

STARTING A BUSINESS

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Many people who are unhappy in their jobs, or who are without jobs, consider going into business for themselves. Sometimes this is a good option and sometimes it's not. Starting a business can be a complex undertaking, requiring much prayer and consideration, and we could not begin to cover every aspect in this manual. However, Crown Financial Ministries has learned a lot from counseling with those who have been both successful and unsuccessful in business start-ups. In this chapter we will touch on some of the key areas and ask some questions that will help you evaluate the wisdom of starting a business of your own.

Full-time-at-home workers tend to be men; part-time-at-home workers tend to be women. Many stay-at-home mothers are considering starting a home business. We think this is a good way for many women to use their talents to generate some income and still stay at home with their children.

According to "At-Home-Income-Generation," a study published by *Economic Development Quarterly* in February 1999, the average home-based business grosses about \$53,000 annually, and the average home-based business owner's income is between \$25,000 and \$35,000. For this reason, generally home businesses are for supplemental income and usually are much simpler to get going than full-fledged businesses. Still, it's important for the home entrepreneurs to know what they are getting into.

Whatever your situation, working through this section will introduce you to some of the issues you'll need to consider before starting a business. Answering the questions below will help you count the cost before you begin the building process.

MOTIVATION

As in most other decisions, you should always analyze your motivation for pursuing a course of action. Proper motivation for starting a business might include a strong desire to provide a product or service or a specific talent or idea that could be marketed by you better than by someone else. Among the strongest motivations are flexibility and care of a family member. Among the drawbacks are never getting away from work and interference with family life. There is a delicate balance between owning a business and that business owning you. Quite often people want to start a business out of frustration with their current employment situation. That may or may not be a good idea since, for most people, there are other alternatives. The following questions will help you analyze your motivations.

- a. What is your real motivation for considering self-employment? List your reasons in order of priority.
 1. _____
 2. _____
 3. _____
 4. _____
 5. _____

- b. What don't you like about your current situation?

- c. What options have you considered other than self-employment?

- d. What values and needs are not being met in your current situation?

- e. Starting a business requires commitment and hard work. It can be a challenge of enormous magnitude, and it usually takes a burning desire to overcome the obstacles. Is this something you really want and feel strongly led to do?

KNOWLEDGE/EXPERIENCE

Larry Burkett often advises us to avoid getting financially involved in things we don't know anything about. That principle especially applies to starting a business, because it requires an investment of money, plus time and energy.

- a. What is your knowledge level about the business you would undertake?

- b. Do you know what defines a Christian business, and have you studied God's principles for operating a business? Note: If not, we recommend you read Larry Burkett's *Business by the Book* (Moody Press).

- c. How much actual hands-on experience do you have in the occupational field you are considering?

- d. Do you have any business experience (profit and loss responsibility)?

- e. Have you investigated government regulations concerning the potential business? Are professional licenses or registrations required?

- f. Are you knowledgeable about the income and Social Security tax requirements that govern self-employed individuals? NOTE: This can be a shock to those who have not had to pay quarterly taxes or self-employment tax.

- g. Do you know how to write a business plan? Have you written a business plan? (If not, check with the Small Business Development Center near you, or investigate computer software programs designed to help you write your business plan.)
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START-UP CAPITAL

Most businesses fail in the first two years because they are undercapitalized. Before launching into a business, you need to count the cost of everything you will need to succeed.

Rather than be too optimistic, plan conservatively regarding income and liberally regarding expenses. A frequent problem is that the business does not generate adequate income to pay overhead and provide a livable income. Entrepreneurs tend to be too optimistic about how long it will take to develop a business to the point of profitability. Thus they end up living off the money that should be paying the overhead (creditors), and they sink further in debt while trying to hold on until the business takes off.

During business start-up, a common mistake is to live by using credit cards. This virtually guarantees a financial disaster and should be avoided.

- a. Where will your start-up and operating capital come from? Do you have enough cash or liquid assets to operate 18 months to two years without a profit? (That's a good planning figure for how long it will take for most businesses to become profitable.)
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- b. Are you considering forming a partnership?
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NOTE: Experience shows that partnerships seldom work out. If you are yoked to someone whose own (or whose spouse's) values and motivations are different from yours, you won't be very happy. It's similar to a marriage, except more difficult to maintain. Successful partnerships require both parties to have the mind of Christ (a servant's attitude toward the other partner). With two or more families involved, this rarely occurs.

KEEPING FINANCIAL RECORDS

Quite often those who have an entrepreneurial bent are the very ones who don't enjoy detail work, such as record keeping.

Not having good financial records can cause major problem because a business owner must make decisions every day, based on how things are going financially. If you don't know where you stand financially, you run a high risk of acting out of ignorance and making a bad, costly decision.

Keep in mind that the best record-keeping system for you will be something you can thoroughly understand. You may have to get some help at first and do some study on your own as well, but the keys to remember are *simplicity* and *timeliness*. Having something that is simple and current is essential for sound financial management. Two such systems are listed in the Resource Section of this chapter, in addition to computer programs that are capable of keeping track of a small business.

- a. What plans have you made for keeping simple, timely, and accurate financial records?

- b. Who will be the detail person in your operation? Can you do it? Will your spouse be better suited to this task? Or will you hire someone to assist you?

- c. If you are not experienced with financial records, such as income statements, balance statements, and budgets, how will you become knowledgeable about them?

COUNSEL AND INFORMATION

You'll need information from several sources, but your counsel should come from those who have wisdom that comes from a godly perspective toward everything in life. Local Christian businesspeople can be your best source of counsel.

Small Business Development Centers are located in most states, operated through state universities. They provide help to people who are considering business start-ups and to those who already own businesses. Information is usually free or provided at low cost.

- a. Have you sought and received adequate counsel regarding the pros and cons of owning your own business?

- b. Have you developed a list of sources for counsel and information?
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NOTE: Some of the books listed at the end of this chapter contain excellent resource lists.

PERSONNEL

The simplest business by far is a one-person operation, in which the owner *is* the business. However, many situations will require additional employees. The minute you hire one person, the situation changes considerably because many laws and rules apply that complicate the workload. You need to be familiar with withholding taxes, FICA, the Fair Labor Employment Act, OSHA, Worker's Compensation, and many other areas.

Also, in any business, getting the right person is so important.

A bad hire is one of the worst things that can happen to a small business owner. Develop a job description and criteria for the job before you start looking for the person. Understand your personality's strengths and struggles so your employees will complete you.

As you look for your personnel, keep in mind the principles you have learned about matching the person to the job in Chapters 1-4 of this manual. The same concepts apply. If you know the pattern of what it will take to do the job, then you can look for a person with that pattern when hiring. Generally, we find that an entrepreneur's first hire should be someone who is opposite from him or her. If you are a big-picture person, you will likely need a detailed person to follow through on day-to-day activities and record keeping. Conversely, if you are a detailed person, you will likely need an outgoing, enterprising person to promote the business.

You should seriously consider obtaining a *Career Direct* assessment for any prospective employee. Additional unlock codes are available for the CD-ROM on which you completed your assessment. Go back and study the personality style section in Chapter 2 as you think about the traits of the person you want to hire.

Consider the following questions before hiring someone.

- a. Are you familiar with the rules and regulations that apply to employees?

- b. Have you developed a written job description for the opening you want to fill?

- c. Have you given consideration to the pattern of the person you want to hire?

Skills and Abilities _____

Vocational Interests _____

Work Values _____

Personality Style _____

TIMING A BUSINESS START-UP

As in any other endeavor, timing can be of the utmost importance. Timing can apply to you in your life and situation, and it also can apply to the product and services you offer.

- a. Is the endeavor compatible with your life and other responsibilities at this time? Has the window of opportunity closed, has it just opened, or will it not open until some future date?

- b. Is the timing right for this particular product or service?

This is really a marketing question that will require some careful thought, advice, and research.

PERSONALITY

Generally, entrepreneurs tend to operate from a confident, results-oriented, problem-solver, and challenge-oriented (Dominant type) personality style. They are usually big-picture visionaries who believe they can overcome any obstacles that arise. There are, however, good examples of every personality style being effective as business leaders.

The secret is to know your areas of strength and struggles and work within them, and adapt to the situation as necessary.

You should be aware, however, that any time you adapt very much for an extended period of time, stress results. If you have high needs for stability and security, you may not want to undertake the risks of being an entrepreneur. At the very least, you need to understand how people with your personality style recharge after stressful work outside their areas of strength.

Entrepreneurs generally must be willing to take risks; sometimes they succeed and sometimes they fail. The principle of risk versus return applies here the same as in any other investment. The higher the anticipated return, the higher the risk. You should understand your personality style, along with your tolerance for risk, and give this area high priority in your decision to start a business.

Is your temperament suited to owning and operating your own business? Evaluate your strengths based on the information in your “pattern,” the information on personality in Chapter 2, the results of your *Career Direct* report, and the entrepreneur appraisal below.

Entrepreneur Appraisal

Assess your personal potential to operate your own home-based business. Circle a number for each statement to indicate how well it describes you or how you feel. (1=not at all, 2=sometimes, 3=often, 4=usually, 5=always)

- | | |
|-----------|---|
| 1 2 3 4 5 | I like to be in charge and usually lead groups in which I work. |
| 1 2 3 4 5 | I tend to see the whole picture and all aspects of any project. |
| 1 2 3 4 5 | I am a leader of people; others look to me for direction. |
| 1 2 3 4 5 | I realistically assess my talents and abilities. |

- | | | | | | |
|---|---|---|---|---|--|
| 1 | 2 | 3 | 4 | 5 | I ask for advice from experts in fields in which I need help. |
| 1 | 2 | 3 | 4 | 5 | I am thorough and I accurately complete the tasks I begin. |
| 1 | 2 | 3 | 4 | 5 | I enjoy solving problems and see obstacles as opportunities. |
| 1 | 2 | 3 | 4 | 5 | I schedule my day and my activities and stick to my schedule. |
| 1 | 2 | 3 | 4 | 5 | Taking risks gives me a feeling of excitement. |
| 1 | 2 | 3 | 4 | 5 | I delegate work to others, remove myself from the project, and accept their processes and results. |
| 1 | 2 | 3 | 4 | 5 | I usually bounce back very quickly after a setback. |
| 1 | 2 | 3 | 4 | 5 | I am willing to devote myself to my business. |
| 1 | 2 | 3 | 4 | 5 | My attention is not easily diverted from tasks. |
| 1 | 2 | 3 | 4 | 5 | I have a planned budget that I do not exceed. |
| 1 | 2 | 3 | 4 | 5 | I don't usually buy from door-to-door or telephone solicitors. |
| 1 | 2 | 3 | 4 | 5 | I accept responsibility for the outcome of projects I undertake. |
| 1 | 2 | 3 | 4 | 5 | Disappointments and delays do not deter me from plans or goals I have set for myself. |
| 1 | 2 | 3 | 4 | 5 | I am goal-oriented and have a 1-year, 5-year, and 10-year plan. |
| 1 | 2 | 3 | 4 | 5 | I balance my checkbook every month. |
| 1 | 2 | 3 | 4 | 5 | After much prayer, I feel strongly that God is leading me in the home-based business direction. |

Scoring Instructions: Add the circled numbers. If you scored 80 or above, you should have no problem operating your own home-based business. If you scored below 60, you may want to look at those items in which you scored the lowest and ask yourself, "What prevents me from doing these things?"

The Entrepreneur Appraisal was developed by career counselor Valerie Acuff, and it is reprinted by permission of *HomeWork: The Home Business Newsletter with a Christian Perspective*, a resource for home business, PO Box 394, Dept CP, Simsbury, CT 06070.

TIME – ENERGY – FAMILY

A realistic evaluation of the time commitment required to start and operate a business is essential. Solving one problem after another will require energy—physical energy and emotional energy—that comes from your drive and enthusiasm to see a project completed. Counting the cost is important, because we know three things that are true about pursuing success at any level:

- ❖ The price you pay to succeed is intensely personal—it is not the same for any two people.
- ❖ The price is always costly; worthwhile things never come without investment of time and resources.
- ❖ The price is not negotiable; either you do what is required or you don't. You can't barter with true success.

So, a business start-up can be an all-consuming experience, and frequently marriages and families suffer, even to the point of breakup. Consider these questions in this area.

- a. Do you understand the time commitment required to see this undertaking through successfully?

- b. Are you a high-energy person? Is your enthusiasm so high or motivation so great that your work will seem like play?

- c. How will the business affect your relationship with your spouse?

- d. How will the business affect your relationship with your children? Will you be able to spend quantity time, as well as quality time, with your family?

- e. How will your business endeavors affect your relationship with the Lord?

GOD'S WILL

Go back to the first section on motivation in this chapter. Consider your true motivations for pursuing this course of action in light of what you believe God wants you to do.

- a. Have you truly sought God's will in this decision?

- b. Will this decision enable you to better glorify the Lord in your work?

- c. Do you and your spouse both have peace in the decision that this is truly God's will for your life?

CONCLUSION

We have taken you through the above issues because they cover the "Hall of Horrors" museum of common mistakes made when starting a business. It is not intended to discourage you but to assist you in making a good decision.

Remember, every situation is different, so every issue won't apply with the same significance. If you are going to sell homemade pies to your friends and neighbors, your situation is fairly simple, but if you expand into a small baking operation that employs several people, your situation will be quite different.

We can't emphasize enough the importance of prayerful and patient consideration when making a decision to start a business. If you are committed to doing God's will in your life, you can experience the advantage of being in business **for** yourself, but not **by** yourself. The Lord will supply His wisdom when you ask with a motivation to serve Him humbly. Do your homework and let the Lord guide you into His will.

RESOURCES

Books

- ❖ **Business by the Book*, Larry Burkett. Nashville, TN: Thomas Nelson, 1998.
- ❖ **Loving Monday*, John Beckett. Downers Grove, IL: InterVarsity Press, 1998.
- ❖ *Transforming Your Workplace for Christ*, William Nix. Nashville, TN: Broadman and Holman Publishers, 1997.
- ❖ *Character Works*, William Nix. Nashville, TN: Broadman and Holman Publishers, 1999.
- ❖ *Homemade Business*, Donna Partow. Colorado Springs, CO: Focus on the Family, 1992. (Contains an excellent resource section for any new business.)
- ❖ **A Christian's Guide to Working from Home*, Lindsey O'Connor. Eugene, OR: Harvest House, 1997. (Contains an excellent resource section for any new business.)

**Can be purchased from Crown Financial Ministries at www.crown.org. Additional books are recommended at this site.*

Newsletters

- ❖ *HomeWork: The Home Business Newsletter with a Christian Perspective*, PO Box 394 Dept CP, Simsbury, CT 06070
A bimonthly newsletter for people who work at home or plan to. Written with a Christian perspective.
- ❖ *Money Matters*, 601 Broad St SE, Gainesville GA 30501
A monthly Christian economic newsletter from Larry Burkett and Crown Financial Ministries.

Tape Series

- ❖ *God's Principles for Operating a Business*, Larry Burkett. Gainesville, GA: Crown Financial Ministries, 1989.

Christian Organizations Supporting Business Leaders

- ❖ Christian Businessmen's Committee of the USA
6650 East Brainerd Rd, Ste 100, Chattanooga TN 37421
(423) 698-4444
<http://www.cbmc.com>
This organization's purpose is to assist businesspeople in operating their companies according to God's principles and sharing the gospel of Jesus Christ through their businesses.
- ❖ Crown Financial Ministries
601 Broad St SE, Gainesville GA 30501
(770) 534-1000
www.crown.org
Provides business seminars given by qualified instructors throughout the United States. A business seminar schedule is available upon request.
- ❖ Fellowship of Companies for Christ, International
4201 N Peachtree Ste 200, Atlanta GA 30341
(770) 457-9700
www.fcci.org
This is a membership organization that conducts various business seminars for its members, and publishes resource materials for Christian business owners.
- ❖ Turnaround Ministries

PO Box 760, Gainesville GA 30503

(770) 503-9038

www.turn-around.com

This ministry counsels people who are facing, or have already filed for, business bankruptcy.

Record Keeping Systems

❖ **McBee Systems**

229 Cherry Hill Rd, Parsippany NJ 07054

(800) 662-2331

www.mcbeesystems.com

This company, a division of NEBS, may be contacted for information on setting up a business bookkeeping system.

❖ **Safeguard Business Systems**

455 Maryland Dr, Fort Washington PA 19034

(800) 523-2422

www.gosafeguard.com

This company may be contacted for information on setting up a business bookkeeping system.

Additionally, check computer catalogs for small business bookkeeping software. Ask other business owners which programs they use and why the programs suit their needs. Sometimes, the learning curve on financial software can be steep, and you will benefit from having an experienced user nearby. If you have never worked with business figures, much of accounting theory will be strange to you. Plan to get help as you first set up the program and your various accounts.