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Steps For Becoming Your Own Boss

BY PAUL KATZEFF
INVESTOR'S
BUSINESS DAILY

Posted 1/23/2009

Everyone is vulnerable. Even mighty Google announced layoffs recently. And the furloughed workers are all in the human resources department. That suggests how remote the chances are that Google will hire lots of other workers soon.

Most who get laid off look for a new job. Those who'd prefer to set up their own shops might think the odds are just too great now. But a recent study shows that survival rates are no worse for firms that started in a recession than those that didn't.

Nevertheless, success is extra tricky in a subzero economy like ours, says Lita Epstein, author of "Surviving a Layoff."

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So what should you do to boost your odds of making it?

Start with the obvious: plan ahead. "You've got to think through a lot of details," said Stuart Danforth, who is laying the foundation for a new management consulting business while still serving as chairman of investment advisory firm Danforth Associates in Wellesley, Mass. "Don't try to do it all overnight."

Epstein recommends starting years in advance. "It can take two to three years of planning," she said. "Perhaps you can start while you've still got a job."

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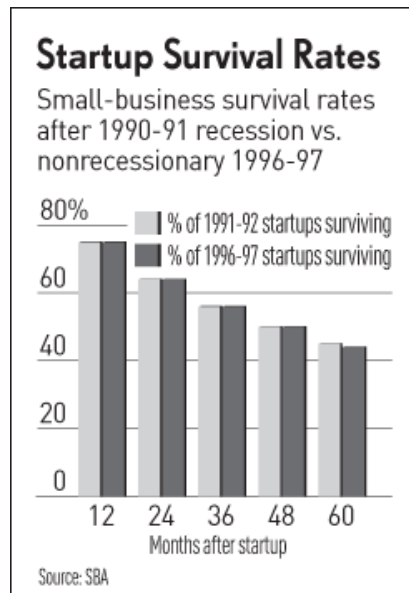
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Eight years ago she started her own business, developing materials for other people's Web sites and freelance writing. Before that, while working full time for another company, she spent three years laying a foundation for her own enterprise. It required waking up at 3 a.m. before going to her job a few hours later. She worked on her own project again at night. "I was working 15-hour days," she said.

And putting your plans in writing boosts your odds for success. Entrepreneurs who write a business plan are six times more likely to get a new business off the ground than mere daydreamers, says the U.S. Small Business Administration.

In part that's because it gives everyone from potential investors to key clients a way to study whether they want to work with you.

Another key step: build your cash reserve. "Before you quit your job, you've got to set aside cash for living expenses, making up for lost benefits like health insurance and for financing your business," Epstein said. "I set aside 12 months of money for living expenses alone, in advance."

Unique Twist

Step three is the planning process itself. You've got to do research, Danforth says. "You've got to know what businesses already provide the service or product you're thinking of," he added. And you must come up with a unique twist.

"If you haven't found something that would make your business unique, rethink it," he said.

If your potential competitors are retailers, visit them as a customer. Watch what they do. Listen to other customers. "Find out what customers want that they can't already find," Epstein said.

"List what you need," Epstein said. "Will you work at home or rent space? Do you need equipment? Merchandise?" Don't forget overhead items like insurance.

Figure out how much financing you'll need. If you plan to borrow start-up money, project what your first year's revenues and expenses will be. Then decide if your cash flow can support loan repayments and interest.

"Figure out what your breakeven point will be," Danforth said. "Then try to borrow against net cash flow. Don't just go into debt."

Don't count on getting a bank loan, especially if you have not successfully opened a business before.

For tips on financing, go to the SBA Web site. The SBA has a loan program. It also offers advice on seeking financial assistance.

The SBA site can also be a treasure trove of resources. It lists research tools, data and sources. It also tells you how to tap into government contracts.

"Some entrepreneurs identify specific needs the government has and they start businesses just to win that sort of business," said SBA spokesman Michael Stamler.

If you want to talk one-on-one with someone at SBA, its web site can show you how to locate the SBA's nearest field office.

If you're looking for a mentor or adviser, check the Web site of SCORE. The organization can refer you to a retired or active business person with experience that can be relevant to your undertaking.

Including Spouse

If you have a spouse, include him or her in your planning. "A partner with income can simplify how much you need to save before starting your business," Epstein said. "In any case, you'll need your partner's emotional support along the way."

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And if you're thinking of entering a partnership with someone, discuss your plans in detail.

"Make sure you agree in advance — in writing — what each partner's responsibilities and authorities will be," Danforth said. "And that includes spelling out who gets what and at what price in worst-case scenarios: one of you dies, your partnership breaks down, and so on."



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