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BEING YOUR OWN BOSS: ARE YOU READY?

Three gold cards. An annual salary towering over \$100,000. A company car. Most people working a grueling 9-to-5 day would give their eyeteeth for these rewards. Wanda James had them all when she was the regional marketing manager for Avery Dennison, an office products company based in Pasadena, California. Still, she gave them up to become an entrepreneur. Why?

“I wasn’t growing anymore, and I realized that I had gotten all I could get from corporate America,” says James, who worked in marketing for six years. “I did well in my job, but there came a point when the lack of promotions and limited job responsibilities said, ‘Little black girl, you’re not going any further.’”¹

Determined to find fulfillment in life, James decided to purchase the Jamaican Café, a Caribbean-style restaurant located in Santa Monica, California. Scott Durrah, her fiancé, was a good friend of the former owner, so when the three were casually talking one night at the restaurant, James discovered that it was up for sale. It didn’t take James long to determine that she wanted to become the new owner, so, after partnering with Durrah, the two began writing a business plan and crunching numbers to figure the start-up costs. Emptying out their savings account and borrowing from family members and credit cards, they raised the \$50,000 they needed for the closing costs. In August 1996, the Jamaican Café opened its doors under new ownership.

Today, the restaurant serves a wide variety of Caribbean dishes as well as some American specialties. It has attracted a loyal following, including such celebrities as the Wayans Brothers, Michael Keaton, and Roseanne, and has earned nearly \$800,000 in revenues.

Looking back on her decision to leave the security of a full-time job to swim in the unsure waters of entrepreneurship, James says she holds no regrets. “Sure it was tough to give up the paycheck and the perks, but I don’t feel like I gave up anything that was of any huge importance,” she says. “Plus, what I have gained is so much more. I work for myself, and one day I hope to own many different businesses.” For James, becoming an entrepreneur filled a need for self-fulfillment.

If someone were to ask you why *you* want to start a business, what would be your answer? Financial freedom? Independence? Creative license? A retirement nest egg? Compared to other start-up queries—how to price a product or service, how to secure financing, or how to find the right location—this is a simple question. But it is one of the most important issues you will have to consider when taking your first few steps toward entrepreneurship.

The goals you set for your business will impact every decision you make in getting your company off the ground. It will affect the type of business you choose to pursue, how you evaluate your chances for success, and how you assess whether you have what it takes to become an entrepreneur.

In this chapter, we will discuss some of the more common reasons why individuals decide to start their own businesses, and will provide an overview of how you can set yourself on the path toward ownership. You might think that a hefty loan from your neighborhood bank is all you will need for the journey, but capital is not nearly enough to help you make a successful start. Among other things, you will need leadership skills, a competitive attitude, and a healthy dose of patience.

WHY TRY OWNERSHIP?

Take a moment to ask yourself why you would like to become an entrepreneur. Perhaps you have dreams of taking over the family business, or aspirations to build an empire from the ground up. Whatever your reasons, it’s important that you identify them before you get started. Your goals will guide your operation and steer you toward success.

Here are some of the common reasons why people decide to hang out their shingle:

Money

Many people—particularly those working in a corporate setting—feel short-changed when all their efforts go toward doing a good job “for the team,” but the bonuses go only to the “captains.” The thought of starting a business in which they can create riches for themselves rather than for someone else is

enticing. But, how much they stand to make, and how quickly they're likely to make it, will depend on the type of business, the competition, the market saturation, and a host of other factors. Still, becoming an entrepreneur can be very rewarding financially. Just keep in mind that you may not have a positive cash flow during your first few years in operation. In fact, it may take several years for you to make a profit. But with proper planning and a healthy dose of patience, entrepreneurship can be a pot of gold at the end of the rainbow.

Being Your Own Boss

How many times have you stormed out of your manager's office uttering beneath your breath, "If I were the boss, I would. . . ." Many people opt for business ownership because along with the title comes a license to "call the shots" in every area such as naming the business, hiring employees, setting policies, and developing advertising campaigns. For many people, becoming an *employer* is a sure-fire way to assume certain leadership positions that are not available to an *employee*. Realize, however, that if you're the type of person who enjoys total autonomy, you will have to seriously consider how you will handle certain management responsibilities, especially if you decide to take on a partner or two.

Developing Your Own Idea

Some people seek ownership so that they can explore an idea(s) that has been rejected or ignored by former employers. That's what Rachael Lewis did when she opened Rachael's Totz 'n' Teenz Model Management Inc. from her Manhattan apartment in 1993. Lewis was bitten by the entrepreneurial bug while working as a receptionist/messenger for an adult modeling agency in Miami. Sitting at her desk, she conceived an idea to develop a kids' division and began pursuing it. "I was tired of answering the phones. It was boring to me," says Lewis. "So I started working with some kids, but when I went to the owners of the agency about starting a kids' division and offered to run it, they said no. They said it was not a good idea, so that's when I spoke to my parents about borrowing money to start my own agency." Lewis's agency now works with over 150 teen models, many of whom have signed contracts with major clients, including Ralph Lauren, Tommy Hilfiger, Avon, and Toys 'R' Us. Like Lewis, many individuals simply want to develop a concept in a way that they see fit and not according to how others suggest it should be approached. Entrepreneurship gives them the breathing room to follow their dreams.

Establishing Job Security

Working in corporate America has become no more secure than placing your money on a blackjack table. That's why many people have chosen to make the transition from employee to employer. Entrepreneurship is also risky (according to the Small Business Administration, half of all new businesses

fail within the first four years of operation), but it offers a sense of security that cannot be found in the cubed environments within a city skyscraper. Entrepreneurship gives people a chance to build toward retirement for themselves and their families without the fear of being downsized or right-sized. When you're running your own shop, no one can fire you—except your customers. And as long as they're happy, you're open for business.

Creating a Different Lifestyle

Do you ever feel like your typical workweek is a scene from the movie *Ground Hog Day* (Bill Murray, as the main character, relives the same day over and over and over)? Many people who start their own businesses are not just looking to change jobs; they're in search of a different lifestyle. Depending on the type of business you choose to start, you could travel internationally, appear on television and/or radio, or speak in front of large organizations. For those seriously bothered by tedium, entrepreneurship is a way to take on new challenges and feel valued and important.

To Shatter a Glass Ceiling

Some individuals—particularly women and minorities—feel they can only go so far when they're working for someone else. However, when they're working for themselves, the sky is the limit. Business ownership also gives them the respect and recognition they feel they're entitled to.

Feeding Your Ego

Some people start a business because of how it looks and how it makes them feel. People like saying “I own a supper club” or “I own a computer company” or “I own a clothing boutique,” and then seeing the reaction that follows. A word of caution: If ego-gratification is one of your main reasons for pursuing ownership, think seriously about how important it is to you and how much it will impact certain decisions you make regarding the business. Don't invest valuable time and money in starting a company only to please or impress someone. That person may not even care whether you succeed or fail.

Whatever your purpose for starting a business, a key decision is whether you will pursue it full-time or part-time. Many entrepreneurs start a business part-time to reduce their financial risk and give them time to learn the industry and the potential market for the business before they decide to devote all of their energy and resources to it. Operating a part-time business can mean taking on just one client or customer as opposed to 10 or 20, or working for family or friends in your spare time.

If you are concerned about business failure, consider launching a part-time operation. If the business folds, you will still have your full-time job to fall back on. Even as a part-time entrepreneur, you will be required to put in long hours if you hope to be successful. Also, even though you may operate your business part-time, some of the start-up costs will not necessarily go

down. For example, the price of a computer will remain the same whether you use it 20 hours per week or 40 hours per week.

For any venture, part-time or full-time, you will need to set short-term as well as long-term goals. The primary long-term goal is evident: build a successful business. But, in doing so, you may very easily get overwhelmed and feel that you're not getting anything done. To avoid feeling inadequate, set realistic and achievable milestones along the way. They will give you peace of mind and assurance that you are forging ahead. Here are some of the short-term goals you can establish:

1. Choose a business name.
2. Apply for a business license or permit (if one is required for your operation).
3. Set up a business bank account.
4. Trademark your product's name.
5. Find a commercial real estate broker.
6. Locate a good tax attorney.

To stay on track, create a timetable showing the target date for completion of each task. Each small victory will prove inspiring and invigorating during the first few months of your new business.

DO YOU HAVE WHAT IT TAKES?

Your reasons for wanting to go into business for yourself may be legitimate. You may have a life-changing product that no one else has ever conceived, or a unique twist to a service that makes all others pale by comparison. But do you have what it takes to make that product or service a success?

At the very least, becoming an entrepreneur requires guts. Effie Booker, co-owner of Cabana Car Wash and senior vice president at Wells Fargo Bank in Houston, Texas, will be the first to tell you that it takes more than courage to keep a business afloat. Thinking back to when she opened her second location, she says it also takes commitment.

"On the day we opened up the second car wash, I happened to go down on my lunch hour to see how things were going and when I got there the guys had cars lined up. They said to me, 'Ms. Booker, we have all these cars that we have to have ready. Some customers want them by noon and some by five o'clock, but there's no way we can do it because we've only got three people,'" she recalls.

"So I called my office and told them that I was taking the rest of the day off. Well, I didn't have time to change my clothes and although I was dressed in a spring suit, with pearls and high heels, all I could do was stand there, swing the pearls behind my neck, grab a high-speed bus and go at it. By the time I finished, my hair was all over my head, my pearls were behind

my neck, and I had ripped my pantyhose from one end to the other, but you do what you have to do to run your business. And there's not one role within my company that I won't get out there and do if I need to do it, high heels and all, from cashiering to being in the pit changing plugs, because I love my business and I'm committed to making it a success."

Guts and dedication are two traits that you must possess in order to become a successful business owner. In addition, you need the right mix of skills and personal qualities. One of the more common reasons why businesses fail is because the owner does not have business experience in or knowledge of the field he or she wants to enter. Before you get started, assess whether you have the right talents and attributes to run your own shop.

Here is the ideal mix of skills and personal qualities that entrepreneurs should possess:

1. *Leadership skills.* It's one thing to be a good manager, but another to be a strong leader. Managers know how to do things right, but leaders always do the right things. As an entrepreneur, you will be called on to do both. You will have to solve a myriad of problems, both big and small. Your employees will look to you for guidance and direction on how to grow the business, and you must be able to deliver. If you feel more comfortable having others tell you what to do, entrepreneurship is not for you.
2. *Business experience.* Whether it's in bookkeeping, market research, advertising, or customer service, most soon-to-be entrepreneurs have some *knowledge* about what it takes to start a business, and some *experience* in the field they hope to enter. If you have neither, don't panic. Having business experience is not a prerequisite to starting your own company. To compensate for any skills you lack, you can take business courses at a local university or college, talk with professional consultants about particular issues, or volunteer to work at an existing business in your chosen field.
3. *A sacrificial attitude.* One of the first things that you will be forced to give up, particularly during the fledgling years of the business, is the 9-to-5, Monday-through-Friday work schedule. Becoming an entrepreneur can require working ten to twelve hours, seven days a week. You could also end up working on holidays (particularly if your business is in the retail industry). So say goodbye to much of your free time, as well as those coveted three-week vacations you had grown accustomed to. You will also have to sacrifice a regular paycheck. Many business professionals advise paying yourself first, but this may not be the best move. Your employees and suppliers are important to the survival of your business. Without them, you would not have a business, so you may want to pay them first.

4. *Strong interpersonal skills.* As an entrepreneur, you will have to deal with customers, employees, suppliers, accountants, lawyers, advertising executives, technicians—the list goes on and on. To be successful in business, you must be able to work with a variety of people and personalities.
5. *Intelligence.* Forget about what you scored on your SATs and business college entrance exams. To be a successful entrepreneur, you will need more than just “book smarts.” You will need good old-fashioned “street smarts” and common sense. Successful entrepreneurs can effectively deal with real-world business experiences. They can foresee problems before they occur and have the ability to devise workable solutions.
6. *Strong management skills.* You will have to manage a series of relationships with your banker, clients, customers, and any family members who may decide to join you in running the business. However, one of your most important managerial duties is overseeing your employees. Can you deal with firing as well as hiring workers? Are you able to handle reprimanding staff when they are consistently late, or are stealing from the company, or are insubordinate? If you cannot deal with personnel problems, are you comfortable with assigning that authority to someone else? Successful entrepreneurs can control employee–employer relationships and delegate authority where needed.
7. *Good organizational skills.* When you start your own business, organization is essential. You must keep track of everything that goes on in your operation, or face doom. Don’t get caught beneath a stack of papers a mile high when Uncle Sam comes calling.
8. *Competitive attitude.* No matter what type of business you start, you’re bound to face competition, either directly or indirectly. You can’t give up when several similar stores open just a few miles away. You have to come out fighting and find ways to promote your product or service as *the* best, not one of the best.
9. *High energy and optimism.* Starting your own business requires long hours and a lot of hard work, so you must be energetic. People who are starting a business while they are maintaining a full-time job must develop ways to muster a few extra ounces of strength. If you find yourself getting run down, look into changing your diet or starting an exercise program. Successful entrepreneurs are upbeat and always able to go that extra mile.
10. *Self-confidence.* Many people make the mistake of starting a particular type of business only because of its profit potential. You must like and believe in what you’re doing, or it will be impossible to convince customers and other clients to use your product or service. If you don’t like kids, don’t start a toy store. If you can’t stand

working around food, don't open a restaurant. Make sure that you have a passion for your business.

Assessing your skills for entrepreneurship is not an elaborate process. Begin by simply making a checklist of your strengths and weaknesses and your likes and dislikes. Then match them against typical entrepreneurial qualities like those listed above. Be honest in determining what you can and cannot do. You will only hurt yourself if you fake your abilities. Don't worry if you lack some of the characteristics of an entrepreneur. No one is perfect. Besides, good business owners accept their shortcomings and find ways to compensate for them.

Here are a few ways in which you can offset your weaknesses.

Hire Help

You will first have to determine whether you can afford to hire employees. Most new business owners are on a limited budget and can't afford to hire a full staff right away. Only you can determine whether the convenience of paying someone to do some of your chores outweighs the cost. Bear in mind that hiring an individual(s) whose skills complement yours can save you from making mistakes that could kill your business. For example, if maintaining orderly income-and-expense records is not your strong suit, you may want to hire a bookkeeper. In the most extreme case, inaccurate books and files could mean handing over the keys to your business to the IRS.

Develop a Partnership

Some entrepreneurs choose to take on a partner or two who possess the skills they are lacking. This route means giving up total control of your business and sharing all the decision making with your partner (see Chapter 4). Finding a good partner is not easy. Many people choose a friend or family member, but such close ties could kill your business if you're not careful. For example, sibling rivalry is a major reason why only one-third of family-owned firms survive past the first generation. Before handing over a piece of your business to *anyone* else, make sure there is a good match in qualifications and personality traits.

Learn Additional Skills Yourself

You're never too old to learn. If hiring employees or choosing a partner is not right for you, consider acquiring some skills yourself. You can do this in one of three ways:

1. *Trial-and-error.* You can develop skills by learning from your mistakes. The only disadvantage to this approach is that, as a new business owner, you can afford to make only so many faux pas. Trial-and-error is usually beneficial to entrepreneurs who are working on their third or fourth new business. However, if you find yourself making

blunders during the early phases of your new operation, don't panic. You can still come out on top. Eric Marshall, founder and president of Clique Creative Services, is living proof. Marshall, a trained photojournalist and graduate of Indiana University, started his business in 1987 in a 450-square-foot portrait studio. Using old photography equipment, he conducted shoots for weddings and high schools. However, Marshall soon grew tired of taking sophomore photos and branched out into the commercial design arena. Having had little experience in the design field and even less in the business world, he lost valuable contracts. "I used to share my ideas with potential clients before signing a contract," says the self-taught businessman. "They would either change their minds or steal my ideas. I soon realized that wasn't how business is conducted and began charging clients up front for half of the job's cost." Through trial-and-error, Marshall has been able to build a strong client base, which has earned him nearly \$500,000 in sales. "I'm just beginning to truly understand what it takes to be successful."²

2. *College courses.* A business class or seminar at a local college or university may help you acquire the knowledge you need, but be aware that courses can be expensive and time-consuming. Also, they rarely offer much help in dealing with real-life business situations.
3. *Business incubator.* These business assistance programs nurture start-ups by providing expert advice on such issues as business planning, technology, and marketing. They also offer access to office space, supplies, and equipment. About 1,100 business incubators are operating worldwide; roughly half are located in the United States (see Chapter 5). For the incubator nearest you, call the National Business Incubation Association at 740-593-4331.

When you are assessing your skills, keep in mind that entrepreneurship is not like changing jobs. There will be new responsibilities, new challenges, and a chance to meet new people, but you're responsible for an entire operation, not just one or two tasks. You will have to create benefits plans, meet with suppliers and advertising executives, keep the books, calculate and pay taxes, and do anything and everything in between.

Entrepreneurs play many roles. Among those you can expect to play are:

- *Business planner.* Whatever you decide to do within your business—add a new product, hire additional staff, or switch employee benefits packages—you will be required to do all of the planning. It is also your responsibility to execute plans in a way that satisfies those who will be affected by them.
- *Bill collector.* Unless you hire a collection agency (most new businesses cannot afford the service fees), it will be your responsibility

to keep track of customers who are not paying their bills. You must understand the legal issues surrounding collection and the best methods for trying to get clients to pay up.

- *Tax collector.* If you hire employees, you will be responsible for deducting federal, state, and local taxes from their paychecks. In many states, retail businesses are required to collect sales tax from customers who purchase merchandise and other personal property (see Chapter 13).
- *Market researcher.* One of your biggest hurdles will be defining your target audience. Who are your customers? Where are they located? What are their demographics (age, income, occupation, education)? You will be responsible for gathering all the information that will tell you whether your business is going to fly.
- *Sales and marketing guru.* Few start-ups can afford to hire a top salesperson or advertising agency to pitch their product or service. You will be required to devise catchy phrases, write ad copy, visit potential customers, and do the necessary market research to uncover how to succeed in your industry.
- *Secretary.* As the business grows, you will do less and less typing, filing, hole punching, and the like. A receptionist will share the load or take it over entirely. When starting out, however, you may have to answer phones, send and open your own mail, and acknowledge e-mail messages or orders. The benefit of these small tasks is that they enable you to stay on top of every aspect of running your business.
- *High-tech expert.* Successful entrepreneurs know about the latest changes in information technology and are able to adapt their businesses accordingly. As a new business owner, research the high-tech purchases that make sense for your operation. Although the newest computer hardware and software will be expensive, you can find low-cost equipment that will effectively meet the needs of your company. In addition to purchasing a computer you should also sign up with an Internet Service Provider (ISP) to obtain access to the World Wide Web (see Chapter 10).
- *Clinical therapist.* Entrepreneurs often find themselves embroiled in the personal problems of their employees. Issues such as domestic abuse and inadequate child care can impact the workplace and may affect the success of your operation. In anticipation of these problems, devise general strategies for dealing with them. Simply firing an employee may land you in court as a defendant. Besides, certain skills are difficult to find. Consider establishing programs that will bring distressed workers back on track. For example, if many of your employees are single mothers, find out the local rules (zoning, supervisors' qualifications) for setting up a day care program on or near your premises, to cut down on absenteeism.

- *Accountant.* Many entrepreneurs say they are too busy to crunch numbers. But unless you enlist the help of a professional accountant, you're risking disaster. Find out which records, receipts, and supporting documents you need to keep, and how to maintain them (see Chapter 12). Ask the accountant to walk you through preparing tax forms and keeping accurate financial statements. Use the services of a professional, but study each financial statement carefully.
- *Lawyer.* You will never have to argue a case before the Supreme Court. However, as an owner of a business, you will need to gain an understanding of certain regulations regarding tax and employment law. You may also be required to prepare legal documents such as work orders for independent contractors.

WEIGHING THE COST OF YOUR VENTURE

Do you know how much money it will take to get your business off the ground? If you can answer "Yes," you're one step closer to entrepreneurship. But if your answer is "No," stop right here. You have some serious thinking to do.

Determining what financial resources will be required to launch your business is critical to its survival. Too often, business owners underestimate their money needs and end up closing their doors before celebrating their first anniversary.

Many entrepreneurs think that because they have a unique product or service, the money will just roll in. But what if it doesn't? Will you be financially prepared to weather the storm? You cannot assume that lively sales during your first year in operation will compensate for inadequate financing. When determining the cash you will need to get started, you should assume that no sales will be made the first year and that you will be operating at a loss.

There are many sources of financing (for example, bank loans, family and friends, and venture capital firms); we will discuss them in Chapter 8. One of the most common sources is personal savings. If, like many entrepreneurs, you can use your own money to start your business, you are tapping the most ideal financial resource. By using your personal reserves, you will not have to worry about paying back any loans. But if you fail to accurately assess your personal assets from the start, you could end up losing more than just the business.

Before you decide to empty out your bank account, make a list of *all* of your assets and liabilities. The process may seem a bit elementary, but it will help you to see clearly what you have and what you don't have, which translates into what you can and cannot afford.

If your debt is extensive, you may want to reconsider starting a business right now. Becoming an entrepreneur requires serious financial risk.

Can you afford to fail? If you cannot, do not take the plunge. You may have a great idea, an optimistic attitude, and the enthusiasm of a powerball lottery winner, but without the proper financing, you're sunk.

The amount of money you will need to get started hinges on several factors: the type of business you open, where you choose to locate, the number of employees you intend to hire, the types of equipment you will require, whether you will commission professional consultants, and so forth. For example, if you plan to open a home-based basket-making business, your start-up costs will be far lower than if you were to open a computer software company situated in the center of town.

Each business's costs are different, but several basic start-up costs are on virtually all entrepreneurs' expense lists. These include the following:

- *Rent.* Most entrepreneurs rent or lease office space to house a new business. Rental prices vary according to location and class or type of building; rates can range anywhere from \$10 to \$50 or more per square foot. For example, a 500-square-foot, Class A office in midtown Manhattan (New York) will cost much more to lease than a 1,000-square-foot, Class C suite in the central business district of New Orleans (Louisiana). Most lessors (landlords or owners of the property) will require that you pay the first month's rent plus a security deposit before moving in. (Leasing is covered in detail in Chapter 5.)
- *Business license and/or permit.* Most local, city, and state governments require that you obtain a general business license to operate in their jurisdiction. Licensing costs vary according to locale and the type of business you operate. Some businesses have to secure a special *state occupational license*, which is issued to any professional who offers products or services that require regulation. For example, a doctor, dentist, or lawyer would be required to obtain a special license to open a practice. Permits may also be required to sell certain products. (Licenses are covered in detail in Chapter 6.)
- *Business insurance.* The amount you will need to spend on insurance depends on the type of business you open and where you operate it. For example, both a home-based public relations firm and a cookie manufacturing company will need to obtain property and general liability insurance. But the cookie company will also need to secure product liability insurance, which would cover the costs if someone gets sick from eating the product and sues the company. Each business has different insurance needs, so consult your insurance agent for individual packages and specific premiums. (Insurance is covered in detail in Chapter 6.)
- *Equipment and inventory.* Some businesses are more equipment-intensive than others, but these are the basic items that virtually

every operation will use: a two-way telephone system, an answering machine, a facsimile (fax) machine, a standard personal computer and modem, and signage. Make a list of all the materials you will need. To figure out the costs for each, visit several vendors for price quotes, and, based on your research, calculate how much you will have to allocate for each item. Take the same approach with your inventory. Make a list of all necessary supplies, then comparison shop at wholesale or outlet stores for the best prices. When stocking up on office and cleaning supplies, remember that it's cheaper to buy in bulk.

- *Phone and utilities.* Deposits may be required by the local telephone and utility companies. The exact amount of your telephone deposit will depend on the number of lines you need and the type of service you choose. Estimate the deposit as at least \$100. The amounts of your gas and electric deposits will depend on your projected usage.
- *Professional consultation.* You're bound to work with all sorts of business experts throughout the life of your business. But during the infant stages of your operation, two professionals you are almost guaranteed to consult are an accountant and a lawyer. An accountant can assist you in preparing your books and taxes; a lawyer will provide legal advice and help you complete and file any necessary legal documents. Fees vary; most accountants and lawyers charge by the hour. Some lawyers, however, will require a retainer fee, to be paid up front before services are rendered. This fee can run as much as \$2,000 to \$3,000, so you'll want to shop around.
- *Marketing budget.* As a new business owner, you will need to initiate an advertising campaign to let people know that you exist. How much money you allocate for your marketing needs (advertising, public relations, and/or promotions) will depend on your industry as well as your competition. Some businesses start with very little advertising; others spend a sizable amount to launch their operation. Plan to set aside a certain percentage of your projected gross sales (anywhere from 2 to 5 percent) for your advertising budget (see Chapter 9).
- *Employee payroll.* Whether you have a full-time or a part-time business, you will need to set aside preopening payroll or salaries for yourself as well as any additional staff you intend to hire. A good rule of thumb is to earmark one month's salary plus a three-month reserve for all employees.
- *Transportation.* Your need to shell out money for the use of a car, truck, or van will depend on the type of business you operate. For example, if you start a pizza delivery business, you are going to need some form of transportation. When searching for a vehicle, consider leasing or buying a used car or truck to save money. Vehicle insurance will be an

added transportation expense. Contact your insurance agent for premiums.

- *Special considerations (remodeling, fixtures, and so on).* Some new businesses will require cosmetic surgery. For example, most retail spaces, like those found in a shopping mall, come as a plain vanilla shell. If you start a retail clothing store, you may need to build-out or renovate your space (build shelves, install lighting and rack fixtures, add carpeting and other decorative items to support your business). To figure the cost of your build-out—in real estate terms, your *leasehold improvements*—secure bids from a contractor. A construction company will generally provide you with a free bid after you create a design. Your lessor can do the build-out for you, but, if you go this route, plan to spend anywhere from \$35 to \$40 per square foot (depending on the location) for the build-out itself.
- *Miscellaneous costs.* On your first day in business, you're going to need cash for the register. How much should you have? There's no fixed amount, but a few hundred dollars (maybe \$200 or \$300) should do it. You may incur some unanticipated expenses. Perhaps a pipe bursts and threatens to flood the business your first day in operation, or robust sales wipe out your inventory and you must purchase additional items to satisfy customers. Just in case Murphy's Law goes into effect, allocate about 10 percent of the total cost of your start-up expenses to cover any unforeseen circumstances.

PLANNING FOR THE LONG HAUL

As you can see, there are many factors to consider when starting a business. It requires more than printing up business cards, hanging out a shingle, and tacking an "Open for Business" sign in the window. A lot of planning must go into that first day, to ensure that there is a second day, a third, fourth, fifth, and so on.

There are no shortcuts to becoming a successful entrepreneur. The process is long and sometimes tedious, but the steps you take will lead to prosperity if you walk slowly and carefully. Some people want to fly by the seat of their pants into entrepreneurship. "I'll figure it out as I go along," they say. But this attitude will kill a business before it even gets off the ground. Ask yourself: Do you want to be in it for the long haul? Are you willing to sacrifice short-term gain for long-term success? Remember, anyone can whip up a storefront for a day. The question is: Will it be around tomorrow?

No business is failure-proof. Among the factors that contribute to the downfall of businesses, large and small, are the following:

- Undercapitalization.
- Lack of skilled personnel.

- Inability to deal with the competition.
- Failure to accurately assess the market potential.
- Delinquent bank loans.
- Inadequate amount of working capital.
- Bad relationships with vendors and suppliers.
- Internal strife (particularly in family-owned businesses).
- Death of key owners and/or personnel.
- Inability to keep good financial records.
- Failure to collect receivables.
- Pricing goods or services too low or too high.
- Shunning professional consultation.
- Failure to obtain the proper insurance.

When launching your business, don't put off *any* aspect that will impact your progress. Bookkeeping is a classic example of an area that causes owners to shudder. "I'll get to it later," they insist. But later gets later and later and later, until it's too late. Treat each aspect of starting a new business with care. Devote as much attention to figuring out your reasons for wanting to start a business as you do to searching for a location for that business. Becoming an entrepreneur is a lot of hard work, but it's also a lot of fun. The pride and accomplishment you will feel that first day in business will be well worth the time, effort, and money you invest.

CHECKLIST

HOW YOU CAN PREPARE FOR OWNERSHIP

- ✓ **Define your reasons for wanting to become a business owner.** Are you interested in achieving independence, financial freedom, creative license, or a retirement nest egg? State your goals.
- ✓ **Measure your personal traits and professional experience.** Entrepreneurship is not for the lighthearted. To run a business for the long haul, you must be committed, gutsy, intelligent, competitive, and self-confident. Whatever skills or traits you are lacking, you must devise ways to compensate for them.
- ✓ **Understand the varied roles of the business owner.** As an entrepreneur, you are the boss, but you are also the bill collector, market researcher, sales representative, secretary, and accountant. Determine whether you can handle those roles.
- ✓ **Weigh the costs of your new venture.** No new business can get off the ground without money. Determine how much capital it will take for you to launch your firm, and where you will obtain the funding.
- ✓ **Settle in for the long haul.** Business ownership is not easy. To be successful, you must have a plan. Forget about flying by the seat of your pants into entrepreneurship. Pay careful attention to every aspect of starting your venture, and walk slowly and carefully as you begin to build.

RESOURCES FOR MORE INFORMATION

ASSOCIATIONS

- ***American Association of Minority Businesses (AAMB), Inc.***, 537 W. Sugar Creek Road, Suite 104, Charlotte, NC 28213; 704-376-2262; www.website1.com/aamb. The AAMB is a national benefits services association that assists minority business owners in building their managerial and technical skills. The organization gives minority business owners access to a number of resources, including business equipment, financial services, insurance products, and business supplies. The AAMB also sponsors educational and motivational business development seminars and programs throughout the year.
- ***American Institute of Small Business (AISB)***, 7515 Wayzata Boulevard, Suite 201, Minneapolis, MN 55426; 1-800-328-2906 or 612-545-7001; www.aisbofmn.com. The American Institute of Small Business is considered to be the leading publisher of educational materials designed for the small business owner and the self-employed. The organization's publications can be reviewed in over 2,000 libraries, 2,500 high schools, and 525 colleges and universities. The organization conducts seminars and workshops on a variety of topics, including how to set up a small business.
- ***American Management Association International (AMA)***, 1601 Broadway, New York, NY 10019; 212-586-8100; www.amanet.org. The AMA operates management centers and offices in some of the major American cities, including New York, Washington (DC), Boston, Atlanta, and Chicago, and provides business-related seminars in 300 additional metropolitan areas. For its members, this organization provides information concerning all disciplines of management, including financial, human resources, purchasing, insurance and risk management, research and development, and sales and marketing.
- ***National Black Chamber of Commerce (NBCC)***, 2000 L Street, NW, Suite 200, Washington, DC 20036; 202-416-1622; www.nbcc-e-train.org. The NBCC is an umbrella organization for hundreds of affiliates scattered throughout the country. This organization offers, to the start-up and existing entrepreneur, useful information concerning such things as finances, management, procurement, and advertising.