

**Do you have what it takes
to run your own business?**



OAKTREE
ACCOUNTING

08 9495 4700

www.oaktreeaccounting.com.au

admin@oaktreeaccounting.com.au

Do you have what it takes to run your own business?

Getting your business up and running and making a profit is usually much more difficult than it sounds. This article focuses on the skills you'll need to make it happen, either by acquiring these yourself or consulting professionals to help you out.

What it really means to be your own boss

Being your own boss might sound like it is the ultimate ticket to freedom and financial success – and it can be. But don't be fooled into thinking you'll be able to put in a few hours each morning and spend the afternoons networking over a round of golf. The reality is that most businesses require a lot of hard work – more than your standard 9–5 job and over a number of years – before they start to make a reasonable profit... and a lot of new businesses fold before they reach that point.

Here are the top things you should be aware of.

You need to be passionate about what you do: Setting up your own business is challenging. If you're not passionate about what you do, you'll find it hard to stay motivated when faced with a string of hurdles. Also, if your business is just another idea to make money, and not something you're passionate about, you'll lack that key ingredient that will make your new business stand out as more attractive than the established competition. Before you start a business, ask yourself if you're passionate about what you plan to do.

You'll need to make sacrifices, at least during the first couple of years: You'll need to put in a lot of hard work between coming up with your business idea, and getting your business established. You'll probably have to work harder than most of your mates and make a number of sacrifices. It might mean less time with your friends, less time for sport or hobbies, or even less time with your family. You'll also probably be taking home less money – and might need to sacrifice family holidays or put major household purchases on hold until your business is established. Ask yourself if you're prepared to make the sacrifices necessary to make it a success – and check that your family is prepared to make these sacrifices too.

You'll face risk and uncertainty: When you start your own business, you won't have the security of regular payments from an employer. Your business might not be in a position to pay you a wage for the first few weeks, months or years. In addition, you might need to draw on your savings, or even take out a loan, to finance your business operations. There's an element of risk and uncertainty when you start your own business so you need to be sure that your business idea is viable, and that you have enough money to support yourself and your business until you reach your break-even point and start turning a profit.

You'll need an abundant supply of patience and persistence: It's a rare start-up that has everything run according to plan without any teething problems. You're likely to encounter your fair share of setbacks and challenges, from financial issues to difficult customers and problem staff. While there's a fine line between persisting against all odds (when the business is clearly not viable) and giving up when the going gets tough, you'll need patience and persistence to make your business a success.

Getting the skills you need

Very few people who set up their own business start out with all the skills they need. The secret is to do a quick inventory of your current skills, and identify the gaps in your knowledge base. You can then either get the training you need, or employ people with the right skills for those areas you don't have a natural affinity for.

You'll need the following skills to run your business.

- **Market research skills** to understand the market you are entering and stay abreast of market developments, customer preferences, and the actions of your competitors.
- **Money management skills** to forecast when you expect your business to break even, understand your financial position at any point, and assess the financial implications of any business decision you make.
- **Marketing and sales skills** to promote your products or services effectively and reach your break-even target sales as soon as possible.
- **People skills** to help you manage and motivate your staff and deal with customers.
- **Negotiating skills** to ensure you're able to strike the best deal when dealing with suppliers or other contracts.

In the longer term, it's a good idea to do courses in all these areas, even those you're not that comfortable with. If, for example, you don't like figures, or feel you are not good with people, try to develop these skills over time. A rudimentary understanding of financial statements and what the key metrics for your business mean will help you run your business better, as will improving your people skills if that is your area of weakness.

Do you have what it takes self-test

Here's a quick self-test you can take to see if you have what it takes to start your own business.

- Do you have several years' experience in the industry you're considering entering? If not, it might be best to wait a few years until you increase your knowledge and contacts.
- Starting your own business is challenging. Do you thrive on challenges? If not, starting your own business might not be the best option for you.
- You need a wide range of skills to run a business successfully. Are you prepared to undergo training to develop the skills you need or to heed input from specialist advisers in areas that are not your specialty? If yes, starting a business could be for you.
- There's no fall-back guy when you run your own business. Do you enjoy making, and being responsible for, your own decisions? If yes, starting your own business could be for you.
- You'll need to invest a lot of time into your business start-up. Are you prepared to work long hours without the security of a steady income? If not, starting your own business might not be the best option for you.
- You might not be able to pay yourself a wage for a while. Are you prepared to lower your standard of living until your business starts to make a profit, and do you have sufficient savings or an alternative income to live off during the start-up period? If not, starting your own business might not be the best option for you at this time.
- Most small businesses fail as a result of inexperience, poor management, or lack of planning. Are you actively working on overcoming these common problems? If yes, starting your own business could be for you.
- Starting your own business has implications for your family, including less income, reduced family time, and taking on additional responsibilities. Does your family understand this and support your desire to start a business unconditionally? If yes, then starting a business could be for you.
- Regardless of how excited you might be about starting your own business, there is a chance you might not succeed. Are you prepared to take the risk of losing the money you invest in your business? If yes, then starting a business could be for you.
- It will be difficult to run your business on your own. Are you prepared to hire staff and delegate responsibilities to them or use the services of a professional? If not, this could reduce the chances of your business being successful.