

# What It Takes to Start Your Own Business

This handout is based on *Let's Write Your Business Plan* and *Building Your Future in Self-Employment*, step-by-step workbooks written and published by Ginny L. Kuebler Robert. For more information about these workbooks and the companion template for developing financial worksheets, please visit this website: [www.BusinessPlansThatRock.com](http://www.BusinessPlansThatRock.com) - or, send e-mail to [ginnyrobert45@gmail.com](mailto:ginnyrobert45@gmail.com).

## The Advantages and Disadvantages of Self-Employment

To determine if self-employment is an appropriate career choice, you must candidly and realistically consider both the advantages and disadvantages. Carefully review the following factors.

### Advantages

- **Personal satisfaction**

You will derive personal satisfaction from:

The opportunity to work daily in a line of business that you find interesting and enjoyable.

Your ability to support yourself and your family without relying on others.

Your contribution to your community – supplying needed products or services, supporting other local businesses and, if applicable, providing employment for others.

- **Independence**

As a self-employed person, you are the boss. Other than complying with legal regulations, you have total freedom from the control of others in making decisions about your business.

- **Challenge**

Because you are the boss, you are responsible for every aspect of your business. This diverse responsibility will challenge you to manage your work efficiently and effectively, using all of your knowledge and skills

- **Job security**

As long as your business is successful, you are assured of employment and income. You are not at risk to be transferred, laid off or forced to retire.

- **Profit potential**

You may be able to increase your personal income by investing more time, energy and creativity in your work, which is often not true when you work for someone else.

## **Disadvantages**

- **Large amount of responsibility**

Because you are the boss, you must assume responsibility for all aspects of your business. Even if you delegate certain tasks to employees or outside professionals, such as accounting, you are still in charge. Remember that, "*The buck stops with you.*"

- **Strong impact on your personal life**

Because of your level of responsibility, you are often required to handle a variety of tasks simultaneously, work long hours and deal with difficult situations, such as asking customers for late payments or firing employees. These factors will cause stress in your life, which will impact your family.

To cope with long hours and stress, you need physical stamina, self-motivation and patience, as well as understanding and cooperation from your family and friends.

- **Lack of benefits**

As a self-employed person, it may be difficult to provide for yourself the benefits you enjoyed as an employee, such as health insurance and a retirement plan.

- **Risk of business failure**

According to the U.S. Small Business Administration, 50% of all new businesses fail within the first five years of operation, and 80% fail within ten years.

Therefore, you may be risking considerable time, energy and money to pursue self-employment.



**Exercise 1**

**Which of these advantages appeals to you? Briefly describe why.**

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**Which of these disadvantages concerns you? Briefly describe why.**

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## Exercise 2

Yes    No

### Initiative and Persistence

- \_\_\_    \_\_\_ Are you self-motivated?  
\_\_\_    \_\_\_ Are you comfortable in a leadership role?  
\_\_\_    \_\_\_ Do you accept responsibility for your actions?  
\_\_\_    \_\_\_ Are you persistent even when you experience major  
disappointments or failures?

### Self-confidence and Positive Attitude

- \_\_\_    \_\_\_ Do you have a strong, positive self-image?  
\_\_\_    \_\_\_ Do you believe in your business idea?  
\_\_\_    \_\_\_ Are you optimistic?  
\_\_\_    \_\_\_ Do you maintain a realistic perspective on life?

### Organizational Ability

#### Ability to Handle Stress

#### High Level of Energy

- \_\_\_    \_\_\_ Do you plan ahead?  
\_\_\_    \_\_\_ Are you comfortable and productive working alone?  
\_\_\_    \_\_\_ Can you handle more than one task at a time?  
\_\_\_    \_\_\_ Do you set realistic goals and timetables?  
\_\_\_    \_\_\_ Do you have the discipline to follow a set of self-imposed rules?  
\_\_\_    \_\_\_ Do you work well under pressure?  
\_\_\_    \_\_\_ Do you have the physical ability required for your line of business?  
\_\_\_    \_\_\_ Are you prepared to work long hours?  
\_\_\_    \_\_\_ Do you have the support of your family?

### Ability to Solve Problems and Ability to Make Good Decisions

- \_\_\_    \_\_\_ Can you pinpoint the source of a problem?  
\_\_\_    \_\_\_ Can you accurately assess problems and identify possible  
solutions?  
\_\_\_    \_\_\_ Can you make a decision and not waiver from it?

### Flexibility and Creativity

#### Willingness to Take Moderate Risk

- \_\_\_    \_\_\_ Are you flexible enough to deal with the unexpected?  
\_\_\_    \_\_\_ Are you receptive to new ideas?  
\_\_\_    \_\_\_ Are you willing to listen to the criticism of others?  
\_\_\_    \_\_\_ Do you have original ideas?  
\_\_\_    \_\_\_ Are you unafraid to try something new?  
\_\_\_    \_\_\_ Are you and your family willing to take a financial risk?

### Experience in Your Line of Business

It is important for you to have the knowledge and technical skills required in your line of business. In evaluating this factor, consider experience based on previous employment, hobby-related experience, volunteer work or involvement in a family business.

### Exercise 3

Yes    No

- |                          |                          |  |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Have you been self-employed in this line of business or one that is similar?             |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have education or training in your line of business?                              |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have experience based on previous employment?                                     |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have hobby-related experience in your line of business?                           |
| <input type="checkbox"/> | <input type="checkbox"/> | Have you done relevant volunteer work in this field?                                     |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have experience through similar small businesses owned by family or friends?      |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have the technical skills necessary for the type of business you are considering? |
| <input type="checkbox"/> | <input type="checkbox"/> | If not, do you have a plan to learn these technical skills?                              |

### Business Management Skills

Another requirement of successful self-employment is the ability to organize and manage your business. In evaluating this factor, consider your management education, training, on-the-job experience and inherent skills.

As a small business owner, you are responsible for all five functional areas of your business: (1) operations, (2) marketing, (3) accounting, (4) finance and (5) human resource management. Even if you delegate these functions to someone else, you are ultimately responsible for them. It is common to have strengths in some areas and weaknesses in others. The key to success is to:

- Recognize your strengths and capitalize on them.
- Acknowledge your weaknesses and compensate for them by getting additional training, working with a partner or hiring employees or outside professionals.

## Exercise 4

**For each business management skill, rate your level of performance according to this scale:**

5 = outstanding  
4 = fairly strong  
3 = average

2 = not strong  
1 = weak  
0 = not applicable (never used this skill)

\_\_\_\_\_ Analyze data  
\_\_\_\_\_ Anticipate problems  
\_\_\_\_\_ Ask appropriate questions  
\_\_\_\_\_ Clarify expectations  
\_\_\_\_\_ Communicate in writing  
\_\_\_\_\_ Communicate verbally  
\_\_\_\_\_ Conduct meetings  
\_\_\_\_\_ Control inventory  
\_\_\_\_\_ Delegate  
\_\_\_\_\_ Develop contingency plans  
\_\_\_\_\_ Develop marketing strategies  
\_\_\_\_\_ Develop policies/procedures  
\_\_\_\_\_ Encourage cooperation  
\_\_\_\_\_ Establish credit with vendors  
\_\_\_\_\_ Follow a plan of action  
\_\_\_\_\_ Handle customer complaints  
\_\_\_\_\_ Interpret financial statements  
\_\_\_\_\_ Maintain financial records  
\_\_\_\_\_ Make formal presentations  
\_\_\_\_\_ Make good use of resources  
\_\_\_\_\_ Make sound decisions

\_\_\_\_\_ Manage multiple priorities  
\_\_\_\_\_ Motivate others  
\_\_\_\_\_ Persuade others  
\_\_\_\_\_ Plan and organize work  
\_\_\_\_\_ Promote quality  
\_\_\_\_\_ Provide good customer service  
\_\_\_\_\_ Purchase equipment/supplies  
\_\_\_\_\_ Resolve conflict  
\_\_\_\_\_ Respect individual differences  
\_\_\_\_\_ See "the big picture"  
\_\_\_\_\_ Sell ideas  
\_\_\_\_\_ Sell products or services  
\_\_\_\_\_ Set high standards  
\_\_\_\_\_ Set prices  
\_\_\_\_\_ Stay flexible and adaptable  
\_\_\_\_\_ Supervise others  
\_\_\_\_\_ Take initiative  
\_\_\_\_\_ Take steps to limit risk  
\_\_\_\_\_ Train others  
\_\_\_\_\_ Understand relevant laws  
\_\_\_\_\_ Use the telephone effectively

**How do your skills compare with the requirements of the business you are considering?**

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**What areas do you need to strengthen?**

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Adapted from *The Manager's Short Course* by Bill and Cher Holton, 1992

## Exercise 5

Using the information from the previous exercises, evaluate your strengths and weaknesses as a small business owner. Consider (1) your personal characteristics, (2) experience in your line of business and (3) business management skills.

**What do you consider your five most important strengths as a small business owner?**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

**What do you consider your five most important weaknesses as a small business owner?**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

**How can you overcome your weaknesses or compensate for them?**

**Weakness 1:** \_\_\_\_\_

\_\_\_\_\_

**Weakness 2:** \_\_\_\_\_

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**Weakness 3:** \_\_\_\_\_

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**Weakness 4:** \_\_\_\_\_

\_\_\_\_\_

**Weakness 5:** \_\_\_\_\_

\_\_\_\_\_



# Evaluating Feasibility Your Business Idea

The process of evaluating your business idea is called market analysis. The purpose is to determine if there is potential demand for the product or service you want to offer.

Based on careful research of your target market(s) and competition, you must answer the following four key questions.

## 1. What do you know about your target market?

Who are your potential customers?

Where are they located?

How large is your target market?

What are the needs and wants of your potential customers?

What criteria do they use in making buying decisions?

The description of your target market should be very specific. Are your potential customers individuals, businesses or both? If your target market is individuals, what is their demographic profile: gender, age range, income, education, etc.? If your target market is businesses, what type are they: retail, wholesale, service, construction or manufacturing? What size are they in terms of number of employees or estimated annual sales?

Be realistic in estimating the geographic size of your target market and the number of potential customers. If you own a neighborhood convenience store, for example, you will attract customers from a limited geographic area. On the other hand, if you have a retail store on the Internet, you will draw customers from a much larger geographic area.

The most critical step is to understand your customer's needs and to meet those needs better than the competition. Constantly focus on the customer and what he needs and wants to buy, rather than the product or service you want to sell.

Examples of customer needs that you might serve include *convenience, education, recreation, safety and concern about health or personal appearance*. Businesses that meet the customer need for convenience, for instance, include fast food restaurants, drive-through car washes, errand services and one-hour photo processing centers.

Customer *needs* and *wants* are related but not synonymous. The wants are the customers' personal desires for satisfying their needs. For example, all adults have a need for recreation, but if three individuals each had \$20 to *satisfy that need...*

One may *want* to go out to dinner.

One may *want* to go to a movie.

One may *want* to go shopping.

Also, you must determine which criteria are important to your target market in making buying decisions, such as quality, convenience, customer service, uniqueness, variety and price. Specifically ask potential customers; don't assume!

A common mistake is to assume that price is the key factor used by potential customers in making buying decisions, but this may not be true. For example, when shopping for personal services, such as child care, customers are often more concerned about quality and reliability than price.

In general, learn as much as you can about your target market. The better you understand your potential customers, the better your chances of success in meeting their needs more effectively than the competition.

## 2. What do you know about your competition?

Who are they?

Where are they?

What products/services do they offer?

How are their products/services priced?

What are their strengths and weaknesses?

How do they promote their business?

In identifying your competition, keep in mind two key points:

- Your competition may be located outside your geographic **market** area.

Example: A women's clothing store competes with similar local businesses plus Internet companies, mail order companies and out-of-town factory outlets.

- Your competition is any business that serves the same customer need for your target market.
- Example: A miniature golf course competes with other courses plus other businesses that serve the same customer need for recreation for the same target market. Therefore, competition may include theaters, video arcades and bowling alleys.

Your competitors' strengths and weaknesses are also known as *competitive advantages* and *competitive disadvantages*. A competitive advantage is any characteristic of your product or service that makes it more appealing to potential customers than what the competition is offering. Conversely, a competitive disadvantage is a characteristic that makes the product or service less appealing. Realistically, every business has both.

Examples of competitive advantages include quality, convenience, variety, uniqueness, performance and price. Examples of competitive disadvantages include lack of name recognition, poor location and limited distribution.

Again, learn as much as possible about your competition to improve your chances of success.

**3. Is there (a) an unmet need (b) in your line of business (c) in your geographic market area?**

Your goal is to find an unsatisfied customer need in your field of interest in the geographic market area that you want to serve. If you discover that the customer need is being met by the existing competition, you can consider another line of business or a different geographic area, or you can decide against self-employment.

**4. If there is an unmet customer need, what competitive advantages will make your business successful?**

Based on what you know about your target market and competition, you choose a position in the competitive environment. This decision-making process is called *positioning*. An effective strategy is to look for a *market niche*, a customer need that is not being served by the competition.

To attract customers, you must offer them a reason to choose your business to meet their needs. This reason is your *competitive advantage*. Be aware that you may have more than one competitive advantage. For example, you might position your business to attract customers based on your convenient location and quality service.

## Example

Glenna Brownell is interested in starting a retail store that offers used household items, such as furniture, accessories and dinnerware. By asking potential customers, Glenna determines that quality and price are key criteria used by her target market in making buying decisions. She researches her competition and learns that there are six antique stores in her market area that offer high-quality merchandise at high-end prices. Also, she finds four thrift stores that offer low-quality, low-priced goods.

Based on what she knows about her target market and competition, Glenna positions her business to meet the customer need for medium-quality, medium-priced merchandise. This is her market niche, or unique place in the competitive environment. Her competitive advantages are her niche strategy and the location she chooses near the successful antique stores that attract her target market.

Try to avoid these common errors in positioning your business:

- Not choosing a competitive advantage at all

Don't assume that *If I build it, they will come*. You must provide motivation by offering an appealing competitive advantage.

- Basing your decision about your competitive advantage(s) on assumptions, rather than solid market research
- Not being honest and realistic about the competitive advantages and disadvantages of your business and your competitors
- Choosing an inappropriate competitive advantage

It is extremely common to choose price as a competitive advantage. Before you can decide if price is an appropriate choice, ask yourself:

1. Can I afford to compete based on price?
  2. Will prices lower than my competitors undermine my credibility with potential customers?
  3. Is price really important to my target market in making buying decisions? Have I asked potential customers?
- Failing to aggressively and consistently promote your competitive advantage(s) to your potential customers

Evaluating your business idea is the most critical area of feasibility. If potential customers are not interested in the product or service you are offering, you simply don't have a viable business – no matter how strong feasibility is in terms of self-assessment and financial considerations. Therefore, you must devote adequate time and energy to market analysis.