

20 Question to Ask (With Answers) Before Your Start a Business

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1. What are the services or products your business is offering?

Your business will need either to fill a need or meet a desire. Need-based businesses deal with products like food, housing, and clothing. Or they provide basic services like plumbing, electricity, or auto repair. Want-based businesses often deal with the same goods or services but at a higher level of satisfaction and luxury.

Great businesses grow out of a general need for a service or product. This need must be substantial and consistent enough to sustain the business. And the product/service must be in demand for a long period of time. Think about what's durable, and how to make it better and more efficiently than anyone else.

2. What is your experience/expertise in this area?

Anyone—absolutely anyone—can be wealthy as a successful business owner, if you have the basic aptitude and are willing to become the master of your own habits. You don't need an advanced degree, but expertise in your industry is a pre-requisite for starting a successful business.

However, you do not need to know everything within your business better than everyone. But there needs to be an area of knowledge that you are the authority on. So seek to be an expert in something within your business. Continue to learn, whether from reading books, going to trade association conferences, or training seminars. Subscribe to industry magazines. Take whatever classes are needed to have all the respected licenses and certifications within your industry. Commit yourself to being a lifelong learner.

3. What makes you believe there is a demand for this in your area?

Before you start a business you need to make sure your business idea is qualified. First, study research reports on the current market for your type of product/service in your sales area. Then, identify your potential competitors, and find out how they are performing in your sales area. This is called "competitive intelligence." If there is no competition in your area, ask yourself if that is because there isn't the demand for the service/product. After you've done your research, establish a test group beyond your immediate family and friends to discuss whether there is a real demand for your product or service.

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4. What is your competitive advantage?

I spend more time studying my potential competition than any other item in my preparation while starting a new business—like a general preparing for war. I want to know all their pricing. I want to know how they answer the phone and how they respond to leads. I will buy their product or use their services to gauge the quality. I know of no better way to establish what my competitive advantage will be until I know my competitors' weaknesses and strengths. Do your due diligence in this area. The more you know about your competition the better prepared your company will be to capitalize on their weaknesses.

In business, typically the areas to focus on are customer service, quality, price, and speed. Your business must be superior to your competitors in at least one of these areas. Figure out what it will take to be either faster, higher quality, or less expensive than your competitor. You have to be one (or more) to have a competitive advantage. Your competitive advantage can be broad in its scope, but these qualities are musts for success.

Pricing is crucial, especially in the beginning. Sadly, some people fail to perform due diligence, and set a price that doesn't reflect their competitive advantage. When their pricing is too low, they end up with too little profit; when it's too high, they have too few customers. Either way, they lose out.

5. Are you going to resign a current employment position to start this business?

I do not believe quitting your day job is always the best route to starting a business. If you can maintain your current employment while starting this company, I think you should do it. Avoiding initial cash drain on the company is always a good idea.

Determine exactly what you need to be involved with to make this new business a success. What specific tasks and responsibilities have you determined that you will personally be in charge of? Do you need to be in the office 9 to 5 to accomplish these tasks?

Consider if you can begin part-time at your new start-up. I have started businesses where my key responsibilities were hiring, marketing, and setting the direction of the company. I was able to perform these functions before 8am and after 4pm, which allowed me to keep the very high paying job I held at the time. By keeping my day job and the guaranteed income, my stress level was much lower than if I had jumped into my new business full-time.

6. How long can you go, in months, without receiving an income?

I have a missionary's mindset about salary. Take just the bare minimum you need to survive. Prior to starting, you may find it helpful to see which loans may have a deferral program for hardship. Usually they include auto loans, student loans, and even mortgages. I have found that you can defer most loans two months.

7. *Is this business going to be your full-time job?*

In the beginning, as you're starting up your business, you have to commit to do whatever it takes in regards to time and work commitment to make the business succeed. It is essential to show your employees that you will do whatever it takes. This sets an example of the work ethic you expect from your employees. Whenever possible—and that means regularly—be the first one in and the last one out.

8. *Do you have a business plan?*

Regardless of whether you need outside financing or not, a business plan is an important step in planning your business. Your business plan is meant to establish whether or not you should go forward with this business idea. The business plan not only allows you to become crystal clear about how your company will operate profitably, it allows potential funders to decide whether your company might be worth investing in. If you do not have the time and discipline to do a business plan, you should not go into business.

An in-depth study of your competition is required in every business plan. I spend more time studying my potential competition than any other item in my preparation while starting a new business. Like a fun game of detective followed by some strategic planning exercises, as if you're going to battle.

9. *Are you going to have any partners? If so what are they bringing to the business? (ex. Capital, expertise, time)*

The hard truth is that your personal experience can only take your idea so far. If you don't have it, make sure to partner with, or hire, someone who does. If you can find a partner with the background you lack, you may be more prepared than you realize. But, you need to learn the business in your own right, and your partner, however experienced, won't have all the answers.

I believe there are 3 good reasons to partner.

- Someone can bring a skill/expertise to the business that you do not have.
- They have time that you do not have to give
- They have a resource (cash, line of credit, building, etc)

When you start your business, you may have a partner or key employee that has all the needed licenses to operate your business. For what it is worth, this leaves you in a very vulnerable position if this person should ever leave. So treat any partnership agreement like a "pre-nup." Negotiate what the buyout would be well before you start this business. I recommend if either partner decides to leave the business on his/ her own in the first three years, that partner receive nothing more than the money they put in.

10. What is your income goal after year one?

You may get rich starting your own business. And I am confident that if you have the right business idea and run your business correctly, it will happen. The problem is that new business owners tend to pay themselves too much salary initially when their start-up money is coming from someone else. Set measurable income goals for the company, and when you reach these you make the transition to working full-time for your company. This method has always motivated me since I had to grow the company to a certain level before joining its payroll. Remember, cash is your oxygen. Don't be the one who takes it all.

11. Do you have high energy?

Starting a business requires the ability to make something from nothing. This is more important than just having an idea. The ability to initiate something from nothing more than an idea into a functioning organization is what is required.

Start each day with a positive outlook, expecting the best outcome of each situation. This attitude is contagious and will permeate to your employees. This creates an exciting work atmosphere.

12. Are you competitive?

In all the business books I have read, a common theme for success is fierce determination and perseverance. You need to be like a combat warrior whose mind is always prepared for battle and committed to survival. Your preparation and knowledge will help you to capitalize and exploit your competition's weaknesses.

Just remember, rarely does something good come easy. I always thought to myself if it is tough for me, then it is tough for my competition. Maybe they will quit, but I know I will not.

13. Do problems bring out your best thinking or bring you to a standstill?

As a business owner, you must be able to solve problems, and in most cases, quickly. You must not be paralyzed by a crisis or impending decision. Just know that based on the information you have at the time, you are making the best—and therefore, the “right” decision. It is better to make the wrong decision at the right time than to make no decision at all. When you stop making decisions, you're dead.

In other words, you will make mistakes. Don't wring your hands. Make the best decision that you can. The fact is you're going to make decisions that in hindsight weren't correct. So you must be willing to live with occasional failure. Just learn from mistakes and don't repeat them.

Also, it's rare that you have to solve the problem the second you hear of it. One hour of thinking can improve your decisions. Of course some critical decisions will need to be made on the spot, but they are few. So I have put together a series of questions related to my businesses that I will run through before making a decision.

14. *Have you ever run a business before?*

When starting a business, you normally come to it having served as either an employee or a manager. Neither of these roles actually prepares you well to lead a business. Managing employees that receive their paycheck that comes from someone other than you is not the same as managing when you are signing the checks. In the past, you probably never set the broad course for a company and only managed employees in ways your superiors had laid out for you.

Leadership is the X factor in starting and building a successful company. It will influence your entire development, from top to bottom. As a business owner you have to chart the company's course. At the same time, especially in the beginning, you are at a disadvantage because you are probably not in a position to pay the highest wages. Furthermore, your talent as a leader may be average, at best.

15. *Have you ever initiated the start of any organization, business or club before?*

The entrepreneur must be a doer. Think back on a time in your life when you were a doer. In school, did you organize parties, run for class president, or take big projects? Ask yourself whether you can be that person right now. If so, you might be able to start a business. It is this initiative, the energy to take the first step, and organizational skills, that are required to get something going.

16. *Are you prepared to be the face and the point person of this company?*

People do business with people they like and trust. People skills allow employees to want to work for you and be loyal. Your associates will want to network with you if you are likeable and trustworthy. And of course the customers you meet will trust your business if they trust you. You must be prepared to do local events, industry conferences, and TV and Radio spots. And these qualities must come through to everyone you meet.

17. *Why are you starting the business?*

You need to have Why that will motivate you when times get difficult. Your Why needs to be strong enough to power you through these times. There can be countless reasons such as:

- Passion for the industry
- Enjoy building a team
- Love solving a difficult problem
- Schedule Flexibility
- Money

18. *Are you borrowing money to start this business?*

Investors need to know the details of your business plan, especially how and when they will get a return on their investments. But don't count on "angel" investors or venture capital to finance

your idea. Your local bank may be a key resource in seeking start up capital or securing a small business loan. I always prefer to borrow start-up capital and give a generous return when starting a company rather than giving stock. Stock lasts forever and I have found that making a dividend payment year after year can become expensive.

19. If this business does not succeed will you lose your child's college fund or possibly your home?

If the answer is 'yes' then in my opinion, the potential for loss is too great to move forward. I would also strongly encourage you to communicate to those whose lives failure could affect that you have "not bet the ranch" and that you have carefully thought out the risks. I have been fortunate to have an amazing wife who has supported me on my business ventures, but I have also always communicated in detail what I was investing prior to moving forward.

20. Would you lose relationships if it fails? (ex. Spouse, close friend, family member)

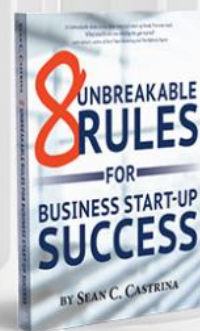
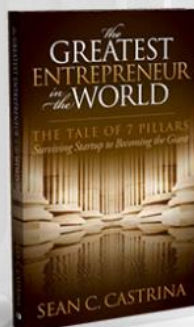
I would warn you to think long and hard before you hire a friend or family member to work in your business. There is a great potential for misunderstanding as the boundary lines and mutual expectations of your relationship start to change—as well they must.

Bonus Question

Five years from now what will your business look like?

Where will it be within the industry and among your competition? Will it you take it public (stock exchange)?

Will it serve a philanthropic desire? The point is to picture the company if everything went exactly as you wished it would. Example Venture Capital made the key investment you are hoping for so you can introduce a new innovative solution to the marketplace. There is no wrong answer but always have a picture in your mind (and written down so you can see and read it often) of what your most optimistic goals are for the venture.



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