

Business Startup

The 5 (+1) Most Frequently Asked Questions

Potential new business owners have lots of questions about starting a business that cover a variety of areas. Yet of all these inquiries, six questions commonly are asked. This publication offers answers to those questions that potential business owners usually ask.

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Many people of all ages wish they could own their own business.

More than 70 percent of college students think they will own their own business someday. Similarly, about 70 percent of adults think they will own their business one day, with younger adults most likely to see self-employment in their future (Blanchflower, Oswald and Stutzer, 2001).

All of this means that large numbers of individuals are thinking about and actively involved in the business startup process. The number of new businesses in the U.S. grows by about 8 percent each year. In 2008, 1.4 million businesses were formed (U.S. Department of Labor, 2010).

What kind of business should I start?



This is often the first question people ask. A related question potential business owners often ask is: *“What business should I start that will make a great deal of money?”*

In terms of what business to start, the business owner is the only person who can answer the question. The answer begins with an exploration of one’s skills, abilities and talents.

Yet even as this question is asked, the potential owner first must reflect on his or her level of passion and willingness to persevere should the business be started. The owner must think about his/her willingness to work long hours, perhaps seven days a week, at low or no pay and during times when no revenue is coming in the door.

Understand also that the passion displayed may vary depending on the type of business started. For example, you love music and want to open a store to sell sheet music and equipment, but you have no desire to teach people how to play even though you may have the ability.

The potential business owner also must examine the assets available. Are the needed resources available and can they be capitalized on? A corn maze project does not work in a backyard; more space usually is needed. Also, starting a business consumes resources, time and money. Is the potential business owner willing to give those up to get this business running?

After considering the type of business to start, the business owner must ask if he or she has the skills to run that business and the resources to invest. This also is the time to ask how big the actual market might be, what people are willing to pay for your service and/or product, and if the business can make money at the income level desired. Consult with local experts and other business owners. Check with potential customers and determine whether they are interested enough to pay for the product or service proposed.

The bottom line is that no one but you can provide an answer to “what business should I start?” The chance of success depends on your effort, and whether you have or can acquire the necessary skills and find a niche that you can reach, capitalize on and make a profit.

I want to go ahead with my business idea, but where do I start?



Business startup involves several early tasks. Remember to take your time and plan carefully. Do not rush through these or any other startup task. Some of the first tasks are:

- Selection and registration of the business name
- Determining business structure
- Registering your business with the North Dakota secretary of state
- Deciding where to locate the business
- Getting the necessary licenses and permits
- Developing business marketing plans
- Setting up production
- Determining a pricing schedule
- Locating startup and operating financial support
- Developing a pool of customers (or potential customers)
- Getting a recordkeeping system in place
- Finding mentors, coaches and other support

How do I get people to buy my products and services?



Typically, the aspiring business owner should understand who will buy the product and/or service. Often the owner thinks only of making a sale. Sales are crucial and cannot be ignored, but they represent only one part of the total marketing effort.

Even before the business is launched, business owners must determine what the market wants, who the buyers are, how many people are potential buyers of the product and/or service, how to approach the potential market and whether the price the market is willing to pay makes producing the product or service feasible. Overall, the business owner must sell what the customer wants to buy and make a profit in doing so.

Further information on marketing can be found at your local NDSU Extension Service office or at www.ag.ndsu.edu/ccv/. You also can find more information at www.extension.org/entrepreneurship. Other places to find information include your local Small Business Development office or the Small Business Administration (www.sba.gov).

When thinking of how to get people to buy the product or service, consider the six “p’s”:

- (1) **Product or service:** What are you producing and what benefits does it offer?
- (2) **Production:** How is it produced, at what rate, and what raw materials and time are used?
- (3) **Price:** At what price can the product or service be sold?
- (4) **Promotion:** How will potential customers know about the product or service?
- (5) **Place:** Where is the business located, and what distribution channels will be used?
- (6) **Perception or image:** How should the customer see the business and the product/service provided?

All of these issues are a part of getting people to buy. Sales do not just happen. Sales happen because of an active marketing program. Good marketing can be the key ingredient to survival of the business.

Do I have the ability to run my own business?



This question should be answered prior to starting a business and can be answered only by the business owner. An objective appraisal of skills, abilities and talents can help assess each situation and the person’s strengths and weaknesses. The traits, natural and/or learned, commonly displayed by successful entrepreneurs include:

- Is a self-starter
- Possesses passion
- Has ability to get along with others
- Makes good decisions
- Is in good physical and mental health
- Plans and organizes
- Is self-confident
- Can work alone
- Knows how to network
- Can multitask and balance work and family
- Needs to achieve

In addition to the traits, the aspiring business owner also must have resources, both time and money. Having one or more of the following qualities also is helpful for the owner:

- Sound management practices
- Industry experience and/or support
- Technical experience and/or support
- Planning ability

Few people start a business possessing all of these qualities. Do an honest assessment of your own talents, skills and experience. Look for ways to compensate in areas where the assessment shows you need some assistance. Help can include personal changes such as taking classes, reading or finding a mentor. Other options include hiring capable people, adding a partner who has the necessary skills or contracting for the needed help.

Where can I get the financing to start my business?



This is probably the most frequently asked question and is often part of another question: “Where do I do I get the free money?” The reality of the situation is that little “free money” or grants are available for business startups. And even if you can find one of the rare grants, you must be prepared to invest some of your own money in addition to the grant. Check out www.ndsbdc.org/resources/ and click on “Where’s the Free Money” link for more information.

A commitment of personal funds is often the first financing step. It is an indicator of how serious you are about the business. Risking personal money conveys your confidence to investors. Personal investment sources of capital include savings, income from a second job or a spouse’s income, home equity or equity from other property or assets, retirement accounts, personal lines of credit and personal credit cards. All of these options include certain risks, and some will require that your personal credit history be in good shape before someone will loan you money.

In addition to personal funds, family members and friends may be a source of financial help. Remember that successful loans from friends or relatives begin with a written document. The document must clearly define the amount of the loan, interest rates, payment dates, amounts, etc. All parties should agree to and sign the document.

Another financing option is to add a partner. As with any other part of your business, partnership terms should be clear and in writing. Incorporation of the business is a way to raise equity financing; however, it is not something a new business typically will attempt for its initial capital. Such a decision is complex. Legal and accounting help

should be obtained before taking such a step. Typically, the company must have a history before an investor will consider investing.

Commercial banks and other financial institutions can be another source of funds. Loans also can be obtained from commercial finance and local development companies. You even may find some microloan programs for which you can apply. However, venture capital firms and life insurance companies typically are not useful for the small business owner.

Some grant programs may be available. In North Dakota, the Agricultural Products Utilization Commission has one such program. However, this program is only for agricultural products.

Sources of financing information can include your local banker and the Small Business Administration. The local Chamber of Commerce and North Dakota Department of Commerce also have financing information. Check with the local Small Business Development Center. Your county Extension office is always a place to go for information as well.

Where can I go for more help?



A wide variety of local state and national resources are available to help answer these and other questions. Begin with your county Extension office at www.ag.ndsu.edu/extension/county-extension-offices. Check out the NDSU Extension Center for Community Vitality at www.ag.ndsu.edu/ccv/. A national eXtension website at www.extension.org/entrepreneurship also is available to help answer your business questions. Check out the frequently asked questions, or if you do not find an answer there, go to “ask an expert.” You also will find past webinars and various tools.

Other Resources

U.S. Small Business Administration
www.sba.gov
(800) 827-5722

North Dakota Small Business Development Centers
www.ndsbdc.org/

Service Corps of Retired Executives (SCORE)
www.score.org/index.html

In North Dakota

- Bismarck (701) 328-5861
- Fargo (701) 239-5677
- Grand Forks (701) 746-5851
- Minot (701) 852-6883

North Dakota Department of Commerce
www.commerce.nd.gov/
(701) 328-5300

North Dakota Division of Tourism
www.ndtourism.com/
(800) 435-5663

North Dakota Office of State Tax Commissioner
www.nd.gov/tax/
(877) 328-7088

Local Chambers of Commerce

Local libraries

Mentors

Your business and professional networks

Online Information

Be cautious in what sites you use. Some helpful sites include:

- Center for Rural Entrepreneurship
www.ruraleship.org/site/
- Kauffman Foundation
www.buildastrongeramerica.com/
- Entrepreneur magazine
www.entrepreneur.com/
- Inc magazine
www.inc.com/

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10 Frequently Asked Questions for Micro and Home-Based Business Start-Up – T-9005.
Oklahoma Cooperative Extension Service, Stillwater, Okla.

For more information on this and other topics, see: www.ag.ndsu.edu/ndsuaq

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