

So You Want to Start a Business

by Mike Pendrith

So you want to start a business. Well the first thing I am going to say is “good for you”.

As our governments continuously point out, small business is the backbone of the economy. More businesses mean more jobs. More jobs mean a more prosperous economy. On the personal side, owning a business can be very rewarding.

However, before you gleefully charge down that path, step back for a moment and ask yourself why are you starting this business?

To Get Rich

Is it to get rich? Well don't bank on it (no pun intended). I recently read that there are over seventeen million proprietorships, partnerships and subchapter “S” corporations in the United States. Ninety-seven percent (97%) of those businesses generate less than \$1 million a year in revenues. Sixty-nine percent of the owners of those businesses make less than \$50,000 a year.

Now don't get me wrong, I don't mean to imply that there is anything wrong with making \$50,000 a year. But I think we would all agree that \$50,000 a year is not what anyone would define as getting rich.

So if your reason is to get rich, then you may want to scratch that reason off the list.

Shorter Hours

You are tired of the long hours at work. I understand. Many of us have been there. However owning a business requires a lot of work, especially in the early years. Owning a business is not easy, in spite of what all of those advertisements and Internet pop ups tell us about having your own business, creating financial freedom and spending more time with your family.

If your reason for starting a business is to work fewer hours, then you may be in for a shock. In the first few years of operation, it is not uncommon for the owner of a small business to work 60 – 70 hours a week.

Scratch that one off the list too.

Lasting Legacy

You may have a desire to create a lasting legacy. You may also want to pass the business on to your children in a few years time.

You don't care if you ever get rich, you don't care if you have to work long hours; you just want to create something that will be yours that no one can take away. It is like giving birth to a child and having the joy of watching that child grow up to become a young adult.

It is yours. No one can ever take it away - except for changes in technology, economic downturns, changes in customer preferences, new competitors and your "friendly" banker, when he calls the loan. Aaahhhhhh!

While starting a business to eventually pass on to your children may seem like a wonderful idea, the one flaw with that thinking is that they may not want to work in the business, preferring instead some other field of endeavour.

So scratch that thought too.

Independence

Personally I think the main reason that most people start a business is to achieve independence. You are tired of working for a boss who is not as smart as you, who gives you grief and all of the "dirt" assignments (actually I wanted to use another four letter word), who takes credit for your ideas and who is crabby most of the time. You've had it with this person.

One morning you wake up and say "I am going to do it". However, you neglect to do the necessary research. You open the business. The statistics of businesses that fail are staggering (50% of new businesses fail in the first 2 years and 75% within the first three).

If you do not succeed, you have lost all of your savings, find yourself in debt, find your confidence is at an all time low and now you are forced to go to work for another boss who may be no better than the one that you left a few months ago (heaven forbid – you may have to go back to work for the same person).

Discouraged yet?

Go For It

Actually, I don't want to sound too negative. Owning a business can be a very rewarding experience – sometimes financially, often personally. The business owner gets to do something that he or she really wants to do with their life.

How many people can honestly say that?

What I had hoped to do in this article is to point out some of the pitfalls. If you want to start a business, my advice would be "to go for it". You do not want to be lying on your death bed saying "I wish I had....."

But, and this is a big but, make sure that you do all of your research before you open your doors. Understand the industry, the market, your target customers, your competition, what equipment and inventory is needed and how much cash it will take to keep you afloat until your business is in the black. Get some professional assistance (business advisors, accountants, lawyers, etc.). This is a big step. You may only get one chance, so you want to make sure that you do it right.

As I mentioned, owning a business can be a very rewarding experience. I wish you all the success in the world with your new business.

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