



Answer These Questions Before Taking the Plunge

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In most cases, people start out in a business with just a concept or product idea, and not much more. And while some entrepreneurs have the energy and motivation to handle any kind of problem as it emerges, others like to have some idea of what they're getting into before they begin.

To give potential entrepreneurs an idea of the sort of questions they must face when entering business for themselves, I've prepared the following checklist. You may want to [print it for handy reference](#).

Before You Start

- **What About You?**

Are you the kind of person who can get a business started and make it go? (The first question is really the last, so before you answer, study the rest of this checklist.)

Do you want your own business badly enough to keep you working long hours without knowing how much money you'll end up with?

Have you ever worked in a business like the one you want to start?

Have you worked for someone else as a foreman or manager?

Do you have any business-school training?

Do you have previous experience being in business for yourself?

- **What About the Money?**

Do you know how much money you will need to get your business started? Or to break even?

Have you figured out how much money of your own you can put into the business vs. how much money is needed? Will you need a partner who can supply money?

Do you know how much credit you can get from your suppliers -- the people you will buy from?

Do you know where you can borrow the rest of the money you need to start your business?

Have you figured out the annual net income per year you expect to get from the business? (Hint: Count the interest you would expect from the money you put into the business as well as your salary.)

Can you live on less than this so that you can use some of it to help your business grow?

- **What About a Partner?**

If you need a partner with money or know-how, do you know someone who will fit -- someone you can get along with?

Do you know the good and bad points about going it alone, having a partner and incorporating your business?

Have you ever worked closely with someone else on a long-term project?

- **What About Your Customers? (for retail businesses)**

Do most businesses in your community seem to be doing well?

Have you tried to find out whether stores like the one you want to open are doing well in your community and in the rest of the country?

Do you know what kind of customers will want to buy what you plan to sell?

Are there enough customers of this kind in the area where you want to open your store?

Do they need a store like yours? (What will your customers do if you don't open your store?)

If they don't need your store, have you thought about opening a different kind of store or going to another neighborhood?

Getting Started

- **Your Building**

Have you found a good building or location for your business?

Did you evaluate several locations before making your final selection?

Will you have enough room when your business gets better?

Can you outfit the building the way you want without spending too much money?

Is the location convenient for parking and/or public transportation?

Have you made a scaled layout of your office or work area in order to study and/or plan customer flow?

Have you had a lawyer check the lease and zoning?

- **Equipment & Supplies**

Do you have an idea of what the equipment and supplies will cost?

Can you save money by buying second-hand equipment?

Have you considered the advantages of leasing vs. buying?

- **Your Merchandise (for retail businesses)**

Have you decided what things you will sell?

Which items will account for 80% of your sales?

Do you know how much or how many of each you will need to open your store?

Have you found suppliers who will sell you merchandise at a good price?

How long will it take to be resupplied?

Have you compared the prices and credit terms of different suppliers?

- **Your Records**

Have you worked out a record-keeping system to keep track of your income and expenses -- what you owe people and what they owe you?

Have you determined a plan to control your inventory so that you will always have enough on hand for your customers, but not more than you can sell?

Have you figured out how to keep your payroll records and take care of tax reports and payments?

Do you know what financial statements you will need to prepare?

Do you know how to use these financial statements?

Do you know an accountant who will help with your records and financial statements?

Do you know what licenses and permits you need?

- **Protecting Your Store (for retail businesses)**

Have you made plans for protecting your store against thefts of all kinds, i.e., shoplifting, robbery, burglary, employee theft?

Have you talked with an insurance agent about what kinds of insurance you need?

- **Buying a Business**

Have you made a list of what you like and don't like about buying a business rather than starting your own?

Are you sure you know the real reason the owner wants to sell his or her business?

Have you compared the cost of buying the business with the cost of starting a new business?

Are the fixtures, machinery and/or stock up to date and in good condition?

Is the building in good condition?

Will the owner of the building be able to transfer the lease to you?

Have you talked with other businessmen in the area to see what they think of the business?

Have you talked with other business owners in the industry to see what they think of the business?

Have you talked with the company's suppliers?

Making It Go

- **Advertising & Marketing**

Have you decided how you will market and/or advertise your products?

Do you know how to prepare a marketing plan?

Do you know where to get help with your ads?

Have you observed what other stores and manufacturers do to get people to buy?

Have you considered direct mail as an alternative or an adjunct to your marketing strategy?

Do you have a good mailing list or do you know how and where to purchase mailing lists?

- **Pricing**

Do you know how to figure what you should charge for each of the products you will sell? Do you know what other stores, services or manufacturers charge for goods like yours?

Have you thought through the advantages of being a price leader, rather than a price follower?

Have you considered competitor's reactions to your pricing policies?

Is your pricing sufficient so that you will make a profit on each of the products you sell?

- **Buying (for retail businesses)**

Do you have a strategy for finding out what your customers want?

Will your plan for controlling inventory tell you when it is time to reorder and how much you should reorder?

Do you plan to buy most of your stock primarily from a few suppliers in order to get more favorable terms?

- **Selling (for retail businesses)**

Have you decided whether you will have salesclerks or self-service?

Do you know how to get customers to buy?

Have you thought about why you like to buy from some salespeople, while others turn you off?

- **Your Employees**

Do you know what kind of people you need?

Do you have particular people lined up to fill certain positions?

Do you know how much to pay?

Do you have a plan for training your employees?

- **Credit for Your Customers**

Do you plan to let customers buy on credit?

Do you know how to set up an efficient invoicing system?

Do you know the good and bad points about joining a credit-card plan?

A Few Extra Questions

Have you figured out whether you could make more money working for someone else?

Does your family go along with your plan to start a business of your own?

Do you know where to find out about new ideas and new products?

Do you have a work plan for yourself and your employees?

Have you discussed your plans thoroughly with a lawyer? With an accountant? With a commercial banker?

Have you read some good books or attended a seminar on starting a business?

Have you searched the Internet to learn about your market and competitors?

Now, go back and [answer the first question](#). If the answer is yes, we wish you the best of luck in getting your new business off the ground, because luck is the one intangible factor which, added to good planning and hard work, will make your business go.

This checklist was prepared with help from the U.S. Small Business Administration. Established in 1953, the SBA provides a full range of services to small business -- from loans and grants to management training and advice. To determine how the SBA can help you to start a new business, visit www.sba.gov.