Am I Ready To Start A New Business?

Did you know that the Department of Labor predicts that by 2010 the largest employer will be the self-employed? According to recent surveys, over 90% of individuals between the ages of 25-44 hope to own their own business and most influential people believe that entrepreneurship is the defining trend of the 21st century. Couple these statistics with the existence of a global economy, easy access to technology and increasing dissatisfaction with the corporate treadmill, the next four years should result in an unprecedented season of new business start ups.

But before you quit your day job to pursue the dream of a lifetime, there are some steps that should take to ensure that you do not become a part of another Department of Labor statistic—70-80% failure rate for new businesses within the first four years of operations. Clearly it takes more than a unique idea or product. Nine out of 10 US business failures are attributed to a lack of general business skills that primarily occur in the areas of money, management or marketing—the 3 “Ms” of business failure.

How can I increase my chances for success as a new business owner?

An entrepreneur is defined as a person whom organizes a business, assuming the risk for the sake of a potential return. In the majority of cases, that potential return is a financial return. In instances where the entrepreneur does not carry the primary responsibility for financial support of their family, the potential return could be more altruistic than profit driven. No matter the motivation, there is no magic bullet that guarantees success; however, new businesses with the greatest chance for success include all the following:

- **Development of a business plan**: When you fail to plan, you plan to fail; do not overlook this important aspect of building the strongest foundation for your business venture. A business plan reveals the 3 “Ms” that can derail the success of your business. A business plan also provides the opportunity to minimize the weaknesses and to think through how you will address those issues in the management of your business. For entrepreneurs that are seeking financial support from lending institutions, how well you address these issues can be the difference between a “yes” or “no” to your financial request.

- **Use accurate financial information**: Know the financial requirements for your business. Use financial assumptions that are based on the true nature of the business. Shortsightedness is this area is a sure plan for a financially pain. In extreme cases, poor financial planning can lead to business and personal bankruptcy.

- **Know you target audience**: Many entrepreneurs make the mistake of believing that the entire world is their target audience. However, when you understand that you need to profile your target audience and get to know everything about their buying habits; it becomes clear that you cannot market to the entire world. It is fine to accept business from anyone who calls on you, but the key is to direct your marketing efforts toward a specific audience.

- **Know the profile of your competition**: Don’t assume that everyone is waiting for you to start your business so they can buy from you. Knowing your competitor profile enables you to distinguish your business in the market. It can also enable you to learn from the mistakes of others.

- **Start your business for the right reasons**: Be clear about why you want to be an entrepreneur. Your initial motivation may be frustration with your current position, but make sure that your ongoing motivation can survive the ups and downs of the first five years of business.

- **Be careful about borrowing family money and family advice**: While getting loans from family members to start your business works in many cases, it is more often the case that problems in the business can overlap into problems with the family. Upfront awareness of this direct correlation can be the difference between being invited to the next family reunion. Get your business advice from competent business professionals; if they happen to be family members too then be careful to set expectations on how you will use their advice.
- **Create business alliances and networks with similar businesses**: Before you open your doors for business, start building referral networks and partnerships with businesses that are in the same industry or profession. These alliances can be a source of business referrals and ideas on creating new lines of business.
- **Become better informed of available resources**: Take advantage of the free and low costs resources available to you for the development of your business. For a reasonable investment, business coaching is a valuable resource that can help you jumpstart your business in the first year or pull you out of a slump with increased focus and profitability in future years.

Before you take advantage of this season of entrepreneurship, take the time to plan for success by carefully counting your costs, both financial and work effort. Do not be an entrepreneur who has failed to consider the amount of time and effort required to successful live the dream of entrepreneurship. Remember, starting your new business is “more than a notion.” It’s a commitment of time, money and resources.

This article is not intended to be legal advice but is informational. Denise Brown’s Legal Direction can be reached at 502-587-0331, email us.