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Setting Up Your Own Business: Have You Thought About...?

Carol Thayer, Extension Specialist, Small-Scale Entrepreneurship

There are a number of different reasons for starting a business. Some individuals are interested in "trying something new." Others work to solve a problem or meet an expressed need while still others want independence. Some are trying to increase their income. Whatever your reasons for going into business, you must do so with your eyes open. Being your own boss may be a welcome change for you, but be prepared to work harder and longer hours than you do as an employee. While your working hours may be more flexible, don't count on taking a day off or going on an extended vacation at any time you want. Especially during the first year or two, you'll be too busy. Working 70-80 hours per week is not unusual as you are getting a business started.

Attaining success in a small business should not be left to luck or to chance. Planning and preparation are essential for the long-term journey called "going into business." Examine your own motives, be sure your goals are realistic, and plan carefully to avoid becoming discouraged and disappointed.

List the advantages and disadvantages of owning and operating your own business. The following ideas may help you get started as you prepare your list. If you are like most people, it's likely you haven't thought as much about the downside potential of going into business as you have about the bright side. You need to consider both.

Advantages

- Being your own boss.
- Having the independence and authority to make your own business decisions.
- Realizing greater feelings of self-worth; seeing the results of your creativity develop and expand.
- Having flexible working hours.
- Earning supplemental income and building equity.
- Enjoying direct contact with customers, employees, suppliers, and others.
- Having opportunities to be creative and develop your own ideas, products, or services.
- Making a living doing something you truly enjoy.
- Creating a common cause for the whole family.

Disadvantages

- Financial risk. Don't underestimate how much it will cost to start your new business. Fight hard to get the best prices on things you buy.
- Long, hard hours. Count on 10- to 12- or even 15- hour days, six or seven days a week. The work does not stop when you leave the business. There are many things that must be done after business hours.
- Very little spare time for family and social life.
- Variable, possibly low spendable income. Don't overestimate first-year profits. Profits may need to go right back into the business.
- The buck stops with you. You are the boss and all the responsibility is yours.
- As the business grows, the amount of time spent on non-business activities you enjoy may go down. You will spend more time on personnel matters, legal issues, tax management, etc., and less on doing what you wanted most to do in your business. After making a list of the advantages and disadvantages of going into business, consider your knowledge related to these three areas of the business you will be starting:
 - Marketing
 - Technical skills
 - Financial

Marketing

Before starting your own business or buying an existing business, ask yourself whether you know and understand the market for the products or services you intend to sell. If your product or service is something new or unusual, try to find out whether it is wanted and needed in the marketplace. Even if you intend to sell a product or service that you know is needed, satisfy yourself that you are going to be making it available at the right place, at the right time, at the right price.

If you are buying an existing business, investigate product quality, price competitiveness, delivery and service reputation, and the image the company has with its current and past customers.

Technical Skills

It's a great advantage if you know a lot about the business before you start. Even if you don't, it is possible to learn by doing, but the learning can be difficult. Often, the most successful businesses are started by people who have worked in a particular line of business for years, then decide to try to make it on their own.

Experience working in any type of business will have carryover value. If you do not have business experience, you will have lots of things to learn. If you know you lack the technical expertise you need, consider getting a job in the industry for a few years so you can learn what you need to know.

Financial

In as much detail as possible, calculate the income and expenses you can reasonably expect during the first year or years of business operation. Don't forget to include your living expenses and a reserve for emergencies.

You need enough money to last until the business becomes profitable. There are usually many expenses involved in starting up almost any kind of business. Plan your cash flow for the first year of business. If

it appears you will need to borrow or raise money to keep the business operating until it shows a profit, it is good to find out well in advance. Doing so will give you time to prepare a strong presentation to the prospective lender.

Take a careful, logical, systemic approach when starting your business. When things go well, you will be glad you did.

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