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Before starting your own business, ask these four questions

Article

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Before Starting Your Own Business, Ask These Four Questions

This past June saw more than 420,5860 new business applications in the United States, nearly double the number of businesses started ten years prior. Economists have speculated that the combination of easily accessible new technologies plus pandemic-era home confinement may have catalysed many of the new businesses being launched.

Until this recent turnaround, the long-term decline of entrepreneurialism was an economic concern because start-ups constitute a significant source of job creation, innovation, and economic resiliency. This entrepreneurial shift may better equip the economy to bounce back amid future downturns.

If you've felt the itch to create your own company, you're certainly not alone, but do some research and reflection before leaping. These four key questions can help determine whether starting your own business is right for you.

1. What problem does my potential business solve?

First and foremost, customers need a reason to use your product or service. If you can't figure out what problem your business solves, then it's unlikely to be successful. When you can identify the problem, make sure your solution is unique and doesn't already exist on the market. That said, not every business idea is a good one. Do the research to ensure there's a market for what you're hoping to sell. You can do this by looking at trends in your industry and talking to people you know who'd be potential customers. You'll need to commit substantial time and resources just to get a business up and started. A great idea alone is not enough to execute your vision; you may need to learn a new skill or acquire knowledge. In order to assess what gaps need to be filled, you will need to first identify the skills and knowledge required to execute your vision. Once you have done this, you can compare your current skill set and knowledge base to see where the gaps are. You can then take steps to fill those gaps, either by learning new skills or acquiring new knowledge. But, if you're not willing to do this preparatory work, then starting a business may not be the right move for you.

2. Do I have the right team in place?

No person is an island, and the same goes for businesses. Before starting your own shop, it's essential to build a solid team of individuals who share your vision and can help turn your dreams into a reality. Ask yourself if you have the right people in place to execute your business plan and whether you have the financial resources to sustain operations. Conducting a SWOT analysis can help, because doing so will assess your team's strengths, weaknesses, opportunities and threats. The information you glean can then be used to make informed decisions about how to move forward with your business.

3. How much capital do I need to get started?

This is a critical question to answer before taking the plunge. Make sure you clearly understand the costs associated with creating and running your business--everything from web development to marketing expenses—and, just as important, have a realistic idea of how much revenue you need to generate to break even. You can estimate this by creating a simple spreadsheet that projects your costs and income for the first year. If you need help with this, talk to an accountant or business expert who can help you create realistic projections. The bottom line is that starting your own business is a risky proposition, financially speaking. You

need to make sure you have a clear understanding of the costs associated with starting and running your business before taking the plunge; it's good practice to bank sufficient savings to cover your living expenses for at least six months in case things don't go as planned. When you're self-employed, your income is not guaranteed. It's essential to set aside some savings to tide you over during lean times; while some months may bring significant income, other months may find you barely scraping by.

4. What are the risks and potential rewards?

There's no doubt that starting a business is risky, but if you're prepared for the worst and have a solid plan in place, the rewards can be great. Do the work to understand the risks involved and have a contingency plan if things don't go as expected. For example, no one is telling you when to start working or stop when you're self-employed. You'll need to be disciplined and motivated to get the job done, even on days when you don't feel like it. If you want to succeed in business, you might also have to work long hours. This can be tough, especially if you have family or other commitments, but it's often necessary to get the job done. Additionally, if you're used to working in an office with colleagues, you might find the transition to working from home or being your own boss a bit lonely. It's essential to make an effort to connect with other people, whether it's through networking events, online communities, or just getting out and about.

Final word

While it's unwise to make such a significant decision on a whim, there are many great reasons to start your own business. The drive to try something new, pursue a passion, or simply find a more stable profession is always worth exploring, says Dorie Clark, in *Reinventing You*.

Above all, be sure to do your homework first. Answer these four questions and prepare for the challenges that come with being your own boss—because once you've decided to take the plunge, you'll face a whole new set of challenges and decisions to make. Starting your business is just the beginning.