

# ***Business Ownership: Myths and Risks***



As you think about starting your own business, you may wonder, “Is this really what I want?” It is reasonable to have some doubts as you embark into unknown and often risky territory. Studies by the Small Business Administration have shown that three out of five small businesses fail within the first five years. To be one of the survivors, you need to be determined, assertive and willing to control those aspects of the business you can. Dispelling some myths is an important first step. These are six often-cited myths of business ownership:

- **Myth 1: I can bootstrap it.**  
**Fact:** Under-capitalization is the Number One cause of business failure. An adequate cash reserve allows you the confidence to make sound decisions about the operation of your business.
- **Myth 2. I will be able to live off the income immediately.**  
**Fact:** Most businesses take six to twelve months or even longer before turning a profit to pay the owner. Starting expenses are always larger than starting revenues. For this reason, people often start part time until the business is running well.
- **Myth 3. I’ll be my own boss.**  
**Fact:** While you won’t have to answer to a boss, your business and your customers demand as much if not more of your time, often more than 60 hours a week. You also will have to deal with and answer to bankers, vendors and investors.
- **Myth 4. I’ll get rich overnight.**  
**Fact:** You are more likely to win the lottery than to get rich quickly in a small business. It takes time to manage growth and build wealth.
- **Myth 5. I have nothing to lose. I’ll incorporate and use other people’s money.**  
**Fact:** Few business ideas are convincing enough to attract this kind of investment. If you are not willing to invest in your idea, how can you expect an outside investor to be interested?
- **Myth 6. It takes money to make money.**  
**Fact:** Good business ideas attract money; poor ones don’t. Some businesses, such as manufacturing and printing, require a high initial investment, while others don’t. If you lack capital, then choose your type of business accordingly.

If you find yourself believing in some of these myths, you might want to closely consider the validity of your motivation to go into business for yourself.

## Lowering Your Risks

While the risks of starting a small business are high, there are smart ways to minimize them. Some thoughts to help you lower those risks:

- Experience in your industry will increase your chances for financing and success. You may also consider coursework or participation in a trade group. Experience has always been the best teacher.
- Plan ahead. Forethought and planning are essential to business success. It forces you to identify the best parts of your business as well as the possible shortcomings.
- Support of your family is a necessary detail that is often overlooked. Like it or not, you are involving them in a risky venture, and their approval and support will make the going a lot easier.
- Be prepared to be discouraged and tired, but still persevere. Fatigue, stress and doubt are feelings that can't be avoided and can make it easy to want to give up. A startup doesn't have the built-in momentum that an established business has, making you solely responsible for the energy level of the business.
- Don't rely exclusively on intuition and hunches. Substantiate them first with facts, and avoid making hasty decisions.
- Follow your strengths and interests. A business that excites you will keep you going through the tough times more easily than one you hate. If you don't like being in charge or taking risks, then don't start your own business.
- Finally, don't be too proud to quit. Most successful entrepreneurs have had one or more business failures before becoming successful. Be prepared to abandon your business idea if the facts tell you it makes sense to do so. Part of the value of planning is that it reveals the warning signals.

