

SHOULD YOU START A BUSINESS?

Many people who are unhappy in their jobs, or who are without a job, 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 of this subject here. However, Crown Financial Ministries has learned a lot from counseling with those who have been successful or unsuccessful in business start-ups. We will touch on some key areas and ask some questions that will help you evaluate the idea of starting a business.

We also know that there are many mothers who 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. Home businesses generally exist for supplemental income and usually are much simpler to get going than a full-fledged business. Still, it's important for home entrepreneurs to know what they are getting into.

Please realize that this is an introduction to some of the issues you will need to consider before starting a business; it is not a step-by-step "how to" manual. Answering the following questions will help you "count the cost" before beginning the building process.

Motivation

As in most other decisions, you should always analyze your motivation for pursuing a particular 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 as well by you as by someone else.

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. And, of course, the desire to earn an income is usually a strong impetus.

The following questions will help you analyze your motivations.

1. Why do you want to start a business? List your reasons in order of priority.

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

3. What alternatives have you considered other than self-employment?

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

5. Starting a business takes a lot of 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

People should avoid becoming financially involved in things they don't know anything about. This principle especially applies to starting a business. The process will require knowledge, plus an investment of money, time, and energy.

1. What is your level of knowledge about the business you want to begin?

2. How much experience do you have in the occupational field you are considering?

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

4. Have you investigated the government regulations governing the potential business?
Are licenses required?

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

6. Have you written a business plan? Do you know how to write a business plan? (If not, check with the Small Business Development Center nearest you.)

7. Do you know what defines a Christian business, and have you studied God's principles for operating a business?

Start-Up Capital

Many 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 be liberal regarding expenses. A frequent problem is that the business does not generate adequate income to pay overhead and provide a livable income for quite a while.

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 into debt while trying to hold on until the business becomes profitable. A major problem develops when a new owner mistakes cash flow for profit and spends money that is needed for operating the business.

Another common mistake during business start-up is to cover normal living expenses by using credit cards. This virtually guarantees financial disaster and should not be done.

1. Where will your start-up and operating capital come from? Do you have enough cash or liquid assets to operate for 18 months to two years without a profit? (That is a good estimate of how long it will take for most businesses to become profitable.)

2. Are you considering forming a partnership?

NOTE: Experience shows that partnerships rarely work out. If you are yoked to someone and that person (or his or her spouse) has different values and motivations than you have, you won't be very happy. A partnership is similar to a marriage—but more difficult to maintain. Successful partnerships require all parties to have the mind of Christ (a servant's attitude toward the other partner), but when two or more families are involved this is rarely the case.

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 will cause major problems, because as a business owner you 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 set of financial records for you will be ones 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 records that are simple and current is essential for sound financial management. Two such systems are listed later in the Resource Section of this chapter.

1. What plans have you made for keeping simple, timely, and accurate financial records?
2. Who will be the detail person in your operation? Can you handle details? Will your spouse be better suited to this task? Will you hire someone to assist you?
3. If you are not experienced in the use of financial records, such as income statements, balance sheets, budgets, and the like, how do you plan to become knowledgeable about these areas?

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 and are operated through state universities. They provide help to those who are considering a business start-up, as well as to those who already are operating a business. Information is usually free or provided at a very low cost.

1. Have you received adequate counsel regarding the pros and cons of owning your own business?
2. Have you developed a list of sources for counsel and information?

NOTE: Some of the books listed at the end of this pamphlet 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, workers' compensation, and many other areas.

Also, in any business, hiring the right person is so important. A bad hire is one of the worst things that can happen to the owner of a small business. Develop a job description and criteria for the job before you start looking for a person to do the job.

Generally, we find that an entrepreneur's first hire should be someone who is his or her opposite. If you are a big-picture person, you probably will need a detailed person to follow through on day-to-day activities and record keeping. Conversely, if you are a detailed person, you probably will need an outgoing, enterprising person to promote the business.

Consider the following questions before hiring someone.

1. Are you familiar with the laws and regulations that apply to hiring employees?
2. Have you developed a written job description for the position you want to fill?
3. Have you given consideration to the "pattern" of the person you want to hire?
 - Skills and abilities
 - Vocational interests
 - Work values
 - Personality

Timing a Business Start-Up

As in any other endeavor, timing can be of the utmost importance. Timing considerations can apply to you in your life and situation, and they also can apply to the product and/or service you offer.

1. Is the endeavor compatible with your lifestyle 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?

2. Is the timing right for this particular product or service? (This is a marketing question that will require some careful thought, advice, and research.)

Personality

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

The secret is to know your strengths and weaknesses, work within them, and adapt to the situations as necessary. On the other hand, you should be aware that whenever you must adapt for an extended period of time, stress may result. If you have high needs for stability and security, you may not want to undertake the risks of being an entrepreneur.

Entrepreneurs generally must be willing to take risks; sometimes they succeed and sometimes they fail. The principle of risk versus return applies here just as it does for any other investment. The higher the anticipated return, the higher the risk.

You should understand your personality 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 the following entrepreneur appraisal.

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 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 and remove myself from the project, accepting 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 to start a home business.

Scoring: 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 those things?"

The Entrepreneur Appraisal was developed by career counselor Valerie Acuff and 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—both physical and emotional—which comes from your drive and enthusiasm to see a project completed. Starting a business can be a consuming experience. Frequently marriages and families suffer, even to the point of breakup. Consider these questions in this area.

1. Do you understand the time commitment required to see this undertaking through successfully?
2. Are you a high-energy person? Is your enthusiasm so high that your work will seem like play?
3. How will the business affect your relationship with your spouse?
4. How will the business affect your relationship with your children? Will you be able to spend quantity time with your family, as well as quality time?

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

God's Will

Review the section on *motivation* (see page 1). Consider your true motivations for pursuing this course of action in light of what you believe God wants you to do.

1. Have you truly sought God's will in this decision?
2. Will this decision enable you to better glorify the Lord in your work?
3. Do both you and your spouse have peace in the decision that this is truly God's will for your lives?

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 that every situation is different, so every issue we have discussed 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. However, if you expand into a small baking operation that employs several people, your situation will be quite different.

We can't overemphasize the importance of prayerful and patient consideration in making a decision to start a business. 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.

Women Leaving the Workplace, Larry Burkett. Chicago IL: Moody Press, 1996. Contains a chapter on success in home business plus scores of resources.

*Can be purchased from Crown Financial Ministries: 800-722-1976. Web site www.crown.org.

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 do so. 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.

Christian Organizations That Support Business Leaders

Biblical Leadership for Excellence

6219 Moccasin St
San Antonio TX 78230
(512) 680-8391

Management training organization designed to train business leaders to incorporate God's standards for excellence in their careers.

Crown Financial Ministries

PO Box 100, Gainesville GA 30501
800-722-1976

Provides business seminars given by qualified instructors throughout the United States. A business seminar schedule is available upon request.

Integrity Management Inc.

PO Box 6125
Leawood KS 66206-6125
Toll Free: (800) 355-6071
Kansas City area: (913) 642-8778
FAX: (913) 642-8708
E-mail: rboxx@Integrity-Management.com

Offers consultation, planning, speaking, and teaching services for businesses.

Turnaround Inc.

PO Box 760, Gainesville GA 30503
(770) 503-9038

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

Record Keeping Systems

QuickBooks

A software program for small businesses (See the Small Business section of www.quicken.com Web site.)

Tape Series

"God's Principles for Operating a Business," Larry Burkett. Available from Crown Financial Ministries, Gainesville GA, (800) 722-1976 or visit our Web site, www.crown.org.

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