

Report Number 23566

An Analysis of Yourself for Going into Business

Introduction

Owning a business is the dream of many Americans. Starting that business converts your dream into reality. But, there is a gap between your dream and reality that can only be filled with careful planning. As a business owner, you will need to avoid pitfalls to achieve your goals and to build a profitable business.

This "**Checklist for Going into Business**" is a guide to help you prepare a comprehensive business plan and determine if your idea is feasible, to identify questions and problems you will face in converting your idea into reality and to prepare for starting your business.

Operating a successful small business will depend on;

A practical plan with a solid foundation;

Dedication and willingness to sacrifice to reach your goal;

Technical skills;

Basic knowledge of management, finance, record keeping and market analyses.

As a new owner, you will need to master these skills and techniques if your business is to be successful.

Identify Your Reasons

As a first and often overlooked step, ask yourself why you want to own your own business. Check each of the reasons that apply to you.

Answer each question below, Yes or No

- 1 Freedom from the 9-5 daily work routine
- 2 Being your own boss
- 3 Doing what you want when you want to do it
- 4 Improve your standard of living
- 5 You are bored with your present job
- 6 You have a product or service for which you feel there is a demand

Some reasons are better than others, none are wrong; however, be aware that there are tradeoffs. For example, you can escape the 9 - 5

daily routine, but you may replace it with a 6 am to 10 pm routine.
Identify yourself

Yourself

Going into business requires certain personal characteristics. This portion of the checklist deals with you the individual. These questions require serious thought. Try to be objective. Remember, it is your future that is at stake.

Personal Characteristics

Answer each question below, Yes or No

- 1 Are you a leader?
- 2 Do you like to make your own decisions?
- 3 Do others turn to you for help in making decisions?
- 4 Do enjoy competition?
- 5 Do you have will power and self discipline?
- 6 Do you plan ahead?
- 7 Do you like people?
- 8 Do you get along well with others?
- 9 Do you take responsibility?
- 10 Do you complete projects and tasks once you start them?

Personal Conditions

The next group of questions, though brief, is vitally important to the success of your plan. It covers the physical, emotional and financial strains you will encounter in starting a new business.

Answer each question below, Yes or No

1. Are you aware that running your own business may require working 12 - 16 hours a day, six days a week, and maybe even on Sundays and holidays?
2. Do you have the physical stamina to handle the work load and schedule?
3. Do you have the emotional strength to withstand the strain?
4. Are you prepared, if needed, to temporarily lower your standard of living until your business is firmly established?
5. Is your family prepared to go along with the strains they, too, must bear?

6. Are you prepared to lose your savings?

Personal Skills and Experience

Certain skills and experience are critical to the success of a business. Since it is unlikely that you possess all the skills and experience needed, you will need to hire personnel to supply those you lack. There are some basic and special skills you will need for your particular business.

By answering the following questions, you can identify the skills you possess and those you lack (your strengths and weakness).

Answer each question below, Yes or No

1. Do you know what the basic skills you will need in order to have a successful business?

List the skills you think you will need:

2. Do you possess those skills?

3. When hiring personnel, will you be able to determine if the applicants' skills meet the requirements for the positions you are filling?

4. Have you ever worked in a managerial or supervisory capacity?

5. Have you ever worked in a business similar to the one you want to start?

6. Have you had any business training in school?

List the training you have had:

7. If you discover you don't have the basic skills needed for your business, will you be willing to delay your plan until you've acquired the necessary skills?

Finding a Niche

Small business range in size from a manufacturer with many employees and millions of dollars in equipment to the lone window washer with a bucket and a sponge. Obviously, the knowledge and skills required for these two extremes are far apart, but, for success, they have one thing in common, each has found a business niche and is filling it.

The most crucial problems you will face in your early planning will be to find your niche and determine the feasibility of your idea. "Get into the right business at the right time" is very good advice but following that advice may be difficult. Many entrepreneurs plunge into a business venture so blinded by the dream that they fail to thoroughly evaluate its potential.

Before you invest time, effort and money, the following exercise will help you separate sound ideas from those bearing a high potential for failure.

Is Your Idea Feasible?

1. Identify and briefly describe the business you plan to start.

2. Identify the product or service you plan to sell.

Answer each question below, Yes or No

3. Does your product or service satisfy an unfilled need?

4. Will your product or service serve an exiting market in which

demand exceeds supply?

5. Will your product or service be competitive based on its quality, selection, price or location?

Answering yes to any of these questions means you are on the right track; a negative answer means the road ahead could be rough.

Protecting Your Business

It is becoming increasingly important that attention be given to security and insurance protection for your business. There are several areas that should be covered. Have you examined the following categories of risk protection?

Answer each question below, Yes or No

1. Fire?
2. Theft?
3. Robbery?
4. Vandalism?
5. Accident Liability?
6. Product Liability?
7. Disability?
8. Performance Bonds?

Discuss the types of coverage you will need and make a careful comparison of the rates and coverage with several insurance agents before making a final decision.

Business Premises and Location

Answer each question below, Yes or No

1. Have you found a suitable building in a location convenient for your customers?
2. Can the building be modified for your needs at a reasonable cost?
3. Have considered renting or leasing with an option to purchase?
4. Will you have a lawyer check the zoning regulations and lease papers?
5. Is the location important, and is the property zoned for your type of business?

Merchandise

Answer each question below, Yes or No

1. Have you decided what items you will sell or produce, or what service(s) you will provide?
2. Have you made a Merchandise Plan based upon estimated sales to determine the amount of inventory you will need to control and purchase?
3. Have you found reliable suppliers who will assist in the Start-Up?
4. Have compared the prices, quality and credit terms of suppliers?

Business Records

Answer each question below, Yes or No

1. Are you prepared to maintain complete records of sales, income and expenses, accounts payable and receivable?
2. Have you determined how to handle payroll records, tax reports and payments?
3. Do you know what financial reports should be prepared and how to prepare them?
4. Do you know what personnel records you should keep and how to keep them?

Finances

A large number of small businesses fail each year. There are a number of reasons for these failures, but one of the main reasons is insufficient funds. Too many entrepreneurs try to start and operate a business without sufficient capital (money). To avoid this dilemma, you can review your situation by analyzing these three questions.

1. How much money do you have?
2. How much money will you need to start your business?
3. How much money will you need to stay in business?

To answer these questions you will need to complete the following items.

1. Personal Financial Statement
2. Estimates of Start-Up Cost.
3. Expenses for One Year (Monthly for One Year)
4. Projected Profit and Loss Statement. (Monthly for One Year)
5. Projected Cash-Flow (Monthly for One Year)

After Start-Up

The primary source of revenue in your business will be from sales but your sales will vary from month to month because of seasonal patterns and other factors. So it is important to determine if your monthly sales will produce enough income to pay each month's bills.

An estimate cash flow projection will show if the monthly cash balances are going to be subject to such factors as:

1. Failure to recognize seasonal trends.
2. Excessive cash taken from the business for living expenses.
3. Too rapid of expansion.
4. Slow collection of accounts receivable if credit is extended to customers.

There are several different ways of doing cash-flow projections. None is better than the other if, they are truly the best estimates of sales and expenses in a given time frame.

Conclusion

Beyond a doubt, preparing an adequate business plan is the most important step in starting a new business. A comprehensive business plan will be your guide to managing a successful business. The business plan is paramount to your success. It must contain all the pertinent information about your business; it must be well written, factual, and organized in a logical sequence. Moreover, it should not contain any statements that cannot be supported.

If you have carefully answered all the questions on this analysis, you have seriously thought about your goal. But, there may be some things you may feel you need to know more about. Find out about them.

Owning and running a business is a continuous learning process. Research your idea and do as much as you can yourself, but do not hesitate to seek help from people who can tell you what you need to know.