

THE TRUTH
ABOUT

STARTING A BUSINESS

"What does it mean
to do what you
truly want to do?"

Bruce Barringer

Author of The New York Times's Entrepreneurship Weekly Review

Book The Truth About Starting a Business

“What Does It Mean to Do What You Truly Want to Do?”

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Recommendation

Starting a business is a serious undertaking. You need an inexhaustible supply of enthusiasm, energy, resilience and good fortune – and plenty of funding doesn't hurt either. *BooksInShort* finds that management professor Bruce Barringer cites every salient detail – however briefly – in this comprehensive, condensed look at entrepreneurship. In his list of 53 “truths” about getting a business underway, he doesn't try to discourage you from fulfilling your dreams, but he asks you to be deeply introspective about your motives and abilities. Owning a business can be fraught with pitfalls, and any lack of commitment will greatly diminish your chances. Despite entrepreneurship's numerous challenges and frustrations, Barringer contends that it offers tremendous potential rewards, and he tells you how to pursue them.

Take-Aways

- To succeed, entrepreneurs need to temper their enthusiasm with common sense.
- New business owners must be prepared to work harder than they've ever worked. As an entrepreneur, you'll need passion, flexibility and self-confidence.
- Before you begin, define your motives, assess your business idea, calculate your budget, consult your family and consider the adjustments you'll need to make.
- You don't need a new business idea. Franchising and direct sales are viable alternatives.
- You do need a sensible, written business plan and a targeted marketing strategy.
- Early decisions include selecting your firm's name, location and ownership structure.
- Carefully study the legal licensing requirements in your location.
- You can fund your company with savings, loans, grants or investors' cash. Try to cover at least six months of living expenses before you begin.
- Seek guidance from fellow professionals and hire the right people.
- Don't let your business eat you. Make time for yourself, your family and your friends.

Summary

Taking the Plunge

Most people would like to make more money and have greater control of their work lives, but those two enticing goals aren't the primary reasons entrepreneurs start their own businesses. Their main motives are to fulfill their destinies and to execute their ideas. Many start-up owners would rather risk everything than go through life haunted by nagging regrets and unfulfilled hopes or ambitions. They can't let go of their dreams, though life may have steered them in unexpected directions. They want to manage their own enterprises and execute their own unique concepts. Fervent enthusiasm gives new business owners the motivation and energy to push forward against the odds.

“Although starting a business isn't easier than a traditional job, business owners usually have more discretion and control over their schedule and career trajectory.”

Starting a business requires more than determination. You need to find a product or service that truly engages you and plays to your strengths. If you hate to get dirty, pursuing a janitorial franchise probably isn't wise. Conversely, someone who loves food and is comfortable in the kitchen may be ideally suited to opening a restaurant. The idea of starting a business may be intoxicating, but ignoring reality is a critical mistake. Don't hand in your resignation at the office until you give these questions

serious consideration:

- **What's your genuine motive?** – If your reason for quitting your job is that you hate your boss or got passed over for a promotion, you may not have sufficient motivation to start a new company. You must be driven.
- **Will this idea really work?** – Write a solid business plan and solicit feedback from experienced businesspeople. Don't proceed without proper research.
- **Do you have enough money?** – You can't start a business on a shoestring. You need to have financing in place and enough cash to support your family during the first few months. Be prepared to struggle.
- **Can you handle the adjustment?** – New business owners typically work very long hours, so you'll have less time for socializing and personal pursuits. You may miss the camaraderie of the workplace more than you anticipated.
- **Is it full time or bust?** – Starting your business part time is best, though not always feasible. Ideally, you'll launch your firm while you still have the security of your job.
- **What does your family think?** – If your income supports a household, your decisions have far-reaching implications, especially if you have children. Tackling a new venture without discussing it fully with your family is unfair. You need their support.

Essential Qualities You Need

Many successful entrepreneurs share a few basic characteristics. Before going any further, ask yourself honestly if you have these three critical qualities:

1. **Unbridled “passion”** – You need enthusiasm, drive and a complete belief that you will succeed to empower you as you navigate the stormy seas of entrepreneurship. You'll experience tough odds, exhilarating highs and humbling lows.
2. **“Tolerance for ambiguity”** – As your new business evolves, you will face seemingly similar situations that may require different solutions and a flexible attitude. For example, what do you do if a new customer suddenly wants your restaurant to serve a dinner for 30 people? You should be able to deal calmly with such circumstances, even though the situation is inconvenient and potentially disruptive, and come up with good solutions.
3. **“Self-efficacy”** – You must believe in yourself. Millions of people fantasize about starting businesses, but only a few trust, deep down inside, that they have the ability to succeed. Bolster your confidence by spending time with other entrepreneurs. You'll get good advice and you'll discover that you're just as bright and competent as they are.

Finding the Right Business

You don't need a groundbreaking idea to be an entrepreneur. Franchising and direct sales offer relatively inexperienced individuals opportunities to go into business. Of course, you may have your own ideas about improving a product or service. Or you may want to explore a fresh concept. Study social, economic and environmental trends. Identify a niche market for your business idea. Set out to fill a specialized need within a larger market. For instance, Greasecar Fuel Systems developed the conversion kits that enable diesel vehicles “to run on vegetable oil.” Look for opportunities to stay ahead of the curve and anticipate consumers' needs. Be alert to problems that need solutions. For instance, one manufacturer is producing cellphones with larger buttons and bigger text for older customers. In 1997, Julie Aigner-Clarke founded Baby Einstein after realizing that the video market didn't offer educational products for very young children.

“Promising new business ideas emerge from three sources: changing environmental trends, unsolved problems and gaps in the marketplace.”

If starting a business from scratch doesn't appeal to you, then consider franchising or direct marketing. Franchising means buying into a successful business model. You capitalize on its name recognition and, in most cases, receive support and guidance from the parent company. However, the initial investment may be steep and you'll pay monthly royalties to the franchisor. A franchise could hinder your creativity, since many franchisors make you stick to their proven formulas. Don't just jump into a franchise. Research the parent company's financial standing. Speak to several franchise owners about the business.

“It's not good enough to simply ‘think’ you have a viable business idea. You need to write a business plan.”

If you have had an uncomfortable experience with pushy salespeople, you may shy away from direct sales. Nevertheless, multilevel marketing companies, such as Mary Kay, Tupperware and The Pampered Chef, boast thousands of loyal, passionate, dedicated representatives. Be wary of companies that promise huge profits immediately or insist that you make a large initial investment. The organization you join should be a member of the Direct Selling Association.

“Difficulty in finding qualified employees is a barrier to growth for many new businesses.”

An Internet business can be a good option if you lack start-up cash or inventory for a “brick-and-mortar store.” Many online businesses succeed by offering specialty items consumers can't find elsewhere. For instance, the Oddball Shoe Company created an online business by selling odd-sized athletic shoes. You may also be able to sell online advertising to generate supplementary income.

Ready, Set, Go!

With few exceptions, new businesses begin by addressing the following five issues:

1. **“Choosing a location”** – Where you open has a huge impact. Retail businesses tend to fare better where foot traffic is higher. Do you need a large store in a busy shopping center? Can you afford the rent? Do you need to make renovations? Location is not nearly as important if you own a service franchise or specialize in mail-order deliveries.
2. **Selecting “your business's name”** – Don't underestimate the importance of the right name. You want a name that is easy to remember and reflects the nature of your business. For example, “ParentWatch” enables parents to monitor their children online at daycare through closed-circuit cameras. The name “Whole Foods Markets” sends a clear message about the health food chain's focus.
3. **“Obtaining licenses and permits”** – Depending on your city, county, state or country, businesses are required to fill out specific paperwork. Find out what licenses, permits and certifications are mandatory. Your library or local government office can help. In the U.S., the Small Business Administration offers online

assistance.

4. **Deciding on “a form of business ownership”** – In the U.S., new businesses typically form as one of four kinds of “legal entities”: sole proprietorships, partnerships, corporations and limited liability companies. In a sole proprietorship, one person is responsible for the business. Partnerships can relieve some of the pressure on a single person, but may involve relationship and liability issues. Corporations limit an owner’s personal responsibility. They allow unlimited outside investors, but the tax laws are not always favorable. Limited liability companies are costly and challenging to set up, but they offer the benefits of a corporation without some of the potential negatives.
5. **“Creating a Web site”** – The Internet’s enormous popularity and convenience make it mandatory for businesses to have an online presence. Your site should be attractive, functional and informative.

On the Money

Launching a business requires money, which many entrepreneurs find in short supply. Having a limited amount of start-up cash can be a blessing in disguise, since it forces you to be smarter and more analytical about your decisions. Learning to operate on a tight budget will serve you well, even when your business succeeds and financial resources become more plentiful. In determining your start-up costs, build in a cushion so you can survive the first months. Few businesses are profitable from the start, so be prepared. Set aside enough money to sustain your family for at least six months. Entrepreneurs often seek loans from relatives and friends. Ask only those who can afford it, and formalize each loan in writing with specific repayment terms.

“Many business owners suffer because they don’t place boundaries on their business life.”

New business owners find it hard to get commercial loans since banks shy away from risk, but some private investors will help new ventures. These “business angels” tend to invest from \$10,000 to \$500,000 in new companies, but they expect yearly growth of 30% to 40%. Most investors, particularly “venture capitalists” – who pool investment funds to back new businesses – focus on large start-ups that have the potential to generate significant returns. If you look hard, you may find community grants earmarked for new local businesses. Contact your chamber of commerce to learn about such resources.

Assembling Your Team

You’ll never succeed if you depend solely on yourself. Be receptive to input. Seek advice from experienced business owners who can help you avoid common pitfalls. Hiring the right people from the outset is critical, because new businesses must build immediate momentum. Deciding exactly which positions to staff and then finding competent employees is a challenge. You may want to hire people on a part-time basis and then recruit the best ones to make the transition to full-time jobs. Interview candidates in person and check their references. Offer fair wages and reasonable schedules. As the owner, you may be prepared to work 70 hours a week, but you can’t expect the same dedication from your employees.

Marketing Your Business

Numerous strategies offer ways to get the word out about your firm. First, identify your target markets. Learn all you can about your buyers – gender, age, where they shop, how much they spend, what magazines they read, and so on. Use the data to formulate a marketing campaign. Traditional advertising outlets, such as radio, TV, newspapers and trade publications, can be costly, but reasonable alternatives exist. Write a blog and create a group of fans who will follow your updates and appreciate your products or services. Almost all the major search engines offer Internet advertising, which is usually less costly than print ads. This tactic exposes your business to the largest possible audience.

“Many successful business owners, looking back, feel that having limited funds forced them to focus, become self-reliant and develop a mindset of frugality.”

Use an intelligent public relations strategy to generate interest in your business. The media is more likely to write or broadcast stories about you if you offer a good human interest story involving your business. For example, notify the media if your employees volunteer for a good cause. Get involved in community charities and gain a reputation for being willing to lend a hand.

Delicate Balancing Act

A new business can consume you easily, but devoting all your energy and concentration to your company can undermine your family time, and harm you physically and emotionally. Instead, compartmentalize your life. Set realistic work hours and stick to them. Schedule regular days off and make yourself available for family activities. Don’t become indispensable at work. Train your employees to run the business competently in your absence. If all goes well, entrepreneurship can generate many rewards, including the autonomy to enjoy life on your terms.

About the Author

Bruce Barringer, a professor of management at the University of Central Florida, wrote *Preparing Effective Business Plans*, and is the co-author of *Entrepreneurship* and *What’s Stopping You?*
