

Are you Ready to Start a Business?

Running a successful small business involves more than just working for yourself.

Before you leap in, you need to consider three important aspects:

- Will the business satisfy your needs?
- Do you have enough skills to run the business?
- Do you have a sound business proposition?

Experience suggests you are more likely to succeed if there is a good match between your business venture and your skills, interests and motivations.

Will the business satisfy your needs?

People start a business for a variety of reasons. This may include trying to find an alternative to paid employment or a desire to earn more money or be more independent.

You are more likely to be successful if your business venture can meet your interests and needs. It's also worth thinking about whether you are prepared to cope with the impact of running the business on your lifestyle and family commitments.

Ask yourself:

- ▶ What is really motivating me to go into business? Is it strong enough to keep me enthusiastic and involved?
- ▶ What do I want to achieve?
- ▶ What aspects of running the business am I most likely to love or hate?
- ▶ Am I prepared to put the necessary time and energy into the business - and will this be acceptable to those closest to me?
- ▶ Am I prepared to work long hours as and when required?
- ▶ Can I live with the stress and the risks involved?

Do you have the skills to run your business?

You need to be realistic about what skills you will bring to the business. This includes both business and technical skills, and also personal traits such as how you cope with risk and your ability to sell or to organise your work.

Knowing your capabilities will help you to decide whether you are likely to be suited to running your own business. It will allow you to work to your strengths and think about how to manage your weaknesses, eg by undertaking training or involving other people, so that the business doesn't suffer over time.

Ask yourself:

- ▶ What skills and personal strengths do I have which will be useful for my business?
- ▶ Do I have weaker skills or personal traits that may cause problems in running the business?
- ▶ What do I need to do to counter my weak points?

Some typical business skills

- Business planning.
- Problem solving.
- Financial management.
- Marketing and sales.
- Communication.
- Time management.
- Dealing with people.
- Negotiating.

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Some tips on starting a business:

- ▶ *Learn as much as you can about your proposed business. Use networks like business associations and ask questions.*
- ▶ *Be realistic about the effort, time and money it will take.*
- ▶ *Keep accurate financial and customer records from the start.*
- ▶ *Find a good accountant, lawyer, banker and insurance agent.*

More Information

SOURCES OF INFORMATION

Visit the NSW Department of State and Regional Development small business website for more information on how to start a business, including business planning tools, and for more general business information: www.smallbiz.nsw.gov.au

Industry Associations and your local Chamber of Commerce & Industry offer advice and services to members. Click on *resources* and *weblinks* on the DSRD small business site for contact details.

WHO SHOULD I TALK TO?

Your local Business Advisory Service can offer you one on one advice on setting up your business. It also offers low cost business workshops such as business planning, marketing and financial management.
Call 1300 650 058

Is your business proposition sound?

It's not enough to want to run your own business. You need to assess whether the goods and services you are offering can generate satisfactory profit through both good and bad economic times.

Reviewing the feasibility of your business idea is your first step before you undertake a more detailed business plan and commit time and money to the venture. This should tell you:

- ▶ Who will be my customers?
- ▶ Why will they buy my products/services from me and not my competitors?
- ▶ Can I make a reasonable profit from selling my products or services?
- ▶ Is there a future need for my products/services?

The **Business Planning** and **Marketing** fact sheets will give you further help on how to assess the viability of your business proposition.

Know your market

- ❑ Consult people operating in your industry, including competitors, agents, suppliers, associations and knowledgeable individuals.
- ❑ Find out current trends in the industry and seasonal fluctuations.
- ❑ Identify your target market. Who are they? Where are they and will you be able to reach them?
- ❑ Identify your competitors. What do they offer and to whom?
- ❑ Identify potential suppliers.

Know your product or service

- ❑ Know what your business is going to do and what it is not going to do.
- ❑ Decide what is going to make your business stand out.
- ❑ Identify where your business is likely to be strong or weak and what you can do about this.
- ❑ Find out your industry's and competitors' pricing policies and terms of offer as a basis for deciding on your own.
- ❑ Explore how competitors market their products/services.

Assess business viability

- ❑ Determine whether you can meet all your fixed and operating costs until the business can generate sufficient cash flow from sales.
Fixed costs: include plant/equipment, establishment costs, rental bonds, insurance.
Operating costs: include rent/utilities, stock/office supplies, wages, marketing material.
- ❑ Prepare a cash flow projection for the first year to ensure you can meet your expenses.
- ❑ Determine your business break-even point.
- ❑ If you are buying a business, request details such as three years' trading figures, break-up of purchase price, history of business and reason for sale. See **Buying a Business** and **Buying a Franchise** fact sheets.
- ❑ Determine your own financial position, ie your assets less liabilities – and whether you will be able to raise sufficient finance to cover costs. See the **Raising Finance** fact sheet.

Can your business idea generate enough money to meet your needs and expectations? Calculate sales required to cover your income expectations plus operating costs on a weekly or monthly basis. Is this realistic?

Business Advisory Services
1300 650 058



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