line). Henry Ford introduced this style of production to the automobile industry.

- **Manufacturing Process Management (MPM)** is a collection of technologies and methods used to define how products are to be manufactured. A cornerstone of MPM is the central repository for the integration of all these tools and activities, which aids in the exploration of alternative production line scenarios. This can make assembly lines more efficient with the aim of reduced lead-time to product launch, shorter production times and reduced work-in-progress inventories, as well as allowing rapid response to product changes.

Flexible Manufacturing Networks. Doing it all on your own isn't always the best option. Collaboration with other companies can often achieve better economic results than going it alone. Flexible manufacturing networks allow businesses to develop joint solutions for shared challenges/opportunities. Networking firms can combine resources to gain economies of scale; share knowledge, technologies and resources; and enter markets beyond their individual capability.

Large firms often outsource some component fabrication and sub-assemblies to improve their flexibility in meeting customer requirements. Consequently, they look for smaller, specialized producers to supply their parts. These smaller firms would not have the capacity to produce the whole product, but are fully capable to perform a key role in the supplier network by providing parts to the companies completing the assembly. Thus, it is wise to learn to combine your core competencies with those of other manufacturers.

Other Considerations. Once you've made your decisions regarding the production process itself, there are related issues to consider:

- Purchasing Your Production Inputs
- Planning Your Logistics

Purchasing your production inputs

Effectively acquiring and managing your inventory of raw materials for production and assembly is vital to an efficient manufacturing process. And it is a balancing act.

One key goal of purchasing and inventory management is to make sure you have all the necessary production inputs when you need them, so there is no delay for want of parts. Another key goal is to minimize your inventory on hand in order to minimize your investment in that inventory and the need for warehousing facilities. In short, coordinating your purchasing of your raw materials with your production plans is crucial to your success.

There are two major control factors that will be helpful for optimizing your purchasing plan and minimizing your cost of purchasing and storing inventories of raw materials. First, determine the order quantity — the size and frequency of your orders. Second, determine the reorder point — the minimum level of inventory on-hand when you need to order new inventory. You can use an ***Economic Order Quantity*** (EOQ) formula to compute the minimal annual cost of purchasing and storing each input item.

Two relatively new trends in purchasing production inputs are worth noting. First, ***Material Requirements Planning*** (MRP) is an effective method for managing inventory when your production process involves fabrication or assembly of several component parts. It is an information system through which materials are more closely scheduled, delivery times are shortened and more predictable, and the levels of on-hand inventory are reduced.

Just-in-time inventory management is a management approach that attempts to minimize inventory rather than optimize it. Inventories are reduced to as little as possible — even to same-day requirements. Set-up times and lead times are reduced so that smaller quantities can be ordered. This puts pressure on suppliers to act faster and to make more deliveries in a time sensitive environment.

Planning your logistics

Moving stuff from one place to another sounds like a simple matter. But in a manufacturing enterprise, the logistics can be complicated. Bringing inputs into production, moving work-in-process through the steps of production, and distributing finished products after production raise some of the most complicated challenges.

So the key to a successful production process is effective logistical planning. You need to take logistics into account as you plan the location of your facilities, as you choose your suppliers, and as you target particular markets. Getting inputs where you need them when you need them is essential.

In the end, controlling the costs of moving inputs and finished goods affects the price at which you can sell your products and the profitability of your business. Maximizing this efficiency is an ongoing requirement of a successful manufacturing business.

Pricing and production costs for your manufactured products

While cost accounting is important in all types of business, it is particularly important in manufacturing where a complex combination of fixed, variable, direct and indirect costs have significant impacts on the profitability of the enterprise. Tracking the wide variety of costs, and organizing and using the information for effective decision making is truly essential for manufacturers.

Cost accounting can help you develop a clear picture of the per item cost of production under various scenarios so that you can produce at the optimum level. With this detailed information on production costs, you'll be able to properly analyze the minimum pricing of your products for the market.

Cost accounting in its most basic form divides costs into categories based on two sets of characteristics. Costs are either direct or indirect in relation to the production process, and are either variable or fixed in relation to the quantity of products being produced.

- **Direct costs** are those incurred directly in the production of your product. Raw materials and production labor are the clearest examples of direct costs, along with the costs for the manufacturing machinery and equipment (or the depreciation thereon). Some of the costs for power, supplies, fuel and such can also be classified as direct costs.
- **Indirect costs** relate to administrative or support functions rather than directly to the manufacturing process. Costs related to the business office, quality control, depreciation of facilities and equipment, and many other items are treated as indirect costs.
- **Variable costs** are those costs that change as the volume of production is adjusted. Raw material costs and production labor costs typically are proportional to the amount of products produced. The cost of utilities and fuel used directly in the production process also tends to be variable with production levels.
- **Fixed costs** do not vary with production levels. The investment in facilities and machinery and equipment is a fixed cost. Overhead costs generally are fixed rather than variable, though some aspects of overhead have both fixed and variable components.

In applying cost accounting to manufacturing, three combinations of these characteristics are taken into account: direct variable costs, direct fixed costs, and indirect fixed costs. By blending the different types of costs together using the cost accounting model, you can calculate a 'standard cost per unit' which you would expect to attain for your products under normal production conditions.

Marketing and the market for your manufactured products

Before you even begin to manufacture, you need to have a pretty good idea of who will buy your products. You may have a great product, but if no one wants it, producing it isn't going to do anyone a favor.

Therefore, give thought to your target audience, and do your homework to see if your audience will really buy your product. Defining your target audience will help you to define your marketing methodology.

As with other aspects of your business, you will have several options to choose from when developing the methodology for marketing your products. The nature of your product will probably determine whether you want to sell retail or wholesale. How broad a market you envision will also play a role. If your target market is narrow, then perhaps you have the time and wherewithal to conduct direct sales activities yourself. But if there is a broad market, you may want to sell to wholesale buyers who will then sell to your ultimate end-customers.

Of course, you can take on the responsibility yourself for the sales of your product. But if selling is not a strong suit for you, you can hire experts. You can choose an in-house sales force to direct the efforts if you have sufficient finances. However, manufacturers in the United States routinely use contractual relationships with manufacturer's representatives to replace or to supplement in-house sales operations. Using a workforce of contractual representatives is an efficient and cost-effective way to sell products, hence the popularity of this model.

If you are producing consumer products, you may want to consider whether you want to establish either a wholesale or retail outlet. However, if you want keep your focus on production, selling to existing wholesalers or retailers represents a simpler path.

Financing your manufacturing startup

Because of the high front-end cost of starting a manufacturing enterprise, the issues dealing with financing are all-important. You need to find ways to attain the financing you need right now even though the return on investment may take some time to develop.

The sources of financing are varied, and you will likely take advantage of several opportunities in different combinations. These financiers might be public sources, private sources, or the suppliers or customers with whom you intend to do business.

Public Options. To investigate financing for your new manufacturing enterprise, you will want to check the web site of the economic development department in any state where your business is physically located. These resources usually provide a wealth of useful information about the grant programs, loan programs and tax incentive programs available for new manufacturers starting a business in the state. You should also check the web sites of the states' manufacturers' association. They, too, are excellent resources on both tax matters and economic development financing opportunities.

Many states have small business incubator programs that bring new, entrepreneurial businesses together in a shared facility. Participation in such a program, if you can qualify, could help you to obtain cost-effective facilities for your new operation. Other state government programs may provide other financial support for your new business.

Participation in an incubator program can work like an endorsement, leading to opportunities for securing other loans or grants. Loans backed by the U.S. Small Business Administration or a state agency are available at low rates of interest. Some states have legal authority to lend or grant the proceeds from the issuance of tax-exempt bonds to small manufacturers for use in acquiring equipment or facilities.

Private options. As a manufacturer, your greatest up-front cost is likely to be the acquisition of your manufacturing machinery and equipment. Seeking financing from a leasing

company may be your best option for obtaining the funds for such equipment. Leasing the equipment will allow you to pay the costs over time instead of in an up-front lump sum. One advantage of leasing is that little or no down-payment will be required for a lease. Loan provisions often require as much as 25 percent of the cost down to receive the loan.

Don't ignore the possibility of regular bank financing, either. Just because you are running a startup operation, it doesn't mean banks won't be interested in lending to you. If you can show a bank that you have had success attracting funds from other sources, or that you are a participant in a special program like the incubator described above, or that your business plan provides strong reasons to anticipate success with your endeavor, then you have a chance for a bank loan. This may be true particularly if you have developed any kind of a prior personal banking track record with the bank from which you seek the loan.

Supplier or customer financing. In addition to the leasing option noted above, the manufacturer/supplier of the manufacturing equipment you purchase may have special financing programs that it would make available to you as its customer. It's in the interest of your supplier to help you to make the purchase, so check to see what options might be available.

Also, on the other end of the supply chain, you may find that you can cover some of your financing needs with the help of your customers. If you will be making a product that certain customers especially need or want, they may be willing to help finance your business. If they need your products and have funds available to invest, then lending you money so that you can produce what they need could seem like a good investment. A less formal method of financing through a customer might involve a prepayment for products to be produced and delivered at a later date. This sort of financing is only likely to occur if the customer really needs the products you will produce and has the available funds to make the "investment" up front.

Tax issues and tax breaks for your manufacturing business

Entity Choice Determines Tax Obligations. There are many reasons and implications for choosing a formal entity type for your new manufacturing startup. Among them is the need for limiting liability in your business and protecting your assets. But this choice also has major tax implications.

Some entities, like limited liability companies (LLCs) and S corporations, are considered pass-through entities, meaning the company's profits are taxed on the owner's individual income tax returns. The corporate form, on the other hand, is considered a separate entity, so it pays its own taxes and files its own returns.

Of course each formal entity type has its own set of filing and record-keeping obligations that go beyond just tax reporting. So there is more to this choice than just tax considerations. But when determining tax issues for a manufacturing business, it starts with how the business is formally organized under law.

Potential Tax Breaks. Because they play such an important role in the economy (and in job creation), manufacturers hold a place near and dear to the hearts of elected officials and governments. As a result, you will want to do a check on the economic development and tax laws in your locale to see if there are ways you can benefit as you start your new enterprise.

Oftentimes, state and local governments provide tax breaks for new manufacturers, such as property tax and sales tax breaks in enterprise zones and tax increment financing (TIF) districts. Most states offer a sales tax exemption for the purchase of manufacturing machinery and equipment.

Also, both state and federal tax laws will typically provide tax credits for research and development costs as you innovate and come up with new products. You can find special accelerated depreciation and expensing rules for manufacturing machinery and equipment in the federal tax code. And most, but not all, states allow these accelerated expensing methods to apply in calculating state income tax liability, as well.

If you are choosing between potential locations in different states to start your business, you will want to check the web sites of the economic development department and the revenue department in each state. These resources usually provide a wealth of useful information about the tax implications of starting a business in the state.

You should also check the web sites of the states' manufacturers' association, which will likely serve as excellent resources on both tax matters and economic development financing opportunities within their states.

Limiting your liability and protecting your assets for your manufacturing business

A manufacturer, almost more than any other type of business, must take liability issues into account in considering the type of business entity to establish and the type of insurance coverage to maintain. Manufacturers just have a lot more to worry about, including the potential dangers in a manufacturing workplace and the harm that may occur to consumers using the manufactured products.

First, when setting up any business, you will generally want to protect your personal assets from potential liability resulting from the obligations of the business. Because of the higher risks of liability in manufacturing, protecting your personal assets is all the more important. Typically, a corporation or a limited liability company entity type is chosen for doing business. These forms of organization provide the most complete protection from personal liability for the obligations of the business.

To protect the assets of the business, you will want to have insurance that will protect the company from potentially devastating tort claims. In product liability cases, a company can be held strictly liable for the safety of its products.

Defects in either the design or the manufacture of the product can result in substantial claims if people are harmed as a result of using your products. Even an insufficient warning about the potential dangers of a product can result in strict liability for any harm that results from its use. Thus, getting adequate product liability insurance is essential as you start up your business, in addition to all the usual types of insurance purchased by small business owners.

Finding other manufacturing information resources

When you are just entering into a new business venture, especially one that can be as complex as manufacturing, you want to gather as much information as you can to identify the steps for getting started. Resources are readily available through industry organizations, and you'll find many members of the industry eager to assist you as you enter the field.

Perhaps your best first stop would be your state manufacturers' association. For networking with other manufacturers and for more focused assistance on issues in your geographic area, the state or local associations may be able to provide more of the help you need. Next, you can find helpful information on a national level through the National Association of Manufacturers, www.nam.org. You may also find some useful information and contacts at the Association for Manufacturing Excellence, www.ame.org.

Another important contact to make as you are starting your new business is with your state's or city's economic development department. Most of these departments have units specifically assisting small businesses as they startup operations. They can provide information regarding incentive programs, loan and grant programs, and tax benefits that may be available as you begin your new business. Often, they can provide incentives for locating a business within their city or state. They can identify enterprise zones or TIF districts where there are favorable tax consequences for setting up a business.

Manufacturing and Services (MAS) is a unit of the International Trade Administration within the U.S. Commerce Department. It is dedicated to enhancing the global competitiveness of U.S. industry, expanding its market access, and increasing exports. On its website at www.manufacturing.gov you can find links to assistance for manufacturers offered by the federal government, state and local governments, and industry associations.

Special Considerations for Running & Growing Your Manufacturing Business

Once your manufacturing enterprise is up and running, don't begin to think that your work is over. It's really just begun. And if you want to maintain and grow your business, you will need to stay focused on continuing improvements to your products and your process.

Innovation is Key to Continuing Success. Make sure that the product or products you manufacture continue to attract a growing audience. The most damaging thing you can do is to continue making a product that is steadily growing obsolete. Innovation and updating are key to the ongoing success of your products. To excel at manufacturing you must become a master of innovation. Can you envision a new use for your product? Can you see how to make a minor change in your product that will bring it new attention or make it more efficient? Keep alert to the principles of continuous improvement. Listen to your customers. If you have good communication with your customers, you can more effectively make changes that they believe would be beneficial.

Just as innovation applies to your products, it also applies to your production process. Can you look at your current methods of production and see ways that it can be improved

and made more efficient? Are there ways to improve quality control? Can costs be reduced by streamlining the procurement process? The production process? The distribution process? Keep looking, and don't be shy about making changes that will improve the process or reduce the costs. Remember, if you can cut the costs while maintaining the quality of your product, you will be more competitive.

Concentrate on These Issues. Many of the special considerations for starting a manufacturing business continue or evolve as the business matures. Moreover, new issues emerge. You may want to make plans to address these situations as your manufacturing business succeeds and grows.

- Don't Ignore the Lifecycle of Your Product
- Distinguishing Yourself from the Competition
- Complying with Regulations, Labor Law and Intellectual Property Law
- Growing Your Business with Exports

Don't ignore the lifecycle of your product

Ongoing research and development on new products or new uses of existing products usually leads to the path for manufacturing success. There is a standard cycle of product development — a lifecycle for products. And it can be broken down into phases.

- In the evaluation and development phase, before production even begins, you limit and focus your investment on research and development.
- In the introduction phase, you invest in production and begin to build up and maintain an inventory of finished goods as you begin to sell products.
- In the growth phase, you begin to focus your investment in marketing, expanding your markets and your sales (this is the phase where sales levels will peak).
- In the mature phase, you begin to focus on maximizing profits in a developed and relatively stable market.
- And, finally, in the decline phase, you must change your focus to minimizing your losses as the product loses popularity and sales slacken.

By the time your product reaches the phase of decline during the mature phase, you must begin a new cycle of investment for a new or improved product that can generate a whole new lifecycle. If you don't pay attention to the lifecycle of your products, and if you don't focus on innovation and development of new and improved products, the lifecycle of your entire business will be cut short.

Distinguishing yourself from your competition

You should strive to create a unique identity for your manufacturing business in the marketplace. Your customers need to recognize that your product is different in some way from other competing products. You need to show that your product has benefits that the other products can't offer. Simply put, you must give customers a reason for buying your product instead of another product.

It helps, too, if your customers see something unique and special about you and your company, not just about your product. The way you operate your business and the way you relate to customers offers additional opportunities to extend the distinctiveness of your entire enterprise. It takes a combination of character and capability to make an impression on your customers. Just like you must give them a reason to buy your product, give them a reason for doing business with you and your company. This is the best way to distinguish yourself from the competition.

Of course, you can't stop with just focusing internally. You will need to keep a close eye on the competition so you can keep meeting the needs of the marketplace. A steady program of competitive research will pay dividends in the operation of your enterprise. You can follow or copy, or you can innovate and respond to your competitors' activities. But you must know about them first.

Complying with regulations, labor law and intellectual property rights

Regulatory Issues. Health and safety concerns are significant in a manufacturing enterprise, particularly in a setting where heavy equipment and dangerous chemicals and compounds are in use. Don't allow a lapse of regulatory compliance or a lapse of safety-consciousness spell disaster for your company. Be certain that you know your regulatory obligations and take all steps necessary to protect your workers and your customers from danger.

- Comply with the employer's obligations under OSHA (Occupational Health and Safety Administration), and keep your workplace safe, www.osha.gov.
- Make sure that you have appropriate workers' compensation insurance to cover any workplace accidents or injuries.
- Be particularly aware of product liability concerns. Have adequate insurance coverage to protect you from potential liabilities.

Labor Law Issues. As your manufacturing business takes on more employees, the company will be subject to more and more labor laws, at both the federal and state level. With each added layer of complexity, costs and compliance requirements increase. In some cases, you might want to manage growth versus the added burdens, and make decisions about expansion accordingly.

Your company will likely have to expand its human resources operations to handle the many moving parts of a business with a growing workforce. You don't want to run afoul of labor laws, and there are many ways to do so. Instituting and affording greater compliance measures for your workers is a necessary part of growth and success.

In addition, manufacturing is a heavily unionized industry. If you don't start your enterprise with a unionized staff, a time is likely to come when the issue of unionization is raised. Educate yourself on your rights as an employer and on the rights that your employees have to organize (or to object to organizing).

A positive relationship with your workers will be one of the most essential factors to the success of your enterprise. Do

everything you can to start off on the right foot with the workers you hire. Take care in your hiring practices to seek the best possible workers and follow all applicable labor laws.

Intellectual Property Laws. With respect to both products and production processes, be careful to protect your intellectual property with patents and trademarks. Do your best to protect your proprietary secrets and processes. Make sure your employees do the same, potentially through contractual arrangements. Your vendors, suppliers and potential partners should be held accountable through non-disclosure agreements.

With each new innovation or improvement to your product or process, make sure you obtain patent or trademark protection for it. Defend your products and processes from unauthorized use by another through legal action if necessary.

Growing your business with exports

The world has become a much smaller place in recent years, and it is as easy to communicate halfway around the world as it is to communicate halfway around the block. As a result, there are opportunities to open markets and expand sales in places you never dreamed of.

One entrepreneur started a manufacturing business in his basement a few years ago making specialty pick-ups for electric guitars, and overnight became an international businessman selling many of his products to Japan and other international locations. If you have a web site through which you can market, and a product that is recognized for its unique value, you can capture an audience and a customer base anywhere.

Because of exchange rates, it may even be an advantage for buyers in Europe and elsewhere to buy American products, as they can get more for their money. So don't ignore the potential of an international market for your products. Talk with industry or government representatives about opportunities for exporting.