

SECTION

Starting Your Business

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PART

Genesis

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CHAPTER 1



In the Beginning

If one advances confidently in the direction of his dreams . . . he will meet with a success unexpected in common hours.

— HENRY DAVID THOREAU

It is a huge step. Deciding to go into business for yourself is one of the most important decisions you will make in your life. Ranking right up there with picking a partner and buying a home, becoming an entrepreneur is one of those life-altering events that will have repercussions for years to come. No, there are no guarantees, and yes, there will be obstacles. But do you know what? If you do it right, if you start the right small business—one that is suited to your strengths, one that you are passionate about, one that allows you to make a nice profit—then there is no telling how far you can go. John Nordstrom, founder of the eponymous department store, said of his roots, “I was not certain what I wanted to do. I started looking around for some small business to get into. Mr. Wallin the shoemaker suggested that we join a partnership and open a shoe store.”

ASSESSING YOUR STRENGTHS

Not everyone is cut out to be an entrepreneur. Although there is a common perception that entrepreneurship is exciting, and indeed it is, many other words equally describe the life of the self-made small business person: nerve-wracking, liberating, difficult, challenging, time-consuming, overwhelming, fun, joyous, productive, uncertain—and that’s just for

starters. Any small business person could expand at length on any one of these adjectives, for all come into play to some degree or another in almost every small business, and often in the same day.

The question is not whether entrepreneurship is right for you, but rather, are you right for entrepreneurship? Can you handle the stress, the freedom, the lack of structure, the uncertainty, and the opportunity that await if you decide to start your own business? This really can't be stressed enough. There is no doubt that being in business for yourself can be great, but if you are not cut out for it temperamentally, it will be a tough road. There is no shame in this. Some people are artists and others are lawyers, some are athletes and others are homebodies, some are entrepreneurs and some are not.

Entrepreneur Defined

Various definitions of an entrepreneur:

- Dictionary.com: "A person who organizes and manages any enterprise, esp. a business, usually with considerable initiative and risk."
- The World Entrepreneurship Forum: "Creators of wealth and social justice."
- One successful entrepreneur (and my favorite definition): "A person willing to take a risk with money to make money."

Which type of entrepreneur are you? To help you decide, take the following quiz. It will help you evaluate your qualifications. As you take the quiz, though, it is important to be perfectly honest. There is no point in answering the questions "right" if the answers are not true for you.

Test Your Entrepreneurship IQ

1. Are you a self-starter?
 - a. Yes, I like to think up ideas and implement them. (5 points)
 - b. If someone helps me get started, I will definitely follow through. (3 points)
 - c. Frankly, I would rather follow than lead. (1 point)

2. How do you feel about taking risks?
 - a. I really like the feeling of being on the edge a bit. (5 points)
 - b. Calculated risks are acceptable at times. (3 points)
 - c. I like the tried and true. (1 point)
3. Are you a leader?
 - a. Yes. (5 points)
 - b. Yes, when necessary. (3 points)
 - c. No, not really. (1 point)
4. Can you and your family live without a regular paycheck?
 - a. Yes, if that is what it takes. (5 points)
 - b. I would rather not, but I understand that may be part of the process. (3 points)
 - c. I do not like that idea at all. (1 point)
5. Could you fire someone who really needed the job your business provided?
 - a. Yes, I may not like it, but that's the way it goes sometimes. (5 points)
 - b. I hope so. (3 points)
 - c. I really can't see myself doing that. (1 point)
6. Are you willing to work 60 hours a week or more?
 - a. Yes, if that is what it takes. (5 points)
 - b. Maybe in the beginning. (3 points)
 - c. I think many other things are more important than work. (1 point)
7. Are you self-confident?
 - a. You bet! (5 points)
 - b. Most of the time. (3 points)
 - c. Unfortunately, that is not one of my strong suits. (1 point)
8. Can you live with uncertainty?
 - a. Yes. (5 points)
 - b. If I have to, but I don't like it. (3 points)
 - c. No, I like knowing what to expect. (1 point)

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- 9.** Once you put your mind to something, can you stick with it?
- a.** I do not let anything get in my way. (5 points)
 - b.** Most of the time, if I like what I am doing. (3 points)
 - c.** Not always. (1 point)
- 10.** Are you creative?
- a.** Yes, I have a lot of good ideas. (5 points)
 - b.** I can be. (3 points)
 - c.** No, not really. (1 point)
- 11.** Are you competitive?
- a.** To a fault. (5 points)
 - b.** Sure, mostly. (3 points)
 - c.** Not really, my nature is more laid back. (1 point)
- 12.** Do you have a lot of willpower and self-discipline?
- a.** Yes. (5 points)
 - b.** I am disciplined when I need to be. (3 points)
 - c.** Not really. (1 point)
- 13.** Are you individualistic, or would you rather go along with the crowd?
- a.** I like to think things through myself and do things my way. (5 points)
 - b.** I am sometimes an original. (3 points)
 - c.** I think strongly individualistic people are a bit strange. (1 point)
- 14.** Can you live without structure?
- a.** Yes. (5 points)
 - b.** Actually, the idea of living without a regular job makes me nervous. (3 points)
 - c.** No, I like routine and structure in my life. (1 point)
- 15.** Do you have many business skills?
- a.** Yes, I do, and those I don't have, I'll learn. (5 points)
 - b.** I have some. (3 points)
 - c.** No, not really. (1 point)

- 16.** Are you flexible and willing to change course when things are not going your way?
- a.** Yes. (5 points)
 - b.** I like to think so, but others may disagree. (3 points)
 - c.** No, I have a fairly rigid personality. (1 point)
- 17.** Do you have experience in the business you are thinking of starting?
- a.** Yes. (5 points)
 - b.** Some. (3 points)
 - c.** No. (1 point)
- 18.** Could you competently perform multiple business tasks: accounting, sales, marketing, and so on?
- a.** I sure would like to try! (5 points)
 - b.** I hope so. (3 points)
 - c.** That sounds intimidating. (1 point)
- 19.** Can you juggle multiple tasks?
- a.** Yes. (5 points)
 - b.** I think so. (3 points)
 - c.** I don't think so. (1 point)
- 20.** Are you willing to hustle for clients and customers?
- a.** Sure. (5 points)
 - b.** If I have to. (3 points)
 - c.** I would rather not. (1 point)
- 21.** How well do you handle pressure?
- a.** Quite well. (5 points)
 - b.** It's not my strongest trait, but I can do it. (3 points)
 - c.** Not well at all. (1 point)

Scoring

80–100: You have both the temperament and the skills to become an entrepreneur.

60–79: You are not a natural entrepreneur but may become one over time.

Below 60: You would be wise to think of another career besides self-employment.

So there you have it. Not only should this quiz help you understand your Entrepreneurship IQ, but also it should give you some insight into the traits and characteristics of a successful, self-employed businessperson: driven, hardworking, creative, energetic, resourceful, confident, and flexible.

Steve Jobs on Entrepreneurs

“I’m convinced that about half of what separates the successful entrepreneurs from the nonsuccessful ones is pure perseverance.”

If this describes you (or a close approximation of you), then the next question is, where do you go from here?

RISK TOLERANCE

The quiz that you just took was intended to help you gauge your Entrepreneurship IQ, as well as to show you the traits required to start your own small business. Yes, you will need some business savvy and self-confidence—that’s a given. Being creative and hardworking are equally important. But of all the necessary traits, the one that you must have in abundance is a tolerance for risk, because starting your own small business is a risk.

Borrowing money, setting up shop, trying out new ideas—these are all tasks that, although fun and exciting, are also inherently risky. There are no guarantees that your idea or plan will fly. Certainly the goal of this book is to make sure it does, but no matter how much you study and learn, there will always be an element of risk in being an entrepreneur. Would you have it any other way? If your answer is “no,” then you definitely have the right stuff. If it is not, if the idea of taking a big risk scares you more than it excites you, then you need to consider carefully whether starting your own business is the best choice for you.

Throughout this book, I will be sharing with you the traits of exceptional small businesses so that you can see what the best of the best do. Here is the first one, and it is good news: great small businesses work to reduce their risk as much as possible. They work at covering every angle so that the risks they take are prudent, calculated risks. Here are a few ways to minimize risk:

- *Know your numbers.* I can't tell you how many entrepreneurs I meet who are in over their heads because they had some idea or whim and dropped a bundle of money on an idea that was not fully vetted. A few years ago, I was involved in an enterprise in which one of the guys decided unilaterally, and impulsively, that the best thing the business could do was to commit to an ad campaign in a major magazine. The campaign was a bust, and the business was stuck with almost \$50,000 in advertising debt. Look before you leap.
- *Do your homework.* Do your research. Test the waters. Think it through. Consider worst-case scenarios. Thoroughly analyzing an opportunity or idea before implementing it lessens the chance of investing too much time or money in a bad idea.
- *Incorporate.* If things go south, the corporate shield that protects your personal assets from corporate debts will make a huge difference. If you do not run your business as a corporation or an LLC (limited liability company), you put your personal assets at risk.
- *Have enough insurance.* Just as incorporating reduces your personal risk, so, too, does having adequate insurance.
- *Bring in help.* As entrepreneurs, we like to think we know it all, but we don't. Whether it's hiring someone to free up time for you to do what you do best, bringing in a strategic partner with contacts you don't have, or hiring consultants to figure out how you can improve, getting expert help reduces your risk and makes your life easier.

The upshot of all of this is that great entrepreneurs know their strengths and weaknesses, think ahead, and plan accordingly. That is what you will need to do, too, if you start your own small business—take a prudent, calculated, intelligent risk with a high likelihood of payoff. Just know that risk, even when it is reduced, will still be present because it is the nature of the game.

Risks

“The policy of being too cautious is the greatest risk of all.”

—Jawaharlal Nehru

THE NEXT STEP

Sometimes the idea of starting your own business can be overwhelming. What kind of business should you start? Where will you get the money? How will you find customers? These are all legitimate concerns, and they will be addressed in detail in this book. At this point, however, understand that as you drive down the street, almost every business you see is a small business that is run by someone who, at some point, had never run a business before. But those business owners learned how, found the money, found some customers, and are still around. If they did it, so can you. To join their ranks, you must be willing to do your homework.

Education

The next step is to educate yourself. Most people go into business because they love something and want to do it every day: the baker wants to own her own bakery, the chiropractor wants to start his own practice, and so on. The problem the baker and the chiropractor have is that, although they may know a lot about baking and backs, if they are like most entrepreneurs, they know little about businesses and boardrooms. They may know their specialties, but they do not know everything else that it takes to start and run a successful business. And, problematically, that “everything else” will take up *a lot* of their time. Marketing and advertising, sales and income taxes, hiring and firing, and so on, have nothing whatsoever to do with baking and backs.

The next step, then, is to learn about business in general. Certainly this book will be enormously helpful, and down the road, you will see that nothing beats the trial and error of actually running your own venture. But before you can get to that point, you need to have a general idea of how businesses operate.

Small Business Sites

These sites can teach you a lot about small business:

- www.usatoday.com/money/smallbusiness/front.htm
- Small Business Online Community
- Huffington Post Small Business
- www.TheSelfEmployed.com
- Business Insider
- www.SBA.gov
- www.SCORE.org
- Business on Main
- www.MrAllBiz.com

Even if you passed the Entrepreneur IQ quiz with flying colors, it is probably safe to assume that, although you may have an entrepreneurial bent, you do not know everything you need to know to become successful—which is true for most self-employed people. Therefore, you should begin to brush up on both the subjects that seem interesting to you and the ones that scare you. If finances are not your strong suit, then dig in. As a small business owner, you will inevitably wear many hats. It is not uncommon, especially at the beginning, for the founder of a company to be the president, accountant, marketing wizard, and sales force, all rolled into one. For that reason, it helps to have a broad understanding of what it takes to run a business.

It would also be smart to start reading some business magazines every month. Periodicals such as *Home Business* magazine, *Entrepreneur*, and *Inc.* are chock-full of easy-to-understand articles that will help make you a success.

Free Help!

I would like to really encourage you to check out my website—MrAllBiz.com. There we have all sorts of tools dedicated to helping you succeed in your entrepreneurial journey—everything from courses and CDs to webinars and free e-newsletters.

Experience

Finally, no education would be complete without some practical, hands-on experience. This can take two forms. First, say you want to open an antiques store. You would be wise to start by working at someone else's. If you already have that sort of hands-on experience in your chosen industry, then skip the rest of this paragraph. But if you have never actually worked in a business like the one you want to start, you are *strongly advised* to do just that. Your entrepreneurial dream can wait six months while you gain the sort of experience that will make or break your new business. Working in a business like the one you want to create will teach you things that no book could impart. It is a critical step.

Second, you need to talk to some business owners in your desired field. But remember, if you seek out entrepreneurs in your potential industry in your own town, the going may be tough—they will likely view you as a potential competitor (rightly so) and thus be reluctant to share their insights with you. Therefore, it would be much smarter to go to a nearby town, find a few businesses similar to the one you want to start, take the owners out to lunch, and pick their brains. People love to talk about themselves. Find out everything you can about their businesses:

- What do they like most about their business?
- What do they like least?
- What was the start-up cost?
- How much can you expect to make?
- Where do they advertise?
- If they were starting over, what would they do differently?

No one knows this business (whatever it is) like the owners do. You would be hard-pressed to find better, more pertinent information than the insights you can get from these small business owners, who are already doing what it is you dream of doing.

This informal “MBA” can reap tremendous benefits. By the time you are ready to start your business, you will have a thorough understanding of the risks and rewards of the area you are getting into. Doing this initial research will take time, for sure, but if you follow this plan, you can be assured that when you finally open your doors, you will have reduced your risk as much as possible, and thus your chances of success will be much greater.