

Self-Employment: A Salute to Human Spirit



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Looking forward to a Lifelong relationship.

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Introduction

This course is based on the microenterprise program designed to help aspiring and existing entrepreneurs realize and grow their dream of being self-employed. Today Millions of people around the world are self employed in the form of Direct Sellers, Mom and Pop Convenience Stores, Private Consultancy and Other Small Business that require little investment. More and more people are leaving their conventional workplace to find and do things that they relate to, for time, money, passion or any of their personal or professional goals.

Hundreds of thousands of people across the world spend thousands of dollars (lacs of rupees) to undertake management programs, special courses, executive programs offered by renowned universities across the world to assist them in setting up a business. This workbook is designed to help dreamers conceive and write business plans.

Whether Self-Employment is something you'd like to learn more about, a dream you've been pursuing, or how you make a living, you will find valuable information in this book. It is this belief in one's idea that has led Entrepreneurs to start New Ventures leading to Transition of Power, Money and Businesses in the World. Microsoft, Apple, Hotmail, Sun, Facebook, Google, are a few of such enterprises that Salute the Human Spirit to think out of the box, and have grown to influence Our Professional, Personal, Social Lifestyle and Perception of things around us.

Self-Employment: A Salute to Human Spirit, is designed to guide you through the planning process by introducing key business concepts in practical, simple-to-understand ways. Worksheets and exercises are designed to encourage a hands-on approach to learning. By completing the exercises in each chapter, you collect all the information you need to put together a business plan one step at a time.

This book is a part of finest self-study and continuous-learning resources available anywhere. Should you require assistance on the subject, we also conduct workshops are resident programs in different cities across the world. Please visit www.dewsoftacademy.com for further details.

Good luck on your journey through Self Employment.

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The World of Business

Owning a business has always been part of the Human Spirit, but today more people than ever are considering self-employment. Maybe you're thinking of starting a business because you've been "downsized." Perhaps you have the technology to work from home. Or maybe you just looked at the quality of your life and decided you need a change.

In this chapter, we look at the reasons people give for going into business for themselves. We explore the personality traits of successful business owners, review the main reasons that businesses fail, and look at how to avoid many of these pitfalls. And we show you why *planning* your business is not only time well spent but the only way to create a healthy and profitable venture.

In the space below, list all your answers to this question: Why do you want to own a business?

Of course, there are no right or wrong answers to this question. But your reasons are important because they will be the measure of your success. For instance, say one of the reasons you list is spending more time with your children. If, a year after starting your business, you find you are working more hours than ever before and actually seeing your children less, is your business a success? Or perhaps you want to own a business to make more money. If, after several years, you are still stretching to pay your bills, is your business a success?

One of the best things about self-employment is that you get to define what success means. And your definition is shaped by the reasons you want to go into business.

Before we go any further, we want to define two terms we use throughout this book.

- **Entrepreneur:** One who manages, organizes, and assumes the risk of a business or enterprise.
- **Microenterprise:** A very small business that operates from a home, storefront, or office and employs five or fewer employees (and often only one!).

Do You Have What It Takes?

Successful entrepreneurs come from all sorts of backgrounds and experiences. Age, gender, marital status, and education levels do not seem to be significant factors for success. But successful entrepreneurs share certain skills. As you look through the following list, determine the areas in which you excel and identify the areas in which you need work.

- What skills and experiences do you have that are key to the success of the business you want to own? Successful entrepreneurs have skills to sell.

- Are you responsible? Do you do what you say you will do when you say you will do it? Can people count on you? Entrepreneurs are responsible.

- Do you have good social skills? Do you say what you mean? Do you listen well? Entrepreneurs must be able to sell themselves.

- Are your financial and personal situations stable? Entrepreneurs need to be in good shape financially and emotionally to be able to concentrate on their new business without crisis in their personal lives.

- Are you optimistic? Entrepreneurs think positively.

- Do you have a strong motivation to achieve? Entrepreneurs are doers.

- Are you a hard worker? Do you work hard for others? Entrepreneurs often work more than 40 hours per week.

- Do you have problem-solving skills? Do you enjoy solving problems? Entrepreneurs are problem solvers.

- Are you independent? Entrepreneurs are leaders, not followers.

- Are you afraid of making decisions? Do you have a take-charge attitude? Entrepreneurs make all of the decisions for their businesses.

- Do you accept responsibility? Entrepreneurs accept responsibility for their own businesses.

Following is a list of personality traits that are common to successful entrepreneurs. How many of them do you possess?

- Motivation to achieve
- Capacity for continued hard work
- Nonconformity
- Strong leadership ability
- Street smarts
- Responsibility
- Optimistic outlook

Some personality traits are not conducive to successful entrepreneurship, including these:

- Compulsive in gambling
- High risk taking
- Impulsive or inclined to “shoot from the hip”

Finally, some factors are less important—they seem to make no difference to one’s capacity for success:

- Age
- Gender
- Marital status
- Education level

Business Failure

We’ve all heard the bad news. Here are some common statistics that scare many people away from self-employment:

- One in three new businesses fail within six months.
- Three of four start-ups shut down within five years.
- Nine out of ten companies operating today will eventually fail.

Scary statistics indeed. But before you become discouraged, consider the fact that these statistics do not tell the whole story. Many of the “failures” are more accurately called “career changes,” as no money was lost and the closure of the company was voluntary. In fact, many owners of the closed businesses considered their businesses successful but decided to cease operation for many reasons: the hours were too long, the market changed, or the owners could make more money by working for someone else.

So, although some businesses do fail, the chances for success are better than you might think.

Why Do Businesses Fail?

Why do you think businesses fail? _____

Compare your answers to some of these reasons for business failure. Knowing some of the pitfalls *before* you start your business can help you avoid them. We address most of these problems in this workbook.

- **Owner's personality not suited to running a business.** Business owners who are reluctant to make decisions or who lack self-discipline have a greater chance of failing. Businesses run on relationships. Customers need to trust the owner so they will be comfortable doing business with him or her. A business owner who has difficulty getting along with people will be at a disadvantage.
- **Poor choice of business opportunity.** Some fields in the marketplace are saturated. For example, it seems you can't drive a city block without seeing a pizza place, an instant print shop, or a video store. Having lots of competition means that you must have something terrific to offer customers that your competitors don't. These are risky business ventures, simply because there are so many of them.
- **Inadequate start-up capital.** Many businesses begin without enough money in reserve. Chances are, finding customers and generating enough income to support the business will take longer than you expect. On the other hand, if you make good decisions when spending your start-up capital, you may actually need less money than you originally estimate.

In the beginning, invest your cash in people and things that will result in sales—not in “flash.” Forget the fancy office and the latest gadgets *unless they are absolutely necessary to make sales*. Sometimes leasing or renting equipment can save you money during the start-up phase. Ask yourself this question before you buy anything: How will this expenditure result in sales?

- **Poor selection of location.** If you are locating your business outside your home, choose your spot based on where your customers live, shop, or visit. Do not base this decision on proximity to your home. Don't take a space simply because it happens to be available on the first day you're looking. Try to leave your emotions out of the decision. This is especially important for retail businesses. When you're looking at a potential spot, ask yourself this question: Will this location result in sales?
- **Lack of knowledge about attracting customers.** You must have a plan to get customers to try your product or service. You can't simply offer lower prices than your competitors and be successful. Remember, consumers are creatures of habit. They must have a reason to change their spending habits.
- **Failure to seek professional advice.** It is critical that you seek the advice of an accountant and, depending on your business, an attorney. Save yourself grief by finding and hiring an accountant in the beginning. Your business may also require other professionals. You probably have expertise in the business you have chosen, but you are probably not an authority on every aspect of your business.
- **Poor choice of legal form.** You need to understand the different legal forms of business so you can make an informed decision about which is best for you. We discuss sole proprietorships, partnerships, and different types of corporations in Chapter 8. There are many factors to consider, and taxes are an important one. So this may be a decision you want to discuss with your accountant and attorney.

- **Insufficient experience in product or service.** Some people dive into a business without understanding how that particular industry works. As a result, they may set up a pricing structure that will not allow them to make a profit. Or they might produce an inferior product or service. Successful business owners either have experience in the industry or take the time to research it thoroughly *before* taking the plunge.
- **Insufficient planning and investigation.** Many people spend more time planning their vacations than they do planning their careers. Surprises will always happen, but if you take the time to plan, fewer issues are left to chance. Planning will accomplish one of two things: (1) You will decide that your business idea won't work or that you are not ready; or (2) you will be convinced that you have a good idea that can work, and you will be comfortable with the risk of self-employment.

Remember, a business owner who fails to plan plans to fail!

What is your biggest challenge for business ownership? How will you overcome it?

Planning Your Business Is Critical

Many people float aimlessly through life, taking its ups and downs as they come, just getting by and living from day to day. If they become successful, or even comfortable, it's more by accident than by plan. This approach rarely works for a business.

Proper planning allows you to try out your business on paper with no financial risk. Your plan is your road map: It tells you where you should be at any given time, when you are succeeding, when you need to make adjustments, even when it's time to get out.

It's impossible to know everything you need to before going into business. The sheer amount of information is staggering. But you should figure out what you need to know before starting the business and then plan to continue learning.

Learn to plan and plan to learn!

Your Best Bet Is a Business Plan

If you have spent any time researching self-employment, you probably have encountered the concept of a *business plan*. And if you are like most people, the more you read about business plans, the more confused you became. There are several different outlines to choose from, all with different sections. Some outlines use questions, some use big business words. And the main thing many people draw from these "helps" is that a business plan is very complicated. But it doesn't have to be. A business plan can be a simple, effective tool for planning, financing, and growing your business.

Before we discuss what a business plan should look like, take a look at why a business plan is critical to your success:

- A business plan can give you the confidence to start your business, or it can help you realize that your business idea is not a good one. Before you make the final decision, you need to think through the answers to many questions about your product or service, your customers, your pricing, your marketing, and your potential cash flow. Your business plan gives you a process for answering those questions in an organized and logical way.
- After you start your business, you can refer back to your business plan to keep you focused on the next task. A business plan is never finished. It changes as circumstances in your business change. You can use it as a guide to build and manage a successful business.
- A business plan is a small business's best tool for raising money. Most financial institutions will insist on a business plan to evaluate your idea. Your business plan gives the loan officer information about you and your idea and allows him or her to evaluate your business's creditworthiness.
- A business plan can be a marketing tool. As you write your business plan, you will have a clearer picture of your business. This will help you explain what services or products your business will provide, who your customers will be, and what your goals are for the business. Have your employees read your business plan so they understand what you want to accomplish.

The Contents of a Business Plan

You will find an outline of a business plan on the following pages. As you read it, don't get hung up on the information you don't have. This workbook leads you through the steps of gathering information for your own business plan, and we include a sample business plan in the Appendix.

Business Plan Outline

1. Introduction

Title page

- Name of business and your name.
- Your address and telephone number.
- Write the words "Business Plan" on the title page.

Table of contents

- Pages should be numbered.

General description of the business

- Describe the business you want to start.
- What services or products will you offer?
- Where will you locate?
- Explain why you choose this business.
- What are the skills and experiences you bring to the business?

(continued)

(continued)

What are your goals for the business?

What is your action plan to achieve these goals?

2. Marketing

Product or service description

What is your product/service?

What is the demand for your product/service?

Market description

Who is your customer?

How do you know?

Describe any market research by industry experts or any research you have done.

Is your business idea a fad or a trend?

How will your market grow or change over the next few years?

Competition

List your competitors and identify their strengths and weaknesses.

Compare prices, product quality, etc.

What advantages will your business have over the competition?

Selling strategy

How will you sell your product or service?

What is your pricing strategy?

What advertising will you do?

What promotions will you do?

How will your product or service be delivered?

3. Organization

Quality control

How will you ensure the quality of your products or services?

Legal structure

In what legal form will you do business?

Why is this form best for you?

If more than one person is in the business, include agreements.

Insurance

What insurance will your business carry?

Management

How will your business be managed on a day-to-day basis?

Who will be responsible for monthly financial reports?

How will management change in the future?

How will your business records be maintained?

Advisors

- Who is your accountant?
- Who is your attorney?
- Who are the people you can turn to for good advice?

Other issues

Discuss any other issues pertinent to your business.

4. Financial plan

- What equipment or supplies will you need?
- What are your resources?
- What financing will you need?

Cash-flow projections

Monthly: Use “best guess,” “high side,” and “low side” numbers.

Operating budget

- Provide a monthly budget for the first year.
- Provide “what-if” statements.
- If you are using your business plan to request a loan, you should also include the following:

Supporting material

Brochures, business cards, summary of market research, references from people who know you or the business

Purpose and amount of the loan

An exact dollar amount you want to borrow for the business and a description of how you will use the money.

Explanation of your personal credit

If you have had any credit problems, acknowledge them and explain how you have resolved the problem.

Summing Up

Ready to get started? After reading though the business plan outline, you may think that it asks for more information than you have. This workbook will help you gather the necessary information and make decisions based on that information. Learning is like building with blocks. What you learn at first determines which questions you need to answer next. In the next chapter, you consider what business would be best for you, and we explain how you can share your business dream with others so they can catch your excitement.