

# Starting a Business

## Module 2: Is starting a business right for you?

**The Starting a Business Guide is designed in six modules so that you can select the ones that are right for you:**

#### **Overview**

A summary of the material in other modules giving you the basic steps you'll need to take in order to set up your own business.

#### **Is starting a business right for you?**

Information and activities to help you decide whether running your own business will suit you.

#### **Planning your business**

Planning the practical and legal aspects of your business.

#### **Finding and keeping customers**

Researching the market, getting your business offer right and successfully selling to customers.

#### **Managing money**

The key skills needed to organise your business finances and how to apply for funding.

#### **Your business plan**

Collate the information that you wrote in the worksheets into an essential or comprehensive business plan.

## What you will learn and understand as a result of working through this module

### Module 2: Is starting a business right for you?

This module will help you to:

- decide whether setting up your own business is likely to suit you
- decide whether you're in a good position to start.

Even if you have already decided to start or have already started your business, you may find this module useful.

### How to use this module

This is a self-help module, with both reference and worksheet material to help guide you through starting a successful business.

As you go along, there are worksheets to complete, and you can make notes in the action plan about what you need to do next.

You'll find information throughout the module to help guide you:

- Tips for how to make the most of your business
- An action plan at the end of this module to help you plan your activity for starting up.

## Module 2: Is starting a business right for you?

The reality of starting a business

What do you want from your business?

Will business suit you?

What skills do you need to run your business?

Is your financial position strong enough?

Does your business idea have potential?

What next?

Action plan

# The Reality of Starting a Business

**“I thought my business would give me more leisure time. It hasn’t worked out like that. I now work far longer hours than I ever imagined. But I still love it! I really look forward to going in each day. I would never go back to being an employee “ Anon**

Starting your own business can be an exhilarating, liberating and rewarding experience. It’s also often much less complicated than they’d feared if they get the right advice and support.

Being in control of your working life is full of challenges. There are many people who’ve done it successfully, but there are also lots of people who, for one reason or another, have had to accept that it isn’t for them.

Before you start, it’s important that you know what you want your business to give you. If you know what you want to achieve, this can give you the motivation to keep going when the going gets tough. It will also enable you to think carefully, at this early stage, about whether the reality matches the dream.

## Things to think about

If you haven’t identified them already, here are some of the challenges you might consider before starting your business.

**Personal sacrifice:** Don’t underestimate the physical and emotional demands of starting up in business. It requires hard work and long hours, especially in the early stages.

**Financial insecurity:** There can be times when money is tight and this may affect both you and your family. You may have to put in your own savings or use your family home as security.

**Loss of company perks:** Setting up your own business means that you won’t be able to take advantage of the benefits of a permanent job. This includes pension rights, sick pay and paid holidays.

### **Pressure on close relationships:**

You will need the support of your family and friends. You should discuss with them the effect that starting up a business is likely to have on your life.

### **Isolation:**

Being your own boss can be a satisfying experience but running a business can sometimes feel lonely. Developing a network of contacts will help you to feel more like a part of a community.

Starting a business can give you immense satisfaction, but it’s important to be realistic and consider the above factors carefully.

Issues or concerns	Importance (high or low)	Potential solutions

## What do you want from your Business?

Bearing in mind the reality check, take some time to think about whether your business is actually what you want or need.

Think about the reasons why you want to start a business. What are your short and long-term goals? These could range from more independence and a larger income to excitement and concentrating on the sort of work you enjoy.

### Worksheet: What do you want from your business now?

List and rate how important each of your factors are and the factors you need to consider making them a reality.

What do you want from your business?	Importance (high or low)	Things to consider

Do you need to make actions from any of your things to consider? If so, add these to your action plan.

Now that you've thought about what you want from your business, take some time to consider whether these business goals are compatible with your life (and family) goals.

Where do you picture yourself in 5 years' time and what will you have achieved?

Think about your personal aspirations. List 3 that you feel are important for you to achieve.

1.

2.

3.

How will your business help you achieve your goals?

What aspects of owning a business may prevent you achieving your goals?

Compare your personal aspirations and desired achievements against what your business can bring to you. In what ways can you shape your business idea to support your life plans?

### **Case Study: How I decided to set up my own business**

Name:

Company:

What I did:

## Will business suit you?

Another useful check is to think about whether you have the right personal qualities to start your own business. It's often said that a successful entrepreneur will have the following qualities:

**Self-Belief:** A self-belief and passion about your product or service. Your enthusiasm should win people over to your ideas.

**Self-determination:** Believing that the results come from your own actions, rather than from other people's actions or outside forces.

**Being a self-starter:** The ability to take the initiative, work independently and develop your ideas.

**Judgement:** The ability to be open-minded when listening to other people's advice, but still working towards your objectives for the business.

**Commitment:** The willingness to make personal sacrifices through long hours and loss of leisure time.

**Perseverance:** The ability to continue despite setbacks, financial insecurity and exposure to risk.

**Initiative:** The ability to be resourceful and proactive, rather than taking a 'wait and see' approach.

Don't worry if you don't have all these qualities. If you have most of them that's pretty good.



## Worksheet: Will business suit you?

Take this quiz to help you decide whether starting a business will suit you or not. Circle the number that applies to you:

1. Do you like taking risks?

Love it      1      2      3      4      5      Hate it

2. Do you like taking responsibility?

Love it      1      2      3      4      5      Hate it

3. Do you like working on your own?

Love it      1      2      3      4      5      Hate it

4. Do you like taking the initiative?

Love it      1      2      3      4      5      Hate it

5. Are you happy rising to a challenge?

Love it      1      2      3      4      5      Hate it

6. Do you like working hard?

Love it      1      2      3      4      5      Hate it

7. Do you like getting rewarded for your efforts?

Love it      1      2      3      4      5      Hate it

8. Do you like having to find things out?

Love it      1      2      3      4      5      Hate it

9. Do you like paperwork?

Love it      1      2      3      4      5      Hate it

10. Do you like meeting deadlines?

Love it      1      2      3      4      5      Hate it

How did you respond?

Less than 20

You're well-equipped for a life in business. You can work on your own, you're willing to work hard and can bounce back from setbacks. Just make sure you don't try to take it all on yourself, so think about enlisting support where you need it.

20 to 35

You're going to love some aspects of business and hate others. Where can you get help to deal with the bits you like less?

More than 35

This doesn't mean you shouldn't go into business. You may have a great idea for a product or service and people could be queuing up to buy it.

But there may be some aspects of running a business that you should think carefully about. Maybe it would be sensible to give some in-depth thought to what you want out of life. If you're still keen, why not consider setting up with a business partner, or someone who'll take care of the aspects that you're less comfortable with.

**It will be very useful at this point to discuss the outcomes with your Business Adviser. They can help you to guide your next steps.**

Put any actions in your action plan.

### **Case Study: Here's how I decided I was ready to start up my business**

Name:

Company:

What I did:

## What skills do you need to run your business?

Very few people starting out in business can claim to be strong in all of the areas required.

The key is to make the most of what you do have. This may be skills that you've built up not only through work but also from volunteering, bringing up a family, team sports, community activities and hobbies.

If you have identified any skills gaps, don't worry you can build up the skills you need for your business over time but think about which ones are the most important. As well as learning new skills by yourself you can outsource or employ someone.

### **Worksheet: Business skills**

Below is a list of some of the important skills needed to run a successful business. Tick those that you already possess (be honest here) and add any other skills that you have that are relevant.

- Selling technique
- Contacting someone you don't know
- Networking
- Marketing and promotions
- Time management
- Being organised
- People management
- Record keeping
- Balancing the budget and managing cashflow
- Negotiating
- Communicating well in writing and in person
- Using a computer
- Dealing with customers
- Risk

What previous experience do you have that's relevant to your new business idea?

What are your strengths?

How can you make the most of them?

What are the 3 most important skills you'll need to improve or get help with to make your business a success?

What actions can you take to learn these skills through training and research or using external services? Add these to your action plan.

**It will be very useful at this point to discuss the outcomes with your Business Adviser. They can help you to guide your next steps.**

## Is your Financial position strong enough?

Something else that you need to consider at this stage is finances. There's no guarantee that your business will make money for you straight away, so you should aim to have sufficient reserves to last without an income until the business can pay you one.

Being realistic at this stage is likely to save a lot of pain. People who launch their business without enough funding find it extremely difficult to keep it afloat.

To get over this, you should investigate alternative sources of finance.

### Worksheet: Personal survival budget

<b>Estimated personal expenditure</b>	
Mortgage and/or rent	
Council tax	
Utilities (gas, electricity, water etc)	
Personal and property insurance	
General housekeeping expenses (food etc)	
Phone and Internet	
Car tax and insurance	
Car running expenses	
HP repayments	
Hire charges	
Subscriptions to journals, professional bodies etc	
Savings plans	
Contingencies	
Tax	
National Insurance	
Other (specify)	
<b>Total personal expenditure</b>	
Estimated personal income	
Income from family, partner	
Other income (specify the source)	
<b>Total personal income</b>	
<b>Total survival income required from the business</b>	

If your estimated personal income is more than your estimated personal expenditure, this means you may have additional funds to invest in the business.

### Find out more

- How do I survive until my business is off the ground?

## Does your business idea have potential?

It's not enough to have the right qualities and skills. You also need a business idea that has a good chance of success. Business ideas that answer a consumer or business need will have a greater likelihood of turning into a successful and profitable business.

### Worksheet: Does your business idea have potential?

Checking the key points in this worksheet will help you decide whether you're at least thinking along the right lines.

What is your business idea?

What problem are you solving?

Whose problem are you solving?

What will make your business different?

Describe who will buy your product or service. What types of people or businesses are they?

What experience have you in the chosen industry sector?

Think about your responses above. Is there anything you can do now to strengthen your business idea?

Add anything you need to do to your action plan

## What's Next

Based on all the information you've gathered so far about your personal qualities, knowledge, skills and business idea, you have a number of options.

### **Move forward to next steps:**

If you're convinced that your business idea is viable, that you have what it takes and that it really is what you want to do contact your Business Adviser for a next steps discussion.

### **Reduce your risk:**

You could reduce your risk by developing your business part- time, starting more slowly or reducing the need for finance.

### **Change your business idea:**

Closer examination may have revealed some flaws in your idea. Don't look at this as a problem, it's a challenge. A few tweaks here and there might make your idea more viable.

### **Accept that it's not for you:**

You may have come to the conclusion that running your own business at this time doesn't suit your current circumstances.

### **Find out more**

Working your way through this module may have made you realise that before you can make your mind up you need to do more research

## Action Plan

By working through this module you've taken an important step in deciding whether starting a business is right for you.

Take a few minutes now to write down any additional actions you want to take to move your business idea forward.

	What needs to be done	By whom	By when
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			