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# ENTREPRENEUR'S

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# GUIDE

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# Choosing Your Route to Business Ownership



BY PAULA PETERS

Quitting your job to sell widgets over the Internet is one way to get into business. So is hanging out your shingle as a caterer, a contractor or a consultant. But in addition to starting your own business, there are other avenues to ownership as well: You also can buy an existing business, or you can purchase a regional or national franchise. Thus, before you clear out the garage to make room for your widgets or cooking supplies, take a look at your full range of options.

## Starting a New Business

If you are interested in starting a new business, understand exactly why you are doing it. What are your interests? What skills do you like to use? "Ask yourself, how do I want to spend my time?" says Chad Simmons, a small business valuation expert and the author of *The Business Valuation Blue Book*. "Am I willing to work 16 hours a day for myself instead of eight hours a day for someone else?"

Once you are serious about committing to your enterprise, consider your areas of expertise. If you know manufacturing, then stick with it. "Many new entrepreneurs make the mistake of starting a business in an industry in which they have no experience," says Brett Larson, a consultant for the Small Business Development Center (SBDC) at Johnson County Community College. "They work in manufacturing, but dream of being in retail."

The formula for success in a new business is simple: you must come up with a product or service that customers will want to buy. Marketing the product is critical. Many new business owners fall into the "Field of Dreams" trap, says Larson. "People expect, 'If I build it, they will come,' [but] just because the doors are open doesn't mean customers will know you are there." Researching the local market for your industry will tell you if your product or service will stand up to competitors.

Intensive financial planning is also required. What services or products will you sell? Where will you operate? Will you be hiring employees? What regulatory or licensing obligations will impact you? A solid business plan should include sales forecasts, operating budgets and projected cash flow for at least three years.

The key attraction for starting a new business versus buying one is the freedom to create every aspect from scratch, including operations, sales and marketing. You can grow the business at your own pace and imbue it with your personality. The financial investment is also typically less, especially for a home-based enterprise.

However, it is important to know that starting a new business is much riskier than buying an existing one. You are working with an unproven venture, and will have to work very hard to create brand recognition. Marketing is one of the biggest weaknesses for new owners, says Larson. "[Commonly] people

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**Before setting out on the yellow brick road to entrepreneurship, make sure you have your heart, your brain and your courage in place well ahead of time.**