

Weighing the Pros and Cons of Starting a New Business

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Creating and launching your own business venture can be incredibly satisfying and rewarding, but every entrepreneur faces countless pressures and surprises. Launching a business is risky: As a rule, eight or nine of every 10 new ventures fail within a year. You need to be aware of the problems you may confront in order to prepare for them.

By itself, a viable business idea is not enough. You also need the right skills to develop it, the right temperament to endure the inevitable disruptions and setbacks, and abundant patience to guide the business through trouble. Having sufficient capital is essential, too—as is one more ingredient: faith in your idea and in your abilities.

The ideas, advice, and warnings here will help you to, first, decide if you are willing and able to take the risks inherent in starting a business, and, second, apply strategies that can help you overcome them.

Before reading any further, you must determine as well as you can what sort of person you are. Be honest and objective! Next, discuss your project with friends, colleagues, and relatives. Also think about how you have dealt with past challenges. This exercise can help you predict how you will respond to difficult new situations.

Finally, examine this article, designed to help you decide if starting your own business is right for you.

What You Need to Know

Am I capable of starting a new business?

Having the specific technical qualifications, knowledge, and experience that a business requires is one thing, but you need to ask a more important question. Do you have the right personality? There also are broader demands that are just as critical, such as the ability to negotiate with suppliers and mediate disputes between staff members. Building rapport with customers and being convincing to prospects are vital traits, too. Being able to think clearly under pressure, shoulder criticism, and portray confidence are three more prerequisites. Finally, using time effectively is paramount. In launching a business, there's never enough of it, or so it seems.

No single profile of a successful, self-employed person exists, but experience has shown that there are characteristics that successful self-employed persons typically share. They tend to be logical, perceptive, organized, and responsible. More often than not, they are extroverted and confident, able to communicate and to get their point across to others. They are also often sociable and able to lead. Self-employed people are generally single-minded but still able to take advice. They are flexible and adaptable, quick to seize opportunities, and ready to take risks. They tend to be tough-skinned and

able to handle failure. They usually are imaginative and creative, always coming up with new ideas for the business. Hard working, committed, and determined are three more characteristics. Finally, they are individualists, who are not afraid to stand out from the crowd.

Should I wait till I'm older and have more experience?

There is no substitute for experience in the workplace. It's even more useful to have it in the sector in which you want to start a business. Surveys reveal that many successful businesses have been started by people in their 30s who have some management experience. Yet people over age 50 ("third-age entrepreneurs," as they're called) also are responsible for many business start-ups. Many, in fact, do so after taking early retirement—only to find themselves yearning for a new challenge. Then again, younger people can be just as eager and well suited. They have fewer domestic commitments, boundless energy, scores of new ideas, plus the potential to develop and adapt to the challenges of self-employment. In short, neither age nor experience necessarily define the individuals who have successfully established their own businesses.

What are the minimum skills needed?

Do you have what it takes to start a business? You almost certainly will need some technical skills specific to the business sector you are entering. Experience helps, too. Such qualifications should make your venture appealing to customers, suppliers, and prospective lenders. It goes without saying that certain businesses require distinctive and exceptional abilities—design skills or artistic skills, for instance.

Basic business skills are a huge advantage and possibly a prerequisite to lenders. It is important to understand such principles of business and management as marketing, strategic planning, accounting and budgeting, and personnel management. Ideally, you should try to acquire some basic training in business administration before you start. If this is not possible, read as much as you can to gain a working understanding of business basics. Leadership skills are important, too. Ideally, your business will grow, and you will be hiring people. The moment you do, the ability to show leadership and manage people becomes critical.

All businesses require selling—even if it's only an idea at first, so you'll need to develop sales skills if you do not already possess them. Initially, it is important to persuade people to support you and crucial if you're to attract customers. It is possible to learn basic selling techniques, and opportunities to learn them abound. Yet, just being outgoing and articulate are equally important.

Organizational skills are essential to the success of any business. To generate sufficient income to operate, small businesses must be well organized and efficient. So must their leaders. You must organize your own activities and those of others, plan ahead, and manage your time. You also need to have the discipline to set and meet deadlines. Fortunately, there are any number of resources and

experts who can help you develop and hone most of these skills, so don't be discouraged if you feel you lack some of them.

While less important, it still helps to be media savvy or at least comfortable speaking with newspaper and magazine reporters and broadcasters. Even small business can be big news, and the ability to converse with the press can be a godsend to any new venture.

Starting a business is indeed challenging, but many of the same skills we all use in everyday life are also applicable to a business. For example, if you are a woman with a family, or one who routinely juggles full- or part-time work with family life, you likely already have good time management skills, whether or not you realize it.

What to Do

Begin with an Honest Assessment

No one is saying that starting a new business is easy, but you may have more going for you—right now—than you might think. Since starting your own business *is* risky, it's important to come to grips with the various risks as early as possible. This will help you to decide if you are willing and able to shoulder them. Confronting them early will also help you to apply strategies designed to reduce these risks.

You need to ask yourself some pointed questions:

- Do you have the financial resources necessary, and can you afford to risk them? If, for example, you borrow money based on the value of your home, what are your plans if the business fails and you are forced to sell your house?
- Do you have sufficient experience and technical skills to perform the core functions of your new business?
- Are you familiar enough with your chosen market to be able to assess its needs and adapt to its changes? If a given market falters, do you know you could weather the downturn?
- Do you have the necessary motivation and desire to spend the time and energy a new business demands? And do you have a mentor to call upon for advice when needed?
- Finally, do you have the tenacity, discipline and staying power to endure hard times if cash suddenly becomes short in the face of heavy demands from customers, bankers, staff and—perhaps most important—your family?

Check Your Motives

Why *do* you want to start your own business? There are many good reasons, but all too often unrealistic expectations accompany them. Here are some reasons that people often give, and some notes of caution:

- **Independence.** Sure, it can be a pain working for someone else. So can working for yourself! You still must be able to cooperate and work *with* others, and you will need bushels of self-discipline.
- **Greater job satisfaction.** Running your own business enables you “to do it your own way,” and when your way works life can be exhilarating. But what if your way *doesn't* work—as is apt to happen at some point? Then you have to take responsibility for the lack of success. Can you?
- **Achievement and success.** Running your own business also affords you a certain status and distinction—as long as it is running. Make sure you're not trying to prove that you're someone you're not. If the venture were to fail, could you deal with the stigma failure might bring?
- **More money.** Without question, the desire to make lots of money is attractive, and that's fine to a degree. “Doing it for the money” is rarely a good enough motive in itself, however, and the money is hardly guaranteed. There really needs to be additional passion for something. Especially beware of starting a business because you have no other choice. You're just putting yourself under even more pressure. Should there be no other option, though, strive to be pragmatic about what you can achieve and positive about your venture, too. You might even be surprised by what you can achieve.

Get Special Advice

Doing it your way doesn't also mean doing it alone. Almost every community of any size has valuable talent and advice for the asking, and much of it is free. Track down successful people who already have walked in the shoes you're about to lace up, and establish a “Can we talk?” relationship. More often than not, these successful people will be flattered and happy to help. Medium-sized and large cities often have organized corps of retired executives who regularly devote time to helping entrepreneurs and reviewing business plans.

Expect Some Pressures

The pressures of being self-employed are inescapable. Expect to have to work long hours including weekends now and then. There will be occasions when problems momentarily appear to be insurmountable. You may well incur sizeable debt to finance the enterprise. In turn, you will need to maintain your faith in your business, often in the face of others' doubts and cynicism.

There will be times when you will fully grasp the meaning of the phrase “it’s lonely at the top.” If you employ people, you will need to be positive and show leadership—always! There will be times when you will need to be tough in disciplining difficult employees or to shrug at being decidedly unpopular among your workers. You may have to recall the spirit of a line from the movie, *Patton*: “I don’t want them to love me. I want them to fight for me!”

Figuratively speaking, you also may need to fight your suppliers over difficult demands. At the same time, you probably will need to be polite and helpful in the face of an awkward and annoying customer.

Many successful business entrepreneurs have the backing of their families. You will be under pressure, working long hours. Your family must be prepared for the impact that can have on them. That impact can include your family being able to tolerate the risks that self-employment can bring, such as lower income initially, forgoing a family vacation or two, even understanding the implications of the business venture failing. Take time to talk to all members of your family who might be affected by your choice to be your own boss. The time to consider the pressures you will face is now, before you commit to becoming an entrepreneur.

What to Avoid

You Assume That Being the Boss Is Easy To Do

Everyone at some point in a career has had to toil for a boss who makes his or her life difficult. Yet, don’t assume that working for yourself will be a day at the beach. There are many benefits, to be sure, but you still have to get used to the idea that the buck stops with you; that can make for a sleepless night or prompt second-guessing about your decisions. Make sure you’re ready to take on that responsibility and the periodic discomfort.

You Do it for the Wrong Reasons

Don’t ever launch any business for the money alone! Weigh the pros and cons of your idea and the impact that starting and running a business will have on all aspects of your life. It may take a mountain’s worth of effort, but you *can* do it.

You Quit Your Dream Too Early

“It’s always darkest before the dawn,” as some seer once said. Among the leading reasons for failure is that a business owner threw in the towel just before he or she was about to succeed. Having

setbacks is to be expected in any new business. But a setback or two should not sink the business, unless you let it sink your confidence.

Where to Learn More

Book:

Murphy, John C. Starting a New Business? Think Big but Start Small. iUniverse, 2006.

Web Site:

U.S. Small Business Administration: www.sba.gov